

IGT | ICCS

XVII. Internationale Genossenschaftswissenschaftliche Tagung | XVII. International Conference on Cooperative Studies
WIEN/VIENNA 2012

Johann Brazda, Markus Dellinger, Dietmar Rößl (Hg.)

Genossenschaften im Fokus einer neuen Wirtschaftspolitik

Bericht der XVII. Internationalen
Genossenschaftswissenschaftlichen Tagung (IGT) 2012
in Wien

Im Auftrag der Arbeitsgemeinschaft
Genossenschaftswissenschaftlicher Institute (AGI)

Teilband IV
Länderstudien

LIT

Johann Brazda, Markus Dellinger,
Dietmar Rößl (Hg.)

Genossenschaften im Fokus
einer neuen Wirtschaftspolitik

Teilband IV

Johann Brazda, Markus Dellinger, Dietmar Rößl (Hg.)

Genossenschaften im Fokus einer neuen Wirtschaftspolitik

Bericht der XVII. Internationalen
Genossenschaftswissenschaftlichen Tagung (IGT) 2012
in Wien

Im Auftrag der Arbeitsgemeinschaft
Genossenschaftswissenschaftlicher Institute (AGI)

Teilband IV
Länderstudien

LIT

Bibliografische Information der Deutschen Nationalbibliothek

Die Deutsche Nationalbibliothek verzeichnet diese Publikation in der Deutschen Nationalbibliografie; detaillierte bibliografische Daten sind im Internet über <http://dnb.d-nb.de> abrufbar.

ISBN 978-3-643-50515-6

© **LIT VERLAG** GmbH & Co. KG

Wien 2013

Krotenthallergasse 10/8

A-1080 Wien

Tel. +43 (0) 1-409 56 61

Fax +43 (0) 1-409 56 97

E-Mail: wien@lit-verlag.at

<http://www.lit-verlag.at>

LIT VERLAG

Dr. W. Hopf Berlin 2013

Verlagskontakt:

Fresnostr. 2

D-48159 Münster

Tel. +49 (0) 2 51-62 03 20

Fax +49 (0) 2 51-23 19 72

E-Mail: lit@lit-verlag.de

<http://www.lit-verlag.de>

Auslieferung:

Deutschland: LIT Verlag Fresnostr. 2, D-48159 Münster

Tel. +49 (0) 2 51-620 32 22, Fax +49 (0) 2 51-922 60 99, E-Mail: vertrieb@lit-verlag.de

Österreich: Medienlogistik Pichler-ÖBZ, E-Mail: mlo@medien-logistik.at

Schweiz: B + M Buch- und Medienvertrieb, E-Mail: order@buch-medien.ch

E-Books sind erhältlich unter www.litwebshop.de

Teilband I

Hauptvorträge und Podiumsdiskussionen

Begrüßungsrede des Dekans der Fakultät für Wirtschaftswissenschaften der Universität Wien	
<i>Gerhard Sorger</i>	1
Begrüßungsrede des Vorsitzenden der Arbeitsgemeinschaft Genossenschaftswissenschaftlicher Institute (AGI)	
<i>Konrad Hagedorn</i>	5
Opening Address	
<i>Thomas Stelzer</i>	9
Die Welt braucht mehr Genossenschaften!	
<i>Franz Fischler</i>	13
Genossenschaften 2012: Einzelwirtschaftliches Fundament, Gesamtwirtschaftlicher Erfolg, Gesellschaftliche Werte	
<i>Theresia Theurl</i>	23
Die Genossenschaftsidee im Spiegelbild von Rechtsform, Unternehmen und Gesellschaft – Wie geht es weiter?	
<i>Volker Beuthien</i>	45
Laudatio anlässlich der Verleihung des Internationalen Wissenschaftspreises der AGI an Herrn Prof. Dr. Hans-H. Münkner	
<i>Markus Hanisch</i>	61
The European Cooperatives and Social Economy in the Crisis – Theory and Facts	
<i>Rafael Chaves Avila</i>	65
Krise des Euroraums: Analyse und Wege aus der Krise	
<i>Christian Keuschnigg / Klaus Weyerstraß</i>	83
Bankenaufsichtsrechtliche Eigenmittelqualität genossenschaftlicher Instrumente	
<i>Waldemar Jud</i>	107
Die Krise als Chance – Genossenschaften aus der Perspektive des Freiburger Management-Modells für NPO	
<i>Markus Gmür</i>	133

Das nordische Modell der Genossenschaften	
<i>Juhani Laurinkari</i>	147
Bankaufsichtsrecht, Kreditgenossenschaftsverbund und Sorgfaltspflicht der Organe	
<i>Markus Dellinger</i>	161
Situation und aktuelle Herausforderungen von landwirtschaftlichen Genossenschaften in Europa	
<i>Johann Költringer</i>	179
Die Genossenschaft – Kooperationsmodell in Wirtschaft und Gesellschaft	
<i>Stephan Götzl</i>	191
Solidarisches Eigentum an Wohnraum zum Wohle künftiger Generationen	
<i>Herbert Ludl</i>	199
Podiumsdiskussion: Mehrwert durch Verbandsprüfung?	
Moderation: <i>Markus Dellinger</i>	221
Einführung: <i>Arnulf Perkounigg</i>	221
Foundations of Human Cooperation	
<i>Ernst Fehr</i>	247
Podiumsdiskussion: Genossenschaftliche Antworten auf die Krise	
Moderation: <i>Robert Schediwy</i>	259
Schlusswort des Vorsitzenden der AGI	
<i>Konrad Hagedorn</i>	273

Teilband II

Bestandsaufnahme und Ausgangssituation

1. Genossenschaftliche Unternehmen

1.1 Genossenschaftliche Unternehmen in der Landwirtschaft

Ländliche Genossenschaften als Erzeugerorganisationen – Eine rechtsvergleichende Betrachtung

Franci Avsec 279

Potentiale und Limitationen im Export der genossen- schaftlich organisierten Molkereiunternehmen Süddeutschlands

Johannes Klaus / Reiner Doluschitz 293

Solidarität als Genossenschaftswert – genossenschaftliche Werte in liberalisierten Agrarmärkten

Anneke Hellberg-Bahr / Achim Spiller 315

Are Agricultural Cooperatives Facing Market Concentration Downstream?

Günter Schamel / Georg Telfser 329

1.2 Genossenschaftliche Unternehmen in der Kreditwirtschaft

Zinsmarge und Effizienz von Kreditgenossenschaften

Detlev Hummel / Marco Pedrotti 345

Zur Struktur- und Machtfrage bei den deutschen Genossenschaftsbanken

Urban Bacher 361

Kreditgenossenschaften in den USA und Deutschland – eine vergleichende Analyse

Richard Reichel / Benjamin Rogers 383

Auswirkungen der neuen Eigenkapitalanforderungen gemäß Basel III auf Genossenschaftsbanken

Dominik Schätzle 399

1.3 Empirische Befunde

Arbeitnehmer als Orientierungshilfe im Wettbewerb

Patrick Staub / Johannes Klaus / Richard Volz / Reiner Doluschitz421

Die genossenschaftliche Governance als Marke

Caroline Nolte431

Ökonomische Laborexperimente als Instrument der Politikanalyse

Roland Zieseniß / Tanja Ernst449

2. Genossenschaftliche Innovationen

2.1 Neugründungen

Beratungsleistungen der Genossenschaftsverbände im Gründungsprozess von Genossenschaften

Philipp Degens / Johannes Blome-Drees.....481

Genossenschaftsgründungen in Deutschland – Denkanstöße

Andreas Wieg / Michael Stappel.....503

Genossenschaften als Chance zur Sicherung der Nahversorgung. Das Beispiel der Schleckerläden.

Wolfgang Allert517

Cooperative bank's responsibility for the local community in an abrupt structural change area

Marja-Leena Ruostesaari / Eliisa Troberg.....525

Genossenschaftsneugründungen in Schweden

Michael Levin547

2.2 Wohnungsgenossenschaftliches Potenzial

Die Suche nach dem „Dritten Weg“ Wohnungs- genossenschaftliche Entwicklungslinien in Berlin

Renate Amann561

Förderberichte in Wohnungsgenossenschaften

Iris Beuerle577

Social Capital of Residents in Cooperative Housing: Empirical Evidence from Vienna	
<i>Richard Lang</i>	585

Zeitgemäße Mitgliederkommunikation bei Wohnungsgenossenschaften	
<i>Caroline Schmitter</i>	597

2.3 Corporate Social Responsibility in der Kreditwirtschaft

CSR in Kreditgenossenschaften: Wert für Mitglieder?	
<i>Isabella Hatak</i>	615

Erfolgsfaktoren bei der Implementierung von Kunden- loyalitätsprogrammen (Kundenclubs) im Rahmen von CRM-Systemen	
<i>Manfred Hanusch</i>	629

The corporate social responsibility of British credit unions	
<i>Jordi Capó Vicedo / Paul A. Jones</i>	639

Der MemberValue als Indikator des genossenschaftlichen Erfolgs	
<i>Michael Tschöpel</i>	651

2.4 Corporate Governance

Sustainable Natural Resource Use – a Priority for Cooperative Governance	
<i>Konrad Hagedorn</i>	677

Searching for a Model of Governance in Cooperative Banking	
<i>Yiorgos Alexopoulos / Ivana Catturani / Silvio Goglio</i>	707

Erfolgsbasierte Vergütungssysteme für Leitungsorgane in Genossenschaften	
<i>Josef Baumüller</i>	733

Teilband III

Zukunftsperspektiven

1. Wirtschaftlicher Handlungsbedarf und genossenschaftliche Lösungszugänge

1.1 Wirtschaftlicher Handlungsbedarf und genossenschaftliche Lösungszugänge in der Krise

Selbstbestimmung, Lebenslage und Fähigkeiten:

Beiträge von Genossenschaften zur wirtschaftlichen und sozialen Entwicklung

Ingrid Schmale / Philipp Degens 775

Begleitforschung Nachhaltige Schülergenossenschaften

Nicole Göler von Ravensburg..... 795

Co-operatives: After the Crisis and Beyond the Binaries

Isobel M. Findlay / Len Findlay..... 809

Co-operative Roles in Post-tsunami Reconstruction: Implication for the Future

Akira Kurimoto 821

Allmeinde Vorarlberg: Genossenschaft, so spannend wie noch nie!

Urs Schwarz 835

Egoismus und Altruismus in der Genossenschaftswissenschaft

Johann Brazda / Robert Schediwy..... 845

Basisbildung Wirtschaft: Theoretische Grundlagen für Genossenschaften

Sabine Goldmann 855

1.2 Wirtschaftlicher Handlungsbedarf und genossenschaftliche Lösungszugänge im Bereich Wohnen

Alter leben

Axel Viehweger / Alexandra Brylok /

Michael Uhlmann / Ulrich Zimmermann..... 863

**Genossenschaftliche Handlungsmöglichkeiten
in Zeiten des Klimawandels**

Carolin Schröder / Heike Walk 883

**1.3 Wirtschaftlicher Handlungsbedarf
und genossenschaftliche Lösungszugänge
mit Energie und Technik**

Wohnungsgenossenschaften und Energie

Ingrid Vogler / Ulrich Bimberg 895

**Genossenschaften als sozialräumliches Phänomen
energiewirtschaftlicher Neuausrichtungen**

Helene Maron / Bernhard Maron 905

**Energiegenossenschaften und die Rekommunalisierung
als Elemente Energiewirtschaftlicher Umbaumodelle**

Herbert Klemisch / Moritz Boddenberg 925

**Nachhaltiges Wohnen auf höchstem Niveau:
Vernetzte Technik und Dienstleistungen
in Wohnungsgenossenschaften**

Lynn Schelisch 945

**Wohnbau und E-Mobilität aus der Sicht eines
gemeinnützigen Unternehmens**

Christian Struber 951

**2. Neue Entwicklungen in der Rechtsform
Genossenschaft**

2.1 Grundsatzfragen

**Emission von umgekehrten Wandelschuldverschreibungen
(Contingent Convertible Bonds) durch
Kreditgenossenschaften?**

Holger Mielk / Arndt Kalkbrenner 959

**Das bilanzielle Eigenkapital von Genossenschaften
nach IFRS**

Hermann Peyerl 973

**Kontrahierungszwang oder freier Wille – Gibt es einen
genossenschaftsrechtlichen Anspruch auf Kredit?**

Rouven Kober 995

Ist die handelsrechtliche Bilanzierung von latenten Steuern für Genossenschaften relevant?	
<i>Andreas Haaker</i>	1005

2.2 Rechtsform im Wettbewerb

Chancen der Rechtsform der „Kleinen Genossenschaft“	
<i>Alexandra Seifert</i>	1013

Die Österreichische Rechtsanwaltsordnung und ihr Anwendungsspielraum für die Genossenschaft	
<i>Elisabeth Reiner</i>	1029

Verleiht die virtuelle Generalversammlung der deutschen Genossenschaft Konkurrenzfähigkeit im europäischen Wettbewerb der Rechtsformen?	
<i>Verena Klappstein</i>	1041

Teilband IV

Länderstudien

1. Europa

Tax treatment of co-operatives in Europe under the State aid rules

María Pilar Alguacil Mari.....1091

State Aid Law and Cooperatives in Europe

Emanuele Cusa1105

Microfinance – Investing in People

Helmut Berg1121

1.1 Westeuropa

Genossenschaften in der Neuen Sozialen Ökonomie

Rick Glöckner / Kornelia Ehrlich / Thilo Lang.....1127

Creative Sustainable Urban Development – The Coop Model: a Dutch Example

Rene Kooyman / Elselien Smit.....1139

Ensuring the future of SCOP's governance

Annick Lainé1151

How co-ops can contribute to the social and economic redevelopment of local areas

Jacques Poisat / Daniel Goujon / Jean-Luc Mieszczak1165

1.2 Südeuropa

1.2.1 Wirtschaftliche Aspekte

Ethos Meets Pathos in Cooperative Banking: The Social Network Foundation of Locality Insulates “Market” and “Trust” in an Era of Crisis

Theodoros A. Katerinakis.....1177

Financial reporting by housing cooperatives in crisis times: fair value measurement

C. Esther Falcón-Pérez / Juana Fuentes-Perdomo1193

Provision of Public Services through Non-Profit Cooperatives in Spain: Analyses of Taxation	
<i>Marina Aguilar Rubio</i>	1205
A research on size and performance of Fruit & Vegetables cooperatives located in Central Mediterranean Arch (CMA)	
<i>Vanessa Campos i Climent / Joan Ramon Sanchis-Palacio</i>	1223

1.2.2 Rechtliche Aspekte

The Academic Spin-offs and their Prospective Set-up as Social Economy Enterprises	
<i>Carlos Vargas Vasserot</i>	1253
Genossenschaftliche Selbsthilfe in Krisenzeiten: Ein Beispiel aus Italien – das Marcora Gesetz	
<i>Giuliana Giorgi</i>	1265
Die Wirtschafts- und Reformpolitik in Italien als Herausforderung für innovative Genossenschaften	
<i>Oscar Kiesswetter</i>	1285
National and International Aspects of the Portuguese Legal Framework for Cooperatives	
<i>João Salazar Leite</i>	1295

1.3 Osteuropa – Transformationsländer

Die Rolle und Struktur des genossenschaftlichen Bankwesens in Polen	
<i>Agnieszka Alinska</i>	1311
The determinants and the dimensions of the position of the cooperative banking in Poland	
<i>Alina Danilowska</i>	1321
Cooperatives as an instrument of the development of agriculture and rural areas in Poland	
<i>Aneta Suchoń</i>	1335
Czech housing cooperatives nowadays	
<i>Magdalena Hunčová</i>	1353
Recent Trends and Strategic Focus of the Consumer Co-operatives in The Republic of Moldova	
<i>Larisa Savga / Ghenadie Savga / Tatiana Surugiu</i>	1367

2. Afrika

Which Methodology to Support Farmer Based Organizations for Stable Collective Action and Increased Farm Incomes – An Evaluation Study from Ghana

Uwe Grewer 1383

Cooperative Action in Morocco

Said Khalil 1401

3. Asien

Cooperatives in Iran – Contemporary Report

Dariush Pakbin 1417

Good Cooperative Governance as a Tool to withstand Urban Coop Bank Crisis – A Case Study of Rajkot Nagarik Co-operative Bank, India

Vrajlal K. Sapovadia 1421

Transformation in the Operations of the Kerala Cooperative Credit Movement

Govindaraj Veerakumaran 1439

Christ of the World and Rural Cooperative of China

Wu Xiliang 1455

4. Nord- und Südamerika

Flaws in legal parameter for identifying the priority public – On Public Policy of Cooperativism Support in State of Bahia/Brazil

Igor Loureiro de Matos 1471

The Azul Lavanda Social Enterprise in Rural Mexico

Juan M. Rivera 1487

Organizational Sustainability – The Case of Handcrafts Micro-Business in Southern San Sebastian, Jalisco, México

José G. Vargas-Hernández 1511

U.S. Grocery Cooperatives as Democratic Firms – Evolution, Transformation and Contribution

Frances A. Viggiani 1527

1. Europa

Tax treatment of co-operatives in Europe under the State aid rules¹

*María Pilar Alguacil Mari*²

1. Introduction

The accusation to the special regime of taxation for cooperatives is not new, as cooperatives are conferred a beneficial status, which could be considered unfair competition for the rest of undertakings. The question, though old, acquires a new interest in view of the confluence, in recent times, of several circumstances: On the one hand, many European laws about co-operatives are more permissive today than before, allowing them to compete more openly on the market. On the other hand, there is a greater intensity in the emphasis placed by the European Commission in recent years in the control of State aid of a fiscal nature (*PISTONE*).

As a result of this, the European Commission has expressed its concern in some Decisions and actions related to some elements of the special tax regimes for cooperatives in Italy, Spain, and France. Also, the European Court of Justice delivered one ruling in the subject, the *Paint Graphos* of September 8, 2011³. So we can extract some ideas about the boundaries of tax treatment of co-operatives imposed by the State aid regime.

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

² Department of Tax Law and Law History, and Institute for Social Economy Studies (Iudescop), Valencia University, alguacil@uv.es. The present paper is the result of the research carried out within the framework of the project: PUBLIC POLICIES IN TAX REGIMES AND STATE AIDS TO SOCIAL ECONOMY ENTITIES, financed by the Spanish Ministry of Science and Innovation (Reference DER2009-14462-C02-01).

³ Joined Cases C78/08 to C80/08.

2. Cooperative tax regimes that could arguably be considered as state aid

Most European countries have specific regulations for co-operatives in which they assume in a greater or lesser degree, the cooperative principles formulated by the ICA. The most important of these principles for our purposes are: democratic principles, the principle of open or variable capital, limited pay on capital shares, and distribution of surplus based on transactions with the cooperative, and not in terms of invested capital. Furthermore, the mutual nature, which would mean for the member the double quality of the partner and user/provider, and the prevalence of the transactions with partners (*URICCHIO*). Moreover, some European countries have tax specialities for cooperatives. Many of these rules are technical in nature and are intended to accommodate, as far as possible, the taxation of business profits to the specificities of cooperatives, particularly in the field of the corporation and income tax. In this field, the way in which the different tax systems have addressed the issue of cooperative profits and transactions with members can be categorized into 4 main groups: 1) Those regimes that apply to cooperatives the common rules of income tax, and obviate its peculiarities; 2) Those who apply the exemption method in the cooperative results with partners; 3) Those who allow to deduct the return in the process of determining the tax base of the cooperative; 4) the Treatment of the profits distributed as dividends and the establishment of a tax rate lower for profits obtained with members.

On the other hand, cooperative legislation provides some mechanisms to neutralize the „side effects“ of the constraints imposed by their legal status, and that consist sometimes in a special tax treatment. The most representative of these mechanisms would relate to the allocations to non-distributable funds, or other schemes to promote the funding of the co-operative by the partners, like the deductibility of limited rate interest on capital shares (Spain) or the “social loans” (Italy). In some countries, the provisions made to non-distributable mandatory funding are fully or partially exempt from taxation⁴, because they are promoting cooperative goals, or are intended for social purposes, or constitute a financial reserve against the instability generated by the variability on capital (required by the “open doors” principle).

⁴ There are two types in this area of law: in France, Italy, Spain, Portugal, Finland and Sweden, the principle of non-distribution of reserves is legally required and is applied with enough rigor, whereas in Belgium, Germany, Netherlands and Denmark, the law regulates the distribution or not reservations, but in case of dissolution or separation of the member, the question of distribution rests on the Statutes.

The situation of the cooperatives can be considered special from the point of view of the state aid regulation by two factors; firstly, they are legally recognized as business companies, with a special tax category because of their legal form, and secondly, some of the concessions they receive could be considered as incentives or tax benefits, which are conceded because of their social objectives, sometimes founded in constitutional mandates (*ALGUACIL*, 2010).

3. Procedures of the Commission

It was therefore predictable that different proceedings would be initiated within the EU and the European Agreement on Free Trade. On 15 December 2009, the Commission issued its decision on Spanish State Aid C 22/2001, referring to the support given to Spanish agriculture to compensate for the rise in fuel prices. The issue was the permission given to agricultural co-operatives – removing a previous requirement of doing it through a corporation – to deliver patrol in the market, even to non-members, without losing their qualification as tax-protected undertakings by law 20/1990.

The Commission first ruled it in Decision adopted on 11 December 2002, finding that it did not constitute aid. The decision was appealed to the General Court, who issued its judgment on 12 December 2006. The judgment annulled Article 1 of Decision of 11 December 2002 for lack of motivation in regard to tax benefits that affect the Property Transfer Tax and Stamp Duty, Economic Activities and Real Estate taxes. As a result of this, the Commission delivered its second Decision considering that there was actually a forbidden State aid. An appeal was lodged against this decision in the European Union Court of Justice (ECJ).

Also in Italy there is one case, based on Article 17 of Regulation 659/1999 (E1/2008) resulting from the accumulation of: a) two claims referring to Cooperative and Popular Banks (in 2001 and 2005), and b) a claim against a consumption cooperative (2006) involving the nine most important members of the *CoopItalia Consortium* placed on 18 June 2008 and which is still in progress. In this case, the issues discussed were the treatment of interest paid on social lending, made by the partners in the cooperative, which were taxed at a lower rate than the general, and the exemption for transfers to reserves and non-distributable reserves. On the other hand, the Italian *Corte Suprema di Cassazione* presented a pre-hearing question (C-78/08 to C-80/08) before the ECJ in 2009, which considered that the Italian cooperative

fiscal regime in producer's and worker's cooperatives could constitute incompatible state aid. The ruling about this case will be dealt with on a later part of this paper.

In May 2004, the European Directorate General of Agriculture received a complaint from the CGI (French confederation of international wholesalers) concerning the tax regime of French agricultural cooperatives. The DG began an information procedure for non-notified aids (NN99/2005), which was later described as a procedure for existing aids⁵ (E 1/2009).

Also, in the framework of the AELC (EEEA), the Surveillance Authority, in Decision N° 719/07/COL of 19 December 2007, initiated a procedure to determine whether or not the tax regime proposed by Norway constituted state aid. The issue was the reintroduction of Norway favourable treatment in income tax for cooperative societies, involving the deductibility of the portion of profits from transactions with shareholders, intended for social capital, up to a ceiling of 15% of annual net profits. On 30 July 2009 (Case No: 63768, Event No: 517528 Dec. No: 341/09/COL) the Surveillance Authority not surprisingly decided that this measure constituted state aid incompatible with the Agreement.

We will therefore carry out a critical analysis of the pronouncements of the Commission and the Tribunals on this question which will allow us to determine whether or not and to what extent there exist conditioning factors in the State Aid regime for the special tax treatment of cooperatives.

3.1 Framework of reference: tax on corporations

According to the doctrine of the ECJ, the existence of an advantage or benefit, even though not explicitly defined in Art. 107.1 in the Treaty on the Functioning of the EU (TFEU), is a necessary element for a measure to be described as state aid⁶. As regards its content, the same legal doctrine is adopted by the Commission (Notice of 1998, referring to the relative application of the rules on state aid to measures related to direct taxation of business companies, Point 9), which considers that a measure entails an advantage when it reduces the tax burden that would normally be applied to a business company. The same formula assumes that the advantage implies an exception to "normal treatment" and therefore requires a frame of reference⁷. Therefore, depend-

⁵ Since the Commission had duly pronounced on non-notified aid NN3/89 on the tax regime of dairy cooperatives.

⁶ *Tiercé-Ladbroke* sentence, 9 December 1996, C-353/95, Section 26.

⁷ In that sense it delivers the AG Cosmas in *Ladbroke*, C-353/93, noting that this part of Article 87 TEC has a quality elliptical: cannot be considered an advantage if the

ing on where you place the point of comparison, the results can vary greatly, which is clearly shown in the pronouncements concerning the taxation of cooperatives.

The decision of the Surveillance Authority declares that the reference framework to be considered is not, as the Norwegian authorities maintain, indirect taxes on capital, but the Corporation Tax. So, since the objective of this tax is to impose a levy on company profits, the measures under consideration would entail an exception and a benefit since they compose a reduction of the taxable base (advantage).

In the Italian case, in the preliminary evaluation contained in the Communication of the beginning of Procedure EI/2008 of 18 June 2008, the Commission considered that “since the measures considered constitute a derogation from the Italian Company Tax (to which both profit-making enterprises and cooperatives are liable), it should be understood that the frame of reference is the Italian Company Tax” (p. 55). In the Decision of 15 December 2009 on the Spanish measures, the Commission (points 166-167) considered that all the rules specifically directed at cooperatives constitute a reduction of the general regime of the Corporation tax. Such a benchmark had already been pointed out as too broad by some authors (*KURCZ, B. VALLINDAS*).

Moreover, it should be noted that in relation to Corporation Tax this means that the final frame of reference in which all types of company should be reflected is the capital-based company (joint-stock or limited) for which the “general tax regime” has been conceived and designed. This is in fact opposed to the principle of neutrality among different types of business firms⁸.

The Commission decided that there would be no advantage in the case of a different treatment of earnings obtained from operations with members in respect the ones derived from operations with third parties, and made this clear in the treatment of bonuses in the Italian regime, and also, in the application of a special tax rate in the case of the “protected” Spanish cooperatives. Under the Italian tax system (art. 12 of the DPR 601/1973) cooperatives can deduct as an expense the cost of the bonus (or not include as income the discount or bonus) to their members. The Commission (pp. 109-112) accepted the arguments of the Italian government and considered that in fact it is correct to consider the bonus as a cost to the cooperative and that it is possible to accept

first is a reference with which to compare. The concept of exception of the measure for „general system“ was outlined by the AG Darmon in his Opinion on 17 March 1992, paragraph 50, regarding the matters *Sloman Neptun* (Joined Cases C-72/91 and C-73 / 91, Judgment of 17 March 1993 REc. P. I-887). Sentence of the European Court of Justice (ECJ) *Kimberley Clark Sopalin*, 26 September 1996, as. C-241/94, France/Commission, rec. P. I-4551.

⁸ Opinion of the Economic and Social Committee on „Different types of enterprise,“ October 1, 2009, INT /447 CESE 1454/2009.

that the deduction responds to the logic of combining company tax with personal income tax, since the member has to pay tax on the bonus.

We could not agree more with this argument. Moreover, it implies that a tax levy lower than the general rate, as happens in Spain, on non-distributed bonuses (which are earnings from operations with members above the market value) cannot be described as an incentive. The Commission also appears to hold the same view in its Decision of 15 December 2009, p. 138. It must be pointed out the contradiction of this doctrine with the one issued by the Authority in relation to the Norwegian measure, described above, because the deduction in the tax base was meant for the capitalization of profits derived from transactions with shareholders, and only for cooperatives that operate predominantly with partners.

3.2 Corporation tax or Integrated taxation with the members

The criteria of comparison with the other companies subjected to the Corporation tax could be the amount of tax paid by the Co-operative or the Corporation, or the results of the integration between the society and the member; that is, the accumulated taxation of both on benefits obtained by societies. The Commission pronounced on this aspect in its first Decision on the Spanish measure on 11 December 2002, based on the fact that the framework reference is the joint member/society tax payment. From this perspective, and given the tax reliefs provided for owners of shares, there was not even an advantage or a better treatment of co-operatives. However, in its decision of 15 December 2009, the Commission returns to the question and makes a radical change in its position by modifying the framework reference from joint cooperative/member contributions to those of the cooperative only (p. 148).

As we said before, these allocations are usually wholly or partially exempted of taxes, at least if the reserve is not to be distributed between the co-operative members. The justification of this treatment is, precisely, based on the thesis of the consideration of joint payment of taxes by the society and its members, since the fact that the reserve is non-distributable prevents the members from obtaining profits.

In the Italian case about the tax regime for cooperatives in the retail banking and retail distribution sector (E1/2008), the Commission has pronounced and, unlike its doctrine on the treatment of the bonus, on this point (p. 77 et seq.) considers that the framework reference is the Corporation Tax to be paid by the co-operative (not the joint society/member tax payments). It therefore denies that joint society/member payments could justify the deduction of the allocations to these reserves. Also in the Spanish case, the Commission considers that these

reserves are no different from the legal reserves required of capital-based companies (p. 170 of the Decision 2009).

In our opinion the conceptual error and inconsistency of the Commission's argument should be made clear. In Spanish Corporation Tax, as in most European countries, the logic of the corporate tax system includes the acceptance of the doctrine of integration of corporation and income tax, being the first an advanced pay in account of the latter. It can thus be concluded that the Commission, in order to determine the existence of an exception, did not use the criterion of the *objective* of the exception, as required by legal doctrine since the *Adria-Wien Pipeline* sentence⁹.

3.3 Compensation of legal burdens

What happens when the fiscal measure is not given „free“, but offsets the obligations that the State itself imposes on certain companies? The question was settled on services of general economic interest (hereafter SGEI¹⁰), but it is raised since then more generally¹¹, and it is rejected by some authors, as *PANAYI*.

The question arose specifically in the case of the Norwegian measures, where the Norwegian Government denied that the measure constituted an advantage, since it sought to offset the initial disadvantage of the cooperative, derived from their legal status, and this legal system was a „public service obligation“ totally external to the cooperatives themselves, according to *A.G. Fennelly* in Case C-251/97. In addition, the measure met the conditions stated in the judgment *Altmark*.

The position of the Authority, however, was diametrically opposed, denying that the measure could be assumed „in payment“ of the intangible benefits that cooperatives accomplish for the State, as they were fiscal measures. The Commission also denied the application of the doctrine *Altmark* because the disadvantages of its legal status could not be regarded as services of general economic interest. The Authority therefore followed at this point the doctrine expressed by *WINTER*. There is no denying the logic behind this position, as expressed *NICOLAIDES*. However, from the doctrine of the Court in its judgment of 5 October 1999¹², it follows that if the costs related to these intangible benefits could be measured clearly, they may eliminate the qualification of State aid measure.

⁹ Sentence of 8 November 2001, C-143/99, Par. 41.

¹⁰ *Ferring*, de 22 de noviembre de 2001, Asunto C-53/00. Vid.; *Altmark Trans GMBH*, 24 July 2003, case C-280/00; *BUPA*, 12 de febrero de 2008, case T-289/03.

¹¹ *Steinike*, C-78/76, 1977.

¹² French Aid Subject to the reorganization of time, as above, C-251/97, par. 46 and 47.

3.4 “Purely mutual” Cooperatives

To determine whether an exception has been made, the doctrine of the Court and the Commission states that its existence is determined by the effects of the measure and not by its motives or objectives. On the other hand, the objective of the measure should be the criterion used. However, according to the ECJ¹³, a global consideration of the burdens and advantages of each regime is necessary to determine whether an advantage exists (*QUIGLEY*). This is the basis for arguing that cooperatives need special treatment due to their special characteristics.

The question of the mutual nature of the cooperative being a distinguishing or justifying element for a special regime was first used in the Italian case. However, the Commission defines, for the purpose of assessing comparability, the “purely mutual cooperative model”, which it considers to be characterized by some features, one of which would be the operative only with members (points 64-68). So the Commission considers that, since the Italian tax regime is applied to prevalently mutual cooperatives, which only need to operate with members in 50% of their turnover, they must be considered on equal terms with other types of business and therefore the deduction of profits could be considered state aid. The Commission also refers to the same characteristics in the Decision of 15 December 2009, concerning the Spanish measures, to determine purely mutual cooperatives.

The Surveillance Authority makes a pronouncement in the Decision on the Norwegian case with respect to the concept of “purely mutual cooperatives”, to which it attributes similar characteristics. But it should be noticed that the principle of exclusiveness is not a cooperative principle generally assumed by the International Cooperative Alliance (ICA), the Commission Communication on promotion of cooperatives, or in the Statute of the European Cooperative Society, for the simple reason that it is not generally established in the regulations of the different European countries.

The different treatment can be justified by the special characteristics of the subject; a criterion established by the ECJ¹⁴ and adopted by the Commission in the Notice of 1998¹⁵. The difficulty lies in determining what inherent bases or criteria of the system are to be considered by

¹³ See sentences 2 July 1974, Italy/Commission, 173/73, Rec. p. 709, Section 33; 17 March 1993, *Sloman Neptun*, accumulated cases C72/91 and C73/91, Rec. p. I887, Section 21; 20 September 2001, *Banks*, C390/98, Rec. p. I6117, Section 3, and 26 September 2002, Spain/Commission, C351/98, Rec. p. I8031, Section 43).

¹⁴ *Adria-Wien Pipeline* Sentence of 8 November 2001 C-143799, Point 42.

¹⁵ This possibility was introduced in the *Italian Textile* case, of 27 July 1974, more as an *obiter dicta* than a *ratio decidendi* (s. 15).

the Tribunal and the Commission to justify different treatment. Both the Commission and the Tribunals have maintained that there is a distinction between *intrinsic* and *extrinsic* objectives of the taxation system (ROSSI MACCANICO, 2009). In Italy, the difficulties of financing cooperatives were not considered sufficient to exclude *social loans* from being classified as aid¹⁶ by the Commission, who expressed that these loans were not made by the members as such, but in the form of investments, since they did not constitute typical cooperative activities. The terms of comparison would therefore be other forms of investment (p. 156-160).

3.5 Compatibility for prevalently mutual cooperatives?

We have already said that the Commission considers that the treatment of Italian allocations to non-distributable reserves constitutes state aid. But the Commission also deals with the question of the compatibility of the aid, whereas it pronounced itself to be in favour. It considers that the non-distributable reserves tax treatment can be considered compatible (pp. 135-138) since, bearing in mind the requirements of the principle of mutuality; it believes that a distinction should be made between *prevalently mutual cooperatives* and those that are not such (pp. 123-125). The reason for this is that the promotion of mutuality through the cooperative model can be seen as an objective of European common interest, as recognized by the Communication on the promotion of cooperatives in Europe of 23 February 2004 (COM (2004) 18 to the end).

4. The Court of Justice

The ruling of European Court of 8 September 2011, as much as the Opinion of the Advocate General (AG) on the pre-hearing question brought before the ECJ by the Italian *Corte did Cassation*, concerning the fiscal regime of Italian cooperatives, contains positions very different to those adopted by the Commission.

¹⁶ As laid down in Art. 13 DPR 601/1973, the fiscal regime is dealt with in Art. 20 of the DPR 95/1974.

The measures questioned were the following¹⁷:

- Exemption from the income derived by agricultural or small-scale fishery cooperatives. In the case of agricultural, at least a quarter of this income must be derived from their member's land, and if it exceeds this limit, the exemption solely shall apply to that part on the co-operative income deriving from the member's land (art. 10).
- Exemption from the income of producer's and worker's cooperatives, if the total amount of remuneration actually paid to the members who work for the cooperative, is not less than 60 percent of the total amount of all the other costs (art. 11). Reduction of a quarter of the tax on the income of the other cooperatives, and deduction of the reimbursement made by consumer cooperatives on a part of the price of the goods purchased by members (art. 12).
- Exemption from the interest paid by loans made by members to the cooperative, on the conditions of the use of enabling the social objective at the cooperative, and not surpass some limits on the rate of interest and the amount of the loans (art. 13).
- Also, it is provided an exemption from the sums appropriated to non-distributable reserves (art. 12 law n° 904, 16 December 1977, complementing the provisions of the DPR 601 /1973).

In order to enjoy these benefits, the cooperatives have to be governed by the principles of mutuality laid down by the laws (art. 14) and, in particular, they have to meet the requirements of art. 26 of the Legislative Decree No 1577/1947 which would be the following: limited interest as return on capital, no distribution of non-distributable reserves for the life of the cooperative, and destination of the remainder of the goods of cooperative at the time of its dissolution to social goals.

The Court deals mainly with the issue of the selectiveness. In relation to the "derogation test", the benchmark taken into account by the Court is that of the Corporation tax, which is regarded as the legal regime of reference. In this field, the Court considers that (50) there is an exception or advantage on the tax treatment of cooperatives, according to the Court. This approach had been rejected by the Advocate General¹⁸, who considered that there could be understood only from a purely formal point of view that there was an exception to the general treatment.

¹⁷ Decree No 601 of the President of the Republic of 29 September 1973 concerning rules on tax benefits (Ordinary Supplement to GURI No 268 of 16 October 1973, p. 3), in the version in force at the time of the facts in the main proceedings, that is to say, from 1984 to 1993 ('DPR No 601/1973').

¹⁸ Opinion of Advocate General Jääskinen, delivered on 8 July 2010, paragraphs 77-78.

But, regarding the comparability test, and according to the Court, actually do exist in the cooperative features that would differ from other types of business and which would justify a different tax treatment. The co-operatives “...conform to particular operating principles which clearly distinguish them from other economic operators (55)”. In the Tribunal Opinion, these principles had been highlighted by the European legislature, that is, the Regulation n° 1435/2003 on the Statute of the European Cooperative Society, and the Communication of the Commission on the promotion of cooperatives in Europe¹⁹.

These principles would be: primacy of the individual, non-distribution of net assets and reserves, democratic principle, mutuality, and sharing of the profits in accordance with the activities carried out with the co-operative. Also, they have specific difficulties in getting financed because of these specific features.

The Court considers that, because of all these factors, “the profit margin of this particular kind of company is considerably lower than that of capital companies, which are better able to adapt to market requirements”, just on the contrary of the Opinion delivered in the Commission Decision on the Spanish case of 14 December 2009. So, the producer’s and worker’s cooperatives described in art. 10 of DPR 601/1973 “(61) ... cannot, in principle, be regarded as being in a comparable factual and legal situation to that of commercial companies”.

5. Conclusive remarks

Yet, what would be these „inherent elements“ that confer cooperatives a „mutualistic nature“,... according to the Court’s ruling?

In principle, it seems clear that they should have the characteristics set out in paragraphs 56 to 59 of the Judgment described above, and which are drawn from the Commission Communication on the promotion of cooperatives in Europe and the Regulation on the Statute for European Cooperative Society. Interestingly, the Court has not referred to the principles of the International Cooperative Alliance, despite underlying most European countries legislations on cooperatives, which have been endorsed by the United Nations or the International Labour Organization. Furthermore, these principles are used as high benchmark in the Communication from the Commission itself²⁰. Beyond that, a lot of questions could arise about the mutuality of cooperatives.

¹⁹ Brussels, 23.02.2004, COM(2004)18

²⁰ Statement on the Co-operative Identity, Manchester, 1995.

Indeed, a lot of countries have made the legislation on this kind of society more flexible, following the suggestions of the same Commission, in order to make them more competitive²¹.

Especially in those countries where the tradition of legislation on cooperatives has developed a system based on a more rigid understanding of cooperative principles, and in which the compulsory rules of law predominate, more problems have emerged. A lack of competitiveness of cooperatives, which has led to more permissive legislative reforms in relation to the most problematic factors for their ability to attract financial resources, has come up. Aspects of cooperative arrangements that assume greater flexibility, where different systems have been establishing more lenient measures would be:

- Regarding the democratic principle, sometimes it is provided the use of plural voting, either in proportion to the capital to investors uncooperative or in relation to activities, either for legal or cooperative partners. The European cooperative Society Statute also institutes the possibility of a balanced – not strictly democratic – vote between the members (art. 1 and recital 9).
- In relation to the mutual principle, establishing the possibility of not cooperating partners but investors, entitled to priority and guaranteed remuneration. Also this possibility exists on the regulation of the European Cooperative Society (art. 59.3), and is contemplated in the ICA principles, while it is expected in both cases that the control will remain always in the cooperating member's hands.
- Regarding the “no profit” goals, the amount of mandatory allocations of funds, are reduced, and sometimes it is allowed their distribution to partners, at least at the dissolution of the cooperative.
- They have also usually raised the limits of remuneration of capital.
- On the principle of mutuality, raising the limits for transactions with third parties. The European Cooperative Society Statute does not contemplate the issue, but the Communication seems to accept the operations with third parties as normal business in cooperatives, as much as the Court in the sentence (par. 72). The question to be posed here would be: there must be a limit to operations with non-members. And if so, which one should be this limit.

Indeed, the reaction of the tax systems has usually been to maintain the special tax regime, although sometimes set specific limits for the enjoyment of it when the cooperative makes use of some of these instruments. And this seems to be the perspective adopted also by the Commission in the Communication on the promotion of the cooperatives. It

²¹ So in the COMMUNICATION FROM THE COMMISSION On the promotion of co-operative societies in Europe, COM(2004)18, par. 3.2.4

seems therefore, that in relation to the characteristics inherent in the cooperative phenomenon, they should be understood in the context of currently existing flexibility, within limits. Specifically, in relation to transactions with third parties, it seems reasonable to consider that it is sufficient that most transactions are conducted with partners, without requiring that the cooperatives only operate with them.

Another question that can be raised is the treatment of the profits obtained by these transactions with no members. Some countries have been traditionally understood that these profits shouldn't arrive to the members, and therefore they were compulsory allocated to the non-distributable reserves. However, this is a requirement not specifically established in the ICA principles, and not contemplated in the SCE Statute or the Commission Communication on promotion of cooperatives.

But we can certainly find some statements related to the treatment of these benefits derived from transactions with non-members. Firstly, in the Notice on direct business taxation, the Commission refers to the question on two occasions: Wouldn't it be a State aid when cooperative societies which distribute all their profits to their members are not taxed themselves as cooperatives, provided that tax is levied on the individual members.

Secondly, the Commission, on its written observations to the case, takes the view that it is not justifiable to treat the profits obtained with third parties in any special way, while it would be absolutely to do so with the remuneration obtained by transactions with members. That does not imply, however, that a tax regime for cooperatives should distinguish necessarily between profits from members and profits from third parties, or that an accounting separation would be compulsory in order not to incur in State aid.

Bibliography

- ALGUACIL MARÍ (2003) "Tratamiento Fiscal de las cooperativas a la luz del régimen europeo de Ayudas de Estado", *CIRIEC, Revista Jurídica de Economía Social y Cooperativa*, n°14.
- ALGUACIL MARI (2010) "Condicionantes del régimen de ayudas de Estado en la fiscalidad de cooperativas", *CIRIEC* n° 69.
- HOSSON, F. "Tax facilities for State-induced costs under the EC State aid rules", *Intertax*, 35, 12, pág. 721.
- KURCZ, B. VALLINDAS, D. „General Measures Can be ... selective? Some thoughts on the interpretation of a State aid definition „, *CMLR* 45, pp. 159-182, 2008, p. 179

- LAROMA JEZZI, "Principi tributari nazionali e controllo supranazionale sugli aiuti fiscali", *Rivista italiana Diritto pubblico comunitario*, 2004.
- LUJA, R., (Re)shaping Fiscal State Aid: Selected Recent Cases and Their Impact, *Intertax*, Volume 40, Issue 2, p. 120-131.
- MÜNKNER, H. "Taxation of co-operatives and in some EU Member States", 2008, European Research Institute. Trento
- NICOLAIDES, P. "The New Frontier in State aid control. An economic assessment of Measures that compensate enterprises", *Intereconomics*, Julio-agosto 2002.
- NEUMARK, Report of the Fiscal and Financial Committee of the EEC, Economic Documentation No. 35, Madrid, 1965
- PANAYI, C. "State aid and Tax: the third way?" *Intertax*, volume 32, issue 6/7, P. 302.
- PISTONE, P. "The Growing Importance of the Prohibition of State Aids in Tax Matters", *Intertax*, Volume 40, Number 2/February 2012, pp.84-84.
- QUIGLEY, C. "Direct Taxation and State Aid: Recent Developments Concerning the Notion of Selectivity", *Intertax*, Volume 40, Number 2/February 2012, pp.112-119.
- RODRIGUEZ CURIEL, W. "Inexistencia de ayuda de estado en la mera compensación por obligaciones de servicio público (Sentencia "Ferring") de 22.11.2001), GJ, 216, Noviembre/Diciembre 2001.
- ROSSI MACCANICO (2007a) "Fiscal State aid goes global", *EC Tax Review*, 2007-3.
- ROSSI-MECCANICO (2007b) "The specificity criterion in fiscal aid review: proposal for State aid control of direct business tax measures", *EC Tax Review*, 2007, vol. 16-2.
- ROSSI MACCANICO, P. (2009), The Gibraltar judgment and the point on selectivity in Fiscal aids", *EC Tax Review*, 2009-2, pp. 73-74.
- URICCHIO, A. "Il principio di "mutualità" nella cooperazione tra disciplina civilistica e fiscale", *DPT*, 1986, I, 1141 y ss.
- WINTER, J. "Re(de)fining the notion of State aid in article 87(1) of the EC Treaty", *CMLR* 2004, 41, 2, págs. 475-504.

State Aid Law and Cooperatives in Europe

Emanuele Cusa

1. The undertaking's legal forms and the EU law

The law of the European Union (hereinafter *EU law*), right from its beginning, recognizes the presence in the internal market of different undertaking's legal forms, as Article 54 of the Treaty on the Functioning of the European Union (hereinafter *TFEU*, but with the same wording of the repealed Article 58 of the Treaty establishing the European Community, in force from 1 January 1958) demonstrates clearly.

Nevertheless, only in the last decade the EU institutions have put into force law specifically thought for autonomous¹ entrepreneurial forms that are alternative to the traditional for-profit companies. In exact terms, *de iure condito*, only a cooperative model has been laid down by the Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (hereinafter *SCE Regulation* and *SCE*) and the related Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees; *de iure condendo*,

¹ The European Economic Interest Grouping (hereinafter *EEIG*) – laid down by the Council Regulation (EEC) No 2137/85 of 25 July 1985 (hereinafter *EEIG Regulation*) – is an autonomous legal subject (but without legal personality) that cannot carry on an economic activity autonomously from those of its members; as a matter of fact the purpose of a EEIG « shall be related to the economic activities of its members and must not be more than ancillary to those activities » (Article 3, paragraph 1, EEIG Regulation). As regards EU entrepreneurial forms I remember also the European grouping of territorial cooperation (hereinafter *EGTC*), whose law is the Regulation (EC) No 1082/2006 of 5.7.2006. The EGTC has legal personality, its members can be only entities governed by public law and can exercise economic activities in pursuing its specific objective determined in Article 1, paragraph 2 of the last said regulation (« to facilitate and promote cross-border, transnational and/or interregional cooperation ... between its members with the exclusive aim of strengthening economic and social cohesion »).

they could be added the European Foundation², the European Mutual Society (whose draft statute was proposed in 1992 but withdrawn in 2006³), the European Association (whose draft statute was proposed in 1992 too) and the European Social Enterprise⁴, whose forms would imply (in the case of the European Mutual Society and of the European Social Enterprise) or permit (in the case of the European Foundation and of the European Association) the exercise of activities qualifiable as enterprises according to EU law.

It is most likely that the main attention of the European Union to the for-profit companies depends not only on the fact that for the most part they correspond to the organizational form of the transnational enterprises in Europe, but also on the fact that national legislators agree on their legal basic characteristics and these characteristics are certainly much more studied by the company lawyers than those of other entrepreneurial models⁵.

² On 8 February 2012 the Proposal for a Council Regulation on the Statute for a European Foundation (FE) has been presented; Article 11 of this proposal lays down that « the FE shall have the capacity and be free to engage in trading or other economic activities provided that any profit is exclusively used in pursuance of its public benefit purpose(s) » and that « Economic activities unrelated to the public benefit purpose of the FE are allowed up to 10% of the annual net turnover of the FE provided that the results from unrelated activities are presented separately in the account ».

³ In the *Report of the Reflection Group On the Future of EU Company Law*, Brussels, 5 April 2011, p. 31 it is written that « the discussions on the creation of a European Mutual Company have so far not been successful. However, there appears to be considerable support from national mutual companies on the appropriateness of a European status which would allow them to extend their activities across Europe and potentially to merge. Mutual companies are increasingly acting as insurance companies but this legal form is not recognized in all Member States. A European Mutual Company could offer this choice to countries where this legal form is absent ».

⁴ The last two forms above remembered have been mentioned by the European Commission in its communication named Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation [SEC(2011) 1278 final], p. 12, where it is written that « the Commission also suggests giving further consideration to ... the need for a possible European statute for other forms of social enterprise such as non profit-making associations and/or a possible common European statute for social enterprises ».

⁵ As a proof of what I wrote above, see both the following examples: the *European Model Company Act (EMCA)* project (<http://law.au.dk/emca/>), started in 2007 and based at the Aarhus Universitet, through which a group of legal experts are working on a model company law to serve as a tool box for national regulators and as a benchmark for national laws; the thoughts of some professors (corresponding to R.R. KRAAKMAN, P. DAVIES, H. HANSMANN, G. HERTIG, K.J. HOPT, H. KANDA, E.B. ROCK, *The Anatomy of Corporate Law. A comparative and functional approach*, Oxford,

In addition it should be pointed out that the EU law on models different from the for-profit companies (at the moment, as said, only the law on SCE) is incomplete and technically poor: incomplete, perhaps because there is not an adequate harmonization among the national laws (even on the ground that the great majority of the European directives on company law applies almost exclusively to the for-profit companies), so that the EU legislator is forced to lay down many references to the law of the Member State where the entrepreneur has his own seat (for the SCE see Article 8 SCE Regulation⁶); technically poor, perhaps because this law is a result of many compromises and because the legislator can use legal reflections (from practitioners and theorists) often undermined from an approach that is still too ideological and not much technical legal.

Lastly, the SCE Regulation (in a near future to be simplified⁷) and the praxis of the European Commission demonstrate that the European Union, in dealing with economic entities different from for-profit entrepreneurs, acts not always with a clear and systematic approach⁸.

A crucial point to be scrutinized is which freedom has each EC Member State in promoting specific legal entrepreneurial forms without infringing EU law and, in particular, Article 107 TFEU, the pivotal rule in EU State aid law.

2004), which, in defining company law worldwide, include in such a legal area only the law of for-profit companies.

⁶ Nevertheless, the law on SCE has determined a voluntary harmonization among the national laws governing cooperatives in the EU Member States, for instance pressing them to introduce in their legal system the figure of the non-user member (named in different way by EU Member States) non only of a SCE with seat in their territory but also of a cooperative governed by their sole national law. On this phenomenon, even on the comparative lawyer perspective, cf. E. CUSA, *Il socio finanziatore nelle cooperative*, Milano, 2006, *passim*, and, as most significant impact of the SCE Regulation on the national law, I mention the important reform, happened in 2006, of the German law on cooperatives (i.e. *Gesetz betreffend die Erwerbs- und Wirtschaftsgenossenschaften vom 1. Mai 1889*, hereinafter *GenG*), that introduced the new *investierende Mitglieder* (cf. Article 8, *Abs. 2*, *GenG*, on which M. WACHTER, *Die Investierende Mitgliedschaft bei der eingetragenen Genossenschaft*, Jena, 2011).

⁷ Report of the European Commission to the European Institutions *on the application of the SCE Regulation*, dated 23 February 2012 [COM(2012) 72 final].

⁸ As example of a certain conceptual confusion is the European Commission's *Notice on the application of the State aid rules to measures relating to direct business taxation* (98/C 384/03), whose paragraph 25 clarifies: « obviously, profit tax cannot be levied if no profit is earned. It may thus be justified by the nature of the tax system that non-profit-making undertakings, such as foundations or associations, are specifically exempt from the taxes on profits if they cannot actually earn any profits ».

2. The non-profit enterprise

In my opinion the most meaningful judgement of the Court of Justice (hereinafter CJ)⁹ for understanding the legal connection between not-profit enterprises and EU State aid law is that of 10 January 2006 (Case C-222/04 *Cassa di Risparmio di Firenze and Others*)¹⁰.

As a matter of fact, in the said judgment the CJ verified if a certain tax treatment applicable to special non-profit foundations (created by the conversion and the division of each Italian bank of a certain category into two new entities: a for-profit company and a non-profit foundation) could qualified as State aid. Preliminarily the CJ qualified such foundations as undertakings within the meaning of Article 107, par. 1, TFEU, since, on the one hand, at least some of their activities can be qualified as economic activities (not being of « exclusively social nature », using the wording of the CJ) and, on the other hand, the national measure under scrutiny was accorded « on account of the undertaking's legal form » and resulted « from the national legislature's objective of financially favouring organizations regarded as socially deserving ». Therefore, the CJ ruled that the above mentioned special tax treatment had to be considered a selective advantage (« without being justified by the nature or scheme of the tax system of which it forms part » or not being « based on the measure's logic or the technique of taxation ») and so had to be categorised as State aid according to Article 107, par. 1, TFEU.

Hence, from this judgment is it possible to infer the following rule: imposing a non-profit purpose or a socially deserving purpose is not a sufficient legal requirement to distinguish enough one enterprise from another (or to make the enterprises with such purposes incomparable to enterprises without such purposes); consequently, the measure applicable to enterprises with such purposes only is qualifiable as selective and then integrates one of the prerequisites to be considered State aid (« by favouring certain undertakings or the production of certain goods » according to Article 107, par. 1, TFEU).

⁹ The Court of Justice of the European Union (hereinafter *CJEU*), which has its seat in Luxembourg, consists of three courts: the above mentioned CJ, the General Court (hereinafter *GC*, created in 1988) and the Civil Service Tribunal (created in 2004).

¹⁰ In ECR, p. 2006, I-325.

3. The state-owned enterprise

In the CJEU case law there is a case (GC 11 June 2009, Case T-222/04, *Repubblica Italiana*¹¹), in which it has been qualified as State aid some tax exemptions applicable only to joint stock companies and limited liability companies respecting the following requirements: a majority public shareholding and a object limited to the management of one or more local public services.

Then, if the legislators (national or local) forces an enterprise to be controlled by public entities, this enterprise will be in a comparable situation to other enterprise with different control and, therefore, a measure applicable only to the enterprise of the first type should be selective, because it favours « certain undertakings or the production of certain goods » (Article 107, par. 1, TFUE).

4. The mutual enterprise and the European Institutions

4.1 The European Commission

The CJEU case law has already clarified that cooperatives, being enterprises according to EU law, must respect the EU competition law; more precisely, in 1992 the Court declared that a cooperative, despite « its particular legal form ... does not in itself constitute conduct which restricts competition », « may have an effect on competition in two ways if not more. First, a cooperative society ... is liable – by reason of the very principles which govern it – to affect the free play of competition as regards the activity constituting its objects as a society Secondly, the obligations imposed on the members of the cooperative ... are liable to influence both the economic activity of the cooperative and the free play of competition between its members and vis-à-vis third parties » (TG, 2 July 1992, T-61/89, *Dansk Pelsdyravlerforening*, paragraphs 51 and 52¹²).

In the same judgement the Court remembered that EU law, in its autonomy, may exclude cooperatives from the scope of application of some rules of EU competition law, as it is the case, for example, in agricultural sector.

¹¹ In ECR 2009, p. II-1877.

¹² In ECR 1992, p. II-1935.

Nevertheless, such an idea does not seem the actual position of the European Commission, that, in own communication *On the promotion of co-operative societies in Europe* of the 23 April 2004 [COM(2004) 18, hereinafter *2004 Communication*], despite from its consultation process « some confusion and concern regarding the application of competition rules to co-operatives » emerged, clarifies that « there are no grounds for special treatment of co-operatives in the general competition rules; however certain aspects of their legal form and structure should be taken into account on a case-by-case basis, as previous decisions and rulings have demonstrated ».

Following the said opinion, the European Commission began in 2000 to challenge some measures favouring cooperatives, arguing they could be illegal State aids.

As far as I know, on this matter the first case regarded a tax treatment of some categories of Spanish agricultural cooperatives; this treatment, notified by the Spanish authorities on September 2000, was not qualified as State aid by the Commission (with the decision 2003/293/EC of 11 December 2002¹³); nevertheless, this decision was partially annulled by the GC sentence of 12 December 2006¹⁴; then, the Commission replaced the above mentioned decision with a new one of 15 December 2009 (2010/473/UE, hereinafter *2009 Decision*)¹⁵. Of the 2009 Decision it is to point out the fact that the Commission, changing radically opinion, decided the said tax treatment was an unlawful State aid, being *inter alia* selective; this selectivity was based on the ground that the related cooperatives could exercise their mutual activity (in this writing, in the sense of activity/activities through which a cooperative pursues its mutual goal/goals) with third parties too (more precisely, mainly with third parties), although the Spanish law (differently from many other national laws) both imposes a separate accounting for cooperatives operating with third parties and taxes profit obtained from the activities with third parties in the same way as profit obtained by for-profit companies. Nevertheless, from the 2009 Decision it should be inferred that the measure under scrutiny would not have been selective, if the more favourable tax treatment was applicable to cooperatives operating only with their members, because such cooperatives would not realise profit at all¹⁶.

¹³ In OJ L 111 of 6.5.2003, p. 24.

¹⁴ In ECR 2003, p. II-98.

¹⁵ In OJ L 235 of 4.9.2010, p. 1.

¹⁶ Paragraph 163 of 2009 Decision: « as regards company tax in particular, in true mutual cooperatives the cooperative does not make any profit because it only operates for the benefit of its members. For this reason, the Commission considers that true mutual cooperatives and corporations for profit are not in comparable legal and factual situations with regard to the taxation of profits. Given this situation,

The second case regarded a planned scheme concerning tax exemptions for certain Norwegian cooperatives; this scheme was considered by the EFTA Surveillance Authority¹⁷, with its decision of 23 July 2009, incompatible with the functioning of the EEA Agreement within the meaning of Article 61 EEA (corresponding to Article 107 TFEU)¹⁸; in particular, the EFTA Surveillance Authority considered selective that scheme, because it was in favour to cooperatives operating not with their members only, but mainly with their members.

On the tax treatment for cooperatives there are two procedures still open before the European Commission: one regards French agricultural cooperatives (Case n. E1/2009) and the other regards Italian consumer and credit cooperatives (Case n. E1/2008). About the latter, from the European Commission press release of 17 June 2008 (IP/08/953¹⁹) it can be argued that the said authority would consider selective a special tax treatment in favour of cooperatives with mutual activity mainly with their members (*cooperativa a mutualità prevalente*), while the same authority could consider an analogous national measure not selective if the recipients of the said treatment were cooperatives with mutual activity only with their members²⁰.

On the basis of what I wrote in this paragraph, it appears clearly that the European Commission – in the few cases on which it dealt with the requirement of selectivity in controlling national measures applicable to cooperatives only – have found its reasoning on the fol-

the deduction of the taxable income of true mutual cooperatives does not therefore constitute State aid ».

¹⁷ The above mentioned authority has the power (analogous to that of the European Commission) to apply State aid law to States that are members of the European Free Trade Association (EFTA) and have underwritten with the European Union the Agreement on the European Economic Area (EEA); these States, at the present time, are Iceland, Liechtenstein, and Norway.

¹⁸ On the role of the above mentioned authority as regards State aid law cf. M. HEIDENHAIN, *General Principles*, in M. Heidenhain (edited by), *European State Aid Law*, München, 2010, p. 5.

¹⁹ Put in the context of State aid law by M.P. NEGRINOTTI, *Le cooperative e la disciplina comunitaria degli aiuti di Stato*, in E. Cusa (edited by), *La cooperative-s.r.l. tra legge e autonomia statutaria*, Padova, 2008, pp. 708 ff.

²⁰ This possible interpretation can be made from the following passage of the above mentioned press release: « Cooperatives have certain specific features as they operate in the interests of their members and have a specific corporate model. Therefore cooperatives can be distinguished from profit-making companies, especially when they are purely mutual and generate revenues exclusively with members. At this preliminary stage of the procedure it appears also that cooperatives, despite their specificity, may also make profits from dealings with non-members and behave in the market in the same way as profit-making companies. The Commission considers that under these circumstances, a preferential treatment for cooperatives may entail state aid ».

lowing thesis: only cooperatives complying with the « true mutual cooperative model »²¹ – that is to say²², exercising the mutual activity only with their members, corresponding to the default (not mandatory) law, for instance, in Germany (§ 8, Abs. 1, Nr. 5, *GenG*²³) or in Italy (Article 2521, paragraph 2, civil code²⁴) – cannot be compared to for-profit companies; therefore, only a measure applicable to cooperatives respecting such a model (more accurately nameable as ‘pure mutual cooperative model’) can be qualified as not selective and then can be considered outside the scope of application of the Article 107 TFEU.

However, the pure mutual cooperative model is not the sole to which the Commission (in the 2004 Communication) refers, as the same Commission reasoned wrongly in the 2009 Decision²⁵. As a matter of fact, the cooperative model implied into the 2004 Communication is that vaguely (at least for a lawyer) set out in the *Statement on the Co-operative Identity* – approved in Manchester in 1995 by the International Co-operative Alliance (the apex organisation for co-operatives worldwide established in 1895)²⁶ and then endorsed by the Resolution 56/114 adopted on 19 December 2001 by the General Assembly of the United Nations (UN) and fully incorporated into the Recommendation adopted on 20 June 2002 by the International Labour Organization (ILO) (to be cited as ‘the Promotion of Cooperatives Recommendation, 2002’) –, as it is clearly stated in paragraph 3.2.4 of the 2004 Communication²⁷.

²¹ Term coined by the European Commission into the 2009 Decision, paragraph 160, when this authority « calls for a definition of the ‘true mutual cooperative model’, which can be used to evaluate whether cooperatives are in the same factual and legal situation in the eyes of the Spanish tax system as companies with share capital».

²² As it can be drawn from paragraphs 159-165 of the 2009 Decision.

²³ That so states: « Der Aufnahme in die Satzung bedürfen Bestimmungen, nach welchen ... die Ausdehnung des Geschäftsbetriebes auf Personen, welche nicht Mitglieder der Genossenschaft sind, zugelassen wird ».

²⁴ The above mention article lays down as follows: « L'atto costitutivo stabilisce le regole per lo svolgimento dell'attività mutualistica e può prevedere che la società svolga la propria attività anche con terzi ».

²⁵ Cf. paragraphs 159-165 of the 2009 Decision; this decision likely misled the EFTA Authority in its cited decision of 23 July 2009.

²⁶ On the legal value of the cooperative principles as consolidated by ICA cf., as regards the Italian legal system, E. CUSA, *I ristorni nelle società cooperative*, Milano, 2000, p. 8 ff. and, as regards the EU legal system, E. CUSA, *Die Verwendung des Betriebsergebnisses*, in R. Schulze (edited by), *Handbuch der Europäischen Genossenschaft (SCE)*, Baden-Baden, 2004, pp. 125 f. e 138.

²⁷ In the paragraph cited above it is possible to read the following passage: « Although laws governing cooperatives are diverse in approach and based on different traditions, they generally respect the co-operative definition, values and principles set out in the “Statement on the Co-operative Identity” adopted by the International Cooperative Alliance (ICA) in 1995 and recently endorsed by a resolution of the U.N.

Hence, according to the worldwide recognized cooperative model, this enterprise form is correctly present not only when the mutual activity is in favour of the sole members; indeed, a cooperative respecting the pure mutual cooperative model is an exception in reality. If anything, the difference among national legislators on this point is to lay down fixed thresholds (as in Italy, where Articles 2512 and 2513 of the civil code ask for the *cooperative a mutualità prevalente* a mutual activity with members at 50% plus one as a minimum requirement) or flexible thresholds of mutual activity with members (as in Germany²⁸ or in Austria²⁹, where the mutual activity with third parties is allowed till the limit it remains instrumental to the mutual activity with members).

Due to the diversity of the national laws on the contents of the mutual aim ascertained on the basis of the addressees of the mutual activity, the EU legislator did not take a stand on that, leaving room to the contractual freedom in determining the optimal rule for a specific SCE³⁰.

Likely, such mistake of the European Commission on the notion of the mutual objective depends on the confusion between the members obligation to be users of their cooperative³¹ and the supposed (but not-existent, at least in the general cooperative law) cooperative obligation to exercise the mutual activity solely with its members.

[cited above] and fully incorporated into a Recommendation of the I.L.O [again cited above] ».

²⁸ According to § 8, Abs. 1, Nr. 5 *GenG*.

²⁹ Where there is § 5a, Abs. 1, Nr. 1, Gesetz vom 9. April 1873, über Erwerbs- und Wirtschaftsgenossenschaften, that establishes as follows: « Der Aufnahme in den Genossenschaftsvertrag bedarf es, wenn die Genossenschaft zulassen will die Ausdehnung des Zweckgeschäfts auf Nichtmitglieder, wobei die sich aus dem § 1 Abs 1 [« Dieses Gesetz gilt für Personenvereinigungen mit Rechtspersönlichkeit von nicht geschlossener Mitgliederzahl, die im Wesentlichen der Förderung des Erwerbs oder der Wirtschaft ihrer Mitglieder dienen (Genossenschaften), wie für Kredit-, Einkaufs-, Verkaufs-, Konsum-, Verwertungs-, Nutzungs-, Bau-, Wohnungs-, und Siedlungsgenossenschaften »] ergebende Beschränkung ausdrücklich aufzunehmen ist ».

³⁰ As laid down by Article 1, paragraph 4, SCE Regulation; on this rule see E. ALFANDARI-B. PIOT, in R. Schulze (edited by), *Europäische Genossenschaft SCE*, Baden-Baden, 2004, p. 81.

³¹ The abovementioned obligation is present already in the Italian general cooperative law (at least according to E. CUSA, *Il socio finanziatore nelle cooperative*, cited, pp. 119 ff., where contrary citations too). Obviously, the fact that all cooperative members become users of the said entity does not guarantee that the mutual activity will be exercised totally or mainly with cooperative members.

In conclusion, if it is undisputed that a cooperative exercises (better, must exercise, at least, according to Italian law³² and EU law³³) an enterprise according to Article 107 TFEU (then, cooperatives running no economic activity are consequently inadmissible), there is a clear different position between the European Commission (at least till 2009) and the co-operators (theorists and practitioners) about the addressees of the mutual activity (if only cooperative members or third parties too).

4.2 The Court of Justice and the Paint Graphos Case

4.2.1 Its novelty

In my opinion, for the lawyers dealing with enterprise legal models the CJ sentence of 8 September 2011 (Joined Cases C-78/08 to C-80/08, hereinafter *Paint Graphos Case*)³⁴ is very important, because, in interpreting the selectivity requirement in order to qualify a national measure as State aid, the Court stated for the first time (as far as I know) the possible incomparability among enterprises on the basis of their legal form³⁵; thus, a national measure valid only for enterprises legally incomparable with others, since it could be qualified as not selective, would not be regulated by Article 107, par. 1, TFEU.

More precisely, the *Paint Graphos Case* declares that cooperatives pursuing « truly » an objective based on mutuality (paragraph 62, here-

³² As a matter of fact all Italian cooperatives can be included into the super-notion of company valid for the Italian law (corresponding to an autonomous organization exercising one or more economic activities whose each member has done a contribution), as deducible from the Article 2247 of the Italian civil code (on this point cf. E. CUSA, *Il socio finanziatore*, cited, pp. 53, 114, 115, 312, 367 e 368).

³³ Such a conclusion may be inferred from the entire SCE Regulation and specially from its recitals; on the same direction cf. the already cited TG, Case T-61/89, 2 July 1992, paragraphs 52-54.

³⁴ Not published in ECR yet.

³⁵ So far as I am aware, almost (there is a mention in W. SCHÖN, in L. Hancher, T. Ottervanger, P.J. Slot, *EU State Aids*⁴, London, 2012, p. 356) nobody among the first annotators of the *Paint Graphos Case* (*ex multis* cf. G. BONFANTE, *Aiuti di Stato alle cooperative: la decisione della Corte UE*, in *Cooperative e Consorzi*, 10/2011, p. 5 ff.; V. CONTARINO, *Cooperative e società di capitali: diversità di scopo e di strutture*, in *Società*, 2012, p. 133 ff.; M. INGROSSO, *La pronuncia pregiudiziale della Corte di Giustizia sulle agevolazioni fiscali alle cooperative italiane*, in *Rass. Trib.*, 2012/2, p. 529 ff.; C. FONTANA, *Gli aiuti di Stato di natura fiscale*, Torino, 2012, p. 134 ff.; L. DANIELE, *Diritto del mercato unico europeo*², Milano, 2012, p. 323) has underlined the novelty (in respect to the previous CJEU case law) described in the above text.

inafter the *True Cooperatives* and, singularly, *True Cooperative*³⁶, i.e. the cooperatives compliant with the cooperative model outlined into the Paint Graphos Case) « cannot, in principle, be regarded as being in a comparable factual and legal situation to that of commercial companies [i.e. for-profit companies] » (paragraph 61) and therefore the measure addressed to the True Cooperatives, not being selective, does not constitute State aid within the meaning of Article 107, paragraph 1, TFEU.

The Paint Graphos Case comes to the just summarised conclusion on the basis of the following five logic passages.

Firstly, the True Cooperatives are those that « conform to particular operating principles which clearly distinguish them from other economic operators » (paragraph 55).

Secondly, these particular operating principles have been accepted both by the SCE Regulation and by the 2004 Communication (paragraph 55 and 62).

Thirdly, the characteristics of the True Cooperatives (listed in paragraphs 55-62), mostly deduced from the tenth recital of the SCE Regulation, are the following: (i) « in the light of the principle of the primacy of the individual » there should be coherent rules « on membership, resignation and expulsion » of the members, the activities of the cooperatives « should be conducted for the mutual benefit of the members, who are at the same time users, customers or suppliers, so that each member benefits from the cooperative's activities in accordance with his participation in the cooperative and his transactions with it » and the cooperatives should « act in the economic interest of their members » and their relations with members should be « not purely commercial but personal and individual, the members being actively involved in the running of the business and entitled to equitable distribution of the results of economic performance »; (ii) the « control of cooperatives should be vested equally in members, as reflected in the 'one man, one vote' rule »; (iii) during the life of the cooperatives their reserves and assets should be « commonly held, non-distributable » and should « be dedicated to the common interests of members »; (iv) « net assets and reserves should be distributed on winding-up to another cooperative entity pursuing similar general interest purposes »; (v) shares issued by cooperatives should not be listed; (vi) a limitation on financial remuneration on loan and share capital should make « investment in a cooperative society less advantageous » than that in a for-profit company.

Fourthly, the national judge – called to apply Article 107, par. 1, TFEU (respecting the authentic interpretation of the said norm, inferable from the CJEU case law) to verify the absence of State aid in presence of a national measure valid only for cooperatives – must ascertain

³⁶ Resounding the above mentioned term coined by the European Commission into 2009 Decision, paragraph 160.

whether the cooperative party into the related proceeding has all the characteristics to be qualified True Cooperative. Therefore, this control has to be conducted on the national organizational law of the said entity. If the judge qualifies the party as a True Cooperative according to the CJEU case law, the measure applied to the party is not be State aid, because it is not selective (paragraph 63).

Fifthly, on the contrary, whether the national judge does not qualify the party into the proceeding as True Cooperative, the same authority must also ascertain whether the national measure under scrutiny « first, forms an inherent part of the essential principles of the tax system applicable in the Member State concerned and, second, complies with the principles of consistency³⁷ and proportionality³⁸ » (ruling of the Paint Graphos Case)³⁹. This second assessment – corresponding to a general rule (deducible from the CJEU case law) to be applied in presence of possible tax State aid – has to be conducted on the basis of related national tax law, trying to read systematically the peculiar tax treatment of the party within the entire tax law of the State interested. If the party and the State interested demonstrate the consistency and the proportionality of the measure in relationship with all tax law of that State, that measure is not selective and thus may not qualified as State aid; otherwise the same judge must both not apply the illegal national law and ask the intervention of the European Commission against the State in the name of which he administers justice. In this situation the said State will be able to claim that its measure is compatible with EU law according to Article 107, par. 2 e 3, TFEU.

³⁷ So explained at the paragraph 74 of the Paint Graphos Case: « It is therefore for the Member State concerned to introduce and apply appropriate control and monitoring procedures in order to ensure that specific tax measures introduced for the benefit of cooperative societies are consistent with the logic and general scheme of the tax system and to prevent economic entities from choosing that particular legal form for the sole purpose of taking advantage of the tax benefits provided for that kind of undertaking. It is for the referring court to determine whether that requirement is met in the main proceedings. ».

³⁸ The above mentioned principle is so explained into the paragraph 75 of the Paint Graphos Case: « In any event, in order for tax exemptions such as those at issue in the main proceedings to be justified by the nature or general scheme of the tax system of the Member State concerned, it is also necessary to ensure that those exemptions are consistent with the principle of proportionality and do not go beyond what is necessary, in that the legitimate objective being pursued could not be attained by less far-reaching measures ».

³⁹ In general, on the above said ascertainment cf. W. SCHÖN, *op. cit.*, p. 321 ff.

4.2.2 Its possible impact on cooperative law

On the basis of the reasons above exposed it is evident the possible impact of the Paint Graphos Case on the European Commission, on the EU Member States and on the EU legislator.

On the Commission, because this judgment introduces some legal principles that, albeit valid directly only for Italian worker cooperatives (i.e. those examined in the Paint Graphos Case), enlighten indirectly the relationship between the EU State aid law and the entire cooperative law (without any distinction on the economic sector or on the mutual transactions of the cooperatives). Therefore, the European Commission, in the still open procedures against France and Italy above cited should respect the Paint Graphos Case, since otherwise this authority would risk the annulment of its decisions (being these last contrary to the EU law, as interpreted by the CJ). Consequently, in my opinion, the Commission will have to abandon its thesis according to that a cooperatives is true only if it carries on its mutual activities solely with their members; in fact, such a constriction does not exist into both the Paint Graphos Case and the two documents (SCE Regulation and 2004 Communication) on which the CJ based its reasoning.

On the Member States, because, if they want to promote cooperatives without infringing EU State aid law, they should conceive a measure applicable to cooperatives only that comply with the True Cooperative model. This model, having considered the not much technical legal wording used by the CJ, has to be transplanted and translated by the national legislators with a certain decree of flexibility, as the European Commission specified already in its 2004 Communication⁴⁰ and SCE Regulation implies clearly. So, exemplifying, a cooperative may be compliant with the True Cooperative model if it has members moved by not mutual interest (i.e., not interested in mutual transactions with their cooperative, in Italy named *soci finanziatori*), eventually having the right to exercise more than one vote, provided that the cooperative governance is stably under control of the members moved by mutual interest (i.e., interested in mutual transactions with their cooperative, in Italy named *soci cooperatori*).

⁴⁰ More precisely, in its paragraph 3.2.4: « national legislators should be based on the co-operative definition, values and principles when drafting new laws governing co-operatives. In this context however Member States are required also to be sufficiently flexible in order to enable co-operatives to compete effectively in their markets and on equal terms with other forms of enterprise. ... The Commission invites Member States to be guided, when drafting national regulations governing cooperatives, by the “definition, values and co-operative principles” of the above mentioned Recommendation [i.e. the ILO Promotion of Cooperatives Recommendation, 2002] but also to be sufficiently flexible in order to meet the modern needs of cooperatives ».

On the EU legislator, because the next reform of the SCE Regulation should be thought having in mind, as main aims, not only a simpler law (considering the failure of the said law, as demonstrated by its low application in reality⁴¹) and a reduction of references to national laws (getting closer the law applicable to SCEs operating into the Union), but also two different cooperative models, whose one compliant with the True Cooperative model⁴². This last aim, if it pursues, would have the decisive advantage to offer a sufficient degree of legal certainty (that lacks into the Paint Graphos Case) about the cooperatives to be considered incomparable (factually and legally) to for-profit companies and then legitimated for a promotion by the Member States without risking an infringement of Article 107 TFEU. As a matter of fact, the True Cooperative model, if defined into the SCE Regulation, could become a benchmark (almost⁴³) sure for national legislators (having to infer that the Council puts into force rules compliant with the TFEU, as interpreted by the CJEU), when these will lay down a national model based on the True Cooperative model in order to promote (for instance, with a special tax treatment) only entities compliant with this last national model.

In closing this writing a clarification is necessary, as a further proof of the importance of the Paint Graphos Case for the cooperative law in Europe.

This judgment does not consolidate or deduce or induce legal rules from the today EU law of cooperatives, on the grounds that the characteristics listed into the said judgment do not delimit the cooperative model derivable from the 2004 Communication and/or from the SCE Regulation.

⁴¹ As written in the Commission's Report on the application of the SCE, dated 23 February 2012 [COM(2012) 72 final], paragraph 3, « in November 2011, 24 SCEs were registered in the 30 EU/EEA Member States, as follows: five in Italy; seven in Slovakia; one each in France, Liechtenstein, the Netherlands, Spain and Sweden; three in Hungary, two in Germany and two in Belgium. The SCE Regulation was due to enter into force in 2006. However, the large majority of Member States failed to meet this deadline. As of December 2011, three Member States had not yet taken the necessary steps to ensure the effective application of the Regulation ».

⁴² An example of this dual system into the European cooperative law has offered by the Italian cooperative law, where there are due cooperative models: a basic one (no named expressly) and a more restrictive one (named *cooperativa a mutualità prevalente*); only the latter is consistent with the Italian constitutional model (so part of the researchers, here represented by E. CUSA, *Il socio finanziatore*, cited, p. 123f.) and, therefore, it should be favoured by Italian tax law (according to Article 223-*duodecies*, transitorial provisions, Italian civil code).

⁴³ It is possible that the EU model of true cooperative can be judged by the CJ in contrast to EU Law.

On the contrary, the Paint Graphos Case makes new EU law and shows both to the EU institutions and to the EU Member States two desirable guidelines in modernizing cooperative law:

- shaping a cooperative model adequately defined on the basis of the True Cooperative model;
- promoting only cooperatives whose organization is rooted in « the principle of the primacy of the individual » (paragraph 56 of the Paint Graphos Case) or, better, in the principle of primacy of the human person (considered also on his social dimension, since, otherwise cooperatives, against their nature, risk to be rooted in the principle of individualism or of egoism).

The principle of primacy of the human person should be put into practise not only by each True Cooperative but also by the European Union and by each EU Member State, if these institutions respect (as they must do) their constitutional principles in organizing their markets and their economies⁴⁴.

⁴⁴ About the relationship among State aid, entrepreneurial forms and constitutional principles in Europe cf. E. CUSA, *Aiuti di Stato, polimorfismo imprenditoriale e principi costituzionali*, forthcoming.

Microfinance – Investing in People

Helmut Berg

At Oikocredit, we believe the world's poor can build better lives for themselves – if only given the chance. By no choice of their own, 1.4 billion people in the world live in poverty. They don't lack ability. They lack opportunity. We provide that opportunity.

What is Oikocredit?

Oikocredit is one of the world's largest sources of private funding to the microfinance sector. We also provide credit to trade cooperatives, fair trade organizations and small-to-medium enterprises (SMEs) in the developing world.

Microfinance

We lend working capital to microfinance institutions (MFIs) all over the world. In turn, they dispense life-changing loans to the poor and disadvantaged, with a special emphasis on rural areas and women.

Social investing

We offer a dual return to our investors: financial and social. In addition to earning modest financial returns, investors are secure in the knowledge that their money is being used to fight poverty, promote fair trade and respect our planet's natural resources.

Organization

Oikocredit is one of the only – if not the only – cooperative societies operating with a worldwide membership of investors and clients. We have a unique operating structure that reaches from the Netherlands to all four corners of the globe.

Oikocredit International

Our overall operation is run by a 70-person team at our headquarters in Amersfoort, the Netherlands. We also have eight staff members in our national support offices in the USA, UK, Germany, Sweden and France.

History

Oikocredit's ethos of delivering maximum social return on investment stems from its unique history as a faith-based initiative. The idea of Oikocredit stems from a 1968 meeting of the World Council of

Churches. In those unsettled times, young politically engaged church members from a wide variety of denominations called for an ethical investment channel that would support Christian teachings of peace and universal brotherhood. The Oikocredit Ecumenical Development Cooperative Society was established in 1975. From the very beginning, our goal has been to encourage social justice by giving credit to productive enterprises run by disadvantaged people.

At last, churches and church-related organizations had their own alternative investment channel. Nonetheless, we had an unexpectedly difficult start. Many still felt it was unethical to lend money, rather than give charity. Others shied away from investing the church's money without maximizing the financial return. However, individual church members throughout Europe believed in the concept and launched support associations. Today, these support associations continue to mobilize the largest portion of our member capital.

In time, our project partners themselves proved the viability of Oikocredit. Their remarkable repayment rate and proven social impact remain our greatest asset.

DID YOU KNOW? The World Council of Churches is the broadest and most inclusive expression of the ecumenical movement, bringing together 349 churches, denominations and church fellowships in more than 110 countries and territories throughout the world, representing more than 560 million individuals

Mission and values

In all we do, Oikocredit is guided by the principle of empowering people. Our experience proves that the most effective and sustainable means of assisting those in need is providing the opportunity to help themselves.

Our mission

As a worldwide cooperative society Oikocredit promotes global justice by challenging people, churches and others to share their resources through socially responsible investments and by empowering disadvantaged people with credit.

Our values

All people are created equal. Oikocredit thus extends credit to marginalized people irrespective of their faith, culture, age or gender and favors the initiatives of women, as they are the backbone of their families and thus society as a whole.

Sharing

An uneven distribution of resources, wealth and power leads to a world of conflict. When people in the North, South, East and West are prepared to share what they have, respect each other and cooperate together, justice and peace can rule in the world. Oikocredit provides a mechanism for meaningful sharing.

Grassroots

Development is most effective when it stems from the grassroots. In the cooperative culture of Oikocredit, people's initiatives and participation are central to all acts and policies.

Integrity

Respect between people implies honesty and truthfulness. Oikocredit's determination is to listen with an open mind and communicate in full transparency on all parameters of its own policies. A code of conduct for those who determine the Oikocredit course is part and parcel of this principle.

Creation

A wholesome ecosystem is the basis for life. Animals, species and biodiversity should thus be preserved. Oikocredit believes that a healthy balance in nature can only be achieved in a world where resources and power are evenly spread.

Social impact

Financial performance is easily measured. But that's only half the picture. How does an organization like Oikocredit judge its impact on people's lives? Creating positive social impact is the key to our mission and a driving force behind all our activities. Since 1975, Oikocredit has touched the lives of hundreds of thousands of families in close to 70 different countries. To assess our impact on those lives, we rely on formal assessments of social performance, as well as case studies of individual borrowers who have turned their lives around.

Measuring Social Performance

Social performance is a measure of how effectively we translate our social goals into practice. And, by all measurements, Oikocredit's performance is right on target.

A database of information provided by our project partners around the world contains detailed records of the microfinance institutions (MFIs) we've worked with over the years. The statistics we can extract demonstrate how our most important social goals are being met.

Goal: To assist smaller MFIs that others might overlook or find too risky.

Measurement: More than 2/3 of our project partners are classified as “small” or “medium” MFIs. Large, well-established MFIs represent a significant minority, especially in Africa and Asia.

Goal: To reach the poor in rural areas where fewer opportunities exist.

Measurement: Overall, about 1/3 of the project partners we work with focus exclusively on rural areas. In Asia, this figure rises to more than 50%. Less than 12% operate exclusively in urban areas.

Goal: To alleviate poverty by reaching out to as many clients as possible.

Measurement: Collectively, our microfinance partners have reached over 26 million clients.

People

At the heart of Oikocredit are the people who make it all possible. The commitment of our unique global network of professional staff and leaders is the key to our success. From our headquarters in the Netherlands to our support associations and regional and country offices, Oikocredit is run by a professional team spread across the globe. These dedicated people share one common goal: to eliminate poverty and social injustice wherever it may be found.

Lean and professional

By keeping our organization lean and professional, we ensure that our operation is as efficient as possible. Our investors don't just place their money with us – they place their trust and confidence. In return, we are dedicated to delivering the maximum social impact from their investment.

Regional Offices

A key to our successful formula is maintaining close contact and proximity to all our project partners. To manage our operations in the field, we work through a global network of regional offices staffed by local professionals with extensive experience. Our offices are the first point of contact for Oikocredit project partners. They promote Oikocredit to target groups, identify potential project partners, assess the economic viability and social impact of a project proposal and prepare loan applications that are sent to Oikocredit International for approval. Once a loan has been disbursed, the regional managers closely monitor the project and assist if problems arise.

Thank you for your attention

1.1 Westeuropa

Genossenschaften in der Neuen Sozialen Ökonomie – Ergebnisse einer Vorstudie aus Deutschland und Forschungsperspektiven

Rick Glöckner / Kornelia Ehrlich / Thilo Lang

Ausgehend von einer explorativen Studie des Leibniz-Instituts für Länderkunde (IfL), fragt der Beitrag nach neueren Trends in der Sozialen Ökonomie in Deutschland und welche Rolle die Genossenschaften dabei spielen. Im ersten Teil wird dazu näher auf die Soziale Ökonomie in Deutschland eingegangen und der Begriff der Neuen Sozialen Ökonomie als Ausdruck einer aktuellen Entwicklung, die sich durch die verbreitete Neugründung innovativer sozialer Unternehmen im letzten Jahrzehnt manifestiert, beleuchtet. Im zweiten Teil werden Untersuchungsergebnisse und Schlussfolgerungen der IfL-Studie hinsichtlich sozialer Unternehmen vorgestellt, die einer Neuen Sozialen Ökonomie zugeordnet werden können. Der dritte Teil des Beitrags beschäftigt sich mit der Rolle der Genossenschaften und hält fest, dass sie einerseits als Rechtsform und andererseits als ideelle Grundlage eine wichtige Rolle in der Neuen Sozialen Ökonomie spielen. Zuletzt werden mögliche Perspektiven für weitere Forschungen aufgezeigt.

1. Eine Neue Soziale Ökonomie in Deutschland?

Die Soziale Ökonomie kann von der formalen Ökonomie (For-Profit) im Allgemeinen dadurch abgegrenzt werden, dass bei ihr die Erreichung sozialer, kultureller und/oder ökonomischer Ziele im Vordergrund steht, während die Profitmaximierung in den Hintergrund rückt (Non-Profit). Sie besteht aus am Gemeinwesen orientierten Unternehmen oder Initiativen mit sozialen und wirtschaftlichen Zielen, wobei die sozialen dominieren (*Lang* 2008: 35f; *DTI* 2002: 14).

Bisher bestehen keine allgemein anerkannten Definitionen von Sozialer Ökonomie und sozialen Unternehmen, unter anderem bedingt durch regional und national verschiedene Verständnisse und Traditionen der Sozialwirtschaft. In den westlichen Industriestaaten wird die

Soziale Ökonomie derzeit verbreitet als innovativer Ansatz zur Lösung sozialer Probleme gesehen (*Hulgard* 2010: 16), welche durch die Krisen der Wohlfahrtsstaaten und steigende Arbeitslosigkeit hervorgerufen worden sind (*Defourny/Develtere* 1999: 25, *Moulaert/Ailenei* 2005: 2041). Im anglo-amerikanischen Raum gilt die Soziale Ökonomie dabei hauptsächlich als ein Mittel zur Lösung des Finanzierungsproblems des Non-Profit-Bereichs auf Grundlage von Marktaktivitäten (*Defourny/Nyssens* 2008: 4, *Hulgard* 2010: 16). In den Sozialstaaten Kontinentaleuropas wiederum ist sie eher in der Tradition einer starken Vernetzung zwischen Wohlfahrtsstaat und Non-Profit-Sektor zu verorten (*Borzaga/Santuari* 2003: 33, *Hulgard* 2010: 16).

Die Soziale Ökonomie ist in Deutschland kein neues Phänomen. Unternehmen und Initiativen, die diesem Bereich zugeordnet werden können, existieren teilweise schon seit Jahrzehnten. Bisher lassen sich grob zwei sozialwirtschaftliche Bewegungen in Deutschland unterscheiden. Eine ältere, vor allem repräsentiert durch Genossenschaften, Wohlfahrtsverbände, Stiftungen und ideelle Vereine, deren Ursprünge im Beginn der Industriegesellschaft liegen. Sowie eine jüngere Bewegung, welche sich im Laufe der 1960er und 1970er Jahre als Reaktion auf soziale Problemlagen im Zuge der Transformation zu einer postindustriellen Gesellschaft entwickelte (z.B. repräsentiert durch Integrationsunternehmen, Freiwilligendienste, soziokulturelle Zentren). Die IfL-Studie „Soziale Unternehmen und Initiativen in Deutschland – auf dem Weg zu einer neuen sozialen Ökonomie?“ (*Ehrlich/Lang* 2012), auf die im folgenden Teil des Beitrages näher eingegangen wird, wirft die Frage nach einer dritten Bewegung – einer Neuen Sozialen Ökonomie – auf, die sich in Deutschland im Zuge der Weltwirtschaftskrise zu formieren scheint.

In Deutschland, einem traditionell starken Sozialstaat, war das Konzept der Sozialen Ökonomie bisher kaum verbreitet (*CIRIEC* 2012: 40). Ein Grund dafür kann darin gesehen werden, dass die Rolle sozialwirtschaftlicher AkteurInnen bisher vor allem von Wohlfahrtsorganisationen, Genossenschaften sowie ehrenamtlichen Organisationen und Initiativen erfüllt wurde (*Amin/Cameron/Hudson* 2002: 10, *CIRIEC* 2012: 40, *Monzón/Chavez* 2008). Weiterhin scheinen Gründe dafür in der im internationalen Vergleich eher schwach ausgeprägten Kultur der Selbstständigkeit und der Anerkennung sozialen Engagements in Deutschland zu liegen (*Leppert* 2008: 10).

In den letzten Jahren scheint sich aber die Soziale Ökonomie in Deutschland dynamisch entwickelt zu haben (*Ehrlich/Lang* 2012: 29) und eine immer größere Rolle in der gesellschaftlichen und politischen Wahrnehmung zu spielen. So rief die deutsche Bundesregierung im Herbst 2010 eine ‚Nationale Engagementstrategie‘ ins Leben, die unter anderem eine explizite Verbesserung der Rahmenbedingungen für Sozialunternehmen sowie eine Stärkung des Sozialunternehmer-

tums im Allgemeinen verfolgt (Bundesregierung 2010). Dies wird zum Beispiel durch das von der Kreditanstalt für Wiederaufbau (KfW) zu Beginn des Jahres 2012 aufgelegte Instrument zur Finanzierung von Sozialunternehmen erreicht.¹ Ziel der Fördermaßnahme ist es, stabile, sich selbst tragende Sozialunternehmen zu schaffen, die sich sozialen Herausforderungen stellen, die zu bewältigen der Staat nicht (mehr) allein in der Lage oder bereit ist. Im Mai 2012 hat auch das Europäische Parlament beschlossen, durch einen Europäischen Investmentfonds die Soziale Ökonomie verstärkt zu unterstützen (ECON 2012), von dem anzunehmen ist, dass er auch auf die Soziale Ökonomie Deutschlands wirken wird.

Neben der aktuellen politischen Aufmerksamkeit zeigt sich auch ein gestiegenes öffentliches Interesse gegenüber der Sozialen Ökonomie seit Mitte der 2000er Jahre. Vor allem seit der Verleihung des Friedensnobelpreises 2006 an *Muhammad Yunus* für seine Grameen Bank, die durch ein neuartiges Modell der Mikrofinanzierung globales Interesse hervorrief und die öffentliche Wahrnehmung der Sozialen Ökonomie stark beeinflusste (Faltin 2011, Rummel 2011). Verschiedenste Medien berichteten über das Phänomen der Sozialen Ökonomie, über einzelne SozialunternehmerInnen oder die Arbeit von Organisationen, die sich der Förderung des Sozialunternehmertums verschrieben haben (z.B. Ashoka, Schwab Foundation) und es entstanden eigens auf soziales Unternehmertum ausgerichtete Medien (z.B. enorm – Das Magazin für nachhaltiges Wirtschaften).

Diese Entwicklungen können als Anzeichen eines Paradigmenwechsels hinsichtlich alternativer Wirtschaftsformen und eines generell höheren gesellschaftlichem Interesses für nachhaltige, soziale und/oder ökologische Produkte verstanden werden (Ehrlich/Lang 2012: 30). Inwieweit aber von einer Neuen Sozialen Ökonomie in Deutschland gesprochen werden kann, ist bisher weitgehend fraglich.

Unter einer Neuen Sozialen Ökonomie wird ein wirtschaftliches Feld verstanden, welches neben den auf maximalen Profit ausgerichteten Teilen der Marktwirtschaft existiert und nicht der Bewegung der Produktions- und Konsumentengenossenschaften oder anderen klassischen Formen auf Gegenseitigkeit beruhender Wirtschaftstätigkeiten zugerechnet wird. Die Neue Soziale Ökonomie ist lokal verwurzelt und beruht auf demokratischen Strukturen. Die Rechtsform kann von Unternehmen zu Unternehmen je nach Ziel und Ausrichtung variieren und ist daher von untergeordneter Bedeutung (Westerdahl/Westlund 1998: 197). Unternehmen der Neuen Sozialen Ökonomie grenzen sich im Verständnis der Studie des IfL (Ehrlich/Lang 2012: 7f.) von ‚klassischen‘ sozialen Unternehmen vor allem dadurch ab, dass sie:

¹ http://www.kfw.de/kfw/de/I/II/Download_Center/Foerderprogramme/barrierefreie_Dokumente/Programm_zur_Finanzierung_von_Sozialunternehmen_091.jsp.

- stärker am Markt agieren und in Konkurrenz zu profitorientierten Unternehmen treten,
- sich durch ihre wirtschaftliche Tätigkeit selbst tragen und nicht (bzw. in geringem Maße) auf externe Finanzierung, angewiesen sind,
- sozialversicherungspflichtige Jobs schaffen und weniger auf freiwilliges Engagement angewiesen sind und
- öfters über höhere betriebswirtschaftliche Kompetenzen verfügen.

Diese Unternehmen gründen ihren Erfolg auf der gestiegenen Nachfrage nach sozial oder ökologisch „sinnvoll“ hergestellten Produkten und Dienstleistungen (Ehrlich / Lang 2012: 5), dringen mit ihrer sozial motivierten Produktspezifik in den Lifestylebereich (Lohas - Lifestyle of Health and Sustainability) vor und umfassen immer mehr auch „klassische“ Felder der Marktwirtschaft. In Auftreten und Handeln erinnern sie dabei teilweise an New Economy Unternehmen (Hackenberg / Empter 2011: 12). Aufgrund dieser Eigenschaften stellen die neuen Sozialunternehmen bisherige Kritikpunkte der Sozialen Ökonomie gegenüber, wie geringe gesamtwirtschaftliche Bedeutung, mangelhafte unternehmerische Kompetenzen oder Abhängigkeit von externer Finanzierung oder ehrenamtlicher Arbeit, in Frage (z.B. Amin / Cameron / Hudson 2002).

2. Neue Soziale Unternehmen/Ökonomie: Ergebnisse einer explorativen Studie des IfL

Ausgehend von der Grundthese, dass im Zuge der aktuellen Wirtschafts- und Finanzkrise und des damit einhergehenden gesellschaftlichen Wandels eine zunehmende Anzahl sozialer Unternehmen entstanden ist, die den Kriterien einer Neuen Sozialen Ökonomie entsprechen, untersuchte das IfL in der erwähnten Studie (Ehrlich / Lang 2012), inwieweit dies für Deutschland tatsächlich der Fall ist. Hauptanliegen dieser Studie war die Untersuchung von 49 identifizierten Unternehmen und Initiativen, die einem neueren Typus von Sozialunternehmen zugerechnet werden können. Sie versteht sich dabei als Vorstudie für weitere Forschungen zum Thema in Deutschland und erhebt keinen Anspruch auf Repräsentativität. Von den 49 identifizierten werden 19 soziale Unternehmen im Detail beschrieben. Grundlage ihrer Auswahl waren ihre Marktnähe, ihre Zielsetzung als soziales Unternehmen, ihr

Arbeitsplatzeffekt und deren damit verbundene Selbstdarstellung als Erfolgsgeschichte.

Der erste Teil der Studie, widmet sich der theoretischen Herleitung der Sozialen Ökonomie und ihrer Einordnung in die Gesellschaft sowie ihrer Positionierung zwischen Staat und Markt. Eine kurze Auswertung vorhandener Regionalstudien für Nordhessen (HMWK 2008), Berlin (TechNet 2007) und Brandenburg (TechNet 2011) verdeutlicht, in welchen Bereichen Unternehmen der Sozialen Ökonomie in Deutschland aktuell am stärksten vertreten sind. Dabei zeigt sich, dass vor allem Dienstleistungen im sozialen Bereich, die Bereitstellung sozialer Infrastruktur, Sport- und Freizeitangebote, die Gesundheitsbranche und die Kulturbranche die wichtigsten Handlungsfelder sozialer Unternehmen darstellen.

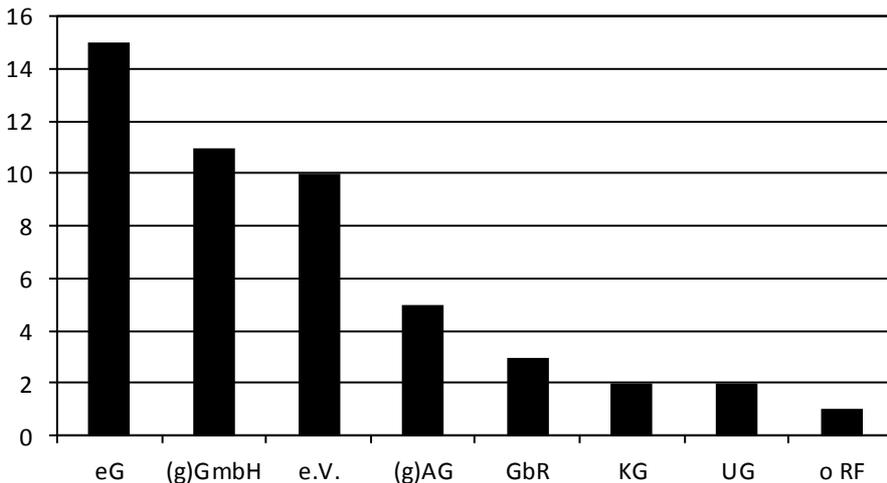
Der Grundthese folgend, dass sich in den letzten Jahren vermehrt neue und innovative soziale Unternehmen gegründet haben, zeigt der empirische zweite Teil der Studie, dass dies unter den untersuchten Beispielen durchaus der Fall war. Die Mehrzahl der betrachteten Sozialunternehmen (31 von 49) wurde in den 2000er Jahren gegründet (*Ehrlich/Lang* 2012: 8) und verfolgt Geschäftsmodelle, die nicht dem klassischen Bild von Sozialunternehmen entsprechen, wie z.B. Gründungsförderung (iq consult gGmbH), Crowdfunding (gut.org gAG, VisionBakery UG) oder Lebensmittelproduktion (Quartiermeister Bier e.V., WalderBräu eG).

Die Mehrzahl der untersuchten Unternehmen ist dabei stark lokal oder regional fokussiert, was in unterschiedlichen sozialen und ökonomischen Problemlagen und Rahmenbedingungen vor Ort begründet zu sein scheint. Die Formen der Arbeit vor Ort reichen dabei u.a. von der Integration sozial benachteiligter Gruppen in die Arbeitswelt über den Erhalt von Kultureinrichtungen, Wohnungen und Dienstleistungen bis zur Unterstützung von Unternehmensgründungen (s.a. *Lang* 2011). Die Sozialen Unternehmen füllen offensichtlich dort Lücken im Wirtschaftssystem und bieten Produkte und Dienstleistungen an, die weder von der Mainstream-Wirtschaft noch von der öffentlichen Hand (ausreichend) angeboten werden. Sie stellen alternative Modelle von Wirtschaft dar, die speziell vor dem Hintergrund der Weltwirtschaftskrise an Bedeutung gewonnen zu haben scheinen. Teilweise zeigt sich, dass soziale Unternehmen Teile der öffentlichen Daseinsvorsorge sichern, aus denen sich die öffentliche Hand zurückgezogen hat und diese Aufgaben in die Verantwortung sozialer Initiativen übergibt (*Ehrlich/Lang* 2012: 30). Inwieweit die verstärkte politische Aufmerksamkeit (s.o.) gegenüber der Sozialen Ökonomie damit zusammenhängt und wo die Motivationen und Ziele der Unterstützung sozialer Unternehmen letztlich liegen, ist aber bisher ungeklärt.

Klassischerweise waren soziale Unternehmen bisher vor allem als Genossenschaften (eG), (g)GmbHs oder Vereine (e.V.) organisiert (*Lo-*

renz 2008: 8). Die Studie des IfL deutet auf eine Diversifizierung der Rechtsformen hin. So sind 15 der 49 identifizierten Unternehmen als eingetragene Genossenschaften, 11 als (gemeinnützige) GmbHs und 10 als eingetragene Vereine organisiert. Daneben finden sich jedoch auch 5 (gemeinnützige) Aktiengesellschaften, 3 Gesellschaften bürgerlichen Rechts, und je 2 Kommandit- und Unternehmergesellschaften sowie ein Unternehmen ohne eigene Rechtsform (vgl. Abb. 1).

Abb. 1: Rechtsformen der untersuchten Beispiele (eigene Darstellung, nach Ehrlich / Lang 2012: 13)



Das breite Spektrum von Organisationsformen, in dem sich Soziale Unternehmen finden lassen, ist einerseits ein Hinweis darauf, dass ein Wandel im Verständnis der Sozialen Ökonomie stattgefunden hat, der zeigt, dass es auch mit eher der Mainstream-Ökonomie entsprechenden Organisationsformen möglich ist, neben wirtschaftlichen, auch nachhaltige und soziale Ziele zu verfolgen (Ehrlich / Lang 2012: 14). Andererseits wird daran auch der Einfluss bestimmter gesetzgeberischer Maßnahmen auf die Rechtsform sozialer Unternehmen deutlich. Maßnahmen wie z.B. die Novellierung des Genossenschaftsgesetzes (2006), welche die Gründung kleiner Genossenschaften erleichterte, oder das ‚Gesetz zur Modernisierung des GmbH-Rechts und zur Bekämpfung von Missbräuchen‘ (2008), welches die UG als haftungsbeschränkte Rechtsform ohne Mindestkapital einführte (§5 GmbHG), haben dazu beigetragen. Außerdem ist der Status der Gemeinnützigkeit, der von

verschiedenen Organisationsformen (eG, GmbH, AG, e.V.) erworben werden kann, eine Möglichkeit für soziale Unternehmen, bestimmte Hürden bei der Gründung und in ihrer weiteren Existenz zu meistern und trotzdem in den Rahmenbedingungen der jeweiligen Rechtsform aktiv zu sein. So bringt der Gemeinnützigkeitsstatus steuerliche Vergünstigungen mit sich, regelt, was mit erwirtschafteten Gewinnen geschieht (gAG, gGmbH), oder dient als Voraussetzung für die Gewährung von Zuschüssen sowie der vergünstigten Nutzung öffentlicher Einrichtungen (e.V.) (ebd.).

Den in der IfL-Studie aufgezeigten Trends folgend, scheint sich abzuzeichnen, dass die Soziale Ökonomie weiter an Bedeutung gewinnen wird. Wenn auch nicht erwartet werden kann, dass sie langfristig einen signifikanten Anteil an der Gesamtwirtschaft haben wird, kann sie aber durchaus dazu beitragen, wirtschaftliches Handeln wieder mehr an lokalen und sozialen Bedürfnissen auszurichten. Dadurch kann sie einen hohen symbolischen Wert vor allem unter der Bevölkerung vor Ort entfalten und letztlich dazu beitragen, dass sich soziale, ökologische und wirtschaftliche Verwerfungen nicht noch weiter verschärfen.

3. Rolle der Genossenschaften in der Neuen Sozialen Ökonomie

Wie sich in der IfL-Studie zeigte, sind Genossenschaften als ideelle Organisations- und formale Rechtsform stark vertreten und immer noch aktuell, wenn auch die Rechtsform der eingetragenen Genossenschaft teilweise ein Image innehat, welches sie eher mit etablierten, ‚alteingesessenen‘ Erscheinungsformen der Sozialwirtschaft in Verbindung setzt. Doch spätestens mit der Novellierung des Genossenschaftsgesetzes im Jahr 2006, welche die Gründung kleinerer Genossenschaften, Sozial- und Kulturgenossenschaften vereinfachte, ist die Rechtsform eG wieder interessanter geworden. Eine Vielzahl innovativer Neugründungen folgte. Die rasant gestiegene Anzahl an Energiegenossenschaften in Deutschland nach 2006 ist ein gutes Beispiel dafür. Auch unter den 15 untersuchten Genossenschaften scheint sich die Rolle der Gesetzesnovellierung widerzuspiegeln. 6 der 15 betrachteten Genossenschaften wurden im Jahr 2006 oder später gegründet. Dies sind vor allem kleine Genossenschaften, die von der angesprochenen Vereinfachung der Gründung profitieren konnten und soziale wie kulturelle Belange fördern. Um die Bedeutung solcher Maßnahmen wie der Gesetzesnovellierung für Genossenschaften in der

Neuen Sozialen Ökonomie aber zu verifizieren, müssen deutlich mehr Fälle untersucht werden.

Weiterhin legt die Studie den Schluss nahe, dass sich genossenschaftliche Strukturen und Prinzipien, wie Selbsthilfe, Selbstversorgung und Selbstverantwortung, auch in Sozialunternehmen anderer rechtlich gefasster Formen wiederfinden. Dies entspricht auch dem angesprochenen Phänomen, dass Unternehmen der Neuen Sozialen Ökonomie auf keine bestimmten Rechtsformen beschränkt sind. Die Positionierung Neuer Sozialer Unternehmen am Markt und sich daraus ergebende Bedarfe bestimmen die Wahl der Rechtsform, die dem jeweiligen Geschäftsmodell am ehesten entspricht. Die eG birgt für bestimmte Zwecke durchaus auch Nachteile. So können die umfangreichen Durchführungs- und Prüfpflichten vor allem für ExistenzgründerInnen ein Hindernis sein, die Bindung an den Selbsthilfeszweck kann den Geschäftszweck der eG einschränken und teilweise wird sie im Geschäftsleben nicht so anerkannt, wie es zum Beispiel bei einer GmbH der Fall ist. Die verpflichtende Mitgliedschaft in einem Prüfungsverband sowie die Liefer-, Bezugs- und Benutzungspflichten für Mitglieder können sich unter Umständen ebenfalls als Nachteil erweisen (IHK 2011).

Um abseits der Frage nach der rechtlichen Form zu bestimmen, welche Genossenschaften der Neuen Sozialen Ökonomie zuzuordnen sind, erscheint die Typisierung von Genossenschaften nach ihren grundsätzlichen Zielen (Sinngelhalte) nach *Engelhardt* (1994) hilfreich. Orientiert an idealtypischen Zielen in Industriegesellschaften definiert er sechs Widmungstypen (*Engelhardt* 1994: 101-102), von denen drei den Spezifika sozialer Unternehmen (soziale oder Gemeinwohlorientierung) entsprechen. Dies sind:

- Frei gemeinwirtschaftliche Genossenschaften (co-operatives for commonweal or public benefit), deren Ziele sich explizit am Gemeinwohl orientieren,
- stiftungswirtschaftliche Genossenschaften (foundation type co-operatives), deren Arbeit auf den altruistischen Motiven ihrer GründerInnen beruht und die als indirekt das Gemeinwohl fördernd verstanden werden können, und
- gruppenwirtschaftliche Genossenschaften (co-operative of the group economy type), deren Arbeit sich auf bestimmte soziale Gruppen fokussiert und die teilweise zur Sozialen Ökonomie gerechnet werden können.

Anhand einer solchen Einteilung könnte ein genaueres Bild darüber entstehen, inwieweit Genossenschaften Teil der Sozialen Ökonomie im engeren Sinne sind. Jedoch besteht keine Erfassung nach diesen oder ähnlichen Kriterien, die für eine Unterscheidung hilfreich wären.

Dies zieht in der Analyse des Verhältnisses von Sozialer Ökonomie und Genossenschaften einige Probleme nach sich, wie sich z.B. in der Studie „The Social Economy in the European Union“ (CIRIEC 2012) zeigt. Diese Evaluation der Sozialen Ökonomie in der Europäischen Union bezieht alle Genossenschaften in ihre Betrachtung ein, was dazu führt, dass die Studie nur unter großem Vorbehalt ein reelles Bild der Sozialen Ökonomie zeichnen kann. So ist z.B. ein zentrales Ergebnis, dass ca. 14,5 Mio. ArbeitnehmerInnen in den EU-27 Staaten (also 6,5% der arbeitstätigen Bevölkerung) in der Sozialen Ökonomie beschäftigt seien (CIRIEC 2012: 46). Angesichts üblicher Definitionen der Sozialen Ökonomie erscheint dies aber unwahrscheinlich, denn ohne diejenigen Genossenschaften, die sich kaum von anderen privatwirtschaftlichen Unternehmen unterscheiden lassen (z.B. sehr große Handelsgenossenschaften oder Wohnungsbaugenossenschaften), würden diese Zahlen deutlich niedriger liegen. Die Studie kann also im Grunde nicht plausibel darstellen, welchen Stellenwert die Soziale Ökonomie in Europa wirklich hat. Die verallgemeinernde Erhebung über die Rechtsformen scheint zwar aufgrund des Fehlens anderer verfügbarer Daten bislang die einzig praktikable Lösung für eine umfangreiche Erhebung der Sozialen Ökonomie zu sein, doch genau darin liegt auch eine große Schwäche der Studie.

Letztlich lässt sich das Verhältnis von Genossenschaften und Sozialer Ökonomie zurzeit im Grunde nur so darstellen, dass eine Teilmenge der Genossenschaften einen wichtigen Teil der Sozialen Ökonomie bildet und genossenschaftliche Strukturen sich auch in sozialen Unternehmen anderer Rechtsformen wieder finden. Die Überarbeitung des Genossenschaftsgesetzes in Deutschland hat scheinbar dazu geführt, dass sich Unternehmen und Initiativen, die einer Neuen Sozialen Ökonomie zuzurechnen sind, vermehrt als eG gründ(et)en. Valide quantitative Aussagen sind zum jetzigen Zeitpunkt aufgrund fehlender Daten nicht möglich. Ohne eine entsprechende statistische Grundlage bedarf es immer einer detaillierten Betrachtung der einzelnen Genossenschaften, um sie letztlich der Neuen Sozialen Ökonomie zuordnen zu können. Die Rechtsform allein ist kein hinreichender Indikator.

4. Forschungsperspektiven

Mit der hier vorgestellten Studie konnten viele Fragen hinsichtlich der Sozialen Ökonomie und ihrer neueren Ausprägungen sowie zur Rolle der Genossenschaften aufgrund ihres begrenzten Umfangs nur angerissen werden. Der nächste Schritt zur Klärung dieser Fra-

gen könnte eine möglichst vollständige Erhebung und Untersuchung sozialer Unternehmen in ausgewählten Städten sein. Nur so könnte eine Typisierung sozialer Unternehmen auf Basis von Geschäftsfeldern, Beschäftigungsstrukturen, Zielsetzungen, der Rechtsform oder ihrer Finanzierung erfolgen und die Grundlage für weitergehende Forschungsfragen darstellen.

Für weitere Untersuchungen scheint es zudem lohnenswert zu sein, die Soziale Ökonomie aus einer Mikro- und einer Makroperspektive heraus zu betrachten. So sind auf der Mikroebene die Gründungsmotivationen einzelner SozialunternehmerInnen bisher weitgehend unerforscht und inwieweit diese Motivationen im Kontext regionaler Rahmenbedingungen und in einem erwünschten Wandel von Wirtschaft und Gesellschaft begründet liegen. Aus einer Makroperspektive heraus stellt sich die Frage nach dem Verhältnis von Staat, formaler und Sozialer Ökonomie und inwiefern und mit welchen Motivationen und Mitteln die öffentliche Hand dieses Verhältnis moderiert. Weiterhin sind Fragen nach dem Beitrag der Sozialen Ökonomie zur Bewältigung städtischer und stadtreionaler Strukturprobleme und zu spezifischen Förderbedarfen auf einzelunternehmerischer und Stadtteil- bzw. Gesamtstadtebene bisher unbeantwortet.

Ein weiteres mögliches Forschungsfeld ist die Untersuchung der Sozialen Ökonomie in ländlichen Räumen vor dem Hintergrund des demographischen Wandels. Ausgehend von der These, dass gerade in schrumpfenden, dünn besiedelten und peripheren Regionen der soziale Innovationsbedarf steigen und die Aufrechterhaltung der sozialen Infrastruktur, von Dienstleistungen und Angeboten der Versorgung immer schwieriger wird, stellt sich die Frage, inwieweit sozialökonomische Modelle Lösungsansätze für derartige Problemlagen bieten können (vgl. a. *Ehrlich / Lang* 2012: 31). Weiterhin gibt es bisher keine Längsschnittstudien, anhand derer untersucht werden könnte, inwiefern Sozialunternehmen mit verschiedenen Geschäftsmodellen langfristig am Markt erfolgreich sind bzw. worin Gründe für ihr Scheitern zu suchen sind (ebd.).

Aus genossenschaftswissenschaftlicher Perspektive wäre es zudem interessant zu untersuchen, inwieweit sich die Rolle und Wahrnehmung sozialökonomisch agierender Genossenschaften vor dem Hintergrund aktueller ökonomischer, politischer und gesellschaftlicher Rahmenbedingungen verändert hat. Fragen der Bedeutung von sozialen und am Gemeinwohl ausgerichteten Genossenschaften sowie von am Genossenschaftsgedanken orientierten Formen außerhalb der Rechtsform eG für die Entwicklung der Sozialen Ökonomie im allgemeinen sind ebenfalls bisher unbeantwortet.

Es sind also noch einige spannende Forschungsfragen aus verschiedenen Perspektiven offen, die von verschiedensten Disziplinen bearbeitet werden können, welche das Verständnis der Sozialen Ökonomie

und ihrer Rolle in Staat, Wirtschaft und Gesellschaft erweitern. Das IfL hat mit seiner Studie, die als Basis für weitergehende Forschungen dienen kann, einige neuere Trends in der Sozialen Ökonomie aufgezeigt und wird im Rahmen weiterer Forschungen vor allem an der Klärung raumbezogener Fragestellungen zum Thema arbeiten.

Literatur

- Amin, A.; Cameron, A.; Hudson, R. (2002): *Placing the Social Economy*. Routledge, London.
- Borzaga, C.; Santuari, A. (2003): *New Trends in the Non-profit Sector in Europe: The Emergence of Social Entrepreneurship*. In OECD: *The Non-profit Sector in a Changing Economy*. OECD Publishing, Paris. S. 31-56.
- Bundesregierung (2010): *Nationale Engagementstrategie der Bundesregierung*. Berlin. Online: http://www.bmi.bund.de/SharedDocs/Downloads/DE/Themen/Politik_Gesellschaft/GesellZusammenhalt/engagementstrategie.pdf?__blob=publicationFile (letzter Zugriff am: 10.01.2013).
- CIRIEC (Hrsg.) (2012): *The Social Economy in the European Union*. The European Economic and Social Committee (EESC). N°. CESE/contract CES 18.106 - 2012. Online: http://www.ciriec.ulg.ac.be/fr/telechargements/RESEARCH_REPORTS/EESC_-_CIRIEC_Report_2012_def__ENG.pdf (letzter Zugriff: 10.01.2013).
- Defourny, J.; Develtere, P. (1999): *The Social Economy: The Worldwide Making of a Third Sector*. In: Defourny et al.: *L'économie sociale au Nord et au Sud*. De Boeck & Larcier, Paris/Brüssel. S. 3-35.
- Defourny, J.; Nyssens, M. (2008): *Social enterprise in Europe: Recent Trends and Developments*. In: *Social Enterprise Journal*, 4 (3), S. 202-228.
- (DTI) Department of Trade and Industry Great Britain (2002): *Social Enterprise: A Strategy for Success*. DTI, London.
- (ECON) Committee on Economic and Monetary Affairs (2012): *Ease access to venture capital and social entrepreneurship funds to spur growth* (= Pressemitteilung des Committee on Economic and Monetary Affairs vom 31.05.2012). Online: <http://www.europarl.europa.eu/news/en/pressroom/content/20120529IPR45939/html/Ease-access-to-venture-capital-and-social-entrepreneurship-funds-to-spur-growth> (letzter Zugriff am: 26.09.2012).
- Ehrlich, K.; Lang, T. (2012): *Soziale Unternehmen und Initiativen in Deutschland – auf dem Weg zu einer neuen sozialen Ökonomie?* Leipzig (= Forum IfL 17).
- Engelhardt, W. W. (1994): *Classification and Typologies of Cooperatives*. In: Dülfer, E. (Hrsg.): *International Handbook of Cooperative Organizations*. Vandenhoeck & Ruprecht, Göttingen. S. 100-106.
- Faltin, G. (2011): *Social Entrepreneurship – Zwischen Entrepreneurship und Ethik*. In: Jähnke, P.; Christmann, G. B.; Balgar, K. (Hrsg.): *Social Entrepreneurship. Perspektiven für die Raumentwicklung*. VS Verlag, Wiesbaden. S. 75-86.
- Hulgard, L. (2010): *Discourses of Social Entrepreneurship – Variations of the Same Theme?* EMES European Research Network, Liège. (= Working Paper 10 (01)).

- Hackenberg, H.; Empter, S.* (2011): Social Entrepreneurship und Social Business: Phänomen, Potentiale, Prototypen – Ein Überblick. In: *Hackenberg, H.; Empter, S.* (Hrsg.): Social Entrepreneurship – Social Business: Für die Gesellschaft unternehmen. VS Verlag, Wiesbaden. S. 11-26.
- (HMWK) Hessisches Ministerium für Wissenschaft und Kunst, Europäischer Sozialfond, Universität Kassel (Hrsg.) (2008): Atlas der solidarischen Ökonomien in Nordhessen – Strategien für eine nachhaltige Zukunft. Kassel University Press, Kassel.
- (IHK) IHK Niederbayern (2011): Die Genossenschaft. Online: <http://www.ihk-niederbayern.de/uploads/media/Genossenschaft.pdf> (letzter Zugriff am: 10.01.2013).
- Lang, T.* (2008): Institutional perspectives of local development in Germany and England: a comparative study about regeneration in old industrial towns experiencing decline. Potsdam. Online: <http://nbn-resolving.de/urn:nbn:de:kobv:517-opus-37346> (letzter Zugriff: 23.01.2013).
- Lang, T.* (2011): Sozialökonomische Initiativen zur Wirtschafts- und Beschäftigungsförderung zwischen Anerkennung und Ignoranz. In: *Christmann, Gabriela; Jähne, Petra; Balgar, Karsten* (Hrsg.): Social Entrepreneurship. Perspektiven für die Raumentwicklung. VS Verlag, Wiesbaden. S. 235-253.
- Lorenz, G.* (2008): Der Beitrag sozialer Unternehmen zur lokalen Ökonomie. Berlin (= Bildungsmaterialien Technologie-Netzwerk e.V.).
- Leppert, T.* (2008): Social Entrepreneurs in Deutschland – Ansätze und Besonderheiten einer spezifischen Definition. Text basierend auf Vortrag im Rahmen der Ringvorlesung „Social Entrepreneurship – Unternehmerische Ideen für eine bessere Gesellschaft“, WS 2007/2008, Hanseatic Institute for Entrepreneurship & Regional Development (HIE-RO), Rostock. Online: http://heldenrat.files.wordpress.com/2010/07/leppert_2008_social_entrepreneurs_in_deutschland_2.pdf (letzter Zugriff: 10.01.2013).
- Monzón, J.L.; Chavez, R.* (2008): The European Social Economy: Concept and Dimensions of the Third Sector. In: *Annals of Public and Cooperative Economics*, 79 (3/4), S. 549-577.
- Moulaert, F.; Ailenei, O.* (2005): Social Economy, Third Sector and Solidarity Relations: A Conceptual Synthesis from History to Present. In: *Urban Studies*, 42 (11), S. 2037-2053.
- Rummel, M.* (2011): Wer sind Social Entrepreneurs in Deutschland? Soziologischer Versuch einer Profilschärfung. VS Verlag, Wiesbaden.
- (TechNet) Technologie-Netzwerk Berlin e.V. (Hrsg.) (2011): Stärkung der sozialen Infrastruktur durch soziale Unternehmen im Land Brandenburg. Berlin.
- (TechNet) Technologie-Netzwerk Berlin e.V. (Hrsg.) (2007): Bestandsaufnahme und Potenzialerhebung sozialer Unternehmen in den Ziel-1-Fördergebieten von Berlin zur Entwicklung der regionalen Wirtschafts-, Sozial- und Infrastruktur. Berlin.
- Westerdahl, S.; Westlund, H.* (1998): Social Economy and New Jobs – A Summary of Twenty Case Studies in European Regions. In: *Annals of Public and Cooperative Economics*, 69 (2), S. 193-218.

Creative Sustainable Urban Development – The Coop Model: a Dutch example¹

Rene Kooyman / Elselien Smit

Executive summary

Western Europe is facing both an economical and real-estate crisis. When looking at ways to tackle the economical crisis in Europe, the importance of local based initiatives is vital. For a number of reasons one is looking at the development of Small and Medium Enterprises (SMEs). Within the SME sector the Cultural and Creative Industries (CCIs) have taken the focus of attention.

In this article the characteristics of creative entrepreneurs are treated in order to discuss long term sustainable value creation. The existence of cooperative networks is taken as an indication of a fundamental characteristic, namely the creation of independent interdependencies. In this paper four Dutch examples of cooperative initiatives are described.

Cooperative structures can be supportive for sustainable and mutual value creation. By studying some examples we want to obtain insight in how, and to what extent this can be realized for creative entrepreneurs. Our aim is to find key factors to stimulate and facilitate sustainable and mutual value creation in creative cooperative networks.

1. The Creative Economy; the entrepreneurial dimension

It has been widely accepted that the global economy is wrestling to avoid a global crisis. It is abundantly clear that entrepreneurship is important for economic growth, productivity, innovation and employment, and many countries have made entrepreneurship an explicit

¹ We want to thank Prof. *Roessl* who has taken the responsibility for the proof reading of this contribution.

policy priority. As globalization reshapes the international economic landscape and technological change creates greater uncertainty in the world economy, entrepreneurship is believed to offer ways to help to meet new economic, social and environmental challenges (OECD, 2009).

When looking at ways to tackle the economical crisis in Europe, the importance of local based initiatives is vital. For a number of reasons one is looking at the development of Small and Medium Enterprises (SMEs). The SME sector plays a vital role in employment creation and income generation and is, therefore, critical for achieving sustainable growth in any country. Moreover; one is looking at SMEs to generate innovative ideas that will invite us to enter a new, sustainable, social, economical and cultural era (EUROFOUND, June 2011).

Recognizing the special situation that SMEs face, the European Union adopted a 'Small Business Act' (SBA) for Europe in 2008. This is an ambitious package of policies designed to put SMEs' interests at the centre of decision-making. The EU Commission states that *vibrant SMEs will make Europe more robust to stand against the uncertainty thrown up in the globalised world of today* (EU Commission, 2008). At the height of the economic and financial crisis the SBA implementation in the first year focused on the following priorities:

- reducing the administrative burden for SMEs;
- access to finance;
- access to markets;
- promoting entrepreneurship.

Within the large sector of SMEs the sector of Cultural and Creative Industries (CCIs) is pivotal (European Commission, 2010). There is a solid reason for considering this specific economical sector. It is characterized by an inherent creativity (Sarıs, 2005). Within the Creative Industry innovation is a 'raison d'être'. The sector exists because it is involved in a permanent strive for developing new products, technologies and products that have not been here before (Dos Santos Duisenberg, 2010). The sector is based on a permanent drive to create 'new' products. As a consequence innovation is a central topic (Throsby, 2010). As such, it has the potential to contribute to the groundbreaking innovation that is needed for the transition towards a sustainable economy.

The sector is however characterized by a large number of very small initiatives. More than eighty percent of the enterprises consist of the smallest category of SMEs; the 'micro' enterprises, that hold less than ten people involved. Within the Industries, however, over fifty percent is smaller than three individuals: the 'nano SMEs' (Kooyman, 2008).

The majority of these cultural and creative entrepreneurs is confronted with a number of complex characteristics that determine

failure or success (*Ahmad & Hoffmann, 2008*). Firstly, they operate under specific working conditions. Often regular working hours are not applicable. Multiple job-holding is a common formula, as the cultural workers need a minimum income for survival and for a degree of security. The sector shows specific dynamics of frequent job changes, often based on local networking, and that working on short term contracts is normal (*Towse R., 2003*).

It leads to a situation in which the distinction between ‘employed’ or ‘unemployed’ is obscure, blurred and problematic. The share of independent workers is more than twice as high in the cultural sector as in total employment (*KEA, 2006, p. 96*). Often regular Labor Unions do not offer their services to these local SMEs.

There seems to be a paradox between the pivotal role of creative industries and the complex and problematic situation of entrepreneurs in the sector. On the one hand, the creative industry is considered as a top sector, geared to drive the innovation we long for. On the other hand, fragmentation and lack of coherence result in only partial exploitation of the potential and hamper sustainable, long term value creation (*European Commission, 2010*).

2. Creative entrepreneurs: independent interdependency

Especially in the start-up phase, the cultural and creative entrepreneur needs to find his specific position, profile and business model (*Hagoort, 2009*). This requires a certain level of independence in order to develop one’s specific position. Yet, at the same time the (starting) entrepreneur depends on sources of external initiatives, drives and inspiration. In this sector the individual entrepreneur is looking for a situation in which he can combine his independent status with a social cooperative networking configuration.

Cooperative networks are created and sustained for a number of reasons. The Creative Entrepreneur wants to create a product that is interesting for himself, yet that will also be appreciated by his peers, and will hold the potential of being bought by a (potential) client. Hence, Creative Entrepreneurs are involved in networks of multiple and changing clients, competitors, colleagues, etc (*Gardner, 2007*). Consequently, creative initiatives are developed within a cooperative context, that has the potential of sustainable value creation.

3. Cooperatives and sustainable value creation

As mentioned before, characteristics of creative entrepreneurs and their working circumstances hamper long term sustainable value creation. Sustainable value creation is economic value creation while creating at the same time social and societal benefits. It is value creation with a larger scope: long term, future oriented viability instead of short term profit (*Simanis and Hart, 2009*). This requires a non-linear, more dimensional approach. The focus is not only put on products or services that meet the needs of today. In creative design- and development processes also the possible effects of decisions on longer term are taken into account.

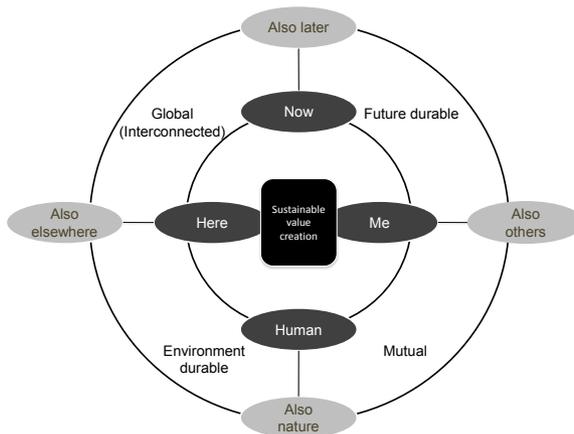
A sustainable entrepreneur is aware that he does not work in isolation but that he is connected with others in a social, cultural and natural environment. He is part of a 'living system'. The living system can be the interconnected whole of a neighbourhood, city or region for example. The entrepreneur influences the system with his entrepreneurial activities but he, and his company, are also influenced by the system itself. Sustainable value creation means that the relevant interests of other stakeholders in the system are also taken into account. All partners who are involved in a value creation process are enabled to create value, not only the initiator. Value creation emerges from building relationships and from identifying and expanding the connections between societal and economic progress (*Simanis, 2010*). Sustainable value is mutual value: for the initiator and for other stakeholders and communities, but also for the natural environment that is part of the system.

The described elements of sustainable value creation are summarized in Figure 1. The model is inspired by and derived from the sustainable value framework of Hart and Milstein (*Hart, 2010*). The elements in the inner circle reflect the way we are used to think and act. The elements in the outer circle show how we extend our view when we look at the world as a living system with the aim of sustainable and mutual value creation.

With their general objective of being strong together, cooperative networks and cooperatives seem to be a natural, organic, organizational structure that could facilitate sustainable value creation. A cooperative structure is defined as a structured collaboration of members. Members keep their own responsibility, govern the cooperative together, being convinced that they can realize more together than each of them can reach alone (*Rabobank, 2012*). Recent research on success factors of cooperatives of small enterprises shows that increasing the chance on

work or projects is the most important reason for participation (Potts, 2011). Collaborating partners get access to larger or more important projects, while the democratic decision-making in cooperatives fits to their independence (RABO Bank, 2012).

Figure 1: Summarized overview of elements of sustainable value creation



In this paper four examples of cooperative initiatives are described. In two of them creative entrepreneurs play a role. In the other two examples municipalities play a major role. Our aim is to find key factors to stimulate and facilitate sustainable and mutual value creation in creative cooperative networks. The focus is put on the potential for value creation. Whether or not an initiative really is sustainable cannot be identified or measured now. It will become clear later, in the future.

3.1 Example 1: The Creative Industries; urban industrial renewal

Situation: We are not only in the centre of an economical predicament, but also confronted with a real-estate crisis. Most mid-size and larger European cities are stuck with abandoned industrial areas. Urban development is changing rapidly. The requirements of a labour-intensive mass-production based industrialization are totally different from those of high-technology focused and knowledge-based development (Landry, 2008). In the process of becoming a post-industrial

knowledge-based society, industrial plants are being closed or relocated to other parts of the world.²

As a consequence, municipalities are confronted with industrial areas that are being closed, deteriorated and abandoned. Often these areas hold valuable historical buildings, in the process of being qualified as valuable industrial heritage. Yet, in the present financial crisis private investors are not eager to invest in torn-down areas in decay.

Approach: In many cases the local urban developers turn to the CCIs for a number of reasons.³ They can offer the often large industrial complexes to creative entrepreneurs for a low price. The owners want to have their properties being in use and occupied during the day-time. And the local inhabitants in the surrounding neighbourhoods are pleased with the social fabric that is created as a spin-off of the creative activities.⁴ The combination of cost saving, economic value creation and social and societal benefits are key drivers for mutual value creation. Every ‘partner’ or community that is involved in the process is enabled to create value in the context of a shared interest.

3.2 Example 2: The quest for reasonable housing; the cooperative model in CPO projects for consumers

Situation: The present economical crisis has not only taken its toll on urban industrial areas. But it has also created a situation in which it is hard to get financial funding for housing initiatives. Both financial investors, housing corporations and individual families alike, are having problems financing their housing plans. With new, restrictive bank rules, as a result of the bank crisis in 2008, most banks are very hesitant to invest or initiate loans for real-estate development.

Approach: Due to the present economical downturn the municipality in various places in the Netherlands suffers from financial losses on ‘land ownership’. To decrease the loss and to stimulate the housing market, new initiatives are being developed. Several municipal

² We can point at the steel industry in the German Ruhrgebiet, the French and Belgian car industries, the petrochemical area in the Rotterdam harbour, etc.

³ In the North-West of Europe a number of mid-sized cities have come together to develop a cooperative approach towards Creative Urban Renewal (CURE) The CURE Project is an EU-funded project (INTERREG IVB NWE) which aims to facilitate triggered growth of the creative economy in decayed urban areas. This will be done by developing and testing the innovative transnational model ‘Creative Zone Innovator’ to plan and to develop creative zones. The project brings together 7 project partners in Germany, Belgium, France, the Netherlands and the UK.

⁴ A number of success stories can be pointed at: the Ruhr area in Germany, the Rotterdam Harbour area ‘Stadshavens’, London’s West Bank, Dublin’s Temple Bar, etc.

organizations have stimulated CPO projects (Collective Private Commissioning). In these cases cooperative housing projects are initiated. The Dutch national government has stimulated these initiatives by changing the building requirements. The National Ministry of Housing, Spatial Planning and the Environment (VROM), has defined CPO as:

'a situation in which civilians or groups of civilians – in the last case organized in a legal non-profit entity or founded on a mutual agreement – requires at least full economic property and full mandate over and full responsibility for the use of the grounds, the design and building of their own real estate property' (VROM, 2008).

Within the Dutch CPO concept, future residents join together in a cooperative organization and have the ability to design, develop and build their own apartments or houses.⁵ Individual potential builders/owners are invited to come together in order to plan and develop collectively their individual work/living space. CPO Projects combine the individual initiatives with collective project development and -management. The resulting houses meet individual needs and are often built on a lower cost basis than those with traditional project development.

Often these initiatives strive for the creation of sustainable buildings. In some cases additional funding is created, based on the financial support available for the realization of sustainable and Zero-energy buildings.⁶ But these CPO projects have more characteristics that enable participants to create sustainable and mutual value. As mentioned earlier, sustainable and mutual value emerges from relationships instead of from products. CPO projects are examples of multi-party collaborations such as municipality, prosumers (producing consumers), architects, builders, financial economic advisors (bank). In the current economic- and real estate situation they share the sense of urgency in order to create movement in the housing market. This shared interest appears to be a key success factor. It is in the interest of all participants that the project is being realized and that solutions for obstacles are found. Therefore, it can occur that unusual solutions are needed or the participants have to act across the borders of their formal role in the project. This is where mutuality emerges and where mutual value is created (*Smit, 2012*).

⁵ See as an example Little Amsterdam, at: <http://www.globalarchitects.nl/en/all-projects/architecture/little-amsterdam>.

⁶ See as an example Amsterdam, Project Timber Harbours (Hout Havens) at <http://www.west.amsterdam.nl/diversen/nieuws-2012-0/buurtnieuws-0/nieuws-houthaven/1-5-miljoen>.

Thinking in terms of being part of a living system, CPO projects appear to contribute to social cohesion. Prosumers, who create and build their houses together, also feel more involved in the shared surroundings: plants and trees in the street, playgrounds etc. (Smit, 2012).

3.3 Example 3: Clusters for creative entrepreneurs

Situation: The double-sided need of creative entrepreneurs – combining individual freedom and cooperative networking – has led to a number of cultural and creative cooperative initiatives. One of the specific characteristics of the CCIs is that creative entrepreneurs often combine their working spaces with their living area. They often work and live in the same building.

Approach: Urban planners use the CCIs in order to create a local creative cluster.

The advantages of clustering are well known: mutual, financial, technical and psychological support; increasing the efficiency of markets, bringing buyers and sellers together, creating overlaps between adjacent disciplines, stimulating competition, generating ‘multiplier’ effects (Chapain, Cooke, De Propriis, MacNeill, & Mateos-Garcia, Nov 2010).

In several places cooperative entrepreneurial breeding places have been initiated, often in the form of creative incubators and beehives. Creative entrepreneurs operate here as an individual actor within a cooperative cluster. In working together, low-cost housing-initiatives can be realized. Interested potential creative entrepreneurs come together in the initial phase in order to discuss their individual perspectives. They form a legal entity, most often a Union or Foundation, then they look for a building advisor and/or architects, and they set up a structure of financial consult and support.

3.4 Example 4: Iamsterdam

Amsterdam is positioning itself as the cultural capital of the Netherlands, what is reflected in its brand; ‘Iamsterdam’.

As many large cities, Amsterdam is at the brink of bankruptcy. It is faced with a situation in which municipal funds are lacking, and where both private investors and financial institutions no longer invest in urban area development. Amsterdam has therefore chosen to develop abandoned industrial harbor areas by stimulating grass-root cooperatives.

Recent research on success factors of cooperatives of small enterprises shows that increasing the chance on work or on projects is the most important reason for participation (Potts, 2011). Collaborating

partners get access to larger or more important projects, while the democratic decision-making in cooperatives supports their independence (RABO Bank, 2012). The Amsterdam Municipality has noted that these cooperative initiatives are relatively successful, especially in the current economical crisis. Given the present economical situation, the Cooperative model can serve as a tempting example of innovative entrepreneurial initiatives.

The earlier carefully choreographed redevelopment to the south banks of the IJ waterway –developed in earlier prosperous times – is now making way for the gradual transformation of the Northern Banks of the IJ. Conventional methods are inadequate for the development of transformation areas, so a solution has been sought in a flexible approach that rallies together all the disciplines and parties in an intensive collaborative effort.⁷

One of the areas looked at is Buiksloterham: A transformation plan was devised for this sector's redevelopment. The City Council is investing in extra infrastructure and in improving the quality of the public space, but it is only pursuing an active land development strategy for the sub-sectors where it is investing directly or is responsible for the allocation of land.

The Amsterdam City Council ratified the Investment Decree for Buiksloterham five years ago. Instead of presenting an urban development plan, it outlined 'rules of play' for the area's transformation. These rules present a number of urban development criteria, such as ensuring sightlines towards the water, maximum construction heights, building lines, the functions of buildings and public space. Another striking feature of the Investment Decree is that the City Council would be actively transforming just one third of the area's footprint. Alongside the rules of play, a land development plan was needed for great part of the area. Unlike the rules of play, the municipality's land development regimen allows only limited flexibility, something which also applies for the zoning plan. The plan is nevertheless extremely flexible in its phasing.

The room for manoeuvre within the rules of play for transformation provokes two kinds of reaction: on the one hand, the freedom is appreciated, while on the other hand, it prompts a call for tighter steering. The transformation of Buiksloterham into a functionally mixed live/work area is a complex process, involving a continuous area-wide search for flexibility. Five years on, it seems that the flexible framework is no longer wholly fit for purpose, particularly because the office program has been scrapped due to the financial crisis. However, it seems that Buiksloterham has come through these changed circumstances

⁷ amsterdam.nl/gemeente/organisatie-diensten/dienst-ruimtelijke/making-amsterdam/planamsterdam-magazi/2011/2-2011-transformat.

fairly unscathed, the rules of play and the envisaged transformation essentially surviving intact. The approach to Buiksloterham is already achieving maximum effect with a minimum of means for the City Council, which is investing in just a third of the area but has already succeeded in attracting investment from private parties. The project has now entered the following phase and implementation at the scale of individual lots has begun.

In this area Collective CPO initiatives are supported both by the municipal Urban Development Board, as well as the Provincial County Development Board. These public organizations offer subsidies for local building/inhabitants cooperatives in the start-up phase, or non-interest loans in order to do the preparatory works (setting up the organizational structure, initiating the planning of the building initiatives, etc).

It is interesting to notice that not only the urban planners are looking at these cooperative models. At the moment also the commercial real-estate agents are involved in the search for potential buyers/builders. Also the banking institutions have been persuaded to support these initiatives with specific targeted mortgages.

It seems that in times of financial crisis the cooperative models offer an alternative way of urban area development.

4. Discussion

As stated, it seems that cooperative initiatives do contribute to the realization of sustainable and mutual value creation. Especially in times of financial crisis and limited resources – both in financial and in environmental terms – such initiatives offer innovative solutions for the times to come.

It is indeed the question whether these cooperative initiatives are only initiated because of the widely felt need of urgency. Should cooperative initiatives be seen as a temporary intermediary solution, or do they indeed offer a wider perspective, striving for a long-term sustainable society?

5. Conclusions

Also in the present Western European context a number of new approaches can be identified, using mutual value creation as a guiding principle. These cooperative initiatives do offer at first site an answer to the socio-economical and environmental problem that we are faced with. More examples need to be studied to identify and understand key factors for their success. The near future will tell whether and how these creative initiatives will offer sustainable ways of tackling the times to come.

Sources

- Ahmad, N., & Hoffmann, A. (2008). *A Framework for Addressing and Measuring Entrepreneurship*. Paris: OECD.
- Aho, E. e. (2006). *Creating an Innovative Europe*. Luxembourg: The Independent Expert Group on R&D and Innovation .
- Benkler, Y. (2006). *The wealth of networks: How social production transforms markets and freedom*. New Haven CT: Yale University Press.
- Chapain, C., Cooke, P., De Propriis, L., MacNeill, S., & Mateos-Garcia, J. (Nov 2010). *Creative clusters and innovation. Putting creativity on the map*. London UK: NESTA.
- Chick, A. (2011). *Design for Sustainable Change*. New York.
- CIKTN. (2010). *Can the Creative Industries lead us to a sustainable future?* London: Creative Industries Knowledge Transfer Network.
- Dos Santos Duisenberg, E. (2010). *Creative Economy Report 2010. A feasible Development Option*. Geneva: UNCTAD.
- EU Commission. (2008). "Think Small First"; A "Small Business Act" for Europe. Brussels.
- EUROFOUND. (June 2011). *SMEs in the crisis: employment, industrial relations and local partnerships*. Dublin: European Foundation for the Improvement of Living and Working Conditions.
- European Commission. (2010). *Green Paper; Unlocking the potential of cultural and creative industries*. Brussels: EACEA.
- European Commission. (2010). *Unlocking the potential of cultural and creative industries*. Brussels: European Commission.
- Gardner, W. (2007). 'Who is an entrepreneur?' is the wrong question. *American Journal of Small Business*, 12 (4), 11-32.
- Hagoort, G. & Kooyman, R. (2009). *Creative industries; colourful fabric in multiple dimensions*. Delft/Chicago: EBURON/Chocago University Press.

- Hart, S.L. (2010). *Capitalism at the crossroads. Next generation business strategies for a post-crisis world*. Upper Sadle River, New Jersey, Wharton School Publishing.
- KEA. (2006). *The economy of culture in Europe*.
- Kooyman, R. (2008). *Study on the entrepreneurial dimension of cultural and creative industries*. Brussels/Utrecht: EU EACEA/HKU.
- Landry, C. (2008). *The Creative City: A Toolkit for Urban Innovators*. Bournes Green UK: Comedia.
- OECD. (2009). *Measuring Entrepreneurship; A Collection of Indicators*. Paris: OECD-Eurostat Entrepreneurship Programme.
- Potts, J. (2011). *Creative Industries and Economic Evolution*. Cheltenham UK: Edward Elgar Pub.
- Saris, J. (2005). Creativity as competitive factor for urban regions. In V. E. (eds), *Creativity and the city. How the creative economy is changing the city* (pp. 108-143). Rotterdam: NAI Publishers.
- Simanis E. (2010). Needs, needs everywhere, but not a BoP market to tap. In: T. London and S.L. Hart, *Next generation business strategies for the Base of the Pyramid*. FT Press.
- Simanis, E. (2009). Innovation from the inside out. *MIT Sloan Management Review*, 77-86.
- Smit, E.Y.M. (2012), Unpublished report of observations in four CPO projects in The Netherlands.
- Throsby, H. B. (2010). *Culture of Innovation*. London: NESTA.
- Towse R. (2003). *A Handbook of Cultural Economics*. Cheltenham UK: Edward Elgar.
- VROM. (2008, Apr). Decision 21 april 2008 (Besluit van 21 april 2008 tot uitvoering van de Wet ruimtelijke ordening). The Hague, the Netherlands: Ministry of Housing, Spatial Planning and the Environment (VROM).

Web

- Amsterdam: Transformation of the Northern Banks of the IJ: English summary, at: amsterdam.nl/gemeente/organisatie-diensten/dienst-ruimtelijke/making-amsterdam/planamsterdam-magazi/2011/2-2011-transformat.
- Creative Urban Renewal (CURE), at: cure-web.eu.
- Little Amsterdam, at: www.globalarchitects.nl/en/all-projects/architecture/little-amsterdam.
- RABO Bank. (2012). Retrieved April 8, 2012, from Users/eigenaar/Documents/Rabobank/Coöperatie%20bezig%20met%20sterke%20opmars.webarchive.
- Rotterdam City Harbors (Stadshavens), at: <http://stadshavensrotterdam.nl/eng>.

Ensuring the future of SCOP's governance

Annick Lainé

This presentation is linked to my doctoral research on: Co-operative management and co-operative governance: a link for SCOP's sustainable development, subtitled: Analysis of practises in Sociétés Coopératives et Participatives, Small and medium sized businesses in Rhône Alpes.

It will cover seven sections:

First, the context, second, the analytical framework and research questions, third, the theoretical framework, four, the methodology, five, the empirical framework, six, the results of this research: governance deviations and a co-operative governance model and finally, seven, I'll conclude with the limits of this research, new questions and future research.

1. The context

I'd like to draw your attention to my dual role I had carried on: for five years, whilst working as a SCOP's manager, I was completing my doctorate thesis at University. This said, our research relies on a context of in-depth on going society changes as *Gabriel Colletis* highlighted in 2010. This author has got a modern approach to economic and political situations. He explained that goals for democracy and knowledge would link the economy to society to protect employees from damage and the causes of psychosocial risks at work whilst ensuring financial profitability.

Through a people-centred business model, co-operative enterprises have played a key role in international development for over 100 years, contributing to the development of an estimated 3 billion people worldwide.

In France, we can rely on statistics from the General Confederation of SCOP: for 10 years, there has been a regular increase in SCOPs organizations and employees. Out of thirty nine thousands (39.107) employees, fifty seven per cent (57%) are owners and only twenty per cent (19,75%) are women who own sixteen per cent (16%) of the capital.

At the present time, the General Confederation of SCOP presents the SCOP as a business model. Say it is a singular company with a strategic general assembly where:

- each person is invited to share goals, decisions and commitments.
- the manager is elected for four years and renewed each year during the general assembly.
- the SCOP can't be relocated without the prior consent of the owners-employees; they are the ones who decide any SCOP's development and projects. Any SCOP's members originally contributes an initial financial equity commitment, and thereafter a two (2%) to five (5%) per cent is withheld from their salaries.

In 2010, national averages show that profits were allocated in the following ways:

- Thirty six point two per cent (36,2%) are undistributed (untouchable reserves);
- Fourty point nine per cent (40,9%) are funding the working capital (participation)
- Ten point six per cent (10,6%) are allocated to profit-sharing plans (*interressement*) and twelve point three per cent (12,3%) in stock dividends (*dividendes*.)

2. Analytical framework and research questions

2.1 Identifying inconsistencies and tensions

In 2006 whilst working in the Regional Union of SCOPS in Languedoc Roussillon on a work's placement and studying to become an human resources manager. Then, I have had two experiences as a SCOP's manager, from 1990 to 95 and from 2007-2011. In this context, I observed that there were discrepancies between the values outlined in the SCOP's literature and the actual practices, the actual values and the actual management. I observed inconsistencies and tensions at three levels:

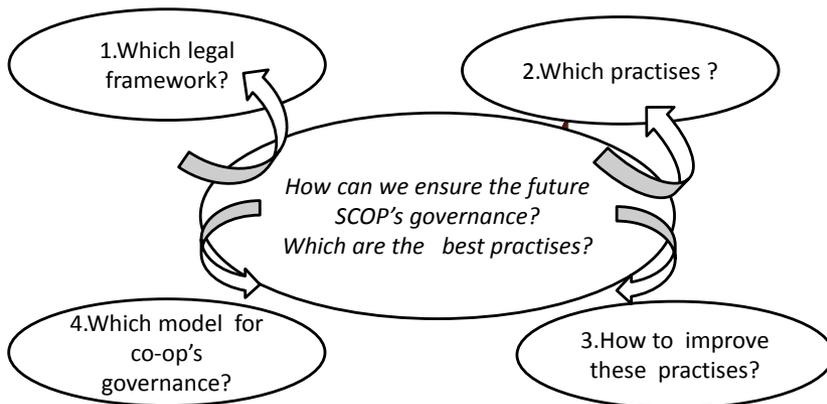
- First, at the individual level, inconsistencies between self-awareness and ideas, words and actions;
- Second, at the organisational level, inconsistencies in the relationship between capital and workforce, as well as tensions between framework values and practises.
- And finally, third at the intra-organisational level, inconsistencies/tensions between the individual and the collective and, consequently, between male and female gender.

2.2 Research questions

A grave concern relates to the legal system of co-operative governance which appears insufficient by itself to assure a strong coop's governance in SCOPS.

So we ask ourselves:

- How can we ensure the future of SCOP's governance? And
- Which practises seem the most well-adapted to link theory and reality for improving co-operator's daily conditions in SCOP?



3. Theoretical framework: A critical and cooperative approach

This research frame takes into account two approaches: the critical approach by management sciences and the co-operative approach itself. A multi-disciplinary analysis also helps to shed light on the political and economic SCOP governance concept at its origin.

Consequently, we propose to study this governance as a multi-paradigmatic concept, and also to correlate Governance centres with corporate governance, which bring under scope of study altogether urban governance, good governance, global governance and European governance according to *Kazancigil* and *Hermet* (2005).

The political and economic origins of western cooperative governance can be found in the cameralism, specifically in Europe and France. In reality, the concept of management sciences can't be applied to the SCOPs, since the idea of a de-politicised western corporate governance confines to the male Anglo-saxon model in place in large firms where the shareholders, who aren't the employees, remain the sole decision-makers.

Also, the concept of the corporate governance has evolved in France as it described under the name of "management management" (*Edgard Morin*, 1994). A new governance concept is in line with New Economic Regulation (NER) and integrates all forces implied in the organizational, economic and environmental decision-making process. However these governance models all refer a unique economic model.

To have a better understanding of legal specificities required by the cooperative governance, we have studied the cooperative research producing by *Barbeyer D.* (1983); CIRIEC (2005); *Davister*, CERA (2006) and EMES (2006).

Co-operative's goal is to serve their members, whether they are the customers, employees or the local communities. They are businesses looking for a joint-enhanced successful trading. In fact, equal profit-sharing is an efficient way for keeping it business fair and worthwhile. Clearly, the co-operative makes the choice of sharing-profits amongst members rather than rewarding outside investors.

To achieve a successful organisation with this structure dual, the model of cooperative balance according to *D. Côté* (2004) is proposed. However, these co-operative studies about Governance concern large co-operatives and mutualist banks (Caisses Desjardin in Quebec and Credit Mutuel in France) or agricultural co-op (in Spain and Québec).

At this stage, it is important to underline that the cooperative governance – which is multidimensional, hybrid and complex – might show deviance to the political project of co-operative governance, as shown

in *Henri Desroches'* quadrilateral (1976). This is the reason why I have studied this subject.

This being said and done, since the nineteenth century, the SCOP have inherited a political project which aimed to promote the autonomy of workers through their commitments, promises, training, and abolishment of gender differences whilst remaining true to the three principles of coop's, namely:

- a usage-based ownership
- a shares and self-controlled decisions-making process
- a profit distribution to the members.

These members, women and men, are the owners, and not only do they get the products and services they need, but also does each one with an equal say in all the co-operative's decisions. Well, according to *Hermet* and *Kazancigil's* governance concept (2005), in line with the SCOP's original political project, we need considering SCOP's practises in the economic, political and social fields.

We have studied governance, human resources management and strategy in France from a cross referenced perspective, considering:

- relationship to power (*Enriquez*, 1992 et 2003; *Freud*, 1924; *de Gaulejac* 1987 et 2005, *Jung* 1953, 1961 et 1968; *Laplantine*, 2007) through the analysis of associate-employee's and manager's authority, responsibility and commitments (*Arendt*, 2005; *Foucault* 1972 et 1994; *Mendel* 2003);
- relationship to the money (*Borneman*, 1978; *Lietaer*, 2011; *Plihon*, 2008) from both shareholder's and employee's status in four fields: capital itself, capital and work, development and profit sharing.
- relationship between genders (ATTAC, 2005; *Butler*, 2005 et 2012; *Wittig*, *Guérin- Madeleine Hersent-Fraisse*, 2010; *Falcoz*, 2011; *Jeanneau*, 2010) and its influence on power relation within the SCOP itself and at the coop's movement level too . This is an old question, but it's still a current and important matter.

As says *M. Bouchard* (2005):«The governance can be more round in these organizations».

4. Methodology: A tryptical approach

Altogether our professional courses, our studies and empirical knowledge about research fields invite us to adopt a qualitative methodology that places far more value on words than numbers, referring to:

- the “Enracined Methodology” (*Glaser and Strauss, 1967-2006 and Strauss and Corbin, 1994-1998 in Thietard et coll. (2007)*),
- the “Interpretable Approach” (*Lincoln and Guba, 1985, Hudson and Ozanne, 1988, Schwandt, 1994 in Thietard et coll. (2007)*),
- completed with the “empiric approach on reasoned autobiography” (*H. Desroche, 1978*) for «a maieutic of mental training». This pleads for from action to research, from experience to expression, and for the introduction of the results of the research into the actions pursued. For me, what is about is not a transformation from actress to author but a reconciliation of the actress with the author.

We intend to show that:

- First, there exists today a theoretical conceptualization with a willingness to show the actor’s reality;
- second, new management tools are developed for the co-operators.

The originality and complexity of this tryptical approach takes place in the field of internal research (I mean my personal research as actress according to *Mintzberg*) as well in the field of public research (I mean my university research).

My exploratory reasoning has consisted of several types of actions:

- I participated in co-operative and social economy meetings and seminars at local, regional, national, and European levels.
- I studied archives and co-operative literature in various institutions in Paris at Cédias social museum, CG SCOP, and also at CIRIEC library and CERA in Liege.
- I attended meetings and interviews with - «primary informants»: managers and leaders of coop’s movement at local level and global level.

This reasoning helped us to recognize the existence of:

- a model of good governance supported by big co-operative banks
- strained relationships between political actors and technical actors of the coop’s movement
- differences between sectors of cooperation

and furthermore to delimit the question for this research.

5. The empirical frame

It covers a representative sample panel of sixteen SCOP, small and medium sized businesses in Rhone Alpes, a dynamic region due to its geographical situation in the Rhone Valley and its legacy of an anarchist history. I'm referring, more specially, to the Cantu's story in Lyon, which has contributed to the strengthening of the co-operative movement.

All these SCOP share innovative ideas and practises in the field of governance or management or strategy but including differences, namely:

- in size
- in methods of creation
- in geographical location
- in sectors of activity for example: metal working (4 SCOP), construction (3), textiles (1), communication (2), consulting (1) and services (5).
- in ages of the establishment
- in human management: HRM position (in 6 SCOP) v/s no specific HRM position (in 10 SCOP, the managing director also deals with Human Resources).

We met thirteen men and four women in all. A woman and a man participated together in the interview in only one case.

Table 1: The field

LE TERRAIN								
Identité	Effectif	Création	Localisation	Activité	Ancienneté	C.A.	MRH	Gérance
A	110	R-1981	74	METALURGIE	28 SCOP-50ENC	13,8M €	Juriste F	H
B	82	E-N-1979	38	SSII	29	8,86M	DRHF	H
	105					12,5M €		
C	100	R-1993	26	INDUSTRIE	15	7 M€	G	H
D	75	EN-1956	69	BTP	52	7 M€	RRHF	H
E	67	E-N-1976	38	BTP	32	6M €	G	H
F	57	E.N .1979	69	Bureau d'étude	29	4,43M€	G	H
G	55	R-2006	26	METALURGIE	2	Non Com.	RPF	H
H	35	M-2005	38	EDITIONS	3	4,46M€	G	F
		association 1970						
I	33	E N-1982	7	TEXTILE	36	1,55M€	DF	H
J	18	R-1983	O1	METALURGIE	25	2,41M€	DAFM	H
K	15	E.N-2000	38	BTP/	8	1M5€	G	H
L	9	M-1987-asso1978	69	Art du spectacle vivant	20 ans	1,5M€	G	H
M	6	E .N-2006	38	SSII	2	515 000 €	G	H
N	11	E -N-1971	69	IMPRIMERIE	37	-120 000 €	G	F
O	7/100	E.N.1995/	69	SERVICES	13	3M5	G	H
		SA 2004						
P	15 /68	Mutation-1997	38	SERVICES	11	3 M €	G	F
		Ex association		Pluri activités				
		2006-SA						

Source: l'auteure, 2012.

6. Results

6.1 The cooperative governance's deviances: five news tensions

Applying *Henri Desroche* (1976) cooperative theory to contemporary SCOP, we have identified five new emerging tensions that results from the specific SCOP configuration.

Deviance 1: "the cooperative class war". We're referring to potential clashes between the top group (manager and board) and the other group of employees and owners. This situation is the consequence of the conflicting dual roles (employee/s owner), or can be due to a monolithic

management. It is not only a lack of understanding, but also real opposition between these two groups.

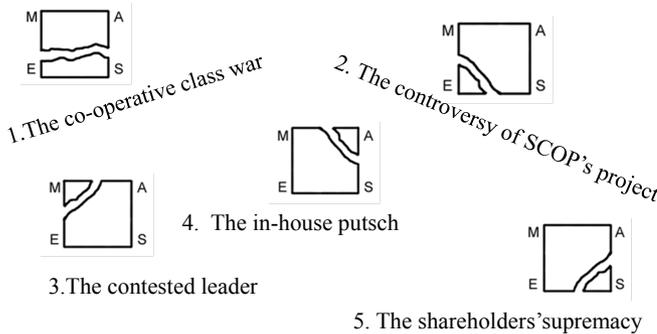
Deviance 2: “the controversy of the coop’s project”. We’re referring to the risk of non-membership according to *François Espagne* when the non-cooperators wouldn’t or couldn’t accept the coop’s propositions. For example, the refusal, decided to save the business, of salary blockage.

Deviance 3: “the contested leader”. We’re referring to the situation when the manager is isolated where the practises of management or the managers’ innovative point of views or changes are likely rejected by the other group.

Deviance 4: “the in-house putsch or the puppet board”. We’re referring to the situation when the board is isolated and has to confront the larger group that includes managers-members and employees.

This relation-ship between new members of the board and professional managers is a good illustration of the conflict between “the theory of intendance” and “the democratic theory” according to *C. Cornforth* (2004).

Deviance 5: “the shareholder’s supremacy”. We’re referring to the situation where share holder member would put a risk the democracy in the SCOP. It’s the case if the shareholders oppose a coop’s underclass; I mean the non-coop’s employees, then compromising the historical benefits as well as the shareholders’ power. For example the shareholders would oppose new shareholders and organize a veto for new candidates.



Source: *Annick Lainé*, 2012, applying *Henri Desroche's* theory

As these deviances in the co-operative governance may concern anyone and any strata of the co-operative management, we’re currently appraising a co-operative governance model, giving managers and co-operators to help managers and co-operators the tools for ensuring the future of the SCOP's governance.

6.2 A co-operative governance model

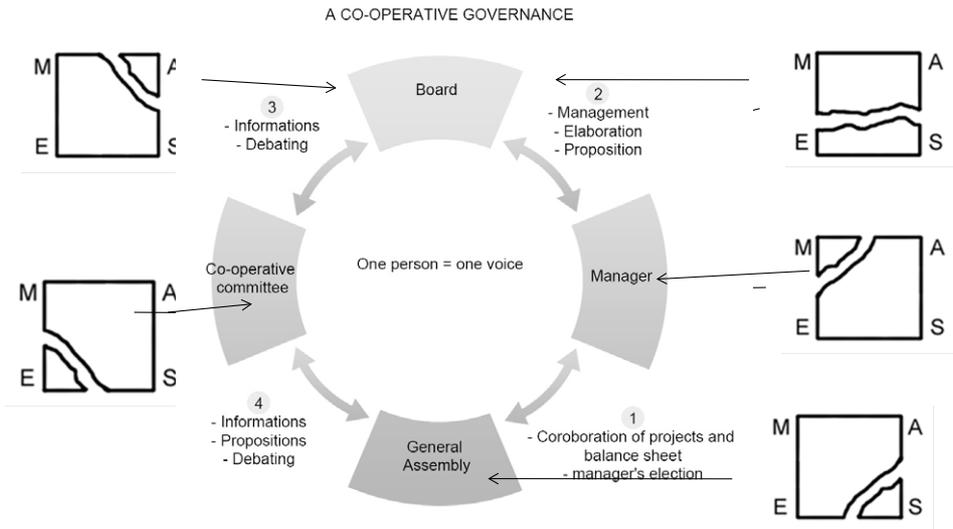
«Each person has the power; it's both powerful and dangerous! » (E)

On the ground of the research on multi paradigmatic co-operative governance and prevention of deviances, we have been able to observe on site (in the 16 Rhone Alpes SCOP) France), some practical realisations that deserves being taken into account for building a co-operative governance model, using the triangulation interviews-theoretical studies-observations' process.

In this model:

- The general assembly corroborates the SCOP's project and manager's election on a one-voice-per-person basis;
- The manager is in charge of management on a daily basis. He or she is often re-elected even though he or she is still sitting on an ejector seat.
- The board helps the manager through its proposition and also by diffusing the information between the employees and owners. It's a vehicle for the recruitment of future managers. The board constitutes for all the managers and co-operators a guardrail against potential abuse of power and then shall contribute to a better living together. Personally, I would definitely favour co-management for democracy and the manager's well-being, as I tested it positively. It was a good experience which also gives me the opportunity of studying my thesis and working at the same time.
- We suggest the generalization of small groups, "the co-operative committee", as the existing SCOPETTES in ALMA, that bring in democracy allow speaking and listening without being overwhelmed by the leader's speech. It creates an opportunity for debates between General Assemblies and offers the possibility to make suggestions and clarify goals in view of the next General Assembly meeting. These co-operative committees contribute to consolidate democracy and good behaviour in the SCOP, even though there exist a risk of shareholders' splitting and opposing to Mother SCOP.

To build up good relations within the SCOP, it is recommended to anticipate possible tensions, to spot them when they happen, to analyse them in the context to find solutions. It is really a 3 sided challenge: political, social and economic. The collective, individual as well as the territorial identities are likely to be affect , which requires to act for preventing a co-op splitting up. A genuine co-operative management is needed for efficient co-operative governance. This could be the subject of a future presentation.



Sources: *Annick Lainé*, 2012.

7. Conclusion: Limits of this Research and Future Researches

I would conclude by saying that the co-operative governance model should work as a daily reminder for a democratic practice inside the SCOP. It will help co-operators to keep in mind that the legal framework can still to be improved and it will encourage everybody to better practice democracy inside the company, so as to ensure the successful future of SCOP's governance.

Then, I'd like to underline certain limits to this research:

- First, in relation to the empirical frame, we interviewed managers, because we realised a study before in 2006 about the managers' training but we didn't interview employees and not-co-operators and only within Small and Medium sized SCOP, because there is no big SCOP in Rhône Alpes;
- Second, in relation to the theoretical frame, we have not taken into account the studies about "Asian governance", nor the conventions' approach according to *Boltanski*, *Thévenet*, *Chiapello*.

Also, there are several pathways to be established for improving the research on relationship between power, money and gender.

Finally, others questions are still open. Amongst others, is there a place for Trade Unions in the coop's governance? How internal co-operation can develops into internal co-operation? This refers to the mutualisation of SCOP which can be named *the coo-petition*.

Bibliography

- ATTAC (2005), *Quand les femmes se heurtent à la mondialisation*, Édition Mille et une nuits, Barcelone.
- Barbeyer, D. (1983), SCOP et autogestion, Thèse en sciences économiques, Paris 8.
- Borneman, E. (1978), *Psychanalyse de l'argent*, PUF, Paris.
- Bouchard, M. J. (2005), La gouvernance, une vieille et une nouvelle réalité pour l'économie sociale, in *Gouvernance et management en économie sociale*, Revue Ciriec Canada Volume 35, Presses de l'Université du Québec, Canada, page 16-25.
- Brabet, J. (1993), La gestion des ressources humaines en trois modèles, Symposium n° 1-AGRH, France, page 339-404.
- Brabet, J. et al. (1993), *Repenser la gestion des ressources humaines?* Economica, Paris.
- Breton, C., (2010), Comment expliquer la régression du statut des femmes ? disponible sur www.reporterre.net.
- Butler, J., (2004), *Le pouvoir des mots. Politique du performatif* Editions Amsterdam, Paris.
- Butler, J., (2012), *Défaire le genre*, Editions Amsterdam, Paris.
- CiRIEC Canada, 2005, *Economie et Solidarités*, (sous la responsabilité de Marie J. Bouchard, Jacques L. Boucher, Rafael Chaves, Robert Schediwy), Revue Ciriec Canada, Volume 35, Presses de l'Université du Québec, Canada.
- Colletis, G. (2010), Quel avenir pour l'Economie Sociale et Solidaire au-delà de la crise? Communication au colloque Au-delà de la crise: un modèle économique en question. Enseignements et perspectives de l'Economie Sociale et Solidaire, IEP de Grenoble, 22 et 23 novembre.
- Cornforth, C. (2005) La gouvernance des coopératives et des sociétés mutuelles: une perspective de paradoxes, (sous la responsabilité de M. J. Bouchard, J. L. Boucher, R. Chaves, R. Schediwy), *Revue Ciriec Canada*, Volume 35, Presses de l'Université du Québec, Québec Canada.
- Côté, D. (2004), Gestion de l'équilibre coopératif : cadre théorique, CIRIEC, working paper, n°2004/04, Belgique.
- Crozier, M. et Friedberg, E. (1977), *L'acteur et le système*, Édition du Seuil, Paris.
- Davister, C. (2006), La Gestion des Ressources Humaines en Économie Sociale, Les cahiers de la chaire Cera, volume n°1-Mai 2006, Centre d'Economie Sociale de l'Université de Liège.
- Defourny, J. (2006), *L'entreprise sociale dans l'Europe élargie*, EMES, Liège.
- De Gaulejac, V. (2005), *La société malade de la gestion, Idéologie gestionnaire, pouvoir managérial et harcèlement*, Seuil, Paris.
- De Gaulejac, V. (1987), *La névrose de classe*, H et G Éditeurs, Paris.
- Demoustier, D. (2001), *L'Economie Sociale et Solidaire*, Editions La découverte, Paris.
- Demoustier, D. (1984), *Les coopératives de production*, La découverte, Paris.
- Desroche, H. (1976), *Le Projet coopératif. Son utopie et sa pratique. Ses appareils et ses réseaux. Ses espérances et ses déconvenues*. Ed. Ouvrières.

- Desroche, H.* (1978), *Apprentissage II. Éducation permanente et créativités solidaires*. Éd. Ouvrières.
- Desroche, H.* (1989), *Solidarités ouvrières: sociétaires et compagnons dans les associations coopératives, 1831-1900*, les éditions ouvrières, France.
- Enriquez, E.* (1992/2003), *L'organisation en analyse*, PUF, Sociologie d'aujourd'hui, France.
- Espagne, F.* (1997), *Histoire miniaturisée des coopératives ouvrières de production en France* texte dactylographié, France.
- Espagne, F.* (2000), *L'entrepreneuriat coopératif dans l'Europe de l'an 2000*, RECMA n°275-76.
- Espagne, F.* (2000), *Quatre séries de thèmes mêlés à la naissance de la coopération ouvrière* texte dactylographié, France.
- Espagne, F.* (2001), *111 ans d'histoire de la Confédération Générale des Sociétés Coopératives de Production*, texte dactylographié, France.
- Espagne, F.* (2007), *Pour le 60^{ème} anniversaire de la loi du 10 septembre 1947*, texte dactylographié, France.
- Falcoz, C.* (2011), *Les « autres » gender studies : pour une déconstruction des pratiques managériales dominantes ? Critical studies on men and queer theories*, disponible sur www.em-lyon.com.
- Foucault, M.* (1972), *Histoire de la folie à l'âge classique*, Gallimard, France.
- Foucault, M.* (1994), *Dits et écrits, tome 1 et 2*, Quarto Gallimard, France.
- Freud, S.* (1924), *Psychopathologie de la vie quotidienne*, Petite bibliothèque payot, Saint-Amand.
- Guérin, I., Hersent, M., Fraisse, L.* (2011), *Femmes, économie et développement, De la résistance à la justice sociale*, (sous la direction de) érès, Toulouse.
- Guide juridique des SCOP* (2003), *Production et le droit des sociétés coopératives de*, SCOP Edit, France.
- Hermet, G., Kazancigil, A. et Prud'homme, J. F.* (2005), *La gouvernance, Un concept et ses applications*, Karthala, Clamecy.
- Jeanneau, L.* (2010), *Femmes: la révolution inachevée*, Alternatives économiques, N°295.
- Jung, C. G.* (1953), *Psychologie de l'inconscient*, Buchet Chastel, Paris.
- Jung, C. G.* (1963), *L'âme et la vie*, Buchet-Chastel, France.
- Jung, C. G.* (1953/1993), *La guérison psychologique*, Georg, Genève.
- Laplantine, F.* (2007), *Le sujet, Essai d'anthropologie politique*, Téraèdre, France.
- Lietaer, B.* (2011), *Au cœur de la monnaie, Systèmes monétaires, inconscient collectif, archétypes et tabous*, Editions Yves Michel, Gap.
- Mauss, M.* (1950), *Sociologie et anthropologie*, PUF, Paris.
- Mendel, G.* (2003), *Une histoire de l'autorité, La découverte*, Poche, Paris.
- Miles, M.B. et Huberman, A. M.* (2005), *Analyse des données qualitatives, Méthodes en sciences humaines*, (27^{ème} édition) Edition de Boeck, Bruxelles.
- Mintzberg, H.* (1990/2004), *Le management, Voyage au centre des organisations*, Editions d'organisation, Paris.
- Mondragon Unibertsitatea* (2002), *1956-2002: L'expérience Coopérative de Mondragon* disponible sur Groupe Coopératif Mondragon, La formation.
- Morin, E.* (1994), *La complexité humaine*, Flammarion, Paris.
- Plihon, D.* (2008), *La monnaie et ses mécanismes, La Découverte*, Paris.
- Thietard, R. A. et coll.* (2007), *Méthode de recherche en management*, 3^{ème} édition, Dunod, Paris.
- Universalis* (2009), *La théorie du caméralisme*, disponible sur www.universalis.fr.

How co-ops can contribute to the social and economic redevelopment of local areas

An example of the manufacturing co-op „Côté Nature Bio“, a micro-economic initiative which sparked off a local social and solidarity-based economic momentum

Jacques Poisat / Daniel Goujon / Jean-Luc Mieszcza

Cooperatives exert socio economic influences on the performance of business communities and hence the development of local areas. Since 2008, surveys have shown that the economic efficiency of these organisations is directly linked to their cooperative status. However, these co-ops are often threatened in an environment that is going more and more global. In practical terms, it is more and more difficult for them not to neglect their economic performance (falling into militancy, risk of bankruptcy) and, at the same time, not to give up on their political objectives (economistic tendency, risk of trivialisation).

But, and here is the core issue of this paper: can cooperatives, despite their fragility, act as incubators for a dynamic local social and solidarity-based economy – particularly in areas undergoing economic transitions in global sectors characterized by hyper competition?

Such is the case for the co-op ‘Côté NatureBio’, a small company located in Roanne and specialised in the manufacture of clothes made from fair trade organic cotton. The district of Roanne (158,700 inhabitants) is located in France, 100 kilometres from Lyon, in the North West of the Rhone Alps region, just beside Burgundy and Auvergne. The textile industry was its traditional industrial activity and it has undergone a few changes over the last twenty years¹. While most companies which are still involved in the textile industry have invested in individual strategies of economic realignment and have outsourced their production, the Côté Nature Bio Co-op has opted for social cooperation and innovation. Even if these chosen constraints based on ecology and cooperation have enabled the company to keep a niche market in this hypercompetitive environment, they were not enough to ensure a

¹ *Houssel J.P.*, 1978, *Le Roannais et le Haut-Beaujolais, un espace à l'écart des métropoles*, Lyon, Presses Universitaires de Lyon.; *Poisat J.*, 1982, *Les qualifications ouvrières dans l'industrie de la bonneterie à Roanne*, thèse Economie de la Production, Université Lyon II.; *Poisat J.*, 1993, *Trame, Chaîne et Maille en Roannais*, Cent ans d'évolution des conditions de travail dans le textile-habillement, Roanne, IUT de Roanne.

long term activity since the co-op had to close down in December 2009, following the world economic crisis.

However, the company partially reopened at the start of 2010, when a local entrepreneur and long time partner of the Côté Nature Bio company, bought the brandname off the liquidator. The new business still relies on the same ecological values – they sell organic cotton – and solidarity – as all the manufacturing process is subcontracted to local toll manufacturers – but they have been better at taking into account the market constraints and have not opted for a co-op status.

In spite of this organisational change, which was implemented in order to find a new cooperation-market balance, the co-op “Côté Nature Bio has been a model for the development of social and solidarity-based businesses in the Roannais (increasing initiatives, involvement in local authority councils, creation of a local resource centre for social and solidarity-based businesses...) and has benefited from a lot of media attention.

This is the very role of social and solidarity-based business incubator that we are going to present in this paper. We will base our presentation on the analysis of Côté Nature Bio experience (history, reasons for its success and failure...) which we have been following since 2008. Then we will present the impact of such an initiative on the local economy (development of new niche markets, resistance to globalisation, preservation of the textile industry and of the local know how...), and we will insist on the social and solidarity-based economy momentum that it has contributed to generate in the Roanne area.

1. The Roannais: an old textile region in transition

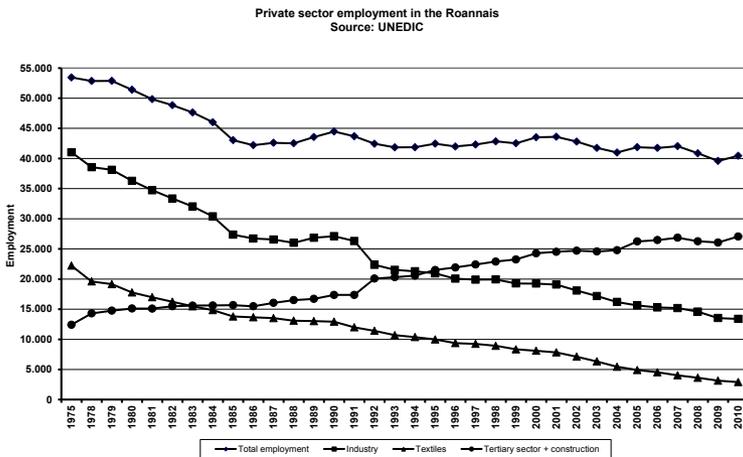
The Roannais is a mix of rural and urban areas with traditional industrial activities (textiles, mechanical), which have been in transition for the last thirty years. 11,000 private sector jobs (*i.e* minus 21%) were lost between 1975 and 1985. Above all, 25% of the local population lives with less than 800 € per month. But, in this area, mutualistic and cooperative movements have been developing since the nineteenth century. Today, social economy represents 12% of the local employment (*i.e*. 5600 employees).

The local economy is still linked to the textile and clothing industry, the main industrial sector until 2005: 145 companies and 2,900 employ-

ees, i.e. 22% of private industrial employment, at the end of 2010. But the sector has lost 87% jobs since 1975.

The trend in local private sector jobs can be clearly noticed on the following graph (total employment in dark, industrial sector in pink, textiles in green and service sector in blue).

Figure 1



However “The textile industry remains Roanne’s trademark in France and Europe”². Over the last decade the Roanne textile industry has switched to a new style of production based on „a network of new, flexible and responsive small or medium sized businesses, which are closely interconnected with the new fashion network“³.

Most of the leading manufacturers in the region have chosen to focus on creation and marketing and to outsource the bulk of their production to low-wage countries. They produce prototypes in their workshops and call on local subcontractors for restocking and updating⁴.

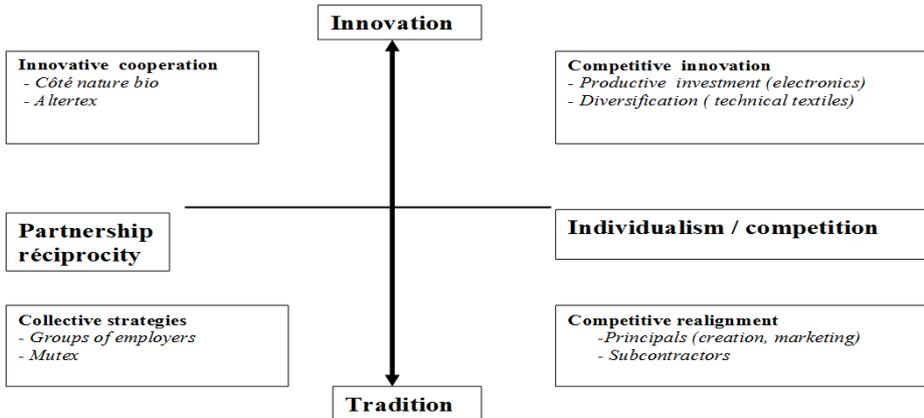
² Thomasson F., 2009, «1999-2008. Le repositionnement du Roannais», *Roanne Eco, magazine de la Chambre de Commerce et d’Industrie du Roannais*, n°28, p.12.

³ Courault B., 2005, «Les PME de la filière habillement face à la mondialisation: entre restructurations et délocalisations», *Revue de l’IRES*, n°47.

⁴ Poisat J., Goujon D., 2005, «Les stratégies locales face à la globalisation dans une vieille région textile, le Roannais en Rhône-Alpes», *54^e congrès de l’Association Internationale des Economistes de Langue Française*, Aix-en-Provence, 23-25 mai.

The different strategies of local firms can be classified according to two axis: innovation / tradition; competition /partnership.

Figure 2: Strategic map of textiles in Roanne



Competitive realignment is indisputably the dominant strategy of local businesses.

But “Côté Nature Bio” – our example – chose to engage in *innovative cooperation id est* innovative strategies that put solidarity at the heart of their development.

2. “Côté nature bio” a micro economic innovation at odds with a globalized textile market

Globalization led to the creation of the manufacturing co-op “Côté Nature Bio“. Indeed, the dominant strategy of competitive realignment led many local subcontractors to failure. In 2003-2004, a few sub-contractors, who had to close down their factories, decided to develop a common, innovative strategy focused on a niche market: organic cotton.

The “Côté Nature Bio” experience is thus part of alternative practices but remains faithful to the entrepreneurial process.

2.1 An innovative product: fair trade organic cotton

The „organic cotton“ sector is an alternative to conventional cotton production, which is one of the most polluting activities and uses a lot of water. Organic cotton is a „constructed market“ ruled by a number of environmental, social and political standards⁵.

In hypercompetitive sectors such as textiles, specializing in organic cotton can loosen the constraints of competitiveness and replace it with a broader concept of *performance*. Consequently, the firm’s performance depends on its ability to meet consumers’ expectations but also on the enforcement of its environmental and social commitments.

2.2 An innovative organization: a cooperative production process

The co-op „Côté Nature Bio“ turns fair trade materials into solidarity-based goods and services through cooperative working processes. Its aim is to produce exchange values ... to last as a firm but also cooperation ... to remain a co-op.

The cooperation is both internal and external:

- internal cooperation: capital held by employees; participation agreement; democratic governance; primacy of the human element; employees training; narrow wage scale
- external cooperation: preservation of the textile industry and of the local know-how in the Roanne area, thanks to the outsourcing to local subcontractors

2.3 A final failure due to cut-throat competition

Unfortunately, the co-op „Côté Nature Bio“ had to close down in December 2009 ... for several reasons. „Côté Nature Bio” had a serious weakness: 95% of its clientele consisted of militant consumers, *i.e.* loyal customers but who adopted a behavior of „voluntary simplicity“. Moreover, it had a micro market. Above all, the large and medium retailers took over the sales of organic textiles. And last but not least, the world

⁵ Haynes I., 2007, «Le coton bio et/ou équitable : réel avenir ou effet de mode?», *Biotechnologie, Agronomie, Société et Environnement*, Volume 10, n°4.

economic crisis led to a drop in consumption: CNB lost over 30% of its turnover in 2009.

But the failure did not mean the end of „Côté Nature Bio“ story.

3. “Côté nature bio” a micro-economic initiative which sparked off a local social economic momentum

„Côté Nature Bio“ has been a model for the development of social and solidarity-based economy in the Roannais: it prompted the creation of solidarity-based businesses in the textile sector; it greatly helped publicize social economy; and it facilitated the involvement of local authorities and the creation of a local resource centre for social and solidarity-based businesses.

3.1 “Côté Nature Bio“: a textile business incubator between cooperation and market-based business

- Côté Nature Bio partially reopened at the start of 2010, when a local entrepreneur bought the brand name off the liquidator. The new business (turnover: 100 K€, 0 employee) still relies on the same ecological and solidarity values but it has been better at integrating market constraints and has not opted for a co-op status.
- Former employees of Côté Nature Bio have set themselves up as sole traders specialized in sustainable development in Roanne:
 - A research and development business around the use of wool
 - A fair trade network with Burkina Faso
 - An organic products and clothing shop
- Since March 2011, the founder of CNB has been the head of the new association ‘Le tri d’Emma’, which was founded in Roanne by the members of « l’Inter réseaux de la fibre solidaire » (Emmaüs, Caritas, Relais France). This non-profit association’s aim (800 000 € investment in 2010-2011) is to recycle textiles (1500 tons a year) and to help jobseekers get back into the job market.
- In the local textile industry, a few other companies have opted for a strategy of innovative cooperation while trying to reconcile solidarity and economic performance with the market constraints.

The best example is the cooperative ALTERTEX, a network of 45 small and medium-size textile businesses, which is in fact a form of “green capitalism”, where ecology is regarded as competitive advantage.

3.2 « Côté Nature Bio »: an initiative which gave a lot of coverage to the social economy

- CNB greatly interested public and private institutions: the entrepreneurial and environmental commitment of the company was awarded prizes between 2007 and 2009 (over 50,000 euro)⁶.
- 2. CNB was given press coverage, in the local and regional press but also in scientific literature⁷.
- 3. CNB was presented in several lectures in Canada, France, Romania⁸ and recently in Vienna, during the XVII International Conference on Cooperative Studies in September 2012.

3.3 “Côté Nature Bio“: an initiative which promoted the emergence of a resource center for social economy in Roanne

Being inspired by examples such as CNB, the *Greater Roanne* started a program (PROGRESS) in 2008 to develop social and solidarity-based businesses with the help of the Rhone-Alps Region and the *Regional Chamber of social economy*.

⁶ Rhone-Alps Region (2007, 2008, 2009), Macif Foundation (2007), Gabriel Peri Foundation (2008), Credit Cooperatif Foundation (2009).

⁷ *Blanc J., Colongo D.* (coord.), *Les contributions des coopératives à une économie plurielle*, Paris, 2011, pp. 105-120; *Itcaina X.* (direction), *La politique du lien. Les nouvelles dynamiques territoriales de l'économie sociale et solidaire*, Rennes, 2010, p.57-72.; *Recma*, n° 321,2011, pp. 50-61; *Revue Valaque d'Etudes Economiques*, Université Valahia de Targoviste (Roumanie), 2010, pp.7-18.

⁸ 7èmes rencontres du réseau inter-universitaire d'économie sociale et solidaire, Rennes, mai 2007; 1st CIRIEC World Research Conference of Social Economy, Victoria (Canada), October 2007; Colloque international Economie sociale et solidaire, territoire et politique: regards croisés, SPIRIT, IEP Bordeaux, novembre 2007; 56ème Congrès de l'Association internationale des économistes de langue française, Targoviste (Roumanie), mai 2009; Colloque européen de recherche de l'ACI, Lyon, sept 2010.

In this context, an association called POLLENS (local centre for a new social and solidarity-based economy) was created in 2012 in order to:

- FEDERATE the stakeholders and create a network;
- DEVELOP social businesses and design collective strategies;
- SUPPORT the set-up of new activities;
- PROMOTE a resource centre.

POLLENS is now composed of forty local social economy structures as well as representatives of institutions.

4. Conclusion

The story of „Cute Nature Bio“ gives an example of the contribution of cooperatives to sustainable development and solidarity in local areas. It also shows how difficult it is for co-ops in a plural economy not to neglect their economic performance (risk of bankruptcy) and, at the same time, not to abandon their political goals (risk of trivialization).

The solution is perhaps to look for a new definition of the concept of performance, that must be defined as both the production of an exchange value (economic added-value) and the production of social and political values (social added-value).

„There are not, on one hand, political values and, on the other, economic realities, but a political project that is embodied in an economic organization.”⁹

⁹ Dacheux E., Goujon D. (dir), 2010, Réconcilier démocratie et économie: la dimension politique de l'entrepreneur en économie sociale et solidaire, Paris, Michel Houdiard Editeur.

Bibliography

- Argot J, Daval H, Poisat J, 2007, «Le rôle des coopératives dans le développement économique et social des territoires en restructuration. Le cas du Roannais, Pays de Rhône-alpes.», *Colloque international «Economie sociale et solidaire, territoire et politique : regards croisés»*, SPIRIT, IEP Bordeaux, 29-30 novembre.
- Chevalier J.M., 1991, «Eléments de réflexion stratégique sur la filière textile», *Revue d'Economie Industrielle*, n°56, pp. 27-45.
- Chevallier M., 2010, «Existe-t-il une solution coopérativiste ? Une approche castoriadisienne : innovations coopératives et émancipation sociale.», in: *Dacheux E., Goujon D. (dir), Réconcilier démocratie et économie : la dimension politique de l'entrepreneur en économie sociale et solidaire*, Paris, Michel Houdiard Editeur, pp. 115-129.
- Courault B., 2005, «Les PME de la filière habillement face à la mondialisation : entre restructurations et délocalisations», *Revue de l'IREs*, n°47.
- Courlet C., Pecqueur B., 1992, «Les systèmes industriels localisés en France : un nouveau modèle de développement», in : *Benko, G., Lipietz, A. (dir), Les Régions qui gagnent. Districts et réseaux : les nouveaux paradigmes de la géographie économique*, Paris, Presses Universitaires de France.
- Dacheux E., Goujon D.(dir), 2010, *Réconcilier démocratie et économie : la dimension politique de l'entrepreneur en économie sociale et solidaire*, Paris, Michel Houdiard Editeur.
- Dumont S., 1998, *La dynamique de l'industrie de la maille en région roannaise*, Université Jean-Monnet, Saint-Etienne, mémoire de maîtrise de géographie.
- Ferraton C., 2007, *Associations et coopératives. Une autre histoire économique*, Ramonville Saint-Agne, éditions érés.
- Gerbaux F. (dir.), 1999, *Utopie pour le territoire : cohérence ou complexité ?*, éditions de l'aube.
- Grand Roanne Agglomération, 2009, *Réussir ensemble le développement durable de l'agglomération. Plan de mandat 2008-2014*, Roanne, p.12-13.
- Haynes I., 2007, «Le coton bio et/ou équitable : réel avenir ou effet de mode ?», *Biotechnologie, Agronomie, Société et Environnement*, Volume 10, n°4.
- Houssel J.P., 1978, *Le Roannais et le Haut-Beaujolais, un espace à l'écart des métropoles*, Lyon, Presses Universitaires de Lyon.
- Poisat J., 1982, *Les qualifications ouvrières dans l'industrie de la bonneterie à Roanne*, thèse Economie de la Production, Université Lyon II.
- Poisat J., 1993, *Trame, Chaîne et Maille en Roannais, Cent ans d' évolution des conditions de travail dans le textile-habillement*, Roanne, IUT de Roanne.
- Poisat J., Goujon D., 2005, «Les stratégies locales face a la globalisation dans une vieille région textile, le Roannais en Rhône-Alpes», *54^e congrès de l'Association Internationale des Economistes de Langue Française*, Aix-en-Provence, 23-25 mai.
- Poisat J., Goujon D., 2010, «Ecologie et solidarité, nouvelles sources de régulation de la compétitivité et du développement ? Le cas d'une société coopérative de production dans le textile roannais», *Revue Valaque d'Etudes Economiques, Université Valahia de Targoviste (Roumanie)*, volume 1(15), pp.7-18.
- Thomasson F., 2009, «1999-2008. Le repositionnement du Roannais», *Roanne Eco, magazine de la Chambre de Commerce et d'Industrie du Roannais*, n°28, p.12.

1.2 Südeuropa

1.2.1 Wirtschaftliche Aspekte

Ethos Meets Pathos in Cooperative Banking: The Social Network Foundation of Locality Insulates “Market” and “Trust” in an Era of Crisis¹

Theodoros A. Katerinakis

1. Introduction

In an era of turbulence and domino-effects in the globalized economic environment of interconnected institutions, established economic entities are failing and local societies are challenged for sustainability. Main Street banking functions with an unsighted side that underpins local communities: cooperative banking that shares a tradition of mutuality and deals with ‘day-to-day’ operation, serving as a balancing leverage between real economy and the financial sector. An economic policy gearing towards societal value creation and sticking to clear business principles is emerging at a community level.

Modern *Homo Communicans* seems to prefer to be connected to, and stay in contact with his surrounding world. Mutuality and social cohesion through sustainable finance, especially at a decentralized local level, function as security mechanisms in the current era of turbulence. Following *Illouz* (2009), several theorists identify *emotional capitalism* as the cultural process by which new interactional-emotional scripts of economic relationships are illustrated ‘by the cultural frames of cooperation or team work’. Most major ‘purchases’ take place among kin, friends, or acquaintances who substitute impersonal markets, especially when decisions involve high levels of uncertainty. *Chang* (2005) analyzes how social networks are the most frequent sources of saving and investment information and he claims that they are most utilized by those who have the least wealth. As this research suggests, connectedness rather than expertise prevails in important matter (*DiMaggio et*

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

al. 1998); in other cases, risk favours reliance on friends and relatives in order to make and sustain decisions.

This paper argues that connectedness resides in the network structure of establishing a cooperative and functioning as a cooperative. Furthermore, the paper explains the logos of the individual that becomes the logic of mutuality via network connections embedded in the ethos of cooperatives with the pathos of collective orientation. In an era of crisis, network orientation sustains collective orientation and ethical values, as a greater good. National cultures most often possess and reflect a core value that is at the centre of its collective self and shared mindset, like ‘freedom’ for the USA (Kengor 2004) and ‘social justice’ for Canada (Kernaghan 1995). In Greek culture, this central value is ‘*philotimo*’; it is an untranslatable and unique cultural virtue of honour and pride idiosyncratic to Greeks (Kourvetaris 1971; Vassiliou and Vassiliou 1973; Mavreas et al. 1989; Triandis 2000; Hoban and Hoban 2004; Kostoulas 2008; Obama 2010). Greek collective orientation is manifested in history when a common goal is set, directs various aspects of every day ethos in local communities. It is another indication of the “double born soul of Greece” (Kazantzakis, 1966); the complex mixture of character constituents that derive from Greece’s location between East and West, as well as from the combination of classical with modern elements in the Greek national character (Papalexandris 2006).

2. Network Identification and Network Indicators

The complex modern life world is primarily created by relations and the behavioral patterns that derive from them. A network is a group of relationships, a set of socially relevant members connected with one or more relations. Network indicators describe what a node is, what type of connection the nodes have and what the direction and the intensity of those connections are. In the context of the current paper, cooperation as behavior is examined in the network formation of cooperative banks in local economy of Greece. When we speak about social life networks, as considered in the current piece, complexity is present. Indicators assist in identifying a network and understanding the specialized and critical function of connectivity as a survival strategy. Speaking about networks captures countries, neighborhoods, departments in organizations, people, banking members, journal articles or web pages;

those become social when people as actors/users participate with similarity, social relationships, interactions, and flows.

2.1 Network Metrics

Similarity is the relation of resemblance in any attribute measurable as a variable; group memberships, co-memberships and interlocking participation, sameness in a spatial or temporal space are examples of similarity. Social relations cover affinity and kinship ties, commonly defined roles and familiarity in feelings and mutual awareness; a family member, a friend, a schoolmate, a significant other could be examples of such relations. Interactions are ties based on behavior of individuals. Flows are unidirectional or bi-directional exchanges or transfers between nodes for resources, information or influence. Flows, also, occur in the context of social relations where different kinds of support and companionship are manifested when transactions are involved. In social network analysis causality is located in the social structure and not in the individual. So, behavior embedded in networks is a characteristic indicator of network effect and scope. Each member of a group rarely shares the same relation to the group. So, interaction and strength of connection are characteristics that upgrade the groups to networks, and introduce market as communities.

Principal types of data that we meet in society are attribute data that relate attitudes, opinions and behavior with individuals and groups, measured with values of variables; relational data refers to contacts, connections, ties and attachments which relates individual elements themselves. A third type of data comprises the ideational data that describe the meanings, motives, definitions and typifications themselves. The concept of social network analysis has been an emerging field, due to the notion of relationship between social entities, its importance and the patterns associated to these relationships. The structure formed is measured with structural variables. Social networks use distinctive indicators to present themselves:

- Actors are viewed as interdependent and not autonomous units. These are the members of cooperatives.
- Relational ties link actors together and establish linkages between pairs of actors (e.g. evaluation, transfer of material sources, association or affiliation, interaction, movement, physical connection, formal relation, biological relation). The need for service and transaction for social benefit drives cooperative banks.
- Network models focusing on individuals view the network structural environment as providing opportunities or constraints for individual action. The social network, in this sense, consists of a

finite set of actors and the relations defined on them as lasting patterns of relations among actors. The partnership approach applied in cooperative banks is inclusive to customer-members, employee-members, leadership-members, and local society at large.

Key theoretical and terminological motivations rise with the introduction of domain-specific terminology like social group, isolation, popularity, liaison, prestige, balance, transitivity, clique, subgroup, social cohesion, social position, social role, reciprocity, mutuality, exchange, influence, dominance, conformity. The *gestalt* tradition uses patterns that are regarded as “wholes” in the systems, and try to determine the nature of those parts (Kohler, 1954). The whole of social life is a set of points some of which are joined with lines to form a network of relations with reciprocity, intensity and durability.

Categorical indicators of transmission, adaptation, binding and exclusion describe the quality of a network (Borgatti et al 2009). Transmission happens when network connections are treated as pipelines for the flow of jobs, support, identities, diseases, knowledge and service. Network structure adaptation happens when actors make similar choices because of their position following constraints and opportunities. Binding happens when a network commits itself to act as a complete whole. The internal structure of the network affects collective action, coordination and community work. Exclusion happens when the existence of one tie connection does not allow the existence of another tie and affects the relations with other nodes. In networks of markets, exclusion is manifested with the availability of bargaining partners.

2.2 Network as Community and Market Community as Network

Connections generate networks when pieces of information are disclosed by the actors-members of a network and create bonds. Connections are more likely established when proximity from one node to another is close; then locality is established. Nodes with common social attributes, needs, and market transactions increase the probability of connection and realize homophily. Homophily increases the likelihood of connection between nodes at an individual or collective level (Shalizi and Thomas, 2010; McPherson et al, 2001). When nodes are connected in pairs then mutual regulation is enforced, both in moral and economic terms. Self-regulation is a kind of discipline instrumental for institutional arrangements in Ostrom terms (2005: 66-68).

Two important indicators of network structure are network density and network centrality to explain aspects of behavior in the business world. There is a hill-shaped relationship between network density

and network centrality. The combination of these outcomes sets lower and upper bounds on network centrality. Density describes the general level of linkage among the point in the graph. Density depends on inclusiveness and the degrees of its points. Inclusiveness refers to the number of points that are included within the various connected parts of a network (*Granovetter 1973*). Density denotes how members of a network are able to sustain their connections, as relations. For example, commitment to a banking relation may be more intense than a commitment to a relation of an acquaintance. This means that any network of banking relations is likely to have a lower density than any network of awareness relations. Also, changes at the individual level of contacts result into a continuous transformation of the density of global features of the network.

Understanding networks means to identify the most important actors, ties and relations. The idea of centrality is defined as relationship between structure and influence in transactions within small groups, especially in market terms. Relative centrality in a network is measured by the point of centrality; measuring the connections with the other points in its immediate environment/neighborhood as local, and the significance in the overall structure of the network as global. Centrality is anchored with point centrality and centralization is used to describe particular properties, like prestige, in the graph structure that represents a network. The question on centrality was moved in governance issues, as the level of democratization of society through decentralization of decision making and in community organizations and planning. In financial cooperatives, membership participation and direct decision-making promote democratic corporate governance and managerial improvement.

Networks are wholes that determine the nature of their parts and have properties distinct from their parts, as members or actors. Mapping a network visualizes information that show how the network is structured and how it operates. More specialized centrality metrics are degrees, closeness, and "betweenness". Degree reveals activity of specific nodes/actors in the network. Closeness measures the ability of an actor to access other actors of the network and monitor their status. Betweenness shows the level control over the flow in a network and may represent an indication of leadership status for specific actors. If relations offer connectedness in a network then trust, task at hand, mental and material resources, strategy and goals indicate the path to comprehend and evaluate a given social network of interest. In the case of financial cooperatives trust is a crucial connecting bond.

3. Greek Ethos: the mindset of *Philotimo*

Since antiquity, the Greek value system has offered insights into atomistic behaviour, the private ownership of property and its protection, the division of labour, free foreign trade, exchange value, money and interest, and policy issues using the ideas of Hesiod, Democritus, Plato, Xenophon, Aristotle and others (Doukas 2007, 140; Petrochilos 2002). These theorists converge in the concept of *kalokagathia*, the ethical basis of life in the Greek city-state. Originally, *kalokagathia* reflected human physique (*kalos*) coupled with virtue, justice, and wisdom (all in *agathos*) that emphasizes the moral responsibility found in Homer's texts. The pragmatic content of the concept is suited to a community organized on the basis of scattered individual households to defend against enemies in a society with a shame culture. As Greeks moved on to form cities, *agathos* was enriched with cooperativeness, temperance, civil service, justice, and wisdom (Adkins 1960, 63). Thus, an *agathos politis* (good citizen) contributed to a prosperous city in general by practicing *philanthropy* (Constantelos 2005).

Greeks considered economics (literally governing the *oikos*) as part of their inquiry into ethics, politics, and social organization; thus, economic crisis is tight to government relations. So, while profit making has been legitimate since ancient Greece and part of the atomistic system (Doukas 2007, 222-23), profiteering (*aishrokerdia*) was punished in mythological times.² Greek economic thought is placed within the Mediterranean tradition that perceives the economy as embedded in a web of social and political institutions that are regulated by religious and ethical norms (Baeck 1994). Therefore, the economy contributes to developing interpersonal relationships based on the mutual respect of oral commitments, pride, and honouring the virtue of *philotimo* that generates bonds of trust (Ioannou 2009).

Traditionally, Greeks have put emphasis on integrity, the primary layer of current *philotimo* (Psaropoulos 2009). Integrity originally reflected the public pressure to behave uprightly, a norm of the citizen. It was unthinkable that someone without integrity – in terms of honesty,

² In Sophocle's *Antigone*, Creon threatens the guard under the suspicion that he has received money to allow the burial of Polynices (Petrochilos 1999).

justice, solidarity, and truthfulness – could be admired³. *Philotimo* seems to have earned the status of a collective conscience in modern Greece, where people no longer philosophize about it or try to impose it on others, but rather take it for granted and assume its widespread existence.

Philotimo is defined as an innate faculty that may motivate people to do more than what is expected, without expecting anything in return. Hence, *philotimo* is a life principle for Greeks; it is interpreted as love for honour – honour ‘to show’ for others and honour ‘to receive’ from others – and is a characteristic that is intense in small communities on the Greek periphery. It is a case of an ideal occurrence where participants generally accept a norm based on the foundation of that normative society, as defined by *Habermas* (1996). This type of normative ethics transcends the deontology of duties and rules, as well as consequentialism. In this sense, *philotimo* closely corresponds to the virtues and moral character that define virtue ethics. Furthermore, the three central concepts of virtue ethics – virtue, practical wisdom, and eudaimonia – are comprehensible, objective, and empirically truthful (*Held* 1980) in various manifestations of *philotimo*. It is a virtue that corresponds with credibility, with the tendency to cooperate, and with the ritual of keeping your word (face and commitments) without writing a contract;⁴ it is a way of life with *ethos*, consistent with the teleological approach of Aristotle.

This attribute of personal integrity, maintaining face, and trust is essential for all banking practices and acquires institutional support through community networks that form cooperative banks with elements of collective rationality. It is a script of a collective programming of mind (*Hofstede and Hofstede* 2005, 25) for Greeks, a determinant of the foundation of cooperative and credit-related institutions in European Mediterranean culture and the Greek tradition (*Hall* 1997). In monetary transactions and intimate relationships, trust is mutually co-generated and goes beyond the *Homo Oeconomicus* of ‘rationality’, ‘calculation’, and ‘efficiency’ as impersonal economic imperatives.

³ A broad, lay audience-oriented view of Greek cultural traits is offered in the monograph “In Search of Excellence: Historical Roots of Greek Culture”, Chicago State University 1995 (2008) available at <http://alexandermakedon.com/articles/Greek-Culture.html> (accessed on March 2013). The reader may realize counter arguments negotiated for these ideas versus world media depictions on crisis in Greece from HuffPost’s “Greek tragedy” to Gianna Angelopoulos “Greek paradox”, or her Greek “drama” book till the Greek “miracle” tag line after World War II.

⁴ It is also a direct response to *rouspheti* – the reciprocal dispensation of favours (*Clogg* 2002, 4-5) – as practiced and enforced during the post-Byzantine Turkish rule of Greece, and remains as a major obstacle to modernization.

4. Cooperatives as Social Economy

The traditional Greek value of *philotimo* is the origin of security, faith, and status that are very important for Greeks in business, in addition to their need for self-esteem (Bourantas and Papadakis 1996). These cultural traits explain to some extent the phenomenon of small, family-owned firms. In such settings of collective dispersion of ownership, community-based companies or common business ventures entail increased solidarity, accountability and professionalism. Furthermore, symmetry in action, impact, and rule enforcement are pre-conditions for efficiency. Local societies activate the spirit of survival as collectives with a common teleology to rediscover community. A reflection and extension of the socially organized business finds an exemplary application in cooperative economy and banking.

The same notion seems to be the cultural foundation recognized by the Nobel Prize for the institution of Grameen Bank, as a peace-and-harmony-making institution, a primary role in micro-economics, as also Ostrom pointed out in her Nobel Prize speech. The nature of social business is closely associated with the return of material capital not in monetary units, but in units of social capital – such as resources, solidarity, mutual recognition, respect, and the sense of belonging and contributing – that are embedded in the structure of social entrepreneurship. Cooperative banks are the major types of enterprises in which money transactions are complemented with service agreements as active reciprocal relations among their members. These banks are important in order to stimulate sustainable characteristics in the society in which they operate, providing the material base to ensure the reproduction of monetary and social capital (Lin 1999).

Such grass roots ventures function as a social network in which individual actors gain from the support and protection of the group, and the group gains from the contribution of individuals to the pool of its shared resources. The cooperative movement represented a complementary, ethically motivated incentive for this response to early capitalism and, with its ideals of local support, mutuality, and democratic participation, became a driving force in the 20th century and beyond. Robert Owen, the father of cooperation, defined social structures and not individuals as responsible for ‘the moral degradation of capitalism’ (Donnachie 2000, 32). Cooperation is still a challenge for several societies, but in cases like Greece it became a necessity, as resource sharing, information, and knowledge exchange was the only feasible response to productivity gaps. Moreover, cooperatives covered the lack of awareness about standard banking transactional frameworks in local communities. In 2007, after a successful capital increase, the Board of Cooperative Bank of Chania (CBC) addressed the members visiting the

new headquarters: 'your trust as our members and stakeholders, who shared our vision, is a lasting relation... and we extend our message of cooperation prioritizing you, the people.' (CBC 2007; translated by author). Cooperative doctrine as identified by the seven ICA (International Cooperative Alliance⁵) principles of open voluntary membership, democratic member control and economic participation, independence, education-training-information, inter-cooperatives cooperation, and community concern is embodied in CBC's constitutional agreement (Bantourakis et al. 2007, 5-19; Marakakis et al. 2007). Following Owen's organizational settings experiments, Thomas (1997) applied the ICA's principles to define the members of a cooperative in the banking context. This cooperative globe represents his notion of the Inclusive Partnership Approach (IPA) to business illustrated in Figure 1.

Figure 1: Cooperative bank partners according to Owen (adapted from Thomas 1997, 18)



IPA was officially accepted by the Greek co-operative network as an institutional declaration of commitment in the Association of Co-operative Banks in Greece as of 1999 (Association of Co-operative Banks of

⁵ Established in 1895, the International Co-operative Alliance is the Apex organization for co-operatives worldwide.. Its principles, as explicitly declared on 1995, can be accessed at <http://ica.coop/en/what-co-op/co-operative-identity-values-principles> (September, 2012) and had leaded the effort for the 2012 International Year of Co-operatives.

Greece 2011). In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others. These cooperative values clearly define the network components using the traditional factory and community studies of *Radcliffe-Brown*, as described by *Scott* (2000). Using this definition of a cooperative organization, *Wellman's* network analytic principles (1983, 172-178) can be adjusted to cooperative banking as follows:

- values connecting cooperative members and entities are founding ties that fulfil these attributes.
- cooperative members are linked together directly when transacting and indirectly when engaging in exchange of resources and services.
- all cooperative entities participate in different subgroups that are inter-related and offer ascribed and acquired characteristics for individual and collective members that are united in the cooperative organization.
- the IPA introduces explicitly the various layers of cross-linkages in a cooperative network, consisting of individual and collective entities as well.
- resource sharing is asymmetrical because it starts from the principle of the need value, and subjective individual needs assess the value of resources for each member that may be disproportional, as mutuality and satisfaction are cumulative and not instantaneous elements in cooperatives.
- Collaboration is equivalent to cooperation in terms of the IPA, in each cooperative. However, different cooperatives compete for the allocation of the shared or non-sharable resources.

5. A Social Network Representation in CBC

The island of Crete consists of four prefectures and it is the base of the two largest cooperative banks in Greece, which have an interconnected network of more than 70 branches on the island (Pancretan Co-operative Bank 2011, 6). CBC operates mainly in the western part of the island and it is expanding to the east, while the Pancretan Co-operative Bank is more oriented to the eastern part of the island and is expanding to the west. This pattern of expansion is the foundation of competition between the two banks and discloses the dichotomy of choice for 'where to do business' in local economy. People in Crete while

practicing locality in customs and territory still remain connected in wider community-based networks (*Hnaraki* 2007, 67).

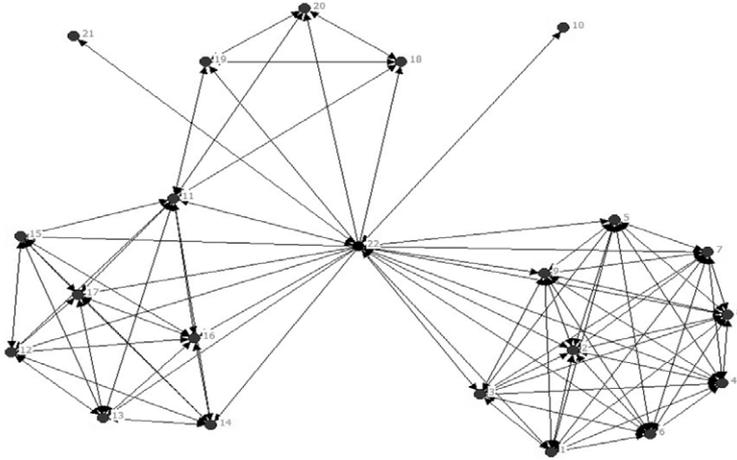
CBC is a bank that was founded from 60 local individuals and entrepreneurs with societal concern (*Bantourakis et al.* 2007, 55-57) and it is governed by an open general assembly of members and their directly elected executives. It operates for their greater good as a whole, consisting of pre-existing ties of homophily that are transmuted into homopolar⁶ bonds among members of the Chania community, protecting them during the era of crisis in Greece. There are three primary attributes of social entrepreneurship that provide stability and boost growth for CBC: deep knowledge of the local environment, of the people, and their relations; hands-on engagement with the economic and social life of employees and customers; and referral trust and solidarity, crucial for self-employed individuals and small-medium-sized enterprises in Crete. At a community level of affinitive local societies, members of CBC transform their cultural values to ethical – originally meaning ‘daily-expected’ – traits when they decide to register, pay the obligatory share, and start doing business. Daily practiced ethical behaviour is an Aristotelian ideal that ‘we are what we repeatedly do’: ethos is a way of life diffused through the fabric of the cooperative network. The core value of *philotimo* safeguards integrity and performance in Cretan society, as an enthymeme of a social added-value. Greekness as an identity, manifested in Crete with *philotimo*, enriches transactional ethos with a social dimension, that makes CBC ethical and a benefit dimension that makes it sustainable.

Following the concepts of social network analysis (*Scott* 2000), CBC caters for its members’ needs establishing an intra network of communication and a community of users of its services. Thus, at an operational level, social network analysis offers an analytical tool for representing the operational network of CBC, using UCINET graphs (*Hanneman and Riddle* 2005). In Figure 2, dots are the nodes connected according to information and report flows from one branch to the other, directed towards managerial authority of dependence; ‘who is reporting to whom, which branch seeks supports from which other’. Bank headquarters are represented with node 22, whereas isolated branches with nodes 10 and 21. Social network analysis provides an explicit representation of the CBC network and can be used to examine intra-bank flow of information and perceived authority for ‘employee to supervisor’ ties and ‘shareholder to employee’ ties. Members of CBC value closeness that the network provides and the safety net of

⁶ *McPherson et al.* (2001) and *Kaduchin* (2011). The term homopolar is taken from chemistry and is contrasted to ionic to denote mutually contributed electrons in a covalent bond.

solidarity that deals with their risks. Their *philotimo*, as mutuality, is reinforced in CBC network-based banking.

Figure 2: Dependency matrix of CBC branches in a network of organizational ties
(Source: designed by author using UCINET)



6. Discussion

This paper has examined cultural elements of Greek mindset, coupled with socio-economic and legal aspects, to explain the notion of *'what is to be a member in a cooperative'*, along with communication-related issues important in economic transactions. Initially, a transactional ethos based on contractual agreements, conditionality, commitments, and reservations is in contrast with local cooperatives; but the Know-Your-Customer principle that lies in the essence of international banking and the core of cooperatives is grounded in personal social ties and not impersonal statistics (Basel Committee on Banking Supervision 2004). Therefore, cooperatives represent a distinct modern type of social enterprise with customers that are member-patrons.

Their banking policy favours transactions with liquidity and collaterals and not with intangible derivatives; it is a needs-oriented banking. In Greek cooperative banks, doing business means implementing your social networking bonds: social bonds and ties supersede commodified transactions. Cooperative banks focus on their ability to offer simple

and transparent services, customized to meet local needs, and with explicit communication of risks. *Philotimo* provides an ethical foundation for banking customers, employees, and executives – all networked members of cooperatives.

CBC encapsulates a back-to-basics approach that dictates the motto ‘*teach your company to feel small again* [as when it started]’, a notion that earned acceptance by the community and inspires personnel. That is what makes people pay attention to detail, work around the clock, stay involved when they are not in office, and put in effort that is worthwhile for their community. Since 2009, it seems that there has been a tendency by several commercial or investment banks to return to their ‘economization’ that fuelled the crisis. Frugality is an attribute of self-sufficiency especially when people are connected by the homopolar bonds of responsible sourcing and distribution of funds. In CBC, doing business is another facet of the social networking coin; it is a Main Street bank that gives customers a say in how their money is managed – most importantly, by encouraging their input into the ongoing development of the bank’s ethical policy. The cooperative bonds of *Homo Diktyous* override the utilities of *Homo Oeconomicus* and add to community development (*Christakis et al. 2009*). Banking means Participating in CBC, with society engaged to balance the crisis.

References

- Adkins, A.W.H.* (1960). *Merit and Responsibility: a study in Hellenic values*. Oxford: Clarendon Press.
- Association of Co-operative Banks of Greece (2011). ‘Co-operative Credit in Greece’, Athens: Association of Co-operative Banks of Greece. Online. Available HTTP: <<http://www.este.gr/en/index.html>> (accessed 19 September 2011).
- Baeck, L.* (1994). *The Mediterranean Tradition in Economic Thought*, London: Routledge.
- Bantourakis, E., Katerinakis, T., and Kalyteraki S.* (2007). ‘Katastatiko [Co-operative Bank of Chania constitutional agreement: articles of association]’, 3rd edn, Chania, Hellas: CBC Publications.
- Basel Committee on Banking Supervision (2004) ‘Consolidated KYC risk management’, Basel: Bank of International Settlements. Online. Available HTTP: <<http://www.bis.org/publ/bcbs110.pdf>> (accessed 15 June 2010).
- Borgatti Stephen P., Mehra Ajay, Brass Daniel J., Labianca Giuseppe* (2009). *Network Analysis in the Social Sciences*, Science, Vol 323 (5916), pp: 892-895.

- Bourantas, D. and Papadakis, V.* (1996). Hellenic management: diagnosis and prognosis, *International Studies of Management and Organization*, 26(3): 13-32.
- Chang, M.L.* (2005). 'With a little help from my friends (and my financial planner)', *Social Forces*, 83(4): 1469-97.
- Christakis, N.A. and Fowler, J.H.* (2009). *Connected: the surprising power of our social networks and how they shape our lives*, New York: Little, Brown.
- Clogg, R.* (2002). *A Concise History of Greece*, 2nd edn, Cambridge: Cambridge University Press.
- Constantelos, D.J.* (2005). *Christian Faith and Cultural Heritage: essays from a Greek Orthodox perspective*, Boston: Somerset Hall Press.
- Co-operative Bank of Chania (2007), *Official Communiqué of New Headquarters*, Chania, Hellas: CBC Publications. Online. Available http://www.chaniabank.gr/el/the-group/bank/bank-news/press_release/2007/162007.aspx (accessed on 3 June 2010).
- DiMaggio, P. and Louch, H.* (1998). Socially embedded consumer transactions: for what kinds of purchases do people most often use networks? *American Sociological Review* 63(5):619-37.
- Donnachie, I.* (2000). *Robert Owen: Owen of New Lanark and New Harmony, East Lothian, Scotland*: Tuckwell Press.
- Doukas, P.* (2007). *Oikonomikes Theories, Arches Dioikisis & Arhaia Elliniki Skepsi [Economic theories, governance values, and ancient Greek thought]*, Athens: Livanis Publications.
- Granovetter, S.M.* (1973). 'The strength of weak ties', *American Journal of Sociology*, 78(6): 1360-80.
- Habermas, J.* (1996). 'Discourse Ethics, from Moral Consciousness and Communicative Action' in W. Outhwaite (ed.) *The Habermas Reader*, Cambridge: Polity Press, pp. 180-192.
- Hall, E.T.* (1997). 'Context and meaning', in L.A. Samovar R.E. Porter (eds) *Intercultural Communication*, 8th edn, Belmont, CA: Wadsworth, pp. 45-54.
- Hanneman, R.A. and Riddle, M.* (2005). *Introduction to social network methods*, University of California, Riverside. Online. Available HTTP: <http://faculty.ucr.edu/~hanneman/nettext/> (accessed 30 June 2010)
- Held, D.* (1980). *Introduction to Critical Theory: Horkheimer to Habermas*, Berkeley: University of California Press.
- Hnaraki, M.* (2007). *Cretan Music: unraveling Ariadne's thread*. Athens: Kerkyra Publications.
- Hoban, S. and Hoban, G.* (2004) 'Self-esteem, self-efficacy and self-directed learning: attempting to undo the confusion', *International Journal of Self-Directed Learning*, 1(2): 7-25.
- Hofstede, G. and Hofstede, G.J.* (2005). *Culture and Organizations: software of the mind*, 2nd edn, New York: McGraw-Hill.

- Illouz, E.* (2009). 'Emotions, consumption, imagination: a new research agenda', *Journal of Consumer Culture*, 9(3): 377-413.
- Ioannou, C.A.* (2009). *Managing Employment Relations in Greece: a guide for foreign managers*, Athens: Kerkyra Publications.
- Kaduchin, C.* (2011). *Understanding Social Networks Theories, Concepts, and Findings*, New York: Oxford University Press.
- Kazantzakis N.* (1966). *Travels in Greece*, Cassirer, Oxford pp. 167-168.
- Kengor, P.* (2004). *God and Ronald Reagan: a spiritual life*, New York: HarperCollins.
- Kernaghan K.* (1995). *Public administration in Canada: a text*, 3rd edn, Toronto: Nelson Canada.
- Kohler, W.* (1954). Gestalt psychology today. *American psychologist*, 14, 727-734.
- Kourvetaris, G.A.* (1971). 'Professional self-images and political perspectives in the Greek military', *American Sociological Review*, 36(6): 1043-57.
- Lin, N.* (1999). 'Building a network theory of social capital', *Connections* 22(1): 28-51.
- Marakakis M., and Zymvragoudakis, D.* (2007). *Enimerotiko Deltio* [Cooperative Bank of Chania Investment Bulletin], Chania, Hellas: CBC publications. Online. Available HTTP: <http://www.chaniabank.gr/media/26379/enimerotiko_deltio_2007.pdf> (accessed 15 June 2010).
- Mavreas, V., Bebbington P., and Der, G.* (1989). 'The structure and validity of acculturation: analysis of an acculturation scale', *Social Psychiatry and Psychiatric Epidemiology*, 24(5): 233-40.
- McPherson, M., Smith-Lovin, L., and Cook, J.M.* (2001). 'Birds of a feather: homophily in social networks', *Annual Review of Sociology*, vol. 27: 415-44.
- Obama, B.* (2010). 'Remarks by the President Honoring Greek Independence Day', White House Archives, 9 March 2010. Online. Available HTTP: <<http://www.whitehouse.gov/photos-and-video/video/honoring-greek-independence-day#transcript>>(accessed 20 August 2011).
- Ostrom E.* (2005). *Understanding Institutional Diversity*, Princeton University Press
- Pancretan Cooperative Bank* (2011). 'Corporate Presentation', Heraklion, Hellas: Pancretan Cooperative Bank . Online, Available HTTP: <http://www.pancretabank.gr/cms/uploaded/corporate_eng_may%202011.pdf, http://www.pancretabank.gr/cms/Uploaded/diktio_nov2012.pdf> (accessed 15 June 2010).
- Papalexandris, N.* (2006). Greece, from Ancient Myths to Modern Realities. In *Chhokar/Brodbeck/House* (Ed.), *Global Leadership and Organizational Behavior Effectiveness*. New Jersey, U.S.A.: Lawrence Erlbaum Associates.

- Petrochilos, G.A.* (2002), *Kalokagathia: The Ethical Basis of Hellenic Political Economy and Its Influence from Plato to Ruskin and Sen*, *History of Political Economy*, Vol 34, No 3, Duke University Press.
- Petrochilos, G.A.* (1999) 'The Hellenic contribution to economic thought', *Global Business and Economics Review*, 1(2): 215-46.
- Psaropoulos, J.* (2009). 'From Homer to co-ops' *Business File Quarterly Review* no. 74: 49-50.
- Shalizi Cosma Rohilla, Thomas Andrew C.* (2010), Homophily and Contagion Are Generically Confounded in Observational Social Network Studies, *Sociological Methods and Research*, Vol. 40 (2011), pp. 211-239
- Scott, J.* (2000). *Social Networks Analysis: a handbook*, 2nd edn, London: Sage.
- Thomas, T.* (1997). 'Inclusive partnership: the key to business success in the 21st Century', *Journal of Co-operative Studies*, no. 89: 11-21.
- Triandis, H.C.* (2000). 'Culture and conflict', *International Journal of Psychology*, 35(2): 145-52.
- Vassiliou, V.G. and Vassiliou, G.* (1973). 'The implicative meaning of the Hellenic concept of Philotimo', *Journal of Cross-Cultural Psychology* 4(3): 326-41.
- Wellman, B.* (1983). 'Network analysis: some basic principles', *Sociological Theory*, vol. 1: 155-200.

Financial reporting by housing cooperatives in crisis times: fair value measurement

C. Esther Falcón-Pérez / Juana Fuentes-Perdomo

Abstract

Financial statements should disclose a true and fair view of the economic and financial position of a firm. All types of businesses – a profit-making enterprise, a foundation, a mutual society or a cooperative – need to register their economic and financial transactions in order to facilitate an effective and efficient management. Moreover, if the financial statements of a company disclose solvency and profitability, it becomes attractive for new investors, thus raising capital in order to continue to grow.

Therefore, accounting, particularly applicable accounting regulation is essential for sustainability of firms. In the European Union member states the International Financial Reporting Standards (IFRS) are applied. In this paper, we deal with a particularly relevant accounting regulation for cooperatives, the IFRS 13 *Fair value measurement*, which has come into force at the beginning of 2013.

Fair value is “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. So, the fair value is a market-based measurement.

Fair value measurement has taken on greater significance after the outbreak of the financial crisis of 2008 and is a part of the response to the G20’s *Declaration on strengthening the financial system* (2009). In this document, the leaders of G20 expressed their concern about the accounting standards and demanded reducing the complexity of the valuation criteria, in particular in regard of the fair value measurement not least because its application increases the procyclicality of the prices.

Financial statements should disclose the real economic and financial position of the companies, thus enabling realistic assessment of

the economic situation. The application of the fair value measurement contributes to greater transparency of the markets and consequently to mutual trust among the market participants. This implies that the fair value takes account of the market development, crises and “bubbles”, affecting the financial statements in a direct way.

Cooperatives are also subject to the general accounting regulation governing companies, but they are also obligated to apply some specific accounting regulations, as is the case with Spain. In markets in crisis, when real estate bubbles are followed by falls in demand and, therefore, decline in market prices, fair value measurement has been taking on greater significance for housing cooperatives. The primary objective of the housing cooperatives is to build homes for their members, not pursuing profit which allows members to obtain residential property at a reasonable price.

In Spain as in the other EU member states the applicable regulation stipulates that financial institutions should report their real property (land and buildings) at fair value, using market prices. In some cases a downward correction up to 80 per cent has taken place, forcing banks to recognize huge losses.

It is understandable that this regulation is also applicable to property developers, regarding residential property which hasn't been sold. In the current crisis, it is obvious that the land and buildings of the housing cooperatives have also depreciated, but in principle the sale of real property to the members is made at predetermined prices.

Therefore, while other businesses should recognize losses as a result of the dramatic fall of the real estate prices, housing cooperatives should apply fair value measurement only for that real property, which is to be sold to non-members. So, housing cooperatives have a competitive advantage over property developers, because their profit and loss statements are not affected by substantial fluctuations of real property prices.

1. Fair value

Fair value criterion has been used by the International Financial Reporting Standards (IFRS) and the Generally Accepted Accounting Principles in the USA (US GAAP) for decades, constituting itself as a value that has the market value as a reference.

However, the use of fair value is currently being subject of debate. At the meeting held by the G20 the representatives of the world biggest economies discussed the ways for better using the international

accounting standards for sustainable economic growth was discussed. The application of the fair value approach has been accompanied by a significant risk because that it could affect the markets both positively and negatively. When the economy grows, fair value measurement doesn't create any problems. However, in periods of economic decline, especially during crisis, firms using fair value accounting may yield adverse feedback as a result of the recognition of significant losses in their financial statements. That could pose a real threat to the firms to be driven out of the market.

Perhaps we should come back to the definition given initially to fair value, referring to a fair market value; that is, a *fair value* in a *fair market*. The question we must ask is whether the market currently operates in a fair manner and if the applicable accounting enables the disclosure of the real economic and financial position of the company. It's important to find out, up to what extent the accounting takes market facts, on the one hand, and market expectations, of the another hand, into consideration. In our view, currently the criterion of fair value is adversely affecting the common perception with respect to the financial statements because of the economic globalization. For example, when there is a slump in prices at the stock exchange in Hong Kong the stock price of a British company could be also affected negatively without regard of its performance and management. This impact could result in recognition of losses in the income statement or in erosion of equity by the British company due to decisions by thousands of investors, unrelated to it.

Occasionally, the fair value is calculated using parameters that are based on market prices or mathematical models, some of which are not sufficiently validated. As a response to this situation, the International Accounting Standard Board (IASB) has proposed IFRS 13 *Fair value measurement*, recommending its entry into force in 2013, so the auditors of listed European companies check the used market values after the adaptation of the quoted IFRS by the European Union. Law 16/2007 as a part of the economic reform in Spain aims at the harmonization of the financial reporting in accordance with the European Union's regulation. One of the most significant implications of the introduction of the fair value measurement is the breaking with the hegemony of historical cost concept.

However, the use of fair value is limited to certain balance sheet items, basically, financial instruments, and to accounting recognition of certain valuation corrections, as well as and to certain transactions, such as exchange transactions with commercial substance, non-monetary capital contributions, non-current assets held for sale finance leases and the measurement of impairment of assets.

The measurement of fair value shouldn't imply complexity in the case of elements which operate in an *active market*¹. But the situation is entirely different in the cases when we have to assess assets for which an active market doesn't exist. So, we have to use indirect valuation procedures, which require selected inputs based on hypothesis and methods, inevitably including subjective components. The application of the fair value means that at the end of the fiscal year the company can recognize potential gains or losses arising from changes in the fair value by comparing the initial value of the transaction and the fair value at the end of the year. In most cases, these differences have a direct impact on the income statement and, in some cases consequently on the equity.

Regarding to the fair value measurement, *Borio* (2003: 16) sets out "It is widely recognized that differences in valuation methodologies can have first-order effects on measures of net worth and income." In cases of non-existing active markets and impossibility for using the fair value measurement in reliable manner, the Spanish accounting regulation stipulates the use of other criteria, based on historical cost, such as amortized cost, production cost or the price of acquisition

2. IFRS 13: Fair Value Measurement

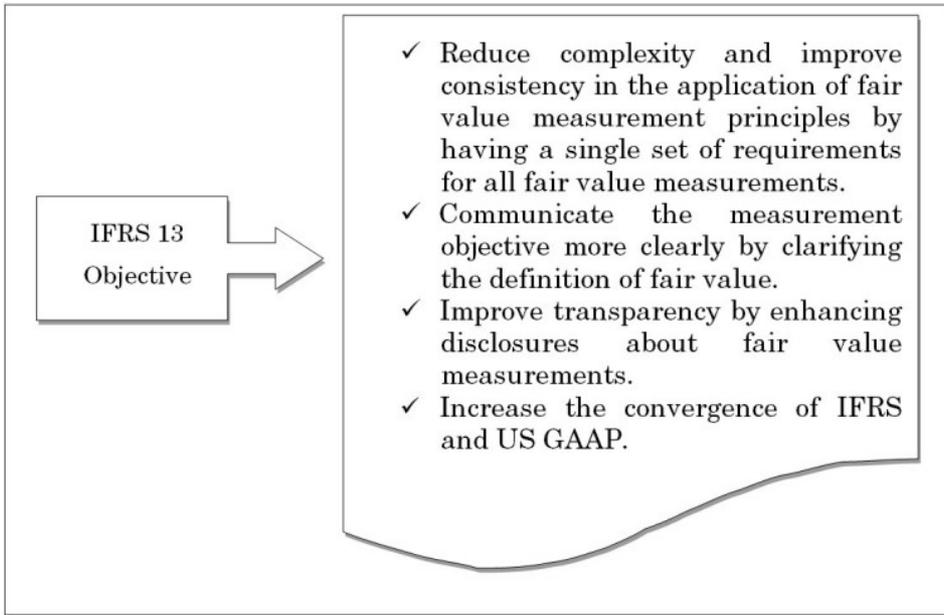
This standard deals with the measurement of the fair value but doesn't regulate which assets and liabilities should be measured. IFRS 13 aims to delimit the fair value within the framework of an IFRS, with the purpose of measuring the fair value and defining the information to be disclosed in the financial statements in order to illustrate how the fair value was calculated. Figure 1 shows the main goals of this international standard.

In this sense, the FASB had taken the lead with regard to this situation with the SFAS 157 *Fair Value Measurement*, available since September 2006, with the aim of establishing a framework for measuring fair value and explaining the requirements regarding the disclosure of the related information. The result is IFRS 13.

¹ Internationally its assumed that an active market is a market in which all of the following conditions exist:

- a) goods or services traded within the market are homogeneous;
- b) willing buyers and sellers can normally be found at any time; and
- c) current prices obtained in actual frequent market transactions are available to the public.

Figure 1: IFRS 13 objective.



Source: *Spector* (2011: 2).

In 2005, the IASB began work on a project on the assessment of the consequences of the application of the fair value. However, the project was added to IASB agenda before the beginning of the global financial crisis. In 2007, the financial crisis has put on the agenda the need for convergence between the IASB and the FASB. IFRS 13 defines fair value as „the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date“ (paragraph 9).

As a result, the measurement of the fair value proceeds on the assumption that the market participants take into account the characteristics of the assets and liabilities in order to fix its price under current market conditions, including risks. This implies that the intention of the company to value assets or liabilities is irrelevant to the measurement of fair value.

In the case that there isn't an active market supplying the needed information for the fixing of the selling price of an asset or of a liability transferred at the measurement date, the only one opportunity is the use of estimated values. Therefore, in the implementation of the fair

value we often have to use estimations, that constitute one of the basic problems of fair value measurement.

The company will use valuation techniques that are suitable to the circumstances whenever there are sufficient data available to measure fair value in order to maximize the use of relevant observable inputs and minimize the use of unobservable data. Three approaches are commonly used, and proposed by the standard to determine the fair value:

- The *market approach*: this valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities.
- The *cost approach*: this method reflects the amount that would be required currently to replace the service capacity of an asset, being often referred to as current replacement cost.
- The *income approach*: this valuation technique converts future amounts as cash flows or income and expenses into a single current amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

It's remarkable that the income approach transforms future expectations into present values. Capitalization of earnings is one of the methods commonly used for measuring the value of an asset or a company. Therefore, the critical component for the implementation of this method for the valuation of a company is the determination of future earnings.

The standard provides that in some cases a single valuation technique will be appropriate (for example, when an asset or a liability is valued using quoted prices in an active market for identical assets or liabilities); in other cases, multiple valuation techniques will be more suitable.

In order to increase the consistency and comparability in fair value measurements and the quality of the disclosed information in the financial statements, the standard sets an order of priority for the inputs used in the valuation methods discussed previously. So, this IFRS establishes a fair value hierarchy in three levels:

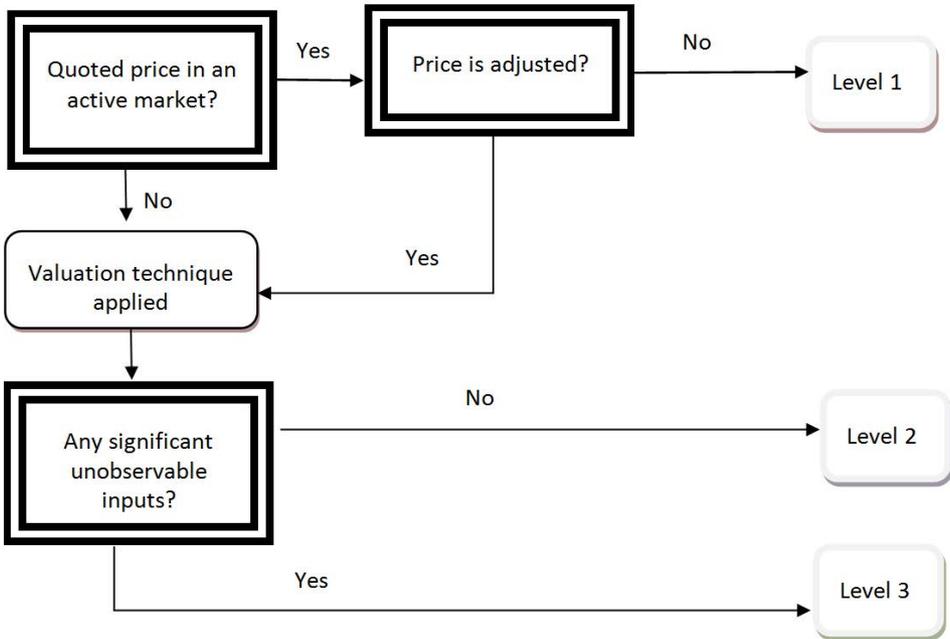
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. At this level, inputs would be available for many financial assets and financial liabilities.
- Level 2: includes inputs that are observable for the asset or liability, either directly or indirectly, other than variables included in the Level 1, such as: quoted prices for similar assets or liabilities

in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, etc.

- Level 3: includes inputs for the asset or liability that are unobservable. The company would develop unobservable inputs using the best information available under the circumstances, which might include the entity’s own data, i.e. the use of working hypothesis.

Figure 2 illustrates which application of the criteria of fair value hierarchy to apply, depending on how the market performs and what information is available.

Figure 2: Application of fair value hierarchy levels.



Source: Spector (2011, 7).

In the opinion of *Delgado* (2011: 80-81) the main disadvantages of applying the fair value approach are:

- “Pro-cyclical feature: It increases the volatility of the accounting basic parameters such as the income and equity. Now the income of an entity at the end of each financial year will be the result of revenues and expenses arising from the ordinary operations of the company, more capital gains and losses (realized and unrealized) arising from changes in the fair value of assets and liabilities.
- It has a highly subjective approach since it is an accounting estimate carried out in the enterprise. The risk of error in its valuation will depend on the reliability of the parameters that are used as the basis for that measurement“.

3. Housing cooperatives

In general, cooperatives contribute to the economic growth, using the competitive edge of their flexible business model in various economic sectors such as agriculture, finance, insurance consumption and housing.

These organizations promote employment and social inclusion because they hire people from different walks of life and skills, and often disabled persons, since the cooperatives are based on democratic spirit, values and principles that enable the most disadvantaged groups of society to be heard and, most importantly, to be helped.

Cooperatives give priority to the interests of their members, the aim for which they were established. Moreover, there is a democratic control quite in contrary to the capital companies, where the decision making process is based on the participation in the capital. Usually, cooperatives are not involved in speculative business.

It's obvious that cooperatives play an important role in the socio-economic life. The question to ask is if they will succeed to survive in the present economic scenario, strongly affected by the international financial crisis and the sovereign debt crisis in the Euro zone, or on the contrary, will they be affected in the same way as the other types of businesses. To some extent, this question was answered by the European Economic and Social Committee (EESC) in 2012. Despite the declining share of the cooperatives in the European economy, “in times of crisis cooperatives are more resilient and stable than other forms of enterprise as well as they develop new entrepreneurial initiatives. This can be attributed to the specificity of the cooperative enterprises: their

long term approach, their strong territorial roots, their promotion of members' interests, and their focus on cooperation among themselves.”

The EESC highlighted the relevance of cooperatives and proposed a set of recommendations to the European Union member states and to cooperatives. Given its significance, we believe it's appropriate to mention some of them. With reference to member states, the EESC recommended the creation of environment for the proliferation and the development of cooperatives. In addition, the committee called attention to the necessity of improving the statistics and more comprehensive studies, in order to demonstrate the achievements of the cooperatives.

The EESC also recommended more cooperation among cooperatives as well as between cooperatives and public and private companies. To ensure good governance, the EESC stressed the necessity of improving the internal audit in order to avoid abuses of the cooperative form. Shown the benefits of cooperatives in general, we will focus on the housing cooperatives, which main objective is to provide their members with residential and in some case with commercial property. Typically, the members of these cooperatives are the end-users of the property.

One of the more affected sectors of the economy by the global economic crisis has been the property development sector, suffering under dramatic decline in sales and construction activities. The burst of the “housing bubble” resulted in

- a price collapse in the housing market,
- a strong increase of home loans overdue due to increased problems with the servicing the outstanding loans,
- dramatic decline in demand for real estate

and consequently in the bankruptcy of numerous real estate developers.

Housing cooperatives have been also affected by the financial crisis. However, the interests pursued by the cooperatives are quite different from these of the real estate developers. The primary goal of real estate developers is to generate high profits and to pay dividends to their shareholders.

During the evolution of the “housing bubble”, there was a very easy access to bank loans for acquisition of residential property. After, many of the buyers have become insolvent, real estate developers has begun to suffer significant losses. Housing cooperatives run construction activities in order to provide their members with residential property and are not involved in speculative business. On the contrary, housing cooperatives pursue improving the housing conditions. In addition, the members usually obtain home loans under better terms and conditions

as it's usual for the market due to their participation in the cooperatives.

So, there are two completely different ways to provide people with residential property. In the current economic scenario, many real estate developers have suffered huge losses due to dramatic decline in the demand for homes already build and financed by bank loans, which can't be served not least because of the insolvency of the potential buyers. Even sold homes can't be repaid by the buyers.

These negative economic realities have a great impact on the economic and financial position of each company, which should be disclosed in the financial statements. Investors need to know if a company is managed effectively and efficiently and if its balance sheet is healthy, in order to make a decision about investing in the company.

The international accounting standards provide that assets, specifically real estate assets, should be reviewed in order to determine their potential impairment, the loss of value, which should be disclosed in the income statement. The loss of value is a result of the overvaluation of real estate assets. So, property developers should recognize the valuation losses because the book value of the assets exceeds their fair value.

The fair value measurement has some peculiarities which are caused by subjectivism and pro-cyclical features, moving market values to the financial statements, reproducing the ups and downs of the economy. As we have mentioned, given the diversity of approaches and inputs for using fair value measurement, the IFRS 13 pursues an increased objectivity and comparability.

In February 2012, the Spanish government has issued a regulation aiming at radical restructuring of the financial sector. This regulation stresses that the main problem of the Spanish financial sector are the loans extended to the real estate sector. There are still doubts about the valuation of such assets and loans classified as doubtful. Thus, bank balance sheets must recognize impairments of assets linked to the real estate activity.

In this context, the question is whether the housing cooperatives have overvalued real estate assets on their balance sheets and therefore should also recognize losses. Due to their specific characteristics, housing cooperatives have offered residential property to their members at real prices, not at speculative driven, overvalued prices as the other market participants have done. Housing cooperatives have remained solvent, because their members are committed to acquire the property, thus guaranteeing its sale.

In this sense, the Confederation of housing cooperatives of Spain and other representative bodies in the sector (2012: 29) argue that "the loans that banks and financial entities give to housing cooperatives with all solvent members appointed to property development, and

have contributed funds over 30 percent of the future houses, should not be recognized as real estate assets of risk, because in fact it does not exist.”

In conclusion, the financial statements of housing cooperatives are healthy, which constitutes an excellent example of successful business model and prudent management in times of crisis. As a result, housing cooperatives have not suffered from the international economic crisis as the other market participants, utilizing their competitive edge.

References

- Bertsch, A. (2010): “Auditing Valuation Reports”, in *Guide to Fair Value under IFRS*. Edit. Catty. New Jersey, p. 215-222.
- Borio, C. (2003) “Towards a macroprudential framework for financial supervision and regulation?”, *Bank for International Settlements Working Papers*, 128, February, p. 1-22.
- Botana Agra, M. (2009): “La progresiva diversificación del objeto social de las cooperativas de viviendas”, *CIRIEC-Revista Jurídica de Economía Social y Cooperativa*, 20, p. 2-15.
- Confederación de cooperativas de viviendas de España (CONCOVI) (2012): “Legislación: Real Decreto-Ley 2/2012, de 3 de febrero, de Saneamiento del Sector Financiero”, *VC-Viviendas cooperativas*, 122, p. 28-29.
- Delgado Piña, L. (2011) “El valor razonable en tiempos de crisis”, *Partida Doble*, 235, p. 75-81.
- European Commission (2012): *COMMISSION REGULATION (EU) No 1255/2012 of 11 December 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 12, International Financial Reporting Standards 1 and 13, and Interpretation 20 of the International Financial Reporting Interpretations Committee*.
- European Economic and Social Committee (2012): *Opinion of the European Economic and Social Committee on Cooperatives and restructuring*, CCMI/093 – CESE 1049/2012, Brussels, 25th April.
- G-20 (2009): *Declaration on Strengthening the Financial System - London Summit*, 2nd April, 2009.
- International Accounting Standards Board (2011): *International Financial Reporting Standard 13. Fair Value Measurement*.
- International Auditing and Assurance Standards Board (2009): *International Standard on Auditing 540. Auditing accounting estimates, including fair value accounting estimates, and related disclosures*.

- International Labour Organization (2009): *Resilience of the Cooperative Business Model in Times of Crisis*, Geneva: ILO.
- International Labour Organization (2012): “Cooperative enterprises build a better world” – Statement by ILO Director-General.
- Laux, C.; Leuz, C. (2009): “The crisis of fair-value accounting: Making sense of the recent debate.” *Accounting, Organizations and Society*, 34, p. 826-834.
- Melvin, M.; Taylor M. (2009): “The global financial crisis: Causes, threats and opportunities. Introduction and overview”, *Journal of International Money and Finance*, 28, p. 1243-1245.
- Real Decreto-Ley 2/2012, de 3 de febrero, de Sanearamiento del Sector Financiero.
- Resolución de 7 de octubre de 2010 del Instituto de Contabilidad y Auditoría de Cuentas, por la que se publica la Norma Técnica de Auditoría sobre el “valor razonable” (BOE N° 254, de 20 de octubre de 2010).
- Salvatori, G. (2012): “El cooperativismo en tiempos de crisis”, Euricse Working Paper N. 037/12.
- Spector, S. (2011): “International Financial Reporting Standard 13 (IFRS 13) Fair Value Measurement (Part 1)”, *Professional Development Network*, p. 1-8.
- The Economist (2008): “All’s fair: The crisis and fair-value accounting”, 18th September.

Provision of Public Services through Non-Profit Cooperatives in Spain: Analyses of Taxation¹

Marina Aguilar Rubio

1. Non-profit cooperatives, public interest cooperatives and social integration cooperatives

1.1 Regulatory framework for non-profit cooperatives

Cooperative legislation usually regulates the possibility of certain cooperatives to be described as non-profit organizations when they fulfil a number of conditions or requirements, especially the one regarding their need to manage services of collective interest or public ownership. Otherwise, it is understood that cooperatives may make a profit.

However, the lack of profits has never been included in the ICA list of cooperative principles². Only in the first proclamation of the principles presented at the XIV Congress (London, 1934) was the exclusive sale to partners prescribed, from which the proscription of profit-making could be deduced. Nevertheless, in the XV Congress (Paris, 1937) it was not mentioned at all, nor in the principles restated by the ICA at the XXXI Congress (Manchester, 1995).

¹ We want to thank Prof. *Roessl* who has taken the responsibility for the proof reading of this contribution.

² The criteria followed in the field of European corporate law are, on the one hand, Article 48 of the EC Treaty which states what is known as a corporation in order to define the principle of free establishment, after expressly mentioning cooperative societies, excludes other legal persons governed by public or private law “which are non-profit-making”; and, on the other hand, the SCE Regulation which makes no mention of this profit aim when regulating the Statute for a European Cooperative Society. It is this way in comparative law as no other laws from our legal environment requires non-profitability of these societies. Portugal is the exception, whose Cooperative Code defines cooperatives as “independent legal persons (...) non-profit”.

Recent regulatory reforms both in Spain and in comparative law clearly tend to overcome the rigidity caused by a mutualism overwhelmed by the demands of the market, and so the profit-making purpose of the corporations appears more clearly. In this sense, in order to reinforce the consolidation of cooperative business in an increasingly competitive market, its regime has become even closer to capitalist enterprises and it is foreseen that typically capitalist instruments will be used to promote its soundness and economic viability (e.g. the access to new ways of raising funds by issuing bonds and equity securities; the existence of purely capitalist partners; the possibility of cooperative participation in capitalist societies; special mergers with other companies, etc.), a relaxation of the strict parameters of the traditional accounting system (some legislations allow one only accounting of extracooperative and cooperative outcomes) and the economic system (with a gradual relaxation of the limits to work with third parties and greater scope for the distribution of the extracooperative and extraordinary profits). Some laws also allow the existence of so-called joint ventures (Art. 107 LCOOP, Art. 136 LCPV, Art. 107 LCG or Art. 128 LCRM)³, where elements of cooperative enterprises coexist with other elements of capitalist ones, and in which the cooperative system for profit distribution is no longer based only on the cooperative provisions made by partners.

The main difference does not lie in the profit itself, but in its distribution, which can be carried out in a variety of ways (*BALLESTERO*, 1990: p.237). The mutualistic nature of the cooperative that works primarily with its own partners allows the distribution of profits by prices (when the cooperative works with its partners in a sector of their field

³ Abbreviations stand for the legislation used:

LCOOP	Law 27/1999 of Cooperatives (national)
LCAND	Law 14/2011 of Andalusian Cooperative Societies
LCCV	Law 8/2003 of Valencian Cooperatives
LCAT	Law 18/2002 of Catalanian Cooperatives
LCRM	Law 8/2006 of Cooperative Societies in the Región of Murcia
LCPV	Law 4/1993 of Cooperatives in the Basque Country
LCG	Law 5/1998 of Galician Cooperatives
LCAR	Law 9/1998 of Cooperatives of Aragón (modified by Law 4/2010)
LCCLM	Law 11/2010 of Cooperatives of Castile-La Mancha
LCLR	Law 4/2001 of Cooperatives in La Rioja
LCCL	Law 4/2002 of Cooperatives in the Region of Castile y Leon
LRFC	Law 20/1990 on Taxation of Cooperatives
LIS	Royal Legislative Decree 4/2004 approving the revised text on the Corporate Income Tax Law
Ley 49/2002	Law 49/2002 on taxation of non-profit organizations and tax incentives for patronage
LIVA	Law 37/1992 on the Value Added Tax

they are usually better paid than in the market), through interests on capital contributions and returns on capital, and even through funds. Apart from that, there are atypical profits or added values (for example, with the sale of a building or a plot), and not to forget extra-cooperative profits obtained from operations with third parties that have been gradually permitted to a greater extent by our legislators.

Several Spanish cooperative laws reaffirm the widespread occurrence of profit-making in cooperative societies when regulating a specific, little developed sub-type of non-profit-making cooperatives.

The first additional provision of the Spanish Cooperative Law (LCOOP), the first law in Spain to introduce this figure, states that cooperatives can be classified as non-profit cooperatives when fulfilling several conditions or requirements that prove their social function. It specifically requires that cooperatives manage services of collective interest or public ownership, and that those which conduct economic activities lead them to the employment of persons suffering from some kind of social exclusion. In addition, for this title to be obtained, the LCOOP and regional laws that regulate this issue impose a statutory minimum content described below:

- Positive results obtained during a fiscal year may not be distributed among its partners.
- Partners' contributions to share capital, both mandatory and voluntary, cannot earn a higher interest than the legal interest, without prejudice to possible updating of them.
- The Board of Directors must not be remunerated, with the exception of financial compensation for partners' expenses incurred in the performance of their duties.
- Salaries of the worker partners or, if any, external employees may not exceed 150% of the salary established by the collective agreement applicable to salaried staff depending on the activity they perform and the occupational group they are in.

Regarding regional legislation on cooperatives, we can find some rules that regulate certain aspects of this kind of cooperative regime that follow, with some differences, the national legislation (Art. 129 LC-CAT, Art. 114 LCCV, Additional Provision 2. ^a LCAR, Art. 182 LCPA, Art. 142.5 LCG, Additional Provision 1. ^a LCCLM, Art. 132 LCRM, Art. 124 LCCL); some other norms that refer to the existence of non-profit cooperatives when regulating social initiative and/or social integration (Art. 150 LCCLM, Art. 112 LCLR, Art. 94.1 LCAND); as well as regional laws that make no provision for cooperatives (few in the autonomic context: LCPV, LCCL, etc.).

1.2 Social initiative cooperatives

All Spanish cooperative laws, both national and regional, contain special rules for this type of cooperative, in which there are activities providing social services that are unattended or under-attended by the market and, therefore, are described as public-private partnerships which seek to procure the welfare of citizens, especially those most socially disadvantaged (*DÍAZ DE LA ROSA*, 2007: p.201-210).

The LCOOP, for example, states that social initiative cooperatives are those non-profit cooperatives whose name shows this fact and whose social aim is either the provision of care services through health care, educational, cultural and others social activities, or the development of any economic activity whose aim is the integration of people suffering from any kind of social exclusion and, in general, the satisfaction of social needs unattended by the market (art. 106.1). This Act then states that public entities may participate as partners (art. 106.2).

Some regional laws repeat, to a greater or lesser extent, the contents of LCOOP for regulating the system of social initiative cooperatives (Art. 126 LCG, Art. 130 LCRM, Art. 148 LCCLM, Art. 128 LCCAT); other laws consider them as a special type of worker cooperative (Art. 107 LCCM, Art. 131 LCRM, Art. 94 LCAND, Art. 112 LCLR, Art. 184 LCPA); and some others include them among non-profit cooperatives without a specific legislation (art. 114.2 LCCV).

1.3 Social integration cooperatives

Unlike the previous case, though obviously related, social integration cooperatives are those that are considered by most of the regional cooperative laws (Art. 127 LCPV, Art. 98 LCCV, Art. 125 LCG, Art. 121 LCCM, etc.); however, national laws and some regional ones (Art. 128.2 LCCAT, Art. 124.1 LCCL) include such cooperatives together with those of social interest.

These cooperatives are essentially intended to promote the social integration of their partners, who are mostly members of groups with difficulties to achieve it (people with physical, mental or sensory disabilities; children and their representatives or elders and relatives with economic problems; and any other socially marginalized group). Their social aim is to provide them with goods and services for their subsistence and development, and to organize, channel, promote and commercialize products and services of their partners' work, or those of a therapeutic, residential, sports or welfare nature which may be necessary or desirable for their development, aid and social integration.

In these cooperatives, public administrations responsible for social services may participate as partners by appointing a representative

and making the corresponding contribution and by providing technical and professional support as well as participating in social and corporate bodies, in order to cooperate for the smooth running of the institution. This shows the undeniable orientation of these entities to achieve public purposes and their feasibility to become joint ventures.

1.4 Public services cooperatives

While all cooperative laws in Spain enable Administrations and public bodies to become partners of cooperatives, some of them specifically deal with public services cooperatives. Article 99 LCCV states that the Valencia Regional Government and local corporations required to ensure the existence of public services cooperatives may provide such services directly by constituting public services organizations. Article 150 LCCAT states that “public administration, when providing public services with the direct participation of citizens, must stimulate the creation of cooperatives for this purpose and share the management of these services.” Also the recent LCAND, in Article 107, states its statutory regulation.

2. Participation of public administration in corporations for achieving public private aims: public companies and joint ventures

Article 128.2 of the Spanish Constitution recognizes public initiative in economic activity, a provision that refers not only to the state but also to the public powers in general (*DE JUAN AJENJO*, 1984: p. 93-98). In the management of public services or public interest through business methods we must highlight the constitution of companies controlled by the government (public companies) and the involvement of the public administration in business projects on an equal footing with private partners (joint ventures).

2.1 Public corporations

In recent decades more and more public companies have been constituted by national, regional and local governments. The reasons for this growth can be found, together with the laudable pursuit of improved management of public services and coverage of citizens' need not adequately served by the private sector, in the attempt to elude limitations from public debt, and for budgetary, economic and political reasons (*ALONSO UREBA*, 1985 *passim*).

It is important to bear in mind that within the public business sector we can find public business entities, national companies and public law entities, without prejudice to consortia provided with legal status. Doctrine defines public companies as “tools for direct public intervention which settle on an organization supplied with capital and labour, either public – with and without legal status –, or private – under public management –, orientated to economic activities normally applying the private law regime” (*LAGUNA DE PAZ*, 1994:1195).

The criterion to recognize the existence of a public company is that of effective control which public authorities can practise in companies, due to ownership, financial participation or their rules⁴. This criterion, introduced by EU Law and jurisprudence, has proved the most suitable way to determine whether a corporation can be considered public or not.

Spanish Law 33/2003 on Assets of Public Administration defines State commercial companies as those in which the public capital of the entities exceeds 50% [art. 166.1, § c)]. To determine this percentage, the shares corresponding to the entities involved in the state public sector are totalled, when more than one is involved. Regional entrepreneurship to run the business traffic through public enterprises is recognized, more or less expressly by different Statutes of Autonomy, competence that is specified by the special laws of the regional administration containing issues concerning the legal status of these companies. On the other hand, the Law 7/1985 Regulating the Local System⁵ states that public services of local competition may be managed directly by a local trading company, whose capital is publicly owned [art. 85.2, § d)], except when it involves the exercise of authority (art. 85.3)⁶.

⁴ Directive 80/723/EEC of 25 June 1980 on Transparency of Financial Relations Public Enterprises.

⁵ Amended by Law 57/2003 on measures to modernize local government.

⁶ In the same vein, the Regulations of the Local Services notes that “the direct management of financial services may be under a private company, which will take the form of limited liability or corporation, and shall be constituted and shall act subject legal standards governing those trading companies, subject to the adjustments provided for in this Regulation” (Article 89).

2.2 Mixed economy companies

During the last few years, the phenomenon of public-private partnership has been prolifically developed in many fields, and we can distinguish between contractual partnership, which is based solely on contractual links between parties, and institutionalized partnership, which consists of the creation by the public and the private partners of an entity in order to ensure the completion of some work or the provision of a public benefit. The paradigm of the latter form of public-private partnership is constituted by mixed economy companies, through which public authorities provide services within their jurisdiction (*SANTIAGO IGLESIAS*, 2010: p. 40).

Mixed economy companies are those corporations whose capital is partly owned by a public administration and partly by other individuals, with shared leadership and whose purpose is to carry out the management of public services of economic content which are the competence of the social administration (*ALBI*, 1960: p. 398; *SOSA WAGNER*, 2008: p. 341-348). In the EU Legislation, which has expressed concern about properly articulating public contracts and concessions in cases of institutionalized public-private partnerships, they are defined as cooperation between partners in the public and private sector. This occurs when they create a mixed capital structure company for the execution of public contracts or concessions, the private contribution in addition to the contribution to capital or other assets, consisting of active participation in carrying out the tasks entrusted to the entity⁷.

As far as the Spanish legislation is concerned, we find a series of precepts from which we can extract a normative concept of mixed economy company. On the one hand, Article 277 of the Consolidated Law on Public Sector Contracts (Royal Decree 3/2011) states that the recruitment of public services management may take the form of a mixed economy company in which the Administration participates, itself or via a pub-

⁷ Interpretative communication of de Commission related to the application of Community Law on Public Procurement and Concessions to Institutionalized Public-Private Partnerships (IPPP) [2008 / C 91/02]. The concern about the mechanisms of procurement and concessions to mixed economy companies has recently had a distinction in the Spanish Positive Law. Particularly, the additional provision number twenty-nine (institutional methods for collaboration between public and private sector), states in the first paragraph that “public contracts and concessions may be awarded directly to a mixed economy company in which public and private capital get together, provided that the choice of private partner has been conducted in accordance with standards established by this Act for the award of the contract whose aim is its performance, and if necessary, those related to the contract of public and private partnership, and provided that there are no modifications of the purpose and of the conditions of the contract that were taken into account in the selection of the private partner.”

lic entity, in concurrence with natural or legal persons (§ d). On the other hand, revised provisions in local government matters, approved by Royal Decree 781/1986, establish in Article 104.1 that for indirect services management, local entities may use the forms of corporation or cooperative whose capital is only partially owned by the local entity.

Finally, Chapter IV of Title III of the Rules of the Local Services (approved by Decree of June 17, 1955), contains a number of provisions that specify the characteristics and rules of mixed economy companies of local government. Firstly, it states that the capital of local corporations and that of individuals, or that of both, should be combined to carry out provincial or municipal services (art. 102). Regarding the process of constitution, it states that mixed economy companies, subject to municipal or provincial status record, may be instituted through the acquisition of stocks and shares of established companies in sufficient proportion to share social management (art. 104.1), by founding the company with the intervention of the Corporation and contribution of private capital (art. 104.2), or by agreement with an existing single company which stipulates the statute by which it will be governed hereinafter.

From reading these precepts, mixed economy companies are defined as corporations (including cooperatives) whose financing and management are mixed, that is public and private, and whose purpose is the management of a public service (*SANTIAGO IGLESIAS*, 2010:58). This regulatory definition is structured on the following elements: a) shared capital with participations from entities of the public and private sector, b) a social aim consisting of carrying out activities of public service, and c) shared management between the Administration that owns the service and a private partner or partners.

This last element, the joint management of the mixed company by the Administration and private partners, happens to be an essential characterization of mixed economy companies. Public participation in management can be done in two ways, either through the rights as a rightful holder of a share of capital stock of the company, or by the rules of public law that ensure some control over the constituted society.

In Spain, the use of mixed economy company as a form of public service management has been particularly developed on a local level, by companies in which a local authority participates in the social capital and management, and which carry out activities related to public services within its jurisdiction (water supply and sanitation, electricity distribution, mortuary services, etc.).

3. Non-profit cooperatives taxation

Although the LCOOP contains a specific provision for the taxation of cooperatives classified as non-profit cooperatives, all it does is to refer it to the taxation regime established in the Law 20/1990 of the Taxation of Cooperatives. This legislation does not contain a specific regime for non-profit cooperatives.

3.1 Application of the Cooperative Taxation Act 20/1990 to non-profit cooperatives

Describing a cooperative as non-profit does not mean the creation of a new type of cooperative, since any enterprise may become non-profit. Social initiative cooperatives usually adopt the form of worker or consumers cooperative and its tax qualification depends on the form they adopt, and in both cases they are able to enjoy the specially protected cooperative status.

In the event of services cooperatives, their status is described as protected cooperatives.

However, if the company does not comply with the requirements prescribed by LRFC for such types of cooperative, non-profit cooperatives can lose their specially protected status or even their protected status without enjoying any tax profit.

If the non-profit cooperative becomes a worker cooperative, it must carry out the requirements regulated in Article 8 of the LRFC in order to enjoy the status of specially protected cooperative:

- They must associate all individuals who offer their personal work to the cooperative in order to produce goods and services for others.
- The average amount of their total remuneration actually earned, including advances and returns, must not exceed 200% of the average of normal remuneration in the same sector, if they were external employees. This requirement is not applied in cases of non-profit cooperatives, since the specific limit for them is lower (150%), so that once the latter is complied, the worker cooperatives one is also complied.
- The number of employees with contracts for an indefinite term does not exceed 10% of its total number of partners. If the number of partners is less than 10 they may hire another worker⁸.

⁸ There is a region which provides the existence of free volunteers to help cooperatives, which is not included in this limitation.

- External employees should be given another type of contract, provided that the number of days worked by these workers does not exceed 20% of the total days of work performed by legal partners.

If it is a consumers and users cooperative specially protected it must comply with the requirements in Article 12 of the LRFC:

- They must associate individuals in order to provide them with goods of the best quality, price and information, whose delivery is not taxed at the higher rate of VAT.
- The average of total remuneration of working partners, including possible returns, must not exceed the above mentioned limit of 200% for worker cooperatives.
- Sales to non-associated people within the same field must not exceed 10% of the total of those made by the cooperatives during the fiscal year, or 50%, if stated by their regulations.

The provision itself states that the above limitations or those established under article 13.10 of the LRFC are not applied in those cooperatives that have a minimum of 30 worker partners and at least 50 consumers per working partner.

For this purpose, what is stated from Article 12 to Article 13.10 — which governs two important prohibitions to prevent the cooperative from losing its protected status — liberalises consumers and users cooperatives of the aforementioned prohibition of carrying out cooperative operations with non-partner people, except in cases permitted by law and when there is a breach of the rules regarding separate accounting of such operations and destination of the results obtained to the Mandatory Reserve Fund.

Services cooperatives which can carry out the aim of non-profit cooperatives will not enjoy the status of specially protected cooperatives. They could only become protected cooperatives if they do not incur in any of the causes of loss of this condition provided in Article 13 of the LRFC.

3.1.1 Tax profits applicable to protected non-profit cooperatives

3.1.1.1 In the Tax on capital transfers and documented legal acts:

Exemption for any item except for the fixed fee of document duties, notarial documents regarding the following legal acts:

- Constitution, capital increase, mergers and divisions.
- Loan constitution and repayment, including those represented by obligations.
- Acquisitions of goods and rights that are integrated into the Education and Development Fund to reach its aims. Procurement of goods and rights that contribute to fulfilling its social function should be free for all non-profit cooperatives.

3.1.1.2 In the tax on economic activities and on immovable property, it is given a bonus of 95% of the fee.

3.1.1.3 As far as the Corporate Tax is concerned we shall discuss several aspects:

- Describing results as cooperative or extra-cooperative: Cooperative results pay the reduced rate of 20% while extra-cooperative results pay up to 30% (standard rate); that is why it is important to describe them appropriately. According to Article 17 of the LRFC, cooperative results are those obtained from cooperative activities executed by partners. When dealing with worker cooperatives, the results from partners' work pay 20% tax rate, while the results obtained from the work of external employees will be taxed at 30%.
Periodic membership fees, subsidies, interests and returns from cooperative participation in other cooperatives and financial incomes from regular treasury management are also cooperative results⁹.

⁹ When the LRFC was drafted, non-profit cooperatives were not in mind, nor the fact that donations or contributions could be a major source of funding for these entities; that is why its qualification is not expected. However, if these amounts were classified as extracooperative incomes they would be taxed at 30%, but this is not their nature and purpose and perhaps their tax treatment could be compared to that of subsidies and prevent its inclusion in the generic clause of Article 21.3 of the LRFC

- Assessing cooperative operations performed by partners: They must be valued in accordance with the market value, according to the normal remuneration established for the same sector if they were external employees. Regarding the operations of consumers and users cooperatives, or the services operations or supplies to partners, they will be valued for which money had been actually made, provided that not less than the cost of such service, including the share of expenses of the entity. Therefore, the value is limited to the cost preventing losses which reduce the taxable base or generate negative tax base.
- Free fixed assets depreciation of new depreciable assets acquired within three years from the date of entry in the register of cooperatives. The deductible amount in terms of free depreciation cannot be less than the minimum nor higher than the amount of the cooperative results, which is decreased in mandatory applications to Mandatory Reserve Fund and shares of salaried employees. This benefit is compatible with the reinvestment tax under the general regime of the Corporation Tax Base.
- Deductibility in the taxable base of the amounts intended for the Education and Development Fund and for the Mandatory Reserve Fund. The amounts that non-profit cooperatives intended for Education and Development Fund are not taxable, since 100% of the amount is deducted in the correspondent taxable base, both cooperative and extra-cooperative. On the other hand, the amounts intended for the Mandatory Reserve Fund will only deduct the taxable base at 50% of the amount. As the distribution of returns is prohibited, non-profit cooperatives will earmark volunteering the surpluses, once covered all legal provisions, for any of the above-mentioned funds or non-distributable reserves¹⁰.
- Losses compensation Non-profit cooperatives that obtain negative results regarding operations with partners may compensate them economically speaking through positive results from third

“results obtained by sources other than the specific purposes of the cooperative”. (MONTERO SIMÓ 2010: 175).

¹⁰ Article 129 § a) LCCAT expressly states its destination to an indivisible nature reserve.

parties' operations or extraordinary results and *vice versa*. It is allowed to compensate 30% of the extra-cooperative negative taxable base and 20% of the cooperative taxable base.

- Tax deduction due to the creation of employments for disabled workers.
Tax deduction provided in Article 41 of the LIS is applicable to new partners of worker cooperatives and working partners of any other cooperative.

3.1.2 Tax profits applicable to specially protected non-profit cooperatives

In addition to the general rules and tax profits applicable to protected non-profit cooperatives mentioned above, specially protected cooperatives can enjoy the following profits:

- In the Transfer Tax and Stamp Duty, there is an exemption for acquisitions of assets and rights operations used directly to fulfil its social and statutory purposes.
- In the Corporate Tax, there is a bonus of 50%. If a non-profit cooperative is specially protected will be taxed at a 10% rate on their cooperative results and at a 15% rate on their extracooperative income. Considering that 5% of the cooperative results are intended exclusively for the Education and Development Fund, and 20% of these results are intended for the Mandatory Reserve Fund, the effective tax rate for these results is 7.5%. Given that 50% of the extra-cooperative results are intended for the Mandatory Reserve Fund, the effective tax rate is 11.25%.
- The non-profit cooperatives that adopt the form of worker cooperatives enjoy during the first five years of social activity a bonus of 90% of payable tax, if they provide the integration of at least 50% of disabled partners and prove that, at the time of the constitution of the cooperative, these partners were unemployed.

3.2 Application of Law 49/2002 for non-profit cooperatives and for tax incentives for sponsorship

With respect to the suitability of this regime to non-profit cooperatives, there are several mandatory requirements for them to comply explained in Article 3 of the Law 49/2002.

The application of the special arrangements would have to be requested by the cooperative and, if it is granted, the State Tax Administration Agency will issue a certificate.

The requirements in Article 3 of the Law 49/2002 are the following:

- They must pursue aims of general interest: Article 3 establishes an open list of purposes, purely exemplary. Both the definition of the purposes of non-profit cooperatives according to the First Additional Provision of the LCOOP, and the social aim of social integration cooperatives are subsumed in them.
- They must intend at least 70% of the following incomes for purposes of general interest:
 - Incomes from economic activity, those both exempt and non-exempt of Corporate Tax.
 - Incomes derived from the transfer of assets and rights. It does not include incomes derived from the transfer of property in which the activity is performed, provided that the amount of the transfer is reinvested in property and rights assigned to the activity.
 - Incomes derived from any other source, once deducted expenses incurred for the production of such incomes. Asset allocation is not included.
- The net amount of the turnover for the whole year of economic non-exempt holdings beyond its statutory object or purpose must not exceed 40% of the entity's total incomes. It is required regarding these activities to not infringe competition rules in relation to other companies which perform the same activity.

These results are not exempted of corporate tax of entities under the Law 49/2002.

Article 13.10 of the LRFCE establishes that no cooperatives, whatever their class, will be able to make a volume of transactions with non-partners higher than 50% of the total of the cooperative, without losing the legally protected cooperative status.

Along with this limit for operations with third parties, we find another indirect limit in Article 13.9 which prohibits the cooperative participation higher than 10% (if established in statutes they may provide up to 40%) in non-cooperative entities, admitting the

possible authorization of the Ministry of Economy and Finance to exceptionally exceed those limits.

- Partners, founders, statutory representatives, employers, members of the governing bodies and relatives up to the fourth degree of any of them must not be the main beneficiaries of neither the activities of the entity, nor the special conditions to use their services. This requirement will not be applicable with, *inter alia*, social assistance activities, such as those referred to in Article 20. One § 8th LIVA. These activities will be similar to those developed by non-profit cooperatives.
- The position of employer, statutory representative and member of the governing body have free charges, regardless of whether they are reimbursed for expenses incurred or not. Regarding public utility associations, there is an exception so that they can receive compensations they do not come from public funds or subsidies. When non-profit cooperatives are involved in corporations, the requirement of free-of-charge is extended to their administrators, unless the payment is intended for the entity they represent. The first additional provision of the LCOOP imposes the free nature of the members of the Board of Governors in non-profit cooperatives. However, there is nothing established regarding corporations administrators acting on behalf of a non-profit cooperative.
- They must intend the assets for entities mentioned in Articles 16 to 25 of the Law 49/2002 in case of dissolution (i.e. some entities considered beneficiaries of sponsorship or public entities). In the event of dissolution of non-profit cooperatives, the Education and Development Fund in most of the regions cannot be distributed among the partners¹¹. The Mandatory Reserve Fund may neither be distributed, although the rest of corporate assets will be refunded to partners with the exception of possible non-distributable reserves.
- They must be inscribed in the appropriate register.
- They must fulfil all financial obligations.
- They must fulfil the obligation of accountability.
- They must develop an annual financial report, unless the entity has a turnover of less than 20,000 Euros. In this case, there is no need to submit it but to elaborate it.

¹¹ The LCRM does not prohibit it expressly.

3.3 Application of offshore regulation of partially exempt entities to non-profit cooperatives

Article 9.3 of the LIS defines the subjective scope of partially exempt entities whose taxation is regulated in Articles 120 et seq. Paragraph a) includes all non-profit institutions or entities to which tax provisions in Law 49/2002 are not applicable. If it had not been specified in the Ninth Additional Provision of the LCOOP that the arrangements for the non-profit cooperatives were regulated by the LRFC, it would have raised the application of the Corporate Tax special arrangements.

If we compare the taxation in one case and another in the corporate tax, we can see that partially exempt entities are taxed on incomes derived from the development of economic activities, incomes from the assets and incomes derived from some transmissions.

When an association achieves its social aim through economic exploitation, the results earned are not exempt. Basically, it has no sense to apply this scheme to non-profit cooperatives which, precisely to achieve their purpose, develop economic activities.

These entities, in some cases, can enjoy local tax exemptions. These exemptions are applicable to any charitable or educational and charitable organizations.

3.4 The Value Added Tax in non-profit cooperatives

VAT is a tax that falls apart all the special systems we have studied so far, so it requires an independent analysis. In the present case, we should consider the applicability of the exemptions established in Article 20 of the LIVA.

To achieve this qualification, the LIVA demands entities to fulfil the following requirements: 1) lack of profit-making and, where appropriate, allocate the benefits eventually obtained, to the development of exempt activities of the same nature, 2) the positions of president, employer or legal representative are free and have no interest in economic performance, and 3) the partners or participants in these entities, spouses or relatives to the second degree of consanguinity are not beneficiaries of exempt activities.

Spanish Supreme Court's case law has understood that cooperatives generally do not fulfil the requirement of lack of profit-making and therefore they cannot be classified as social entities for VAT.

However, we could wonder if such rating may be given to so-called non-profit cooperatives. The requirements to describe cooperatives as non-profit by the first additional provision of the LCOOP do not exactly match with those required by the Article 20.2 of the LIVA to describe

an entity as a social institution or organization. Therefore, in order to obtain the recognition of the exemption right these cooperatives must also reinvest the profit in activities of a similar nature to the exempt ones, and partners, spouses or relatives up to the second degree may not be the main beneficiaries of exempt transactions nor of special conditions in the provision of services¹².

References

- ALBI* (1960): Tratado de los modos de gestión de las corporaciones locales, Madrid, Aguilar.
- ALONSO UREBA* (1985): La empresa pública, Madrid, Montecorvo.
- BALLESTERO* (1990): Economía social y empresas cooperativas, Madrid, Alianza.
- BLÁZQUEZ LIDOY* (2005): "Relaciones entre el Impuesto sobre el Valor Añadido y la Ley 49/2002 del régimen fiscal de las entidades sin ánimo de lucro", *Revista Estudios Financieros*, 272.
- BORJABAD* (2001): "La sociedad cooperativa en la Ley 27/1999", en *La sociedad cooperativa en la Ley 27/1999*, de 16 de julio, de Cooperativas, Coord. ALONSO ESPINOSA, Granada, Comares.
- DE JUAN AJENJO* (1984): La Constitución Económica española, Madrid, CEC.
- DÍAZ DE LA ROSA* (2007): "Las cooperativas de iniciativa social", *Anuario da Facultade de Dereito da Universidade de A Coruña*, 11.
- GADEA* (1999), *Evolución de la Legislación Cooperativa en España*, Vitoria, Consejo Superior de Cooperativas del País Vasco.
- GARCÍA RUIZ* (2006): La nueva sociedad anónima pública, Madrid, Marcial Pons.
- GIRÓN TENA, J* (1976): Derecho de sociedades, T. I, Madrid.
- JIMÉNEZ ESCOBAR* (2006): "La fiscalidad de las fundaciones: un equilibrio entre la promoción del estado social y la competencia de los mercados", *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, 56.
- LAGUNA DE PAZ* (1994): "La empresa pública: formas, régimen jurídico y actividades", en *Administración Instrumental, Libro homenaje a Manuel Francisco Clavero Arévalo*, Madrid, Civitas.
- LLOBREGAT* (1999): "Régimen económico de las sociedades cooperativas en el marco de la nueva Ley General de Cooperativas de 16 de julio de 1999", *RdS*, 13.

¹² *BLÁZQUEZ LIDOY* (2005: *passim*), among others, recognizes the right of non-profit cooperatives to enjoy this exemption.

- MONTERO SIMÓ* (2010): “La fiscalidad de las cooperativas sin ánimo de lucro”, CIRIEC, CIRIEC-España, *Revista de Economía Pública, Social y Cooperativa*, 69.
- SANTIAGO IGLESIAS* (2010): *Las Sociedades de Economía Mixta como forma de gestión de los servicios públicos locales*, Madrid, Iustel.
- SOSA WAGNER, F.* (2008): *La gestión de los servicios públicos locales*, Madrid, Civitas.
- VARGAS VASSEROT* (2001): “Otras estructuras posibles de organización de entidades público-privadas: las cooperativas y las sociedades mercantiles”, Summer Courses of the University of the Basque Country, San Sebastián.

A research on size and performance of Fruit & Vegetables cooperatives located in Central Mediterranean Arch (CMA)

Vanessa Campos i Climent / Joan Ramon Sanchis-Palacio

Abstract

This paper analyzes the financial and economic situation of Fruit & Vegetables (F&V) cooperatives in Spain and the possible financial strategies based on an empirical dynamic research of ratios and linear regression analysis. Data has been obtained from the financial statements for the period 2005-09. We have found a balanced financial situation which is deteriorating, and an adverse economic situation due to the fact that in this sector oligopsonistic firms have been fixing prices and fixed costs of production have been increasing significantly. Since 2008, the economic environment has been worsening because of the financial and economic crisis. Furthermore, increasing size of business activities does not necessarily improve the financial position of the cooperatives because it is determined by the way organizations are managed, what would require an increase of management competences. Keywords: ratio analysis, financial strategies, Fruits & Vegetables cooperatives (as a kind of agricultural cooperatives), financial crisis.

1. Introduction

The agricultural cooperativism has its roots in agriculture associations (1), which have been targeting traditionally the best conditions for the farmers regarding prices and profitability. They are recognized as the basis for structuring the food processing system and a necessary tool for the cohesion of rural environment (*Cervera and Bohórquez, 2000; Bahamonde, 2000; Ruiz, Hernández and García, 2006*). The ag-

gricultural cooperative provides market access and market strength to small and medium farmers on a global scale. According to the General Confederation of Agricultural Cooperatives in the European Union GEACOAC, in 2008 more than 32,000 cooperative businesses, comprising 11 million business units with an annual turnover of more than 250 billion Euro accounted for 60 per cent of the collection, processing and marketing of agricultural products 1,2% of GDP and 5,4% of the employees in the EU-25. (GEACOAC, 2010).

The weight of agricultural cooperatives in Spain has been quantified, together with that of the other kinds of cooperative and social economy entities in various studies conducted by the CIRIEC-Spain since 1990 (Monzón, 2009). According to Agrifood Cooperatives (2), there are 3,989 agricultural cooperatives in Spain with 1,160,337 members, 94,156 employees and annual turnover of almost 19 billion Euro.

Currently, agricultural cooperatives represent a valid alternative for the Mediterranean agriculture, suffering from the economic crisis, because they perform an important function within the rural environment in which they operate (Juliá and Marí, 2002; Ruiz, Hernández and García, 2006). Cooperative marketing of agricultural products offsets, in part, the strong bargaining power of the commercial distribution firms in markets where customers impose oligopsonistic prices. Moreover, the establishment of cooperative community land exploitation reduces the production costs, especially the labor costs (Monzón, 2003; Fernández-Zamudio, Caballero and De Miguel, 2006; Valentinov, 2007). However, low horticultural product prices, high fixed production costs and the negative impact of the economic crisis since the summer of 2007, adversely affect the financial and economic situation in agriculture in general, and F&V cooperatives in particular.

Over time, agricultural cooperative has gained recognition not only in Spain, but also internationally (Rojas, 2007). But, as pointed out by Meliá and Juliá (2008; p. 58), do cooperatives have the opportunity to continue developing their activity in the new, globalized economy? And if so, what is their role under the new economic conditions? According to Montegut and Chistóbal (2010), development is conditioned by the intensity of the demand concentration. The requirements of distribution firms, consumers and public administrations regarding traceability, food safety and respect for the environment have led to a thorough reorganization of agrifood systems (Filippi and Triboulet, 2006; Gallego, 2008).

For all pointed out, it's obviously that there is a demand for a study on the economic and financial viability of F&V cooperatives in order to analyze their current financial and economic situation and future prospects. For this purpose, we have conducted an empirical study on a sample of F&V cooperatives in Catalonia and Valencian Country, using their financial statements from 2005 to 2009, obtained from

Official Cooperative Firms Registers. The methodology is based on a double analysis. On the one hand, we have performed a descriptive and dynamic analysis on the composition of the assets and liabilities, the main items in the profit and loss account and the most significant economic & financial ratios for the period 2005-09. On the other hand, we have analyzed the dispersion, adjusted to a linear regression, which have been applied to the economic and financial ratios, where we have considered total assets as independent variable and the ratios as dependent ones.

The paper has been divided into five sections, including the introduction. In the second section we describe the research context, including the justification of the methodology used, the study population, the selection of the sample and the variables analyzed. In the third section we discuss the research results regarding the composition of the economic and financial structure of the F&V cooperatives. In the fourth section we discuss the results of the ratio analysis, both dynamic and dispersion. Finally, we present the major findings.

2. The research context

The information used for the economic and financial analysis has been obtained from the financial statements (balance sheet and profit & loss account) of the selected cooperatives in the sample for the period from 2005 to 2009, two years before and two years after the outbreak of the current financial and economic crisis in the summer of 2007. As previously done in other similar studies (UTECA-Valencia, 2004, *Montegut*, 2006, AGACA, 2011), the information has been obtained directly from Official Cooperative Firms Registers. We have used the short form of financial statements, updated in accordance with the new General Spanish Accounting Plan, which has been in force since 2008 (3).

2.1 Justification of the methodology

Ratio analysis (*Gallizo and Salvador, 2000; Amat, 2002, Amat, Lleiva and Graells, 2002; Santandreu and Sambola, 2003*) is a common technique used in economic and financial firm analysis. As noted by Blanco et al. (2007, p. 462), „Ratio analysis is traditionally set as one of the most used tools. Its origin dates back to the second half of the nineteenth century in United States and it is mainly due to two circumstances, first of all because of a the new business concept consolidation

and above all, the growing demand for economic and financial information by financial institutions derived from increasing participation in the economic system as capital providers for business creation or expansion”.

For the purpose of ratio analysis it is necessary to determine the ratios to be used and their composition. Ratios should be selected in regard of their significance and functionality. As customary in the corporate finance the variables of the ratios should be linked economically. They, should be made only from items based on common values and, moreover, have a defined functional relationship (*Blanco et al., 2007*). There must be consistency, significant importance, homogeneity and performed pre-treatment and reclassification of items from the financial statements (*Urías, 1996*). The different studies carried out on the ratio analysis are a useful guide for selecting the most useful ratios (*Amat and Crespo, 2006, MITYC, 2006, Blanco et al., 2007*).

The ratio analysis is used both in the field of cooperatives in general, and agricultural cooperatives in particular, as shown in Table 1.

Table 1

Study	Cooperative	Methodology
Oltra & Segura (1989)	Wineries Cooperative	Economic and financial analysis
Segura & Server (1990)	Fruit and vegetable producer organizations	Economic and financial analysis
Oltra (1992)	wineries Cooperative	Economic and financial analysis
Moya & Oltra (1993)	Agribusiness	Economic and financial analysis
Simon & Alonso (1995)	Agricultural cooperatives	Economic and financial analysis
Damas (1996), Damas & Romero (1997)	mills Cooperative	Economic Efficiency

Galdeano, Jaen & Molina (1999)	Producer Organizations	Economic and financial analysis
Vidal (1999)	Horticultural marketing cooperatives	Economic Efficiency
Vidal, Del Campo & Segura (2000)	Horticultural marketing cooperatives	Economic and financial analysis
Vidal, Segura & Rayos (2001)	SAT horticultural marketing	Economic and financial analysis
Domingo (2001)	Agricultural cooperatives	Profitability
Sabaté (2002)	Agricultural cooperatives	Economic Efficiency
Montegut, Sabaté & Clop (2002)	mills Cooperative	Economic and financial analysis
Atance, Gómez-Limón & Casquet (2003)	Agricultural cooperatives	Economic and financial analysis
Arcas, Garcia-Pérez & Guzmán (2006)	Agricultural cooperatives	Efficiency and Performance
Montegut, Cristóbal & Marimon (2007)	mills Cooperative	Economic and financial analysis
Sarasa, Rivera & Capó (2009)	Agricultural cooperatives	Economic and financial analysis

There are 17 studies for the period from 1989 to 2009, having applied the ratio analysis in the case of agricultural cooperatives, agricultural producer organizations and agribusiness in general. Five of them are related to F&V and agricultural cooperatives (four have their geographical scope in Valencia and one in Catalonia), two studies to wineries cooperatives, located in Valencian Country and two studies on mills cooperatives in Catalonia. Five other studies address the agricultural cooperatives in general in Navarra, Andalusia, Castile and León and Valencian Country. The vast majority of studies listed in Table 1 analyze the economic and financial situation of agricultural cooperatives.

Five of them refer to more specific aspects such as economic efficiency (four of the studies) and profitability (one study). To sum up, the ratio analysis is an appropriate quantitative technique for the study of agricultural cooperatives' economic and financial situation, as it is evidenced by the number of papers, which have already applied it. Our contribution will be to apply this technique for the agricultural cooperatives in the coastal regions of the Central Mediterranean Arc (Valencian Country and Catalonia), which haven't been subject of research until now.

In addition, others studies have been published which also address the importance of applying the accounting aspects to cooperatives (*García Ordaz, 1995; Moyano, 1997; Sabaté, 1999; Sabaté, Sabí and Saladrígues, 2000; Montero, 2000*). These papers have used other techniques than the traditional ratio analysis or based on dispersion analysis (*García-Ayuso, 1996; Vidal, López and Salas, 2004*).

2.2 Population and study sample

The research has been applied to F&V cooperatives in the so-called Spanish Central Mediterranean Arc (CMA), formed by Catalonia and Valencian Country, an area where a significant part of this type of cooperatives is located.

Agricultural cooperatives in the CMA amounted to 788, with 402,912 members, 40,375 employees and annual turnover 3.279 million Euro in 2009, as shown in Table 2. While the number of cooperatives and employees decreased by one per cent and 26.8 per cent respectively due to the mergers taken place, the number of members and the annual turnover increased by 0.37 per cent and 14.6 per cent respectively during the period analyzed.

There were 149 F&V cooperatives in 2009, which amounted for 22.5 per cent of total agricultural cooperatives with annual turnover of 975 million Euro or 32.5 per cent of the total turnover of agricultural cooperatives. These 149 F&V cooperatives constitute the total study population. As shown in Table 3, these cooperatives are engaged in the marketing of citrus, sweet fruits, vegetables and rice.

The sample used for the analysis corresponds to F&V cooperatives (also including rice) located in Catalonia and Valencian Country. The composition of the sample is displayed in Table 4. The sample is composed of 76 entities, or 51 per cent of the total study population (4)

Table 2

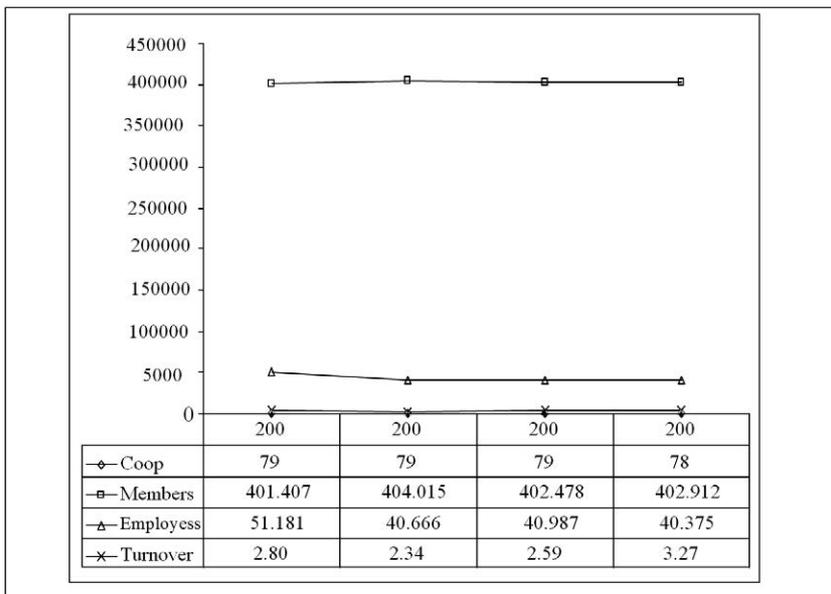


Table 3

Types of products	Number of entities	Billing
Citrus	89	532.475
Sweet fruits	43	317.122
Vegetables	17	125.857
Total	149	975.454
F&V cooperatives		
Share of the F&V Cooperatives in TAC	22,54%	32,52

Table 4

Source	Population		Sample		Representation
	Number	%	Number	%	
<u>Valencian</u> Country	102	68.46	52	68.42	50.98
Catalonia	47	31.54	24	31.58	51.06
<i>Total</i>	149	100.0	76	100.0	51.01

2.3 Variables in the analysis

The empirical study has been conducted to analyze the economic and financial situation of the sample of selected F&V cooperatives. We have used the following variables.

First of all, to analyze the economic and financial structure we have used the short forms of balance sheet and profit & loss account in accordance the new Spanish General Accounting Plan. The values used to analyze the economic and financial structure correspond to the average balances of all cooperatives in the sample for the period from 2005 to 2009. We have also analyzed the percentage composition of assets and liabilities. This type of analysis is common for most studies on agricultural cooperatives (UTEICO-Valencia, 2004; AGACA, 2011).

In second place, we employ a ratio analysis in a double way by, using a one dimensional and descriptive analysis to evaluate the studied ratios, on the one hand, and by dispersion analysis, by linear regression method to estimate the dispersion degree of the ratios. Total assets are treated as a measure of size.

We have selected the most commonly used ratios (financial, economic, and mixed), applied both to any type of firm (*Amat, Perramon and Crespo, 2006, Blanco et al., 2007*) and to agricultural cooperatives (*Moya and Oltra, 1993, Vidal, 1999; UTEICO-Valencia, 2004; Montegut, 2006; Meliá, Juliá and Martínez, 2009; Sarasa, Rivera and Capó, 2009; Montegut and Cristóbal, 2010; AGACA, 2011*). Table 5 shows the ratios used in our study.

Therefore, we include nine ratios: four financial, three economic, and two mixed. The financial ratios measure the firm's financial capacity and include liquidity, solvency, indebtedness and debt structure. Liquidity ratio (L) is obtained by dividing current assets (CA) except inventories, between current liabilities (CL). This ratio indicates the

firm's ability to address short-term payments excluding inventories. Its ideal value is 1, since the cooperatives that have a value less than 1 are in danger of default and those with a value greater than 1 have short-term idle resources and therefore their profitability can decrease. Solvency (S) is derived from the ratio of total assets (TA) and total liabilities (L). This ratio provides information about the amount of debt that can be covered by the firm and its value must be greater than 1. Debt ratio (D) is calculated as the relationship between total liabilities (L) and total financial resources (TFR) and shows how the firm has distributed its financing (debt and equity). We consider appropriate an approximate value to 0.5, because if it is above this value the firm would be excessively indebted and if lower would have an excess of self-financing. The debt structure ratio (DS) is obtained from the relationship between current liabilities (CL) and total liabilities (L) and to the extent that this ratio is close to 1, the firm's debt is of lower quality because it needs to be addressed within a shorter time.

Table 5

Types of ratios	Ratios
Financial ratios	1. Liquidity $L = (CA - \text{Inventories}) / CL$
	2. Solvency $S = TA / (CL + NCL)$
	3. Indebtedness $D = (CL + NCL) / TL$
	4. Debt Structure $DS = CL / (CL + NCL)$
Economic ratios	5. Sales Margin $SM = EBIT / \text{Sales}$
	6. Asset Turnover $AT = \text{Sales} / TA$
	7. Efficiency $E = \text{Operating Expenses} / EBIT$
Mixed ratios	8. Economic Profitability $ROA = EBIT / TA$
	9. Financial Profitability $ROE = EBT / \text{Equity}$

TA=Total Assets; CA= Current Assets; CL=Current Liabilities; NCL=Non-Current Liabilities; TL=Total Liabilities; EBIT=Earnings before interest and taxes; EBT=Earnings before taxes

The economic ratios measure the ability of a firm to produce results (profits/benefits). We have calculated sales margin, asset turnover and efficiency. Sales Margin (SM) is derived from the ratio of earnings before interest and taxes (EBIT) and sales (S) and shows us the benefit we get for each monetary unit sold, expressed as a percentage of sales. The higher its value is, the better the performance of the cooperative. The asset turnover (AT) is obtained from the ratio of sales (S) and total assets (TA). You really should consider only assets on the farm, but we have considered all assets because virtually all of its assets on the farm (agricultural activity). Higher value of this ratio reflects better use of the available resources. The efficiency ratio (E) is calculated by dividing operating expenses (OE) between earnings before interest and taxes (EBIT). The lower its value is, the more efficient the firm. .

The mixed ratios measure the influence of economic and financial structure of the firm on its ability to generate results. We evaluate the economic and financial profitability. The economic profitability (return on assets, ROA) is obtained from the ratio of earnings before interest and taxes (EBIT) and total assets (TA). It indicates the performance of the firm as a result of its investments in assets regardless of how they are financed. The higher the value is, the higher the profitability. The financial profitability (return on equity, ROE) is obtained from the ratio of earnings before taxes (EBT) and equity (E), and indicates the average yield from the utilization of its own resources.

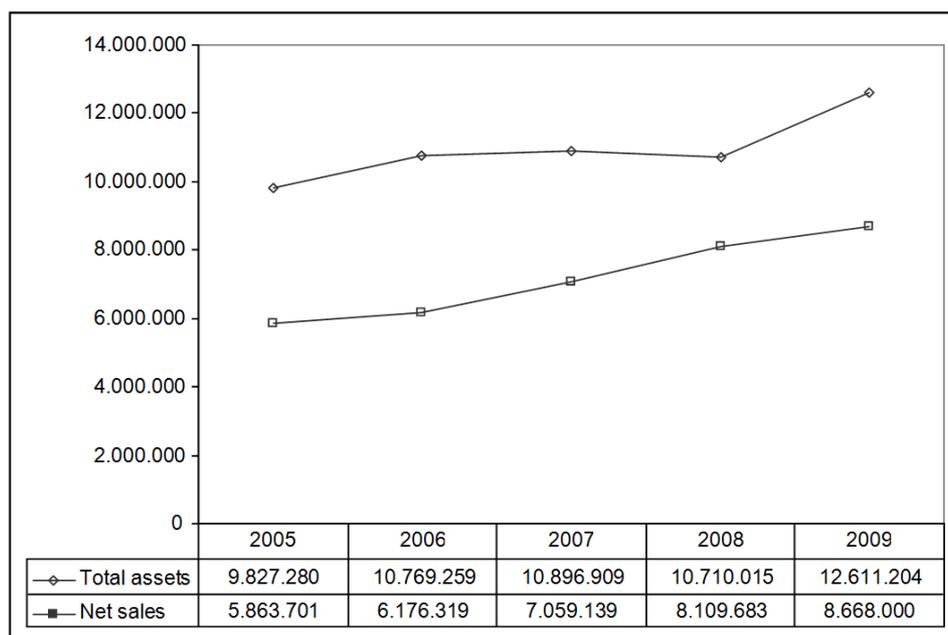
For the purpose of the ratio analysis we calculate the values from median balance of all selected cooperatives for each of the years under review (2005-09) (5), and we observe their situation and the changes that took place over time. In addition, we use linear regression methods to determine a linear equation that best fits the scatter of points (scatter plot) for the values of the ratios of each of the cooperatives analyzed. We take the numerator of the ratio as dependent variable and the denominator as independent or exogenous variable to obtain a regression line where the slope is the value of the ratio. These values obtained for the ratios are more accurate than those we have obtained from the average balances (*Moya and Oltra, 1993*).

3. Analysis of results

3.1 Analysis of results: F&V cooperatives economic and financial structure

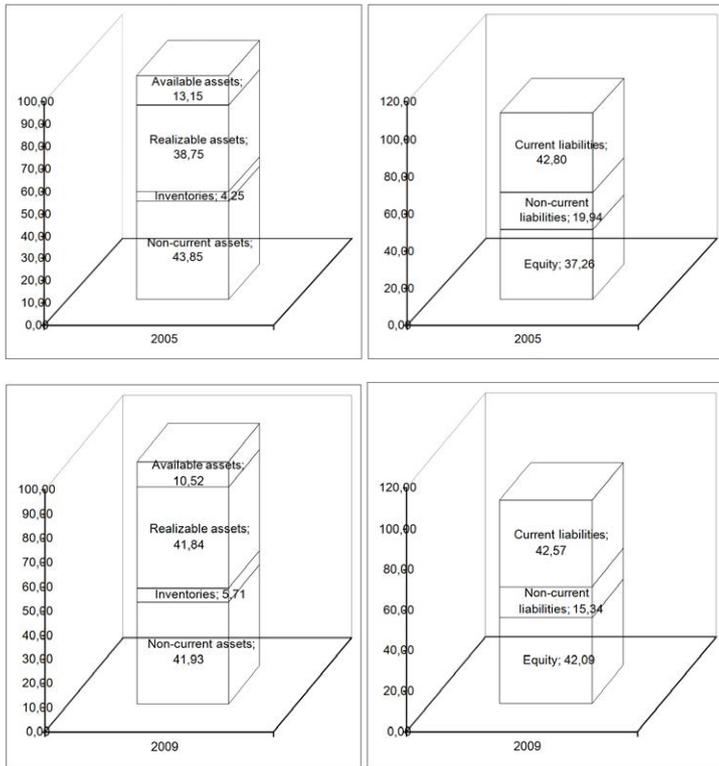
The average total assets of a F&V cooperative amounted to € 12,611,204 in 2009, a result of 22 per cent growth over the past five years. There has been an upward trend during all years, except in 2008, declining slightly. The average turnover was € 8,668,000, a 32 per cent increase for the analyzed period (Table 6).

Table 6



The study of the composition of assets and liabilities and their comparison allows us to assess the degree of financial balance of F&V cooperatives, as shown in Table 7. Thus, the permanent resources cover the total non-current assets and inventories (long-term investments);

Table 7

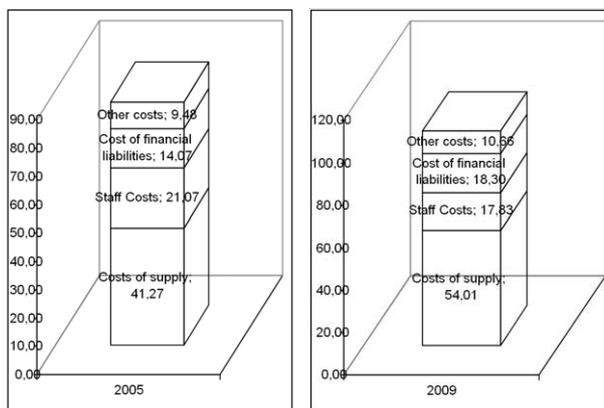


so that we can assert that there is a financial equilibrium. Moreover, this situation is maintained throughout the studied period.

Table 8 shows the cost structure of F&V cooperatives. The most significant cost item, accounting for more than a half of the net sales are the costs of supply (procurements). These have increased by more than 10 percentage points since 2005. In second place are the staff costs of 17.8 per cent, which have declined slightly, followed by the costs, accrued from financial liabilities of 18 per cent, which have increased by 4 percentage points. The latter refer to the activities of the credit sections of the agricultural cooperatives (interest paid to depositors for deposits placed with the credit section. These costs have declined significantly over the past five years.

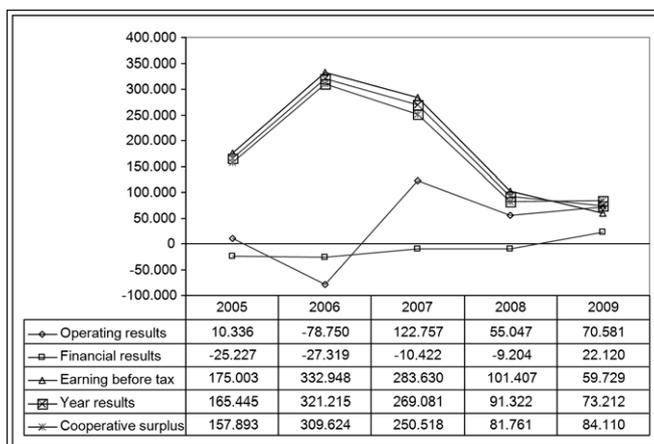
Table 9 shows the evolution of F&V cooperatives' results. The average operating in 2009 was € 70,581. Its evolution has been oscillating

Table 8



during the analyzed period, showing even negative value in 2006. The development reflects increasing production costs and the falling prices of agricultural products, clear signs of an obvious crisis in Mediterranean Agriculture with a negative impact on the F&V cooperatives. The financial results have been negative for all years, except for the 2009, mainly due to the interest paid for deposits, placed with the credit sections of the cooperatives.

Table 9



The average earnings before tax amounted to € 59,729 at the end of 2009, although there has been a clear downward trend since 2006, which has accelerated during the last two years. The sufficient decline of the earning power of the F&V cooperatives is mainly due the financial and economic crisis.

3.2 Analysis of results: F&V cooperatives' ratios.

To complete the study, we analyze a set of ratios from two different but complementary perspectives: a univariate dynamic analysis and a dispersion analysis using a linear regression fit. The analyzed ratios have been presented in previous sections. The measure used to quantify the ratios has been the median value of the sample of cooperatives analyzed, since this position measurement is the most representative of a frequency distribution of ordinal scale, to describe the central tendency (Martín and Martín, 1993). Therefore it is less sensitive to outliers. As in the study of *Montegut* (2006), we prefer to use this measure instead of the value of the ratio corresponding to the average balances because the traditional measures of central tendency and dispersion (mean and standard deviation) are biased and inadequate to characterize the statistical distributions of the variables and financial ratios. We have used SPSS to perform the dispersion analysis of ratios and apply the median for the five years studied for each of the ratios tested.

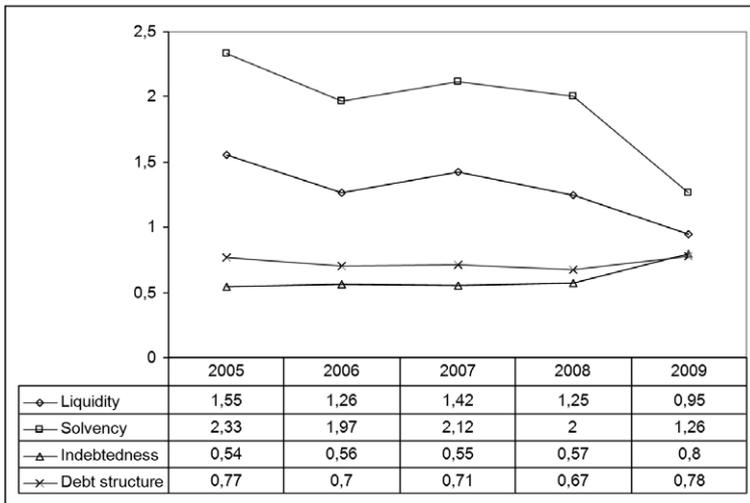
3.2.1 Dynamic analysis of ratios

Table 10 shows the evolution of financial ratios of F&V cooperatives during the period 2005-09. The liquidity ratio had a value of 0.95 in 2009, which indicates that these firms are able to meet short-term payments since its value is close to 1. The ratio has been above 1 during the analyzed period, except for 2009.

The solvency ratio of 1.26 in 2009 indicates that F&V cooperatives can service their short and long-term debt, since its value is above 1. But there has been a clear downward trend since 2005. The debt ratio of 0.8 in 2009 means that firms are over-indebted, as the appropriate value is 0.5. The indebtedness has been increasing over time, especially during the last year. The debt structure ratio of 0.78 in 2009 indicates that the quality of the firm's debt is getting worse. To the extent that this ratio approaches 1, the firm's debt is of lower quality, as it means to deal with debt in a shorter time-frame. The ratio has remained more or less stable during the study period.

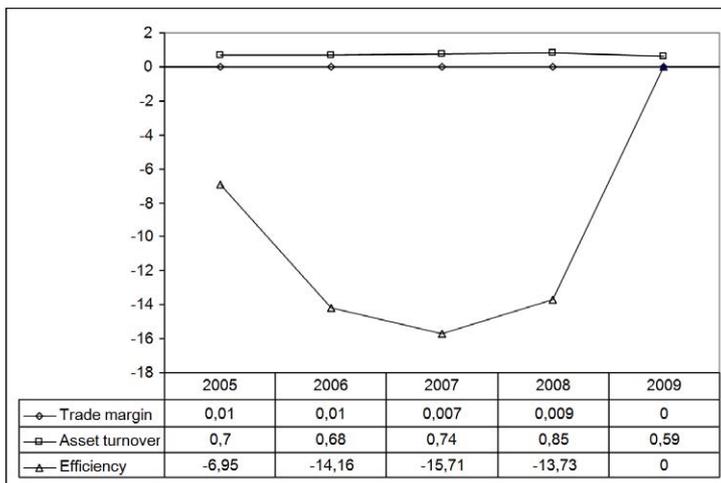
Table 11 shows the evolution of economic ratios of F&V cooperatives for the period 2005-09. The margin on sales ratio indicates the earnings for every Euro sold, expressed as a percentage of sales and whatever

Table 10



the higher its value, the higher performance gets the F&V cooperative, in 2009, it is taking the value 0 and for each year of the study period maintained a value very close to 0.

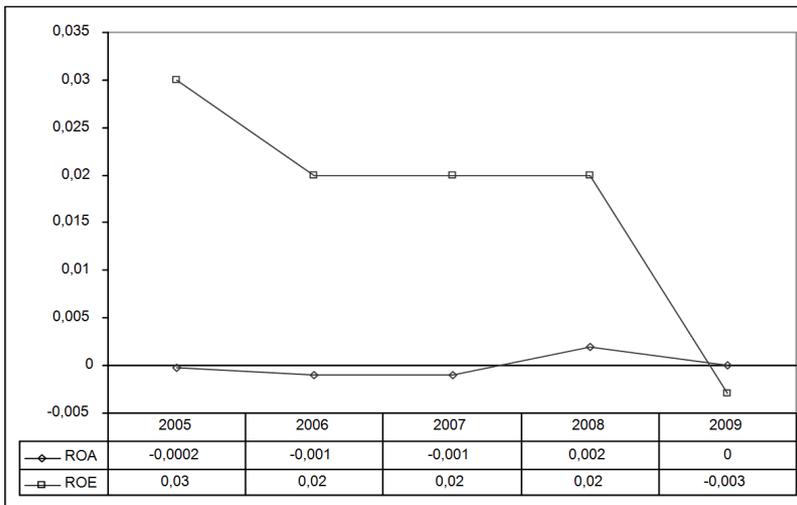
Table 11



The asset turnover ratio, which reflects the time that has total assets used in obtaining the firm's sales or what is the same, reflecting the number of monetary units sold by each monetary unit invested, was 0,59 in 2009 and has also been declining, especially during the last year. The higher its value is, the better the use of the invested capital. Finally, the efficiency ratio, showing the relationship between operating expenses and operating income or earnings before interest and taxes, had negative values throughout the analyzed period except 2009 with a value of 0.

Table 12 displays the evolution of mixed ratios of F&V cooperatives for the period 2005-09. The ROE shows a clear downward trend while the ROA remains stable, showing a slight increase in 2008 only to fall again in 2009. The performance of F&V cooperatives has suffered under declining prices of agricultural products and increasing production costs.

Table 12



We have concluded that the stable financial and economic situation of F&V cooperatives have been weakened. The financial position is characterized by an appropriate liquidity ratio with a tendency to improvement, a sufficient solvency ratio, but with signs of deterioration, a debt ratio slightly above the optimal level and an improving structure of the debt. In regard to the economic situation, there is a clearly negative trend with very low and declining sales margin and profitability ratios (return on assets, ROA and return on equity, ROE) are very close to zero, a low asset turnover and an oscillating negative efficiency.

3.2.2 Scattering Analysis

To complete the analysis of ratios, it was also considered appropriate to carry out scatter analysis to assess the influence that the size of the cooperatives may have on their economic and financial situation.

For these reason, we have calculated the scatter plots of F&V cooperatives, fitted to a linear regression, using the median values for each of the cooperatives in the sample on the arithmetic mean of all the years analyzed.

Regression analysis allows you to adjust the values of the entities to a trend line to determine if the relationship between the variables (dependent and independent variable) is statistically significant or not. The independent variable is the total assets, which measure the size or dimension of the cooperative, and dependent variables are the different ratios studied in the previous section. The software used was SPSS.

Figure 1 shows the scatter plot corresponding to the current ratio of F&V cooperatives for the period 2005-09. The scatter plot does not reveal a direct relationship between liquidity and size, as the trend line shows a slightly negative trend, which means, that with increasing the size the liquidity position of the cooperatives weakens.

Figure 1: Liquidity ratio scatter plot from F&V cooperatives 2005-2009

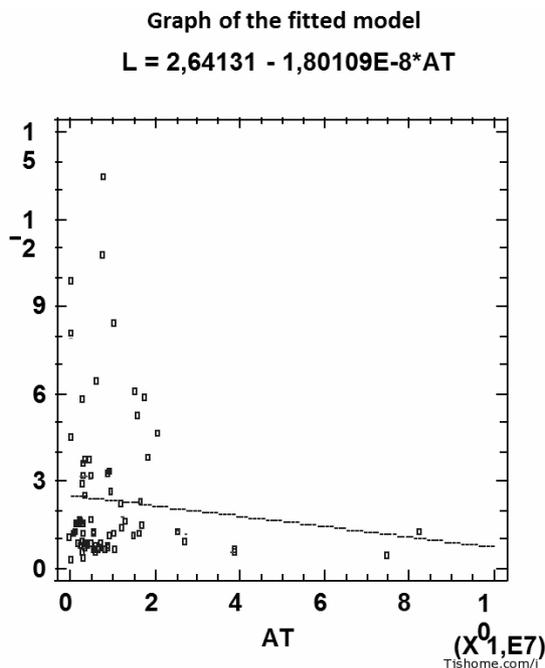


Figure 2 shows the solvency ratio's scatter plot from F&V cooperatives for the period 2005-09. The behaviour is very similar to the case of liquidity ratio and even the trend line still shows a negative slope, so that we can say that with increasing the size the solvency ratio of the cooperatives declines.

Figure 2: Solvency ratio scatter plot from F&V cooperatives 2005-2009

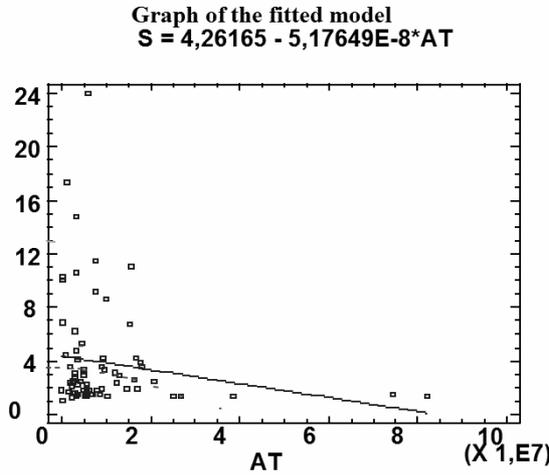


Figure 3 shows the debt ratio's scatter plot. Although the dispersion is high, the line shows a positive trend. This means that with increasing the size of the cooperative, its indebtedness also increases.

Figure 3: Debt ratio scatter plot from F&V cooperatives 2005-2009

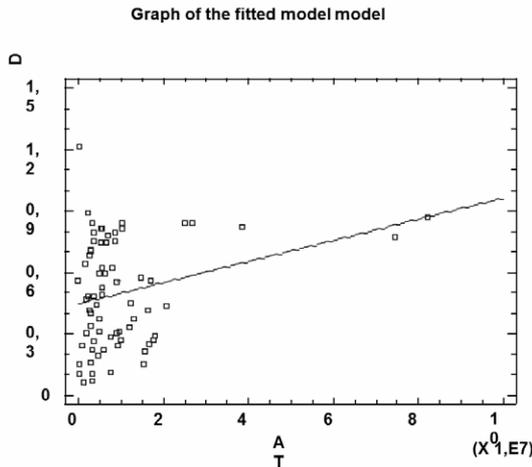


Figure 4 shows the debt structure ratio's scatter plot. Unlike the previous one, the trend line shows a negative relationship between the debt structure and the size of cooperative. In other words, with increasing the size, the debt structure deteriorates and as a result the quality of the debt diminishes.

Figure 4: Debt structure ratio scatter plot from F&V cooperatives 2005-2009

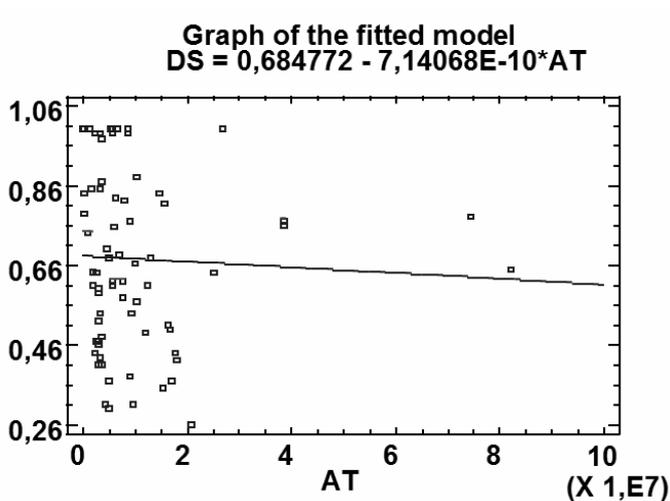


Figure 5 shows the sales margin ratio's scatter plot from F&V cooperatives for the period 2005-2009. There is a slight inverse relationship between the size and the sales margin. The trend line has a slight negative slope. Therefore, with increasing the size of the cooperative, the sales margin decreases slightly.

Figure 5: Sales margin ratio scatter plot from F&V cooperatives 2005-2009

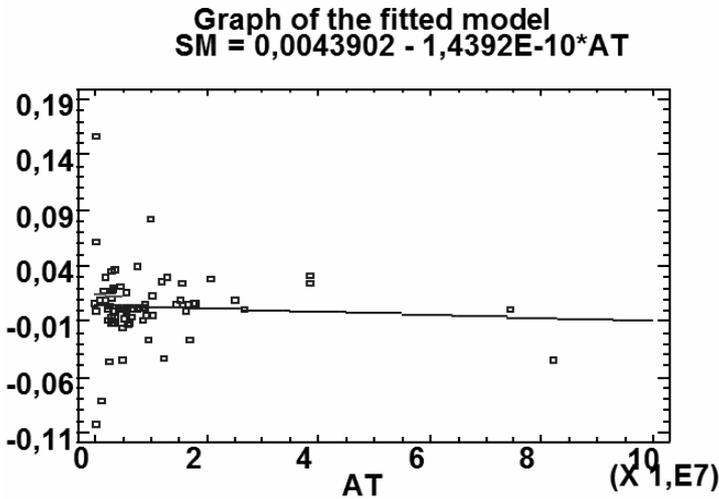


Figure 6 shows the asset turnover ratio's scatter plot. The trend line shows a negative relationship between the size and the asset turnover, as the slope of the fitted line has a high negative value. This means that increasing the size of the cooperative, asset turnover decreases with it.

Figure 6: Asset turnover ratio scatter plot from F&V cooperatives 2005-2009

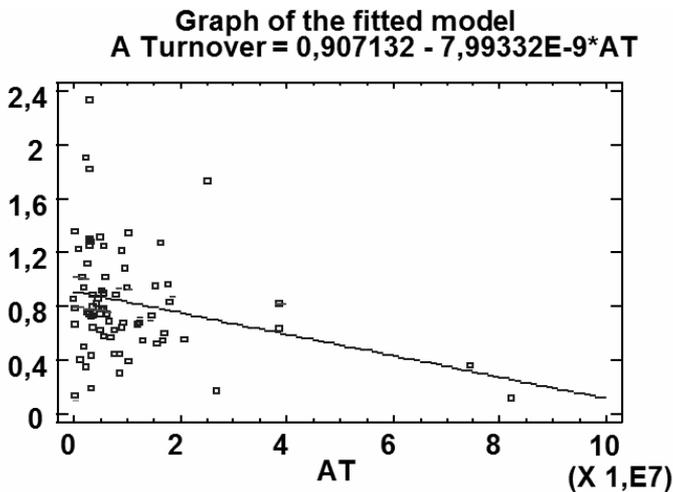


Figure 7 shows the efficiency ratio's scatter plot. The trend line shown in the graph is almost neutral, so that there is no relationship between size and efficiency of the cooperative.

Figure 7: Efficiency ratio scatter plot from F&V cooperatives 2005-2009

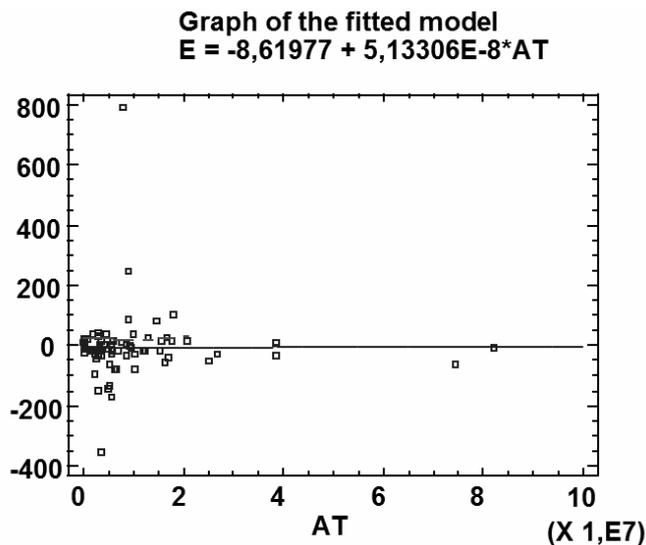
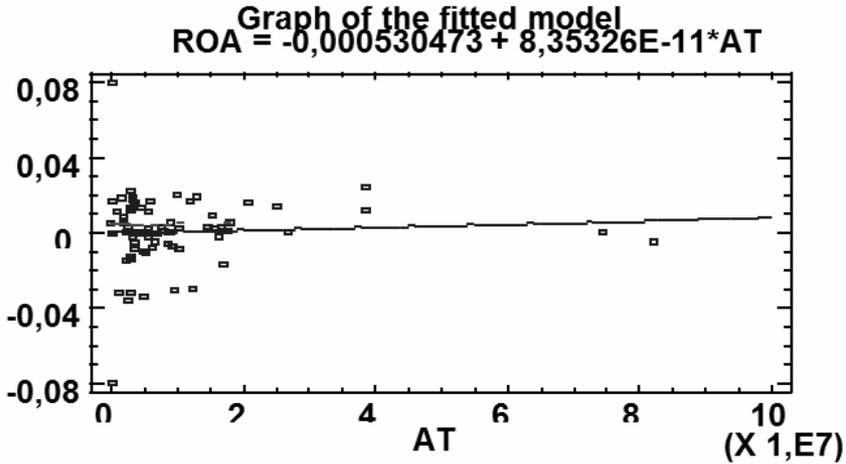


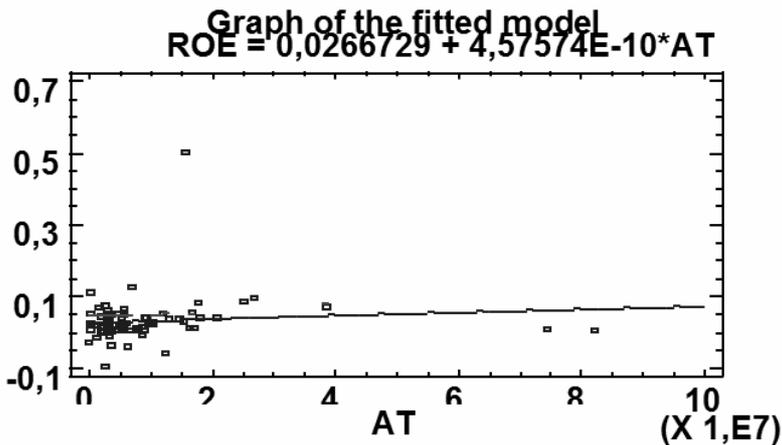
Figure 8 shows the scatter plot corresponding to the ratio of return on assets (ROA). The trend line does not show the existence of a positive relationship between size and profitability, i.e. with increasing the size, the profitability does not increase, while the scatter plot does not fit to the trend line due to the high degree of dispersion.

Figure 8: ROA scatter plot from F&V cooperatives 2005-2009



Finally, Figure 9 shows the scatter plot corresponding to the ratio of return on equity (ROE). As in the case of ROA, return on equity has not a positive relationship with the size of the cooperative, so that increasing the size of the cooperative does not increase profitability.

Figure 9: ROE scatter plot from F&V cooperatives 2005-2009



In sum, we have concluded that there is not a direct positive relationship between F&V cooperatives size and their levels of profitability and efficiency. In some cases, the trend line calculated using a linear regression explains a positive relationship (debt and debt structure), in other cases, the relationship is negative (asset turnover and return on sales), and in a third type of cases, the relationship is practically neutral (efficiency, ROA and ROE).

4. Conclusions

The agricultural cooperative is an option to address the crisis faced by the Mediterranean agriculture (characterized by the preponderance of fruits and vegetables) as a result of the dispersion of supply and demand concentration and exacerbated by global financial and economic crisis that began in late 2007. However, even with the creation of agricultural cooperatives is achieved by grouping agricultural producers (concentrate supply) and thus partly offset the high bargaining power with their customers (distribution firms heavily concentrated commercial) requires further that such cooperative are well managed and have a sound economic and financial structure and balanced.

The empirical study has showed that F&V cooperatives currently have a balanced financial structure with a tendency to decline, especially during the last two years, and a clearly negative economic structure with a tendency to worsen. On the one hand, these present a balanced financial structure in which the non-current assets plus inventories are covered by the equity and non-current liabilities. On the other hand, cooperatives have a weak economic structure, although there is an increase in net sales, the cost of supply are extremely high, resulting in a very low profitability, some times in losses. This is due to increasing production costs (supplies and labour costs) and declining prices of agricultural products, caused by the pressure of the firms, dominating the markets (oligopsonistic markets). With other words, marketing agricultural cooperatives are still weak to compete successfully with them.

The most important findings are the following. The liquidity ratio and the solvency ratio still maintain appropriate levels (below 1 in cash and over 1 in creditworthiness) but have been deteriorating since 2008. The debt ratio has been increasing significantly and as the same time the structure of debt has been worsening, observing a trend to rise the proportion of the debt that these companies have to afford in the short-term. The sales margin is practically nil, low asset turnover increases slightly in 2008 to fall again in 2009 and the efficiency is zero

or negative and tends to worsen in recent years. Finally, the return on assets and equity is very low, near zero and with a worse evolution especially during 2009. In short, analysis of ratios will reach the same conclusions as the study of the composition of the balance sheet and profit and loss account: it is causing a worsening on F&V cooperatives financial and economic conditions, which puts at risk of extinction to these entities.

Finally, we have also performed an analysis of dispersion of the ratios studied, in order to assess whether the size of agricultural cooperatives could be a solution to the problems described. The conclusions drawn by linear regression show that there is not a direct positive relationship between size and ratios studied, i.e., increasing the size of agricultural cooperatives is not sufficient to improve funding levels, efficiency and profitability. This contradicts with the many studies which suggest that increasing the size of the agricultural cooperatives through mergers among them contribute to the solution to the problems.

We have found, that an increase in size is far from solving these problems and can further aggravate because management becomes even more complex. The underlying problem is the insufficient management capacity, so it is necessary to improve the professional skills of the managers. Improving the professionalism of management by introducing strategic management in agricultural cooperatives may be the measure that will address the challenges of agriculture with better guarantees of success. In addition, it has to be coupled with more and better support from the government, to avoid market failures, the existence of oligopsonistic markets, in particular.

Notes

(1) The early history of agriculture in Spain association representing the agricultural unions (*Marí and Juliá, 2001*).

(2) This entity represents the majority of agricultural cooperatives in Spain and was formerly called Confederation of Agricultural Cooperatives of Spain CCAE.

(3) The 2008 and 2009 and are presented in the Chart of Accounts currently in force, but the 2005, 2006 and 2007 have had to adapt to the current Plan. The decision has been to present all financial accounting in the same structure, the current Plan.

(4) It should be noted that in some years comprising the period under review, no information is available for all 76 selected cooperatives, as the Registrar of Cooperatives has not provided us the information for each year.

(5) Following *Montegut (2006)* the median average of the ratios was used, because this value is more accurate than the arithmetic mean.

References

- AGACA (2011): XIV Informe sobre a xestión e o estado económico do cooperativismo agrario en Galicia, Asociación Galega de Cooperativas Agrarias AGACA, A Coruña.
- Amat, O. (2002). Análisis de estados financieros. Fundamentos y aplicaciones, Ediciones Gestión 2000, Barcelona.
- Amat, O.; Crespo, P. (coord.) (2006): Llibre Blanc de les empreses a l'EURAM, Ed. Tres i Quatre, Barcelona.
- Amat, O.; Lleiva, LL.; Graells, J. (2002): Ratios sectoriales, Ediciones Gestión 2000, Barcelona.
- Amat, O.; Perramon, J.; Crespo, P. (2006): Anàlisi d'estats financers de la indústria catalana 2004: comptes anuals de 59 sectors, 26 ràtios per a cada sector, Edita Entidad Autónoma del Diario Oficial y de Publicaciones de Catalunya, Barcelona.
- Arcas, N.; García-Pérez, D.; Guzmán, I. (2006): "La eficiencia técnica como medida de rendimiento de las cooperativas agrarias", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 55, pp. 289-311.
- Atance, I.; Gómez-Limón, J. A.; Casquet, E. (2003): "Análisis económico-financiero de las cooperativas agrarias en Castilla y León", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 46, pp. 151-189.
- Bahamonde, E. (2000): "Las Cooperativas Agrarias ante el Siglo XXI", *Anuario de Estudios Cooperativos*, núm. 1, pp. 41-50.
- Blanco, F.; Cuello, G.; Ferrando, M.; Labatut, G.; Molina, R.; Pozuelo, J. (2007): "La estructura económica y financiera de las empresas valencianas", en Universitat de València: La Comunidad Valenciana en el umbral del Siglo XXI. Estrategias de desarrollo económico, Publicacions de la Universitat de València, València; pp. 461-488.
- Cervera, A.; Bohórquez, M. (2000): "El asociacionismo como fuente de ventaja en el sector agroalimentario andaluz", *REVESCO: Revista de Estudios Cooperativos*, núm. 70, pp. 31-46.
- COGECA (2010): *Agricultural Cooperatives in Europe*, European Agricultural Cooperatives COGECA, Brussels.
- Cooperativas Agro-alimentarias (several years): *Informe socioeconómico del cooperativismo agrario español*, Confederación de Cooperativas Agrarias de España CCAE, Madrid. www.cooperativasagroalimentarias.es.
- Damas, E. (1996): Análisis dinámico de la estructura económico-financiera y de la eficiencia de las almazaras cooperativas de la provincia de Jaén durante el período 1975-1993. Tesis doctoral, Universidad de Córdoba, Córdoba.

- Damas, E.; Romero, C. (1997): "Análisis no paramétrico de la eficiencia relativa de las almazaras cooperativas en la provincia de Jaén durante el período 1975-1993", *Economía Agraria*, núm. 180, pp. 279-304.
- Domingo, J. (2001): "Ratios para el análisis de rentabilidad de las cooperativas agrarias andaluzas", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 38, pp. 171-186.
- Fernández-Zamudio, M. A.; Caballero, P.; De Miguel, M. D. (2006): "La gestión del minifundio a través de las cooperativas en la Comunidad Valenciana", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 55, pp. 193-219.
- Filippi, M.; Triboulet, P. (2006): "Typologies des comportements à innover des coopératives agricoles. Une étude en région Midi-Pyrénées", *Economie Rurale*, núm. 296, pp. 20-38.
- Galdeano, E.; Jaén, M.; Molina, A. (1999). Análisis económico-financiero de las organizaciones de productores de Almería: estudio comparado, Universidad de Almería, Servicio de Publicaciones, Almería.
- Gallego, J. R. (2008): "Economía social y dinámica innovadora en los sistemas territoriales de producción y de innovación. Especial referencia a los sistemas agroalimentarios", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 60, pp. 7-40.
- Gallizo, J. L.; Salvador, M. (2000): "Medida del proceso de ajuste de los ratios financieros. Un análisis en sectores industriales", *Revista Española de Financiación y Contabilidad*, Vol. XXIX, núm. 103, pp. 37-56.
- Juliá, J. F.; Marí, S. (2002): "Agricultura y desarrollo rural", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 48, pp. 25-52.
- Marí, S.; Juliá, J. F. (2001): "Evolución del cooperativismo agrario en España. De los sindicatos agrícolas a la actualidad", *REVESCO: Revista de Estudios Cooperativos*, núm. 73, pp. 59-80.
- Martín, M. P.; Martín, F. J. (1993): Curso básico de Estadística Económica, AC Editorial, Madrid.
- Meliá, E.; Juliá, J. F. (2008): "La intercooperación: una respuesta a las actuales demandas del cooperativismo agrario", *Estudios de Economía Aplicada*, Vol. 26, núm. 1, pp. 57-88.
- Meliá, E.; Juliá, J. F.; Martínez-García, N. (2009): "Los procesos de fusión de cooperativas agroalimentarias y sus efectos: de las expectativas a los resultados. Un estudio empírico en cuatro comunidades autónomas". In Meliá, E.; Server, R. (dir.): *La gestión de empresas de economía social*, Ed. Marcial Pons, Madrid; pp. 61-86.
- MITYC (2006): *Las PYME españolas como forma societaria. Estructura económico-financiera y resultados (ejercicios 2000-2003 y avance 2004)*, Registradores de España y Dirección Genral de Políticas de la Pequeña y Mediana Empresa. División de Información, Documentación y Publicaciones, Centro de Publicaciones, Madrid.

- Montegut, Y. (2006): Análisis de los factores explicativos del éxito competitivo en las almazaras cooperativas catalanas, Tesis doctoral, Universitat de Lleida, Lleida.
- Montegut, Y.; Cristóbal, E. (2010): "Análisis empresarial de las cooperativas del sector de la fruta dulce de Cataluña", *REVESCO: Revista de Estudios Cooperativos*, núm. 101, pp. 28-57.
- Montegut, Y.; Sabaté, P.; Clop, M. M. (2002): "Análisis económico-financiero de las cooperativas agrarias productoras de aceite de oliva de la „D.O. Garrigues“ (Lleida, España)", *Investigación Agraria. Producción y protección vegetales*, Vol. 17, núm. 3, pp. 423-440.
- Montegut, Y.; Cristóbal, E.; Marimon, F. (2007): "Caracterización de las almazaras cooperativas catalanas", *REVESCO: Revista de Estudios Cooperativos*, núm. 93, pp. 68-97.
- Monzón, J. L. (2003): "El cooperativismo en la historia de la literatura económica", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 44, pp. 9-32.
- Monzón, J. L. (director) (2009): *La Economía Social en España en el año 2008*, Edita CIRIEC-España, Valencia.
- Moya, I.; Oltra, M. J. (1993): "Las empresas agroalimentarias. Un análisis empresarial y bursátil", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 15, pp. 207-238.
- Oltra, M. J. (1992): "Caracterización empresarial de las bodegas cooperativas de la Comunidad Valenciana", *Cuadernos de Trabajo*, núm. 19, CIRIEC-España.
- Oltra, M.J.; Segura, B. (1989): "Un análisis económico-financiero de las pequeñas bodegas cooperativas de la Comunidad de Valencia", *Viticultura / Enología Profesional*, núm. 3, pp. 20-27
- Rojas, J. L. (2007): "La internacionalización de las cooperativas agrarias castellano-manchegas", *Boletín económico de ICE, Información Comercial Española*, núm. 2923, pp. 57-68.
- Ruiz, M. C., Hernández, M. J.; García-Martí, E. (2006): "Estado actual de la investigación sobre sociedades cooperativas agrarias en España", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 56, pp. 65-86.
- Sabaté, P. (2002): "Análisis comparativo de la eficiencia de las cooperativas fruteras de la provincia de Lleida", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 41, pp. 163-182.
- Santandreu, P.; Sambola, R. (2003): "Ratios para analizar la empresa y cuantificar su valor", *Harvard Deusto, Finanzas y Contabilidad*, núm. 55, pp. 50-54.
- Sarasa, C. P.; Rivera, L. M.; Capó, J. (2009): "Análisis multicriterio de resultados y solvencia para cooperativas agroalimentarias valencianas (2003-2007)". In Meliá, E.; Server, R. (dir.): *La gestión de empresas de economía social*, Ed. Marcial Pons, Madrid; pp. 151-168.

- Segura, B.; Server, R. J. (1990): "Situación económico-financiera de las organizaciones de productores de frutas y hortalizas (OPFH) en la Comunidad Valenciana", *Investigación Agraria: Economía*, Vol. 5, núm. 1, pp. 19-36.
- Simon, K.; Alonso, R. (1995): "Caracterización económico-financiera de las cooperativas agrarias de la Comunidad Navarra", *Investigación Agraria. Economía*, núm. 3, pp. 405-434.
- Urías, J. (1996): *Análisis de estados financieros*, Ed. McGraw-Hill, Madrid.
- UTEICO-Valencia (2004): *Estudio del sector cooperativo agrario en la Ribera*, Edita Unión de Cooperativas Agrarias de Valencia, Valencia.
- Valentinov, V. (2007): "Why are cooperatives important in agriculture? An Organizational Economics Perspective", *Journal of Institutional Economics*, núm. 3, pp. 55-69.
- Vidal, F. (1999): *Eficiencia económica de las cooperativas de comercialización hortofrutícola de la comunidad valenciana*, Tesis doctoral, Universidad Politécnica de Valencia, Valencia.
- Vidal, F.; Del Campo, F.; Segura, B. (2000): "Caracterización empresarial del cooperativismo de comercialización hortofrutícola de la Comunidad Valenciana: un análisis provincial", *CIRIEC-España. Revista de Economía Pública, Social y Cooperativa*, núm. 34, pp. 71-94.
- Vidal, F.; Segura, B.; Rayos, J. A. (2001): "Situación económico-financiera de las sociedades agrarias de transformación (SAT) de comercialización hortofrutícola de la provincia de Alicante", *Investigación Agraria. Producción y Protección Vegetales*, Vol. 16, núm. 1, pp. 71-86.

1.2 Südeuropa

1.2.2 Rechtliche Aspekte

The Academic Spin-offs and their Prospective Set-up as Social Economy Enterprises¹

Carlos Vargas Vasserot

1. Introduction

The business formation based on academic research has been taking on greater significance. The establishment of this kind of businesses aims at the exploitation of the results of the academic research for the needs of the real economy. In Spain as in most countries in South America, this kind of business is called Technology-Based Enterprise (TBE). The other term used is spin-off, the creation of a subsidiary of an existing company or an organization.

Together with the spin-offs created by professors and researchers, there are enterprises set up by graduate or undergraduate students without any kind of connection to the University (technological or work-related). That is why there isn't any legal obstacle to use these enterprises of social economy. Furthermore, I think that it's really advisable to use these open enterprises where the inner democracy and self-employment are the ideals to follow. Some of the most important technological companies all over the world are born from this kind of graduate and undergraduate business model, such as Hewlett Packard or Apple (although *Steve Jobs* quitted college really soon, as he admitted in his well-known opening ceremony speech at Stanford University in 2005), etc.

But when it is about creating an enterprise by professors and University researchers in order to explore the results of their work and fulfilling this way the third function of Universities – that is the knowledge transfer function –, there are some obstacles for the use of

¹ This study was carried out within the MICINN DER2009-08338 Research Project's framework about 'Transfer of Research Results. Identification of problems and possible solutions', in which the author is a principal researcher and as a member of the SEJ-200 Research Group of the Agrifood Campus of International Excellence (ceiA3).

cooperatives and working companies. On the one hand, there are legal restrictions arising from the difficult task for researchers to synchronize their University activity with their participation in the set-up private enterprise. Moreover, in Spain most of the prestigious University professors are government employees, and so far the regulations do not allow the combination of public employment with work in a spin-off. Naturally, Spanish Universities usually prefer to use the traditional Inc. companies rather than the less known cooperatives. Therefore, it is not surprisingly that from more than one thousand spin-offs created in 2005, none of them eventually became an enterprise of social economy.

But before to take a closer look at the limitations regarding the setting up of a Technology-Based Enterprise of social economy, let's start with the spin-offs' legal framework in Spain.

2. Legal framework of the university spin offs in Spain

Although there had been previous experiences like this, the *Ley Orgánica 6/2001 de Universidades -LOU-* (Organic Law of Universities) is the first regulation of this type in Spain. This regulation sets the basis to create a TBE as an instrument to spread and exploit the research results produced at the University. In particular, the article 41.2, letter g) – after acknowledging the necessity to bring together the academic research and the real economy as the way to establish the knowledge transfer and the presence of the University in this innovative process of the productive system and the enterprises – stipulates that this cooperation could be done in this particular case through the creation of Technology-Based Enterprises on the strength of the University activity.

Therefore, we have to admit that the Organic Law 4/2007 which modifies the LOU (LOMLOU) has given the real impetus for the setting-up of these TBEs in recent years in Spain. The only problem is that this Law has complex, unclear and, above all, incomplete regulations about this type of enterprises. The main article of the LOU originally dedicated to the TBEs remains almost unchanged [art. 41.2, letter g)]: it only was added an extra section (section 3) to the article 83 that considers the option of incorporation by means of a temporal extended leave of absence of the faculty to work at the TBE, but only if the TBE meets certain requirements: 'created or developed from patents or results

produced by research projects with total or partial public funds and carried out at Universities’.

Moreover, it is to be mentioned the additional regulation number 24, added by the Senate in the last minute that envisages exemptions from the application of certain restrictions of the Law 53/1984 about the government employees’ incompatibilities in the public administration [participation in the administrative body – art. 12.1, letter b) – ; higher than a 10% stake in capital of Technology-Based Enterprise – art. 12.1, letter d)] held by public professors under the conditions: a) when the enterprise is promoted by its University and joined by this institution or any of the bodies envisaged by the article 84 LOU; b) is created from patents or results produced by research projects carried out at the Universities; and c) existence of procedural requirements (explicit agreement of the board of directors certifying the technology-base nature of the enterprise). The additional regulation number 24 states finally: ‘the Government will control the conditions to determine the technology-based nature’ of these enterprises, but the procedure has still to be done, although more than five years have gone after the regulation came into force. The most important discussion was set out because of the content of this rule. The question was if it was necessary to wait for the development regulation’s enactment (up to six different versions of the Royal Decree went around different forums) in order to ask for the extended leave of absence and the exceptions to the Law of Incompatibility established by the LOMLOU or if, on the contrary, the text of the Law and particularly the additional regulation number 24 was enough to be applied directly to the TBE created by the Universities. The fact is that many Spanish Universities took a step forward and made some designs, in many occasions approved through their board of directors in order to set up a TBE. At the end, these inner regulations from the Universities (there are more than 30 University regulations approved for spin-offs’ creation) regulated what was unfinished by the lawmaker: the concept of TBE, the setting-up proceedings, the University’s benefit sharing in the share capital, the transfer’s contract content, the partners’ agreement content and a long list of unresolved legal matters. In this context of legal insecurity (each University created a different model), the facts went faster than the lawmaker, which happens frequently: the *Ley de Economía Sostenible* was published first, and soon after the *Ley de Ciencia, Tecnología*.

The *Ley 2/2011 de Economía Sostenible* (LES) (Sustainable Economy Law) states in its article 56, entitled Cooperation between the executing public agents and the private sector through the participation in Technology-Based Innovative Enterprises, that the public research organizations, including Universities, will be able to have shares in the incorporated companies’ capital whose social targets are any of the following activities: a) research, development or innovation; b) proofs

of concept's performance; c) exploitation of invention's patents and, in general, the cession and exploitation of all rights of industrial and intellectual property; d) industrial or commercial use and exploitation of innovations, scientific knowledge and the results produced and developed by the aforementioned agents; e) provision of technical services related to its own purpose.

The interesting part of the LES is the manifest concern about the ownership and hereditary nature of the research's results, got by public research organizations' researchers (art. 54) and the demand for the correct legal articulation and the compliance with certain regulations and the transmission of all these rights to third parts related to the researching activity (art. 55). Moreover, and as far as I am concerned, we have to keep in mind that the knowledge exploited in the TBE belongs to the University because it has its origin in this institution. Thus, a technology transfer contract is required in order to transfer such knowledge. This is also applicable to the inventions developed by the already-set-up TBE's partner researchers. Consequently, unless there is a contract or research project agreement on the transfer of the industrial and intellectual rights, the inventions made by inventors who are University professors will be owned by the University (cfr. Art. 20 of the *Ley de Patentes de Invención* [Law of Invention Patents]), even if they are partners in the spin-off. That is why it is really important to formulate properly the transfer of the research's results intended to be exploited by the TBE.

The *Ley 11/2011 de la Ciencia, la Tecnología y la Innovación -LCTI-* (Law of Science, Technology and Innovation) regulates in the article 18 the authorization scheme in order to provide service in companies related to the scientific-technological priorities established in the *Estrategia Española de Ciencia, Tecnología y de la Innovación* (Science, Technology and Innovation Spanish Strategy) and the objection to the incompatibilities regulation contained in sections b) and d) of the 12.1 article of the 53/1984 Law. This Law puts a special emphasis on the need of support by the public research institutions to join these Inc. companies, as well as the mechanism to appreciate [art. 33.1, letter c)] and transfer [art. 33.1, letter d)] this knowledge.

On the other hand, the LCTI modifies several LOU precepts in order to adapt it to the new regulations (art. 80.5, art 84 10th additional regulation, bis), – but it does not abolish the 26th additional regulation, as it was foreseen in the bill. This way, the government is forced to regulate the conditions to determine the technological-base nature.

3. Legal restrictions for the use of social economy enterprises in order to exploit the knowledge or technology coming from the university

3.1 Broad interpretation of the term trading company used by the scientific regulations

In spite of the fact that the Sustainable Economy Law and the Science, Technology and Innovation Law mention several times the creation of trading companies as a mechanism to transfer the research results, I think this is not an obstacle to make use of the cooperatives or working-owned companies for this purpose. There is no doubt about the commercial aim of these working-owned companies since this is what they are for, as it is established for every share company (Inc. or LLT.) in the Spanish Corporation Law (art. 2). Regarding cooperatives, I think there is no obstacle either, as the cooperative sector has experienced a real and progressive evolution towards commercialization and nowadays there is practically no doubt about the business and commercial nature of these cooperatives. It's worthy to remind that 'profit' is not the main characteristic of the merchantability. In case of 'enterprise' and 'entrepreneur' we have to do, with the *economy of product management*, bearing in mind the rational calculation of cost and benefits, since the enterprise's activity is planned as a provision of goods and services in the market.

Regarding this provision, The LOU accurately stipulates in its article 84: "for the promotion and development of its own aims, Universities, by themselves or with a social council, will be able to set up enterprises, foundations or other kind of legal entities according to the valid general legislation", without mentioning the trading companies.

3.2 The problems posed by the simultaneous roles as a University employee and as a spin-off member.

The biggest obstacle to use these enterprises of social economy is the need to synchronize the scientific activity at the public research organization with the one in the set up spin-off. If a professor or researcher does not work full-time for the University – being only part-time employed or being a member of the research group without contractual obligation –, it should not be any problem, in principle, to perform both activities in both public and private spheres. But as I said, this is

only in principle, since the University can impose certain obligations of confidentiality or exclusive use in regard of what is researched and discovered in the bosom of the university, no matter the type of agreement made by the professor/researcher and the university.

In these cases, the options should be considered to make the active performance of the researcher in the enterprise possible. That is, how the researcher performs at the spin off, set up to exploit the results of his/her researches. This concept is essential for the social economy enterprises, since the nature of these enterprises is the collaboration, which brings work provision like a working relationship or similar. In the worker-owned company the target is to obtain a job, and in the other sort of cooperatives, the researcher usually cooperates by working or being a working partner. In the case of worker-owned companies (*sociedades laborales*), the contribution to the work is essential in order to be part of the working class, which must control the enterprise in a political way. In the definition of worker-owned company in the article 1 of the Ley de Sociedades Laborales (*Worker-Owned Company Law*) it is established that the 'Public Limited Companies or Limited Liability Companies where the vast majority of share capital is owned by the workers rendering paid service in a personal and direct way, whose working relationship period is unlimited', will be able to gain said status if they meet certain requirements.

Nothing can prevent a non-full-commitment professor from developing a working activity in a University spin-off.

Up to now, the main legal form regulating the collaboration of the technological partners in the set up spin-offs was made by signing a research contract with the University in order to provide service, carry out research or act as a consultant on the part of the professor, who is at the same time a partner in the enterprise. This self-contracting performance is allowed except in special cases of clash of interest of the board of directors. Moreover, a permanent paid consultant could be considered a way of underground employment, which constitutes a violation of the Incompatibility Law. This way, it is possible that the relation between the professor and the cooperative is performed by means of a research contract and collaboration agreements with the University, as it is explained in the article 80 of state Law of Co-operatives (LCOOP) and other regional agreements for the associated work cooperatives. In this case, it is possible to set up a cooperative with members who have a working contract as well as members without permanent working relationship. However, in the case of the worker-owned companies this is not possible for general partners, since it is mandatory that the working partner's relationship with the company is service-paid and unlimited in time (art. 6.1).

Another option is to take an extended leave of absence in order to work full time in the TBE, but leaving the University for a risky and

innovative enterprise is a rare choice. Actually I know for a fact that there has not been any application of this kind envisaged by the LOU for these cases (art. after 2007's reform). Furthermore, I do not think there will be many applications regulated by the LCTI (arts. 17.3 and 4), and if otherwise there actually are, it may have been because of personal and professional circumstances (better salary from the enterprise, sense of unease at the public organization, tiredness, job-changing feeling, incompatibility of working hours etc.).

At this point, the article 18 LCTI actually makes an innovation, opening the doors for a prospective full-time cooperation of the researchers in the Spanish universities as working partners in the spin-offs created as social economy enterprises. There are two different measures to encourage the mobility and cooperation of researchers in business projects started in research public organizations. On the one hand, this is the authorization to provide service in certain trading companies and, on the other hand, the partial exemption of the incompatibilities for the researchers to participate in these business projects.

Both measures depend on the facts that first, the University may be a partner (*'created or joined by the organization'*) of the trading company and second, the researching faculty's intervention is 'a performance linked to the *scientific-technical priorities established in the Science, Technology and Innovation Spanish Strategy* (it has just been promulgated the one for the period 2013-2020).

Thus, if a university TBE is at the same time a *strategic-nature company*, the LCTI (art. 18) and the LOMLOU 24th additional provision (*disp. adic. 24^a*) are applicable. Furthermore, if the University takes part in one of these strategic companies but it does not meet the conditions required to be a TBE or the proceedings required by the LOU and developed by many ETB university regulations have not been followed (TBE not created on the basis of results achieved in research projects funded by the government; not following the correct proceedings to be set up; the technology-based nature is not certified by the board of directors, etc.) , only the LCTI regulations will be applied.

Particularly, in the article 18, section 1 and 2, it is established that Universities are to authorize (it is not a researcher's right) the organization's researching staff to synchronize both activities in order to work at the institution and at the spin-off, if the researcher's collaboration in a performance related to certain scientific-technical priorities is properly justified.

This service provision in the spin-off must be performed by means of a part-time working contract for a specific period of time in which the synchronization will not modify the interested part's working hours or original role in the University.

The article writing is pretty hazy. When it comes to synchronize both the public (University) and the private (spin-off) work, it is unclear if a

change in the professional role of the OPI (Public Research Organization) is required. What I am trying to explain here is that if this precept just means that full-commitment professors (heads of departments, tenured professors, PhDs, assistant professors, etc.) are eligible to apply for a reduction of their commitment and thus perform a working activity in private business, this article does not apparently change the situation after this enactment.

As far as I am concerned, this measure, as an effective way to encourage the cooperation between researchers and trading companies, is only justified if there is a chance for the professor to keep the same role, exclusive commitment and full-time salary plus the income from the spin-off. This point of view is justified by certain expressions in the article 18 (no modification of working hours, university timetables or the prospective tax exemption in article 16 Law 53/1984 on Incompatibility Personal Service Public Administration (LIAP)). This is also justified by the fact that the University, which authorizes said synchronization, is an enterprise partner and can be economically interested in the working and scientific development the researcher performs in the spin-off. In this case, if the researcher is authorized by the university, nothing can prevent the researcher from becoming a working member in a cooperative or a working-owned partner in a working-owned company.

3.3 The University as a Technology-Based Enterprise partner and the limitations to participation in enterprises of social economy

The university participation in the share capital depends on the possibility of a special status the researchers can have, formulated by the lawmaker in order to encourage the set-up of these enterprises. For this purpose, there are three measures, like the regime of incompatible activities' exemption and the possibility to synchronize both the job in the university and the one in the set-up enterprise.

- Regime of incompatible activities' exemption
The *Ley 53/1984 de Incompatibilidades del personal al servicio de las Administraciones públicas* (Law of Incompatibilities for the Staff Hired by the Public Administration) states certain incompatibilities for the government professors regarding their participation in business projects directly related to the activities managed by the Department, organization or entity where they provide service. The LOMLOU's 24th additional disposition envisages the non-application of certain limitations of the Law 53/1984 of [participation in the management body – art. 12.1, letter b); owning more than a 10%

of the share capital – art. 12.1, letter d)] for the public professors of the faculty when they participate in *technology-based enterprises* promoted by their University and joined by this organization or any entity envisaged in the article 84 LOU.

- Legitimization of working compatibility
As seen before, the article 18 LCTI states that public Universities are to authorize their researching staff to provide service by means of a part-time working contract for a specific period of time in trading companies created or joined by the University when the researcher's performance in the enterprise is related to the scientific priorities previously established nationwide. The aforementioned regime of incompatible activities' exemption is to be applied to the researching staff providing service in these companies.

On the other hand, the University derives benefits from its participation in the TBE's share capital. Firstly in patrimony, since becoming a shareholder in several enterprises makes possible an alternative way of funding in case of business success of any of them, either by profit sharing or the prospective enterprise sale. Actually there are some cases of spin-offs' sales to multinational corporations what generated substantial revenue for the Universities that originally created the enterprise. Secondly, the university makes easier for the interested parts to set up enterprises by lifting some of the most important limitations that fall on them because of the Incompatibility Law. And lastly, it is important to underline when the University improves the transfer policy: this is an asset taken more and more into account nowadays, since it is really appreciated when the organization join a spin-off. In fact, as we can see, this collaboration is so important that the LES and the LCTI have a reflection on it.

Actually, the LCTI makes clear the intention to encourage the TBE joined by the public research organizations in which the University is a lawful partner in the set-up company. In this case, together with the technology-transfer contract from the University, it is needed a contract for the partners with clauses for the University to keep the interests and to limit the risks the organization takes by collaborating in the business project (right of veto for certain budgets, better fortune clause, anti-dilution right, the right to abandon the TBE under certain circumstances, audit-right clauses, etc.). The present reluctance some universities have when becoming a partner in the TBEs set up around them (fear to a possible company bankruptcy, an excessively mercantile image of the University, management problems, etc.) must be overcome.

The participation in the share capital can be *in natura* (patents, savoir-faire, facilities-use right, rent, etc.) or much easier - money. The investment to the University's share capital can be done at the

beginning, when the enterprise is set up or later, in a moment of share capital increase for the company set up (which in accordance with the word-by-word meaning of the 24th additional stipulation was not able to be done in order to lift the aforementioned incompatibilities). If the university invests in the share capital as the principal shareholder, the regulations for the public companies will be applied and the organization will be obliged to explain its own university accountability (art. 84 LOMLOU). Nevertheless, universities do not often invest more than a 10% of the share capital in PLCs or LLCs, therefore the loss damage or bankruptcy liability is limited to said investment.

On the other hand, the main advantage for the researchers who set up an academic spin-off following the long setting-up process established by several universities -instead of simply participation in a business project outside of the university (another option to choose as long as they do not own more than a 10% of the share capital when the enterprise operates in a similar field than the University's – if the field is different, there is no restriction on the shares held –), is the chance to regularize their situation in the enterprise, both in the technology-transfer provision from the University towards the enterprise's performance according to the law. All this without taking into account the professional interest of being part of a TBE as a transfer indicator, a fact more and more appreciated nowadays. However, if the researcher's will is to be authorized to work in the enterprise, to apply for an extended leave of absence or to be able to own more than a 10% of the share capital and to be a member of the management body, the Law demands that the University participate as a partner in the business project.

The investment in the share capital by the organization seems to be easier in a LLC or a PLC than in a working-owned company or a cooperative. And, although it's allowed in both cases for the public administration to join the spin-off as a silent, or associated partner, the situations are complicated due to their exceptional nature: the Universities, not willing to take more risks than the essential ones when becoming a spin-off partner, are to prefer the simple capital companies rather than the social economy enterprises. For instance, the safeguarding provisions which must be included in the partners' agreements for the university to abandon the shareholders, were originally created for regular trading companies (anti-dilution right, better fortune clause, etc.), in which the portability option for the partner is extremely easier.

This does not mean that a spin-off can be created as a factual-but-not-legal social economy enterprise and voluntarily adhere to all or some of the aforementioned principles of social economy (for example, with the partner's collaboration in the performance's process, with corporate social responsibility policies, democratic decision making

process , benefits sharing according to the activity performed by the partners, etc.).

Bibliography

- PANIAGUA ZURERA, M.: *Las empresas de la economía social más allá del comentario a la Ley 5/2011, de economía social*. Madrid, Marcial Pons, 2011.
- BERCOVITZ ÁLVAREZ, R.: *La aportación de Derechos de Propiedad Industrial al capital de las Sociedades Anónimas*, Madrid, 1999.
- CAYUELA LÓPEZ, M.J. & PLANAS YANES, G.: “Comentario art. 41”, *Un paseo por la LOU. Análisis sistemático de la Ley Orgánica 6/2001, de 21 de diciembre de Universidades*, Madrid, 2003.
- COSTAS DEL PORTAL, I. & OURO FUENTE, A.: “Participación de los investigadores en los resultados de la investigación. El entorno legal: proyectos de Ley de la Ciencia, la Tecnología y la Innovación y de la Ley de Economía Sostenible”, *La Ley*, nº 7615, 2011.
- CRUE.: Informe Universidad 2000, Madrid.
- GÓMEZ OTERO, C. & VALLE PASCUAL, J.M. “Si el legislador nos echara una mano”, *IV Seminario sobre aspectos jurídicos de la gestión universitaria*, Girona, 2001.
- KRIMSKY, S.: *Biotechnics and Society: The Rise of Industrial Genetics*, New York, Praege, 1991.
- LEYDESDORFF, H. & ETZKOWITZ, H.: “Emergence of a Triple Helix of University-Industry-Government Relations”, *Science and Public Policy*, 1996.
- MELIÁN NAVARRO, A. & CAMPOS CLIMENT, V.: “Emprendedurismo y economía social como mecanismo de inserción sociolaboral en tiempos de crisis”, *REVESCO*, nº 100, 2010.
- MONOTTI, A. & RICKETSON, S.: *Universities and Intellectual Property. Ownership and Exploitation*. Oxford, 2003.
- PETIT LAVALL, M.ª V.: “El anteproyecto de Ley de Economía Sostenible y la transferencia de resultados de la actividad investigadora de las Universidades públicas mediante la constitución de Empresas de Base Tecnológica

- (EBTS)", GÓMEZ-SEGADE y GARCÍA VIDAL, *El Derecho Mercantil en el umbral del siglo XXI. Libro homenaje Fernández-Novoa*, Madrid, 2010.
- SLAUGHTER, S. & LESLIE, L.L.: *Academic Capitalist. Politics, Policies and the Entrepreneurial University*, Baltimore, The Johns Hopkins, 1997.
- SOSA WAGNER, F.: *El mito de la autonomía universitaria*, Madrid, 2007.
- VALLE PASCUAL, J.M. & MARTÍNEZ FERNÁNDEZ, S.: "La transferencia del conocimiento, ¿una nueva función social universitaria? Medios personales y materiales", *Bases jurídicas para la gestión universitaria*, t. I, Universidad de Alicante, 2008.
- VARGAS VASSEROT, C.: "La titularidad de las patentes universitarias: el caso Gatorade", *Uciencia*, nº 5, 2010.
- VARGAS VASSEROT, C.: (Dir.): *Régimen jurídico de la transferencia de resultados de investigación*, Madrid, La Ley, 2012.

Genossenschaftliche Selbsthilfe in Krisenzeiten: Ein Beispiel aus Italien – das Marcora Gesetz

Giuliana Giorgi

Folgende Erkenntnisse wurden auf einer Studienreise nach Italien gesammelt, die die Autorin und andere Interessierte auf Anregung von Frau Prof. Dr. *Clarita Müller-Plantenberg*, Anfang April 2009 unternommen haben, um Genossenschaften zu besuchen, die aufgrund des Marcora Gesetzes in den Jahren 1987-1996 entstanden waren. Sie wurden nach einem Gespräch mit Prof. *Alberto Zevi* (CFI) im Dezember 2012 aktualisiert. Das Gesetz wurde Anfang der 1980er Jahre auf Initiative der Genossenschaftsbewegung mit Unterstützung der Gewerkschaften als Lösungsansatz für die damalige Wirtschaftskrise konzipiert.

In einigen Gebieten Italiens gab es bereits eine Tradition, wonach Arbeitnehmer in Krisenzeiten Wege suchten, ihre Arbeitsplätze zu retten. Diese Tradition war ausschlaggebend für diese Erfahrung. Die meisten großen Produktivgenossenschaften, die es in Italien gab und gibt, wenn nicht alle, wurden von Arbeitslosen gegründet.

In den genannten Krisenjahren nahmen auch die Staatsausgaben für Soziales stark zu. Die Kombination von Wirtschaftskrise, Zunahme der Staatsausgaben und Initiativen der Arbeitnehmer bewegte den damaligen Industrieminister *Marcora*, den Forderungen der Genossenschaftsbewegung und der Gewerkschaften nachzukommen und sie in Gesetzesform zu gießen. Das Marcora Gesetz wurde am 27.02.1985 vom italienischen Parlament verabschiedet.

1. Das Marcora Gesetz in der ursprünglichen Fassung

Die Idee war: Anstatt Arbeitslosenunterstützung (bzw. Kurzarbeitergeld), möglicherweise für viele Jahre, zu zahlen – was einerseits für viele Arbeitslose das endgültige Scheiden aus dem Arbeitsleben bedeutet, andererseits für viele Unternehmen das endgültige Aus – sollte den Arbeitnehmern der Betrag zur Verfügung gestellt werden, worauf sie

zwei oder drei Jahre lang Anspruch gehabt hätten, auf einmal, wenn sie, zusammen mit ihren Kollegen, einen Teil oder den gesamten insolventen Betrieb übernahmen oder wenn sie beschlossen, eine neue Initiative zu starten. Wenn sie sich zu einer Genossenschaft zusammenschlossen, zahlte ihnen der Staat die gesamte Arbeitslosenunterstützung, auf die sie einen Anspruch besessen hätten, wenn sie arbeitslos geworden wären, auf einmal.

Diese *Kapitalisierung der Sozialversicherungsleistungen* war zwar eine öffentliche Ausgabe, aber eine, die sich sofort in produktive Aktivität verwandelte und sich nicht in Verlust von Fachkenntnissen, Professionalität und Betrieben auswirkte. Außerdem wurde die Investition nach und nach von der neu entstandenen Genossenschaft zurückgezahlt, wenn sie sich – gut beraten – erfolgreich etablierte.

Das Originelle an diesem Gesetz war, dass der Gesamtbetrag der Arbeitslosenunterstützung (durchschnittlich ca. 10.000 Euro pro Person für die gesamte Bezugszeit von maximal drei Jahren) *nicht unmittelbar an die Arbeitslosen* ausgezahlt, sondern *in die von ihnen gegründete Genossenschaft als Risikokapital investiert* wurde. Dies erfolgte über eine speziell dafür eingerichtete *Risikokapital-Beteiligungsgesellschaft* – die „CFI“. Diese Finanzgesellschaft ist selbst eine Genossenschaft, gegründet von 300 bestehenden Produktivgenossenschaften, so dass sie die neu zu gründende Genossenschaften mit der Erfahrung von Hunderten von Produktivgenossenschaften kompetent beraten kann.

Die CFI hilft den zu gründenden Genossenschaften, den insolventen Betrieb zu übernehmen – eine Aufgabe, die für eine Gruppe Arbeitnehmer, die nie einen Betrieb geführt haben, sonst schwer zu bewältigen wäre. Die Finanzgesellschaft CFI wird jeweils – zeitlich begrenzt – finanzierendes Mitglied der Produktivgenossenschaft. Dadurch ist die Unterstützung keine Subvention, sondern eine vorübergehende Beteiligung am Genossenschaftskapital.

In der ursprünglichen Fassung des Gesetzes gab es noch zwei wichtige Voraussetzungen:

- Die Kapitalisierung der Sozialversicherungsleistungen der Arbeitnehmer schloss eine Inanspruchnahme von Leistungen bei erneuter Arbeitslosigkeit in den ersten 3 Jahren des neuen Beschäftigungsverhältnisses aus (Karenzzeit). Sinn dieser Bestimmung war, die Mitglieder der Genossenschaft zu bewegen, es sich ganz genau zu überlegen, ob sie diesen Weg gehen wollten. Sie mussten versuchen, etwas zu unternehmen, das längerfristig Bestand haben würde.
- Eine finanzielle Einlage war – und ist – für alle Mitglieder verpflichtend. Der Betrag, den die Mitglieder investieren, ist die Berechnungsgrundlage für die Investition der CFI. Die CFI konnte nach der ersten Fassung des Gesetzes vom Staat einen Betrag erhalten, der höchstens dreimal so hoch war wie die Summe der Mitglieder-

anteile (3:1). Höchstgrenze war allerdings der Betrag, den die Mitglieder insgesamt an Arbeitslosenunterstützung bekommen hätten. In der heutigen Fassung des Gesetzes darf die CFI nur noch den gleichen Betrag wie die Mitglieder einzahlen (1:1), in Ausnahmefällen doppelt so viel.

Die Mitglieder müssen allerdings nicht ihre Ersparnisse einzahlen: Sie können auch Forderungen an den alten Betrieb dazu verwenden, wie die Abfindung¹ oder Forderungen aus dem sog. Mobilitätsfonds – d.h. Entschädigungszahlungen für betriebsbedingte Kündigungen – die, aufgrund eines Gesetzes aus dem Jahre 1992, ebenfalls kapitalisiert werden können, wenn der Arbeitnehmer sich unternehmerisch betätigen will. Das Gesetz bewirkte in der ursprünglichen Fassung – aber auch heute noch,

- dass die staatlichen Sozialversicherungsleistungen sich sofort in produktive Aktivität verwandeln und
- mit diesen Geldern der Erhalt von Fachkenntnissen und Produktionsstätten in der Region finanziert wird.
- Belegschaften müssen die Schulden des alten Krisenunternehmens nicht übernehmen.

1.1 Prüfung des Geschäftsplans

Mit der Vergabe der Gelder ist auch eine Prüfung auf Zukunftsfähigkeit oder Nachhaltigkeit der neu gegründeten Genossenschaft verbunden. Die Genossenschaft stellt der CFI einen Antrag, und die CFI beginnt eine Untersuchung der Erfolgsaussichten der von den Mitarbeitern gegründeten Genossenschaft. Die Untersuchung betrifft alle Aspekte des Geschäftsplans: Produktion, Organisation, Vermarktung, usw.

Prof. Zevi²: „In der ersten Phase erfolgte diese Untersuchung sehr häufig auf dem Papier. Die CFI versuchte, nach objektiven Kriterien zu urteilen. Im Laufe der Zeit haben wir aus

¹ Die „Abfindung“ ist das 14. Monatsgehalt nach dem italienischen Arbeitsrecht. D.h., ein Monatsgehalt pro Jahr Betriebszugehörigkeit wird zurückgestellt und an den Arbeitnehmer bei Beendigung des Arbeitsverhältnisses ausgezahlt. Rückstellungen für Abfindungen muss der Betrieb bilden, die „Mobilität“ ist hingegen eine Sozialversicherungsleistung, die von der staatlichen Rentenversicherungsgesellschaft INPS anstelle des Arbeitslosengeldes bei betriebsbedingten Massenentlassungen gezahlt wird.

² Vorsitzender der CFI auf einer Besprechung am 2. April 2009 in Rom mit den Mitgliedern der „Marcora-Studienreise“.

der Erfahrung gelernt, viel mehr auf die Personen zu schauen. D.h., die betriebswirtschaftlichen Aspekte bleiben wichtig, aber noch wichtiger ist der Eindruck, den die Prüfer der CFI von den beteiligten Menschen haben, von ihrer Fähigkeit, in einem Kollektiv mitzuarbeiten.

Wichtig sind Aspekte, die mit Sozialisation zu tun haben, d.h. mit der Fähigkeit, sich zu beteiligen, nicht nur seitens des Sprechers oder des Vorsitzenden, sondern auch der anderen.

In jedem Kollektiv gibt es immer eine Führungsperson oder eine Führungsgruppe. Oft ist die Führungsperson in solchen Gruppen jemand, der früher im Betrieb der wichtigste Vertreter der Gewerkschaft war. Das war in manchen Fällen sehr positiv für das Projekt, in anderen Fällen sehr negativ. Denn die Tatsache, eine anerkannte Führungsperson zu sein, gibt demjenigen eine gewisse Autorität, und normalerweise kennt ein Gewerkschafter nicht nur das Handwerk, sondern er hat eine Gesamtsicht des Unternehmens. Dies ist wichtig, denn seine Arbeit gut zu machen ist das eine, aber den Betrieb zu führen ist etwas anderes. Wir haben viele positive Beispiele von Genossenschaften, in denen der ehemalige Vertreter der Gewerkschaft wenigstens eine Zeit lang Vorstandsvorsitzender wurde. Es gab aber auch andere Beispiele, bei denen der Gewerkschaftsvertreter im Vorstand, ggf. als Vorsitzender, nicht als Unternehmer handelte, sondern nach wie vor strikt als Gewerkschafter. Der Betrieb ändert sich aber wesentlich, wenn die Belegschaft ihn als Genossenschaft weiterführt. Das kann man ganz wertfrei feststellen. Dementsprechend müssen sich auch die Rollen ändern. Das ist unsere Erfahrung.

Man braucht eine enorme Flexibilität, damit es funktioniert. Denn die Probleme, die sich auftun, wenn man den Betrieb insgesamt führt, sind sehr komplex, auch bei einem kleinen Betrieb. Diese Probleme müssen alle kommuniziert werden, wenn man Partizipation anstrebt, sonst kriegt man es nicht in den Griff.“

Wenn die Risikokapital-Beteiligungsgesellschaft CFI den Geschäftsplan befürwortet, investiert sie die kapitalisierten Sozialversicherungsleistungen der Mitglieder für eine begrenzte Zeit in die Genossenschaft (heute nur im Verhältnis 1:1 zu den Mitgliederanteilen) und übt in dieser Zeit *eine begleitende und beratende Rolle* im Aufsichtsrat der neu gegründeten Genossenschaft aus. Diese Funktion ist sehr wichtig, weil die Leitung des Unternehmens für die ehemaligen Arbeitnehmer eine völlig neue Aufgabe darstellt.

1.2 Wichtig: Das Vorkaufsrecht der Belegschaft

Das Marcora-Gesetz räumt der Belegschaft ein Vorkaufsrecht an dem insolventen Betrieb ein. D.h., wenn die Belegschaft eines insolventen Betriebes beschließt, eine Genossenschaft zu gründen, um den Betrieb oder Teile davon fortzuführen, kann sie die Anlagen, Hallen usw. des Betriebes vom Konkursverwalter pachten und hat später, wenn das Firmenvermögen versteigert wird, ein Vorkaufsrecht, d.h., bei gleichem Gebot bekommt sie den Zuschlag. Diese Regelung begünstigt die beteiligten Mitarbeiter und stärkt die lokale Ökonomie.

1.3 Die CFI – Cooperazione Finanza Impresa (Kooperation, Finanz, Unternehmen)

Die CFI wurde 1986, nach Inkrafttreten des Marcora Gesetzes, gegründet, mit dem Ziel, die nach dem Gesetz gegründeten Genossenschaften durch Risikokapitalbeteiligung zu unterstützen. Sie wurde von 300 Produktivgenossenschaften gegründet, die den drei wichtigsten italienischen Genossenschaftsverbänden angehören: AGCI, Confcooperative und Legacoop. Sie beteiligt sich am Unternehmerrisiko, ermöglicht Investitionen, begleitet die Geschäftsführung längerfristig und aus der Nähe und berät bei strategischen und operativen Entscheidungen.

In den ersten 15 Jahren ihrer Aktivität investierte sie ca. 80 Mio. € in das Risikokapital von 159 Produktionsgenossenschaften, die von der Belegschaft von insolventen Betrieben gegründet wurden. Auf diese Weise hat sie die Entstehung von insgesamt ca. 6.000 längerfristig angelegten Arbeitsplätzen ermöglicht.

2. Wettbewerbsbedenken der EU

1996 meldete die EU „ernsthafte Zweifel an der Vereinbarkeit dieser Beihilfen mit dem Binnenmarkt“, weil das Gesetz „weder den Richtlinien der Arbeitsmarktförderung noch den Beihilfen zur Umstrukturierung von Unternehmen in Schwierigkeiten“ entspräche. Die EU suspendierte deshalb 1996 die Anwendung des Marcora-Gesetzes. (Mitteilung der Europäischen Kommission, Amtsblatt 97-C309/03).

Die EU beanstandete, dass der italienische Staat der CFI Gelder à *fonds perdu* vergab, mit dem sich die CFI an den Genossenschaften

beteiligte. Es handelte sich allerdings um die Sozialversicherungsleistungen, auf welche die Beschäftigten Anspruch gehabt hätten, wenn sie arbeitslos geworden wären. Mit diesem Geld wurden stattdessen die Arbeitsplätze gerettet, und der Staat hatte nur Vorteile, weil das Weiterbestehen der Unternehmen

- Steuereinnahmen generierte und
- die Sozialkassen entlastete, weil auch die Mitglieder von Produktivgenossenschaften Sozialbeiträge bezahlen.

Durch die Rettung der Arbeitsplätze in der Region erhielt also der Staat – wie die CFI ausrechnet – all seine Investitionen in weniger als zwei Jahren zurück. Der italienische Staat musste trotzdem das Gesetz ändern. Nach der neuen Fassung von 2001 muss u.a. das Kapital der CFI innerhalb von 10 Jahren zurückfließen. Ferner darf heute die Investition der CFI nur eine Minderheitsbeteiligung darstellen. Die Einlage der CFI darf heute nicht höher als die Summe der Anteile der Mitglieder sein (1:1 anstatt 3:1). Außerdem darf die CFI nur Genossenschaften mit höchstens 250 Mitgliedern unterstützen.

Alte und neue Fassung des Marcora-Gesetzes – eine Gegenüberstellung

Alte Fassung Gesetz 49/(19)85	Neue Fassung Gesetz 57/(20)01
ZIELE	
<ul style="list-style-type: none"> ▶ Durch die Neugründung einer Genossenschaft die Beschäftigung von Arbeitnehmern sichern, welche: <ul style="list-style-type: none"> - Leistungen aus der staatlichen Lohnausgleichskasse beziehen, - infolge von betriebsbedingten Kündigungen arbeitslos geworden sind, - entlassen wurden oder bei Firmen beschäftigt sind, die Konkurs angemeldet haben. 	<ul style="list-style-type: none"> ▶ Durch die Förderung und die Entwicklung des Unternehmensmodells Genossenschaft die Beschäftigung erhöhen und absichern.
EINSATZBEREICHE	
<ul style="list-style-type: none"> ▶ Modell: von Arbeitnehmern in den o.g. Beschäftigungsverhältnissen gegründete Produktivgenossenschaften. ▶ Wirtschaftsbereiche: Industrie und Dienstleistungen ▶ Größe: KMU nach der EU Definition 	<ul style="list-style-type: none"> ▶ Modell: Nicht nur aus insolventen Betrieben stammende Produktions- und Sozialgenossenschaften. ▶ Wirtschaftsbereiche: Industrie und Dienstleistungen ▶ Größe: KMU nach der EU Definition

<ul style="list-style-type: none"> ▶ Voraussetzungen: jedes Mitglied musste einen Anteil von mindestens € 4.132 zeichnen. Dafür konnte das Mitglied seine Abfindungsansprüche gegenüber dem insolventen Betrieb und ggf. die Mobilitäts-Entscheidung verwenden. ▶ Lebenszyklus-Phasen: Genossenschafts-Neugründung. ▶ Kriterien für die Förderungswürdigkeit: Machbarkeit des Projekts, Wirtschaftlichkeit, Erhaltung der Beschäftigung 	<ul style="list-style-type: none"> ▶ Voraussetzungen: jedes Mitglied muss Aktien für einen Gegenwert von mindestens € 4.000 für Produktionsgenossenschaften und € 1.000 für Sozialgenossenschaften zeichnen. ▶ Lebenszyklus-Phasen: Neugründung, Entwicklung, Konsolidierung, Neupositionierung von Genossenschaften auf dem Markt. ▶ Kriterien für die Förderungswürdigkeit: Machbarkeit, Innovation, Zuverlässigkeit des Management und Rentabilität des Projekts
<p>INTERVENTIONS-MODALITÄTEN</p>	
<ul style="list-style-type: none"> ▶ RISIKOKAPITAL: CFI steuerte, als juristische Person, die [ausnahmsweise] Mitglied einer Genossenschaft sein durfte, Genossenschaftskapital bei, indem sie eine Beteiligung zeichnete, die höchstens dreimal so hoch sein durfte wie die Summe der von den Mitgliedern gezeichneten und eingezahlten Anteile. Obergrenze ihres Beitrages war allerdings die Summe der Zahlungen aus der speziellen Lohnausgleichskasse, auf welche die Mitglieder im Zeitraum von drei Jahren [bei Fortdauer der Arbeitslosigkeit] Anspruch gehabt hätten. ▶ Die Mitglieder der Genossenschaften, für welche die Beteiligung der CFI bewilligt wurde, verloren für drei Jahre alle Ansprüche auf Leistungen aus der ordentlichen und aus der speziellen Lohnausgleichskasse und auf die außerordentliche Arbeitslosigkeits-Entscheidung. 	<p>INTERVENTION ZU MARKTBEDINGUNGEN RISIKOKAPITAL: CFI steuert Gesellschaftskapital als finanzierendes Mitglied bei. Ihre Beteiligung muss:</p> <ul style="list-style-type: none"> ▶ <u>Eine Minderheitsbeteiligung</u> sein: höchstens das Doppelte des Genossenschaftskapital betragen, nur wenn Reserven und Mitgliederdarlehen ausreichend sind (Reserven und Mitgliederdarlehen \geq (gleich/größer) als das Genossenschaftskapital). ▶ <u>Zeitlich befristet</u> sein: nicht länger als 10 Jahre <p>FINANZIERUNG CFI integriert ihre Interventionen durch eine Finanzierung der Investitionen der Genossenschaft für Anlagen, usw. (fixe Investitionen) durch:</p> <ul style="list-style-type: none"> ▶ Darlehen ▶ Beteiligungsdarlehen ▶ Wandelanleihen ▶ Bürgschaften ▶ Immobilien-Leasing <p>Der Rückzahlungsplan berücksichtigt die finanzielle Tragfähigkeit des Unternehmens und die Art der Investition. Der Zinssatz kann fest oder variabel sein und das Spread dem Unternehmensrisiko angemessen.</p>

Die erste Fassung des Marcora Gesetzes war von 1987 bis zum Veto der EU 1996 in Kraft. 1999 wurde die Anwendung des Gesetzes ganz gestoppt und bis 2001 wurden nur die bereits gestellten Anträge abgearbeitet – mit den Finanzmitteln, die inzwischen an die CFI zurückgeflossen waren. Von 1987 bis 1999 wurden 281 Anträge gestellt. Davon wurden 159 bewilligt, d.h., die CFI befürwortete die Belegschaftsin-

itiative und beteiligte sich an der Genossenschaft. Dadurch wurden 6.000 Arbeitsplätze gerettet und langfristig neu angelegt. Die Anträge stiegen im Laufe der Jahre von 2 im ersten Jahr bis 151 im Jahre 1999. Nach der Änderung des Gesetzes wurden, zwischen 2002 und 2008, nur 6 Anträge gestellt, davon 4 bewilligt.

Prof. *Alberto Zevi*, Geschäftsführer der CFI von der Gründung bis 2011, spricht von „groben Kommunikationsdefiziten“ zwischen dem italienischen Wirtschaftsministerium und der Europäischen Kommission“. Denn die Kommission habe die Risikokapitalbeteiligung durch die CFI als „nicht rückzahlbare staatliche Beihilfe“ angeprangert und habe deshalb das Gesetz als Wettbewerb verzerrend verboten. Allerdings sei das neue Marcora Gesetz, das in Absprache mit der EU 2011 verabschiedet wurde, nun problemlos anwendbar und fast noch besser als das Original.

3. Das neue Marcora Gesetz

Nach der Novellierung des Marcora Gesetzes (Gesetz Nr. 57 vom 5.03.2001) hat die CFI ihren Aktionsradius erweitert und den veränderten – marktkonformen – Rahmenbedingungen angepasst. Nach dem neuen Gesetz kann sich die CFI nicht nur durch Beteiligung betätigen, sie kann auch die Neugründung, die Erweiterung und die Umgestaltung von Produktions- und Sozialgenossenschaften finanzieren. Mitglieder der CFI sind heute über 270 Produktivgenossenschaften, die staatliche Agentur „Sviluppo Italia“³ und das Ministerium für wirtschaftliche Entwicklung.

Im Geschäftsbericht vom Mai 2012 ist zu lesen, dass die CFI zur Zeit 60 Genossenschaften im Portfolio hat, an denen sie sich beteiligt und die sie gleichzeitig beaufsichtigt und berät. Seitdem die Finanzkrise der Jahre 2007-2008 die italienische Wirtschaft in Mitleidenschaft gezogen hat, gibt es zunehmend neue Belegschaftsinitiativen, die sich an die CFI wenden. Von 2009 bis Mai 2012 wurden 12 Belegschaftsinitiativen zur Übernahme von Krisenbetrieben positiv beschieden: 2009 eine, 2012 zwei, 2011 sieben und von Januar bis Mai 2012 drei. Acht weitere Belegschaftsinitiativen befinden sich in der Prüfungsphase. Von Januar 2009 bis Mai 2012 wurden dadurch 300 Arbeitsplätze gesichert, die sonst vernichtet worden wären. Die Kapitalbeteiligung durch die CFI

³ Sviluppo Italia (Entwicklung Italien) ist eine Agentur des italienischen Staates für die Entwicklung von Unternehmen und die Anregung von Investitionen, vor allem in Süditalien.

wirkt wie ein Gütesiegel, der den Zugang zu weiterer Finanzierung durch andere genossenschaftliche Finanzinstrumente oder auch durch Banken erleichtert. Der „Hebeleffekt“ übersteigt den Faktor 4.

In einem Interview für die Zeitschrift „*Finanza Mercati*“ vom 30. Mai 2012⁴ erklärt der neue, seit Sommer 2011 amtierende Geschäftsführer, *Camillo De Berardinis*, dass die CFI in den letzten fünf Jahren 5.600 Arbeitsplätze gesichert hat.

De Berardinis: „In der heutigen Krise, die den Zugang zu Bankkrediten erschwert, tun wir, was wir schon immer getan haben, d.h., wir helfen Arbeitnehmern, ihre Zukunft in die eigene Hand zu nehmen. ... Zurzeit hat die CFI ca. 60 Unternehmen in ihrem Portfolio, davon 46% in Italiens Süden, 26% im Zentrum und 28% im Norden.“

„In Italien vergab der Staat früher sehr viele nicht rückzahlbare Beihilfen. Das System, nach dem die CFI operiert, ist viel effizienter, weil das Kapital einem Rotationsfonds entnommen wird, nach und nach zurückfließt und für andere Projekte wieder zur Verfügung steht. Viele der unterstützten Projekte werfen eine Vergütung der Investition ab, andere schaffen es nicht, aber insgesamt ist das Ergebnis dieser Beteiligungen positiv. Von 2007 bis Mai 2012 hat die CFI die Kapitalausstattung von 84 Millionen Euro auf 102 Millionen erhöht. Der Finanzrückfluss an den Staat hat in diesen fünf Jahren das eingesetzte Kapital um den Faktor 4,3 vermehrt.“

„Wichtiger noch, in den letzten 5 Jahren wurden 5.600 Arbeitsplätze gerettet oder neu geschaffen. Das System ist ein Schwungrad der Entwicklung. Denn wenn ein Sanierungsprojekt Erfolg hat, profitieren auch alle Zulieferer davon.“

4. Der Coopfond

Auch der Coopfond beteiligt sich oft an der Finanzierung von Genossenschaften. Es handelt sich dabei um die Gesellschaft, die den „Fonds auf Gegenseitigkeit für die Förderung von Genossenschaften“ verwaltet, in den 3% des jährlichen Gewinns aller Genossenschaften fließen, die Mitglieder des Genossenschaftsverbandes Legacoop sind (Nationale Liga der Genossenschaften und der Gesellschaften auf

⁴ http://www.cfi.it/file/notizie/000557_file.pdf

Gegenseitigkeit) sowie Restbestände derjenigen Genossenschaften im Verband, die sich auflösen.

Die Gesellschaft Coopfond wurde nach dem Gesetz Nr. 59 vom 31. Januar 1992 als AG gegründet. Das Aktienpaket ist zu 100% in Besitz der Legacoop und wird vom Ministerium für produktive Aktivitäten überwacht.

5. Zwei aktuelle Beispiele

5.1 Die Mitarbeiter retten die Firma von der Pleite⁵

Die Auftragsbücher waren voll. Der Umsatz stieg stetig trotz Krise, zuletzt auf über 8 Millionen Euro. Aber die Fabrik für Bauelemente aus Aluminium, „Sia Infissi“, stand trotzdem vor einigen Monaten vor dem Aus, weil die Kunden nicht zahlten: Die Firma hatte 2 Millionen Euro Außenstände.

Da beschlossen 11 der 25 Mitarbeiter eine Genossenschaft zu gründen, um die Firma zu retten. „Wir haben uns an die Legacoop Rimini gewandt, jeder von uns hat 10.000 Euro eingezahlt und das Kapital wurde von Coopfond verdoppelt. Die Genossenschaft „Nuova Cooperativa Sia“ führt die gleiche Arbeit weiter, in kleinerem Maßstab“, erklärt der Geschäftsführer *Enrico Tonelli*. „Wir konnten inzwischen sogar zwei Arbeiter befristet wieder einstellen, die Kurzarbeitergeld bezogen. Wir würden gerne alle wieder einstellen, mal sehen, wie sich das Geschäft entwickelt“. Im ersten Geschäftsjahr erzielte die Genossenschaft immerhin einen Umsatz von 1,5 Millionen Euro.⁶

5.2 Genossenschaftliche Herausforderung mit Pillen⁷

Als der Pharmagigant Warner Chilcott beschloss, im Rahmen einer Umstrukturierung das Werk in Rom zu schließen und 160 Mitarbeiter auf die Straße zu setzen, beschlossen *Salvatore Manfredi* und 39 Kollegen im April 2011, gemeinsam ein großes Risiko einzugehen. Sie investierten je 10.000 Euro und gründeten eine Genossenschaft. Sie wählten diese Rechtsform, einerseits um das Risiko auf mehreren Schultern zu

⁵ Quelle: „Il Resto del Carlino“, Regionalausgabe Rimini, vom 7. Oktober 2012, S. 5 (http://www.cfi.it/file/notizie/000565_file.pdf).

⁶ http://www.farecooperativa.it/nuove_nate/ncs.

⁷ Quelle: „Il Sole 24 Ore“ vom 18. Juni 2012 (http://www.cfi.it/file/notizie/000564_file.pdf).

verteilen, andererseits wegen der Unterstützung durch den Coopfond und die CFI, zwei Finanzgesellschaften der Genossenschaftsbewegung.

So starteten sie mit einem verfügbaren Kapital von insgesamt 840.000 Euro. Damit konnten die Lizenzen für zwei Medikamente erworben, vier Nutraceuticals entwickelt und die Produktion gestartet werden. Der Geschäftsführer *Manfredi* hält es für möglich, dass „die Genossenschaft in 5 Jahren einen Umsatz von 10 Millionen Euro erreicht“. Beachtlich. Auf dem heiß umkämpften italienischen Markt für Pharmazeutika ist Fenix Pharma jedenfalls die einzige Genossenschaft.

Anhang

Interview mit Prof. Alberto Zevi, dem Geschäftsführer der Finanzbeteiligungs-Genossenschaft CFI von der Gründung (1986) bis Juli 2011

G.: *Giuliana Giorgi*

G.: *Prof. Zevi*, ich möchte Sie anhand der Mitteilung der Europäischen Kommission vom Jahre 1997 (Amtsblatt 97-C309/03) fragen, warum die Kommission damals die Anwendung des Marcora Gesetzes verbot. Der erste Teil der Mitteilung betrifft den Foncooper:

8. Der Foncooper

8.1 Das Marcora-Gesetz hatte zwei Fonds geschaffen. Aus dem ersten dieser Fonds, dem Foncooper, wurden zinsverbilligte Darlehen an (...) Genossenschaften zur Finanzierung von Projekten (...) gewährt.

Z.: Der Foncooper wurde von der Kommission nicht beanstandet. Er wurde mit minimalen Änderungen genehmigt. Dieser Foncooper wurde damals von einer speziellen Abteilung der BNL-Bank für den Kredit an Genossenschaften verwaltet. Diese Abteilung wurde später abgeschafft, und die Mittel des Foncooper wurden nach 2003 den Regionen zugeteilt. Die Regionen verwendeten diese Ressourcen für ihre allgemeinen Aufgaben, nicht speziell für Kredite an Genossenschaften. Deshalb existiert dieser Fonds heute nicht mehr.

G.: Daneben sah das Marcora Gesetz die Einrichtung eines Sonderfonds vor.

9. Der Sonderfonds

9.1 Der zweite Fonds, der sogenannte Sonderfonds zur Erhaltung des Beschäftigungsniveaus, ist dazu bestimmt, una tantum (einmalig) und nicht rückzahlbar, die Bildung von Arbeitnehmergenossenschaften in den Sektoren Produktion und Beschäftigung zu finanzieren.

Z.: Hier gab es, meiner Meinung nach, große Kommunikationsdefiziten zwischen dem Ministerium und der Europäischen Kommission. Diese öffentlichen Mittel wurden nie den Genossenschaften als nicht rückzahlbare Beihilfen ausgezahlt. Sie wurden vom Industrieministerium

einer nach den Vorgaben des Gesetzes gegründete Finanz-Gesellschaft, der CFI, zur Verfügung gestellt, und die CFI beteiligte sich am Kapital der neu gegründeten Genossenschaften. Die Kommission hat das immer als nicht rückzahlbare (à fonds perdu) Zuschüsse an die Genossenschaften verstanden. Aber die Genossenschaften mussten diese Investition zurückzahlen. Nur gab das Gesetz keine Frist für die Rückzahlung vor. Die Genossenschaften bekamen eine Kapitalbeteiligung, keine „nicht rückzahlbare Beihilfe“.

Am Anfang schrieb die CFI in den Satzungen der Genossenschaften fest, dass die Beteiligung zurückgezahlt werden musste. Allerdings erklärte der italienische Rechnungshof damals diese Vorschrift für ungültig. Wenn der Rechnungshof sich nicht so geäußert hätte, hätten wir wahrscheinlich keine Probleme mit der EU gehabt. Denn am Anfang herrschte viel Unsicherheit. Die Behörden in Italien kannten damals nur nicht rückzahlbare Zuschüsse. Die Idee einer Kapitalerhöhung durch Beteiligung war damals sehr innovativ, es gab sie nicht einmal für private Unternehmen, das war für alle neu. Die Kommission dachte damals wahrscheinlich: Da eine Rückzahlung nicht vorgesehen ist, handelt es sich um staatliche Beihilfen.

G.: In der Überschrift ihrer Mitteilung hat die Kommission ihr Urteil bereits gefällt: „staatliche Beihilfen“.

Z.: Denn die zwei Neuerungen, welche die EU in der neuen Fassung des Marcora Gesetzes festgeschrieben haben wollte, um grünes Licht zu geben, waren folgende: Die Beteiligung muss zeitlich auf 10 Jahre begrenzt sein und sie soll zu marktüblichen Bedingungen stattfinden, d.h., dass die Genossenschaften eine Dividende ausschütten müssen. Nach diesen zwei Änderungen gab es keine Beanstandung mehr durch die EU.

G.: Aber mit dem neuen Gesetz gelang es nicht mehr, Neugründung von Produktivgenossenschaften aus Krisenbetrieben zu ermöglichen.

Z.: Das stimmt so nicht. Das Marcora Gesetz war von 1986 bis 1996 in Kraft. Im Jahre 1996 wurde die Anwendung ausgesetzt. 2001 verabschiedete das italienische Parlament das neue Marcora Gesetz, das inzwischen mit der EU abgestimmt worden war. Das neue Gesetz trat Ende 2002 in Kraft. Von 2002 bis zur Krise der Jahre 2007-2008 gab es kaum Anträge auf Unterstützung von Neugründungen nach dem vorigen Modell. Der Grund war, dass die italienische Wirtschaft sich in dieser Zeit gut erholte und es kaum Insolvenzen gab. Aber seit 2008, als die Krise die Wirtschaft traf, gibt es viel mehr derartige Initiativen. Davor gab es keine Nachfrage. Heute hat die CFI sehr viele Anfragen

von Belegschaftsinitiativen, die ihre in Schwierigkeit geratene ehemalige Firma übernehmen möchten.

G.: Die Kommission beanstandete auch die Höhe der Kapitalbeteiligung, die die Kommission durchgehend als „Zuschüsse“ bezeichnet:

15.04 „Aufgrund der Tatsache, dass die Unterstützung der Cassa integrazione [Kurzarbeiter-Kasse] in Form einer Einmalzahlung erfolgt, in einigen Fällen den Genossenschaften ein Vorteil aus der Gewährung der Zuschüsse [erwächst], da die Beträge, die für die Zeichnung von Kapital bestimmt sind, höher sind als die Beträge, die die Arbeitnehmer bei der Cassa integrazione normalerweise erhalten.“

Z.: Hier wird einerseits festgestellt, sofern Arbeitnehmer Anspruch auf Kurzarbeitergeld haben, dieser Anspruch für sie eine Forderung ist, mit der sie verfahren können, wie sie möchten, denn es handelt sich um privates Rechts. Andererseits wird hier gesagt, nicht alle Arbeitnehmer hätten Anspruch auf Kurzarbeitergeld, wenn sie, durch Schwierigkeiten des Unternehmens, zwangsweise beurlaubt werden.

Diese Behauptung entspricht nach meiner Erfahrung nur teilweise der Wirklichkeit. Denn 95% aller Fälle, die wir hatten, betrafen den industriellen Sektor, in dem alle Arbeitnehmer Anspruch auf Kurzarbeitergeld hatten, Angestellte im gleichen Maße wie Arbeiter, mit minimalen Unterschieden.

Was die Höhe anbelangt, konnte die Beteiligung zwar drei Jahre Kurzarbeitergeld entsprechen, durfte aber nie das Dreifache der Mitgliederanteile übersteigen. De facto zahlten die Arbeitnehmer fast nie einen Betrag in die Genossenschaft, der der Höhe ihres Kurzarbeitergeldes für ein Jahr entsprach. In aller Regel investierten sie viel kleinere Beträge. Z.B., wenn die Höhe des Kurzarbeitergeldes für ein Jahr 12 Millionen Lire (etwa 6.000 Euro) betrug, hätten wir das Dreifache investiert, also 36 Millionen Lire (etwa 18.000 Euro). Aber fast nie investierten die Arbeitnehmer 12 Millionen Lire, sie investierten 4 oder 5 Millionen, ganz selten 8. Die Kapitalbeteiligung der CFI durfte maximal das Dreifache der Summe der Anteile der Genossenschaftsmitglieder betragen. Also war der höchstmögliche Betrag, entsprechend drei Jahre Kurzarbeitergeld, ein theoretischer Höchstbetrag, der in der Praxis fast nie zur Anwendung kam, insbesondere in den ersten Jahren nicht. Das haben wir damals mit unseren empirischen Daten konkret belegt, aber das half nichts.

15.04 (...) Im Übrigen hat die italienische Regierung nicht nachgewiesen, dass jeder Arbeitnehmer bei der Cassa integrazione tatsächlich für die Dauer von drei Jahren Anspruch auf dieses Unterstützungsgeld hat.

Z.: Es stimmt, dass nicht alle Arbeitnehmer Anspruch auf drei Jahre Kurzarbeitergeld haben. Es hängt von der Branche ab. Verdreifacht wurde allerdings die Summe der eingezahlten Mitgliederanteile, nicht der Betrag, auf den die Arbeitnehmer theoretisch Anspruch hatten.

G.: Im Abs. 15.5 ist sogar die Rede von „Subventionen“

15.5 Im derzeitigen Stadium muss die Kommission also davon ausgehen, dass keine Äquivalenz zwischen den als Zuschuss gezahlten Beträgen [in der italienischen Fassung: „Beträge, die als Subventionen gezahlt wurden“] und den Unterstützungsleistungen, auf die die Arbeitnehmer Anspruch haben, besteht.

Z.: Es waren keine Subventionen, sondern eine Kapitalbeteiligung. Das ist etwas ganz anderes.

G.: Weiter unten behauptet die Kommission, eine Genossenschaft-Neugründung durch die Mitarbeiter eines insolventen Betriebes sei ein „Eigentümerwechsel“:

16.04 ... Die Beurteilung von Rettungs- oder Umstrukturierungsbeihilfen wird nicht durch einen Wechsel des Eigentümers des geförderten Unternehmens beeinflusst. Somit besteht keine Möglichkeit, sich durch Übertragung des Geschäfts auf eine andere Rechtspersönlichkeit oder einen anderen Eigentümer der Kontrolle zu entziehen.‘ Da die Übernahme der Ursprungsunternehmen durch Genossenschaften sich nicht auf den Erwerb der Aktiva beschränkt, ist nicht auszuschließen, dass die Regelung Umstrukturierungsbeihilfen zugunsten von Unternehmen in Schwierigkeiten enthält, die unter anderem in Form von Beschäftigungsbeihilfen gewährt werden.

G.: Mir scheint, das Unternehmen gibt es nicht mehr, es hat Konkurs angemeldet. Die Mitarbeiter gründen eine Genossenschaft, um Arbeitsplätze für sich zu schaffen. Es ist natürlich, dass sie am ehesten die Anlagen, Maschinen usw. des alten Unternehmens aus der Konkursmasse aufkaufen (dazu räumt ihnen das Marcora Gesetz ein Vorkaufsrecht ein) und die Aktivität wieder aufnehmen, womit sie bisher beschäftigt waren, weil sie diese Arbeit am besten können. Aber das Gesetz sieht ausdrücklich vor, dass sie auch nur einen Teil der Aktivität des alten Betriebes fortsetzen oder ganz andere Aktivitäten entfalten können. Hier wird dieser Umstand ausgeblendet, und man setzt diese Übernahme durch die Belegschaft gleich mit dem Fall, dass ein Firmeninhaber angesichts der drohenden Insolvenz die Firma an nahe Verwandte überschreibt. Das wäre in der Tat ein „Eigentümerwechsel“, der keine

Rolle bei der Beurteilung von Beihilfen spielen darf. Aber im Fall der Genossenschaft gibt es das ursprüngliche Unternehmen nicht mehr, es wird liquidiert. Oder kauften die ehemaligen Mitarbeiter die ganze Firma auf?

Z.: In der Regel haben die Genossenschaften Teile des Anlagevermögens der insolventen Firmen aufgekauft. Keine von ihnen hat die Firma als solche gekauft. Ich kann nicht ausschließen – ich weiß es nicht mehr, dass eine Genossenschaft die Marke kaufte. Wenn überhaupt, ist das in ein bis zwei Fällen passiert. Ich kann mich auch an keinen Fall erinnern, bei dem die Genossenschaft die Schulden der alten Firma übernommen hätte. Eventuell wurden alte, noch laufende Darlehen oder Leasingraten für Maschinen übernommen.

G.: Aber für die Kommission handelte es sich um die gleiche Firma wie früher.

Z.: Sie meinte: Es ist die gleiche Firma, nur der Inhaber hat gewechselt. Wir helfen also einem Krisenbetrieb, und das verzerrt den Wettbewerb mit anderen Betrieben, die sich nicht in einer Krise befinden. Ich glaube, hier wurden Fehler vom italienischen Industrieministerium begangen, das die Lage nicht deutlich erklären konnte, aber auch von Seiten der Kommission, die auf staatliche Hilfen fixiert war. Das wichtigste Missverständnis bestand darin, dass es sich nicht um staatliche Beihilfen handelte, sondern um eine Beteiligung am Unternehmen. Das war die Schwachstelle dieser Entscheidung.

G.: War die CFI unabhängig vom Industrieministerium?

Z.: Eine Finanzgenossenschaft nach dem Marcora Gesetz musste einige Eigenschaften vorweisen: Mindestens 80% ihrer Mitglieder mussten Produktivgenossenschaften sein. Außerdem musste der Vorsitzende des Aufsichtsrates vom Industrieministerium genannt werden. D.h., die CFI war zwar unabhängig, aber ihr Handeln wurde vom Industrieministerium kontrolliert. Die CFI hatte lediglich die Aufgabe, die Belegschaftsinitiative zu prüfen und sie ggf. dem Ministerium für die Maßnahme vorzuschlagen. Sie prüfte, ob der Geschäftsplan der Genossenschaft Chancen auf dem Markt haben konnte. Das Ministerium prüfte seinerseits den Antrag und entschied, ob die CFI mit entsprechenden Mitteln ausgestattet werden sollte. Natürlich war die CFI verpflichtet, diese Mittel für den Ankauf von Kapitalanteilen der Genossenschaft zu verwenden. Denn für das Industrieministerium wäre es schwierig gewesen, sich am Kapital von hunderten von Genossenschaf-

ten zu beteiligen. Es stattete die CFI mit Kapital aus und die CFI hatte die Aufgabe, sich zu beteiligen.

G.: Das Kapital wurde nach und nach an die CFI zurückgezahlt und die CFI konnte es wieder einsetzen. Es bildete sich also eine Art Rotationsfonds, oder?

Z.: Ja, das war unsere Idee. Wir wollten sie formalisieren, aber das war, wie gesagt, nicht möglich. Einige Beteiligungen wurden von den Genossenschaften zurückerstattet, quasi freiwillig, denn im ersten Marcora Gesetz gab es keine Frist dafür. Danach wurde die Rückzahlung vom neuen Gesetz vorgeschrieben. 25% der Beteiligung müssen jetzt innerhalb der ersten 5 Jahre zurückfließen, 75% innerhalb der restlichen 5 Jahre.

G.: Auch mit dem neuen Gesetz werden vom Staat Gelder an die CFI *à fonds perdu* gezahlt, oder nicht?

Z.: Als das neue Gesetz in Kraft trat, wurden die Mittel des Sonderfonds vom Ministerium verwendet, um Kapital der CFI zu zeichnen. Deshalb handelt es sich jetzt nicht mehr um Zuschüsse *à fonds perdu*, sondern um eine Kapitalbeteiligung von Seiten des Ministeriums. Dieses könnte das Geld auch wieder zurückziehen, falls die CFI lange Zeit diese Gelder nicht verwenden sollte. Die CFI nutzt ihr Kapital, das zum größten Teil Kapital des Ministeriums ist, zuzüglich der Beteiligungen, die nach und nach zurückfließen, um sich am Kapital von Genossenschaften zu beteiligen. Dieses Kapital kann für Beteiligungen verwendet werden, aber auch für Kredite. Denn die Aktivität der CFI wurde erweitert: Beteiligungen und Finanzierungen.

G.: Das ist wichtig, denn zurzeit vergeben die Banken keine Kredite an die KMU (kleinere und mittlere Unternehmen).

Z.: Ja, aber es ist wichtig auch unabhängig von der jetzigen Krise, denn es handelt sich um Betriebe, die aus Krisenbetrieben entstehen, und sie haben immer Schwierigkeiten bei den Banken, besonders am Anfang. Wenn Sie die Thematik vertiefen wollen, wäre es wichtig zu verstehen, wie das neue Gesetz funktioniert. Denn das neue Gesetz ist, da es alle Probleme des alten gelöst hat, meiner Meinung nach fast einwandfrei.

G.: Aber jetzt kann die CFI nur noch im Verhältnis 1:1 investieren.

Z.: Das stimmt, die wichtigste Veränderung war 1:1 statt 3:1. Aber es bezieht sich auf das gesamte Genossenschaftskapital, nicht nur auf das der mitarbeitenden Mitglieder, sondern auch auf das, was andere, investierende Mitglieder einzahlen. Z.B. könnte eine andere Genossenschaft etwas Kapital investieren. Wenn die mitarbeitenden Mitglieder 50 einzahlen und eine andere Genossenschaft 20, beträgt das Genossenschaftskapital 70 und die CFI kann 70 investieren.

Eine weitere wichtige Neuerung war, dass die Investition zu den üblichen Marktbedingungen geschehen soll. Das bedeutet, dass die CFI, wenn sie sich an einer Genossenschaft beteiligt, in der Vereinbarung festschreiben muss, dass sie Anrecht auf eine Dividende hat, wenn das Unternehmen einen Gewinn abwirft. Das war eine große Veränderung, denn den Produktivgenossenschaften lag es fern, Dividenden auszuschütten. Dann fingen sie an, Dividende auszuschütten. Außerdem kann die CFI sich jetzt nicht nur am Kapital beteiligen, sondern auch Kredite vergeben. Deshalb würde ich sagen, dass keine Initiative am Kapitalmangel scheitern muss. Auch weil die Arbeitnehmer sich inzwischen mehr zutrauen: Sie investieren viel Kapital, so dass die CFI ebenfalls viel Kapital investieren kann. Also, ich finde, dass dieses Gesetz in diesem historischen Moment kaum Fehler hat. Beweis dafür ist, dass die CFI zurzeit sehr viele Anfragen erhält.

G.: Nach ihren Prinzipien sind Genossenschaften nicht gewinnorientiert. Von Dividendenausschüttung war noch nie die Rede.

Z.: Wir haben uns dem Mainstream angepasst. Aber ich muss sagen, das Gesetz funktioniert. Es war 5-6 Jahre ausgesetzt, weil es keine Krise gab. Deshalb dachte man: das Gesetz funktioniert nicht, nützt nichts. Aber dann trat es wieder in Kraft, denn mit der einsetzenden Krise haben sich die Anfragen vervielfacht, es gibt viele Belegschaftsinitiativen. 2008 brach wieder die Krise aus und von 2010 bis heute hat sie sich vertieft. Man muss sagen, dass die aktuelle Krise viel schwieriger ist. Deshalb gibt es zwar viele Anfragen, aber viele Initiativen erhalten keine Finanzierung, weil sie keine Aussicht auf Erfolg haben. Mein Eindruck ist – nachdem ich die CFI bis vor einem Jahr geleitet habe, dass das neue Gesetz dem entspricht, was wir mit dem alten beabsichtigt hatten. Aber diesmal ist unsere Absicht im Gesetz festgeschrieben, deswegen gibt es keine Probleme mehr mit der EU, und ich meine, die Finanzierung erweist sich als unproblematisch. Ich meine, das ist eine sehr gute Praktik.

Außerdem wurde der Aktionsradius erweitert: Früher konnte die CFI nur Start-up-Initiativen finanzieren. Mit dem neuen Gesetz können auch bereits bestehende Genossenschaften finanziert werden, die sich weiter entwickeln wollen. In der Tat, von 2002-2003 bis heute hat die CFI, neben Belegschaftsinitiativen aus Krisenunternehmen, auch viele

bestehende Produktivgenossenschaften finanziert, die sich entwickeln wollten. Das Interventionsfeld hat sich somit erweitert.

G.: Auch auf die Sozialgenossenschaften?

Z.: Ja, für die Sozialgenossenschaften ist es, alles in allem, sehr gut gelaufen. Vom psychologischen Gesichtspunkt aus war es nicht einfach, denn der Gedanke, eine Dividende ausschütten zu müssen, war absolut fern der Logik der Sozialgenossenschaften. Aber, nachdem sie sich an die Ausschüttung gewöhnt haben, gab es, glaube ich, keine Insolvenz. Selbstverständlich handelt es sich um kleine Dividenden. Aber ich glaube, es lief alles mehr oder weniger glatt.

G.: Sie können aber jederzeit entscheiden, den Gewinn zu investieren, anstatt Dividenden auszuschütten, wie eine GmbH, oder?

Z.: Nur begrenzt. Man kann nach der italienischen Gesetzgebung die Anteile in Höhe der Inflationsrate erhöhen. Also, man kann einen Teil des Gewinns verwenden, nicht um Dividenden auszuschütten, sondern um die Anteile aufzustocken. Aber nur in Höhe der Inflationsrate. Auf alle Fälle müssen 30% des Gewinns per Gesetz in die gesetzliche Rücklage fließen. Das ist wichtig, denn das zwingt das Unternehmen, sein Kapital zu stärken, bevor es Dividende ausschüttet. Diese Regelung gilt in Italien seit wenigstens 70 Jahren. Das ist einer der Gründe dafür, dass Produktivgenossenschaften in Italien sehr verbreitet sind und vor allem längerfristig existieren. Die gesetzliche Rücklage macht sie krisenfest. Es handelt sich um eine sehr wichtige Vorschrift, die eine große Rolle gespielt hat und noch spielt.

G.: Prof. Zevi, vielen Dank für das Gespräch.

Die Wirtschafts- und Reformpolitik in Italien als Herausforderung für innovative Genossenschaften

*Oscar Kiesswetter*¹

1. Die Eigenarten des italienischen Genossenschaftsmodells

Will man die Rolle der Genossenschaftsbewegung in der aktuellen Krisensituation verstehen, muss man vor allem die Besonderheiten des "italienischen Modells" berücksichtigen. Die Anpassung des Genossenschaftswesens an die Herausforderungen der jüngsten Wirtschafts- und Reformpolitik ist eine innovative Neuauflage der historisch gewachsenen Eigenarten.

"Il Movimento cooperativo", die italienische Bewegung hat ihren Ursprung in derselben zeitlichen Epoche des 19. Jahrhunderts, in der auch im restlichen Europa das Genossenschaftswesen seine ersten Ansätze verzeichnet hat. Aber abweichend von anderen Ländern hat sich der Förderauftrag italienischer Genossenschaften von allem Anfang an nicht nur auf die Mitglieder beschränkt, sondern hat auch gemeinwirtschaftliche Ziele verfolgt.

Es wäre übertrieben, bereits zu diesem Zeitpunkt den späteren Begriff der Subsidiarität anzusiedeln. Aber sicherlich kann man in Italien von allem Anfang an neben dem im restlichen Europa typischen, auf die Mitglieder ausgerichteten Selbsthilfeprinzip einen zweiten Förderauftrag definieren. Diesem zufolge übernehmen die italienischen "cooperative" auch dort Selbstbestimmung und Selbstverantwortung, wo der Staat mit seinen Leistungen nicht tätig oder nicht ausreichend wirksam ist.

¹ *Oscar Kiesswetter* ist Wirtschaftspublizist und seit Jahren in der betriebswirtschaftlichen Fortbildung von Führungskräften italienischer "cooperative" tätig. Er berät und begleitet innovative Genossenschaften in der Start-up-Phase und in der Finanzplanung.

In den Gründerzeiten der Genossenschaftsbewegung war Italien, was eine effiziente Verwaltung betrifft, gegenüber anderen europäischen Ländern sehr rückständig. Dieser Umstand hat schon damals den Institutionen der Selbsthilfe vielseitige Entfaltungsmöglichkeiten geboten. Und so erinnert der heutige, krisenbedingte Rückzug des Staates aus vielen Leistungsbereichen irgendwie an diese Epoche, zumindest was die Herausforderungen und Chancen für die "cooperative" betrifft.

Diese unterschiedlichen Weltanschauungen in der Genossenschaftsbewegung haben dort, wo sie aufeinander getroffen sind, zu einer interessanten Entwicklung geführt, vor allem in den Grenzgebieten wie Südtirol.²

An dieser Schnittstelle zwischen den beiden Modellen der genossenschaftlichen Selbsthilfe hat sich das deutsche neben dem italienischen entwickeln können. Auf der einen Seite tun sich Mitglieder zusammen, um gemeinsam ein genossenschaftliches Unternehmen zu führen, auf der anderen tun sich Bürger zusammen, um gemeinsam, in einer genossenschaftlichen Unternehmensform die staatliche Leistung zu ergänzen bzw. die öffentliche Hand zu unterstützen.

2. Die Verankerung in der italienischen Verfassung

Nach dem ersten Jahrhundert genossenschaftlicher Erfahrungen und nach der Überwindung der Rückschläge während des Faschismus⁴ hat die wachsende Bedeutung des gemeinwirtschaftlichen Förderauftrages zu einer Verankerung im Grundgesetz der italienischen Republik³ geführt. Im Artikel 45 der Verfassung wird die soziale Aufgabe der Genossenschaften anerkannt und der Staat verpflichtet sich darin zur Begünstigung ihrer Entfaltung mit den geeignetsten Mitteln. Verständlicherweise schützt diese Verankerung die Genossenschaften nicht vor der Kürzung dieser Förderungen, wenn die Regierung entschlossen den Sparstift ansetzt, um die ausufernde Staatsverschuldung einzudämmen.

² Die Gebiete südlich des Brenners (Südtirol und Welschtirol) gehörten bis 1918 zu Österreich und sind heute autonome Provinzen Italiens. Zahlreiche hier noch bestehende Genossenschaften gehen zurück auf das k.k. GenGes. aus dem Jahr 1873.

³ Art. 45 der italienischen Verfassung: *Die Republik erkennt die soziale Aufgabe des Genossenschaftswesens an, sofern es nach dem Grundsatz der Gegenseitigkeit und ohne Zwecke der Privatspekulation aufgebaut ist. Das Gesetz fördert und begünstigt mit den geeignetsten Mitteln seine Entfaltung und sichert durch eine zweckdienliche Aufsicht seine Eigenart und Zielsetzung.*

3. Die unteilbaren Gewinnrücklagen und die externe Mutualität

Der gemeinwirtschaftliche Förderauftrag und die dafür gewährten Begünstigungen verursachen auch eine andere Eigenart, die im heutigen Zusammenhang erwähnenswert erscheint: Die Gewinnrücklagen italienischer Genossenschaften sind unteilbar und fließen nie – auch nicht bei der Auflösung einer einzelnen Mitgliedschaft oder des gesamten Unternehmens – den Mitgliedern zu. Vielmehr stehen sie sozusagen generationenübergreifend dem Unternehmen zur Verfügung und das nach der Auflösung verbliebene Restvermögen wird für die Förderung anderer Genossenschaften verwendet.

In diesem Zusammenhang spricht man in Italien von der externen Mutualität als einem zusätzlichen Pflichtmerkmal genossenschaftlicher Unternehmen. Auch ein dreiprozentiger Anteil des Bilanzgewinnes muss alljährlich demselben Zweck zugeführt werden. Diese weitere italienische Eigenart bringt es sozusagen mit sich, dass eine erfolgreiche Genossenschaft mit einem kleinen Teil ihres Reingewinnes zur Entwicklung und Förderung von anderen (Konkurrenz-) Unternehmen beiträgt.

Die Sammlung und Verwendung dieser Geldflüsse erfolgt durch so genannte Mutualitätsfonds, die im Laufe guter Bilanzjahre ansehnliche Vermögenswerte anhäufen und dann eine entscheidende Rolle spielen können, wenn sich das Genossenschaftswesen neuen Herausforderungen stellen muss.⁴

Die Zuweisung der Bilanzgewinne an unteilbare Rücklagen ist lange Zeit von der Einkommens- und Gesellschaftsteuer befreit geblieben, bis diese Regelung der verzweifelten Suche nach steuerlichen Mehreinnahmen zum Opfer gefallen ist. Nach den zahlreichen Sparpaketen der jüngsten Vergangenheit werden heute, je nach Art der Genossenschaft, bis zu 70% der Gewinne, die unteilbaren Rücklagen zugewiesen werden, mit dem vollen Steuersatz belastet. Bei ertragreichen Unternehmen, z.B. bei Raiffeisenkassen und großen Konsumgenossenschaften, stellt dies eine spürbare Steuerbelastung dar, die langfristig die Vermögensstärkung durch Gewinnrücklagen verringert.

Die wichtigsten Merkmale der italienischen Genossenschaften, die man bei der Analyse der aktuellen Entwicklung gegenwärtig halten sollte, können wie folgt zusammengefasst werden:

⁴ Die vielseitigen Einsatzmöglichkeiten der Mutualitätsfonds werden im letzten Teil dieser Ausführungen erläutert.

- Der erweiterte gemeinwirtschaftliche Förderauftrag veranlasst die “cooperative“, als Akteure der Sozialpolitik zu wirken;
- die unteilbaren Gewinnrücklagen verpflichten sie zu einem generationenübergreifenden Denken, die angehäuften Finanzmittel ermöglichen aber auch ein antizyklisches Handeln und konjunktur-unabhängige Investitionen;
- die externe Mutualität kann zum Multiplikator für weitere Entwicklungen werden und wirkt als Finanzierungsquelle gerade in Zeiten, wo die Kreditvergabe seitens des Bankensystems zunehmend knapper wird.

4. Das aktuelle Krisenszenario in Italien

Wenn wir nunmehr das Augenmerk auf die Zukunft ausrichten, stellen sich zwei Fragen:

1. Wie werden sich in Italien die “cooperative“ dem Szenario einer strengeren Wirtschafts- und Reformpolitik anpassen und
2. werden sie sich darin einen Spielraum verschaffen können?

Solange die Sanierung der Staatsfinanzen mit Erhöhung der Steuereinnahmen betrieben worden ist, haben genossenschaftliche Unternehmen ihren Beitrag geleistet wie jeder andere Steuerzahler auch, u.a. durch die erlittene Kürzung des historischen Steuervorteiles bei der Bildung von Gewinnrücklagen.

Aber die jüngsten Dringlichkeitsdekrete der Regierung um den parteilosen *Mario Monti* haben weit mehr als die Sanierung des Staatshaushaltes oder die Anhebung des Pensionsalters zum Ziel.

Die bisherigen Maßnahmen bzw. Ansätze lassen einen ungewohnten Reformwillen erkennen, der genossenschaftliche Unternehmen vor neue Herausforderungen stellt, ihnen aber auch innovative Betätigungsfelder eröffnet. Wie wir sehen werden, zeichnet sich bereits konkret ab, dass Genossenschaften überall dort neue Marktanteile gewinnen können, wo die öffentliche Hand sich progressiv zurückziehen will oder muss bzw. wo Liberalisierungen und neue Wettbewerbsbedingungen bisherige Berufs- oder Unternehmensmodelle infrage stellen.

Auch das nachhaltige Werteempfinden, das derzeit durch Italien weht und eine Abkehr von Profitmaximierung und unredlicher Verwaltung fordert, findet im genossenschaftlichen Ansatz eine konkrete Antwort.

Die Liste der Krisenherde in Italien ist lang und an vielen Stellen herrscht dringender Handlungsbedarf. Aus der Sicht der heutigen Themenwahl sind in erster Linie folgende Bereiche relevant, in denen sich bereits ein erneuertes Engagement der Genossenschaftsbewegung abzeichnet:

1. Die erhöhte Nachfrage nach teuren Sozialleistungen seitens einer alternden Bevölkerung,
2. Die zunehmende Einwanderung von Bürgern aus Drittländern, die hierzulande Arbeit und Bleibe suchen,
3. Der erschwerte Zugang zu Krediten für KMU,
4. Der Reformbedarf der freien Berufe,
5. Die Bekämpfung der „Mafia“ und des organisierten Verbrechens,
6. Die Abwanderung aus ländlichen (Berg-) Gebieten und der Abbau der Nahversorgung bzw. der öffentlichen Dienste;
7. Die jüngsten Erdbebenschäden im Herzen der industrialisierten Emilia.

5. Die Antwort italienischer Genossenschaften auf die Krise

Welchen Beitrag können Genossenschaften leisten, wenn Italien seine derzeitigen Probleme angehen will?

Um in der kurzen Zeitspanne eines Vortrages dieses Innovationspotenzial zu beschreiben, sollte man der Einfachheit halber die großen Problembereiche Italiens einzeln analysieren und die jeweilige Antwort der Genossenschaftsbewegung aufzeigen. Man kann vorwegnehmen, dass „il movimento cooperativo“ in den letzten Jahren seine bewährte Reaktions- und Anpassungsfähigkeit bewiesen hat. Einmal mehr haben genossenschaftliche Unternehmen innovative, bedarfsorientierte Organisationsformen bereitgestellt und die großen Probleme des Landes zu ebenso großen Chancen umgewandelt.

5.1 Erhöhte Nachfrage nach Sozialleistungen

Viele europäische Länder, in denen eine alternde Bevölkerung das Sozial- und Gesundheitssystem vor neue Aufgaben stellt, schauen nach Italien, wo Sozialgenossenschaften seit zwanzig Jahren „menschliche Förderung und soziale Integration von gesellschaftlich benachteiligten

Menschen durch rationelle Nutzung aller zur Verfügung stehenden Ressourcen⁵ verfolgen.

Getreu dem gemeinwirtschaftlichen Förderauftrag übernehmen die "cooperative sociali di tipo A" von der öffentlichen Hand in wachsendem Ausmaß Dienstleistungen im soziosanitären und schulischen Bereich und erbringen diese in einer innovativen Unternehmensform als "private public partnership".

Diese erfolgreiche Funktion bei der Ergänzung der Sozialleistungen der öffentlichen Hand wird letzthin immer wieder von Seiten des Gesetzgebers anerkannt und genutzt. So werden bei Ausschreibungsverfahren vereinfachte Teilnahmebedingungen für Sozialgenossenschaften vorgesehen sich oder ein bestimmter Teil des Ausschreibungsvolumens bleibt ihnen vorbehalten.

Die Sozialgenossenschaften bewähren sich derzeit als privatwirtschaftliche Träger von ehemals öffentlichen Diensten im Sozial- und Gesundheitsbereich.

5.2 Integration von Benachteiligten in Gesellschaft und Arbeit

Das im vorhergehenden Absatz erwähnte Gesetz 381/91 sieht die Schaffung einer weiteren Kategorie der Sozialgenossenschaften vor, die sich als Produktionsgenossenschaften der Eingliederung benachteiligter Personen in den Arbeitsmarkt widmen. Seit einiger Zeit werden Invaliden, Psychiatrieerfahrene, Rauschgift- und Alkoholüchtige, Haftentlassene, Verurteilte, Langzeitarbeitslose und Jugendliche aus schwierigen Familienverhältnissen als benachteiligte Kategorien betrachtet⁶ und genießen die Unterstützung der "cooperative sociali di tipo B". Zu den Merkmalen dieser Genossenschaften gehören ein ehrenamtlich wirkender Vorstand, das Verbot jeglicher Gewinnausschüttung sowie die Pflicht, mindestens 30% der Mitglieder aus den benachteiligten Kategorien aufzunehmen; der Einhaltung dieser Auflagen entspringt dann die Befreiung von den Sozialabgaben, die auf den Löhnen der benachteiligten Mitarbeiter anfallen. Diese Sozialgenossenschaften haben derzeit Hochbetrieb als Job-Motoren auf dem kürzlich reformierten italienischen Arbeitsmarkt. Ihre Rolle wird zusätzlich aufgewertet werden, falls z.B. Flüchtlinge oder jugendliche

⁵ Diese Definition ist dem Gesetz Nr. 381 vom 8.11.1991 entnommen, mit welchem erstmals die Sozialgenossenschaften als eigenständige Kategorie unter den italienischen Genossenschaften geregelt worden sind.

⁶ "Neue" Kategorien von Benachteiligten stehen bereits im Gespräch, z.B. Flüchtlinge, Geschädigte der organisierten Kriminalität, ehemalige Prostituierte usw.

Arbeitslose als benachteiligte Kategorien anerkannt und entsprechend geschützt werden sollten.

5.3 Erschwerter Zugang zu Bankkrediten

Wenn ein Bankensystem tief in einer Finanzkrise steckt und die Emissionen des eigenen Staates zu Risikopapieren werden, sinkt auch die Bereitschaft zur Kreditvergabe an Kleinunternehmen, die ihrerseits unter der negativen Konjunkturentwicklung leiden. Die Antwort der italienischen KMU besteht in einer verstärkten Beteiligung an den Garantiegenossenschaften. Diese leisten für ihre Mitgliedsunternehmen Bürgschaften zugunsten der kreditgewährenden Banken und bieten vor allem den Kleinbetrieben, die das Rückgrat der italienischen Wirtschaft darstellen, eine maßgeschneiderte Beratung bei Finanzierungsproblemen. Die Rolle der allgemein "Confidi" genannten Garantiegenossenschaften hat an Bedeutung gewonnen, seit zahlreiche Lokalkörperschaften ihre Maßnahmen zur Wirtschaftsförderung und Krisenbekämpfung über diese Genossenschaften und nicht über das Banksystem abwickeln. Eine weitere Aufwertung erfahren derzeit die "Confidi" durch eine stärkere Zusammenarbeit mit den eingangs erwähnten Mutualitätsfonds, weil die von der Genossenschaftsbewegung gesammelten Gewinnanteile die Garantiefähigkeit der Garantiegenossenschaften zusätzlich stärken können.

5.4 Die Reform der freien Berufe

Die in Kammern organisierten, traditionsreichen Berufe sind in Italien erst in den letzten Monaten grundlegend reformiert worden, wobei althergebrachte Einschränkungen und Vorrechte abgeschafft worden sind. Die Tarifordnungen und das Werbeverbot sind der Liberalisierungswelle ebenso zum Opfer gefallen, wie das Verbot von Gesellschaftsbildungen unter Freiberuflern. Es zeichnet sich bereits ab, dass sich die Rechtsform der Genossenschaft mit ihrem demokratischen Führungsmodell gut eignen wird, um Berufsbilder mit unterschiedlicher Spezialisierung zu bündeln und das Profitbestreben der Kapitalgesellschaften zu vermeiden. Interdisziplinäre Ansätze verzeichnet man bereits im Planungswesen und im Consulting, aber auch bei Arztberufen mit hohem technologischen Bedarf und bei ergänzenden Dienstleistungen für große Kanzleien. Sogar grenzüberschreitende "cooperative del sapere" durch Schaffung von EU-Genossenschaften erscheinen aus heutiger Sicht denkbar.

5.5 Die Bekämpfung des organisierten Verbrechens

Im Kampf gegen die Unterwanderung des Wirtschaftsgeschehens durch Mafia und organisiertes Verbrechen werden immer wieder Liegenschaften und landwirtschaftliche Güter beschlagnahmt und enteignet, aber der italienische Staat ist dann meistens unfähig, eine effiziente Verwaltung derselben zu gewährleisten.

Seit einiger Zeit bewähren sich Genossenschaften, denen die Verwaltung, Wiedergewinnung und Nutzung der Ländereien und der Betriebe übertragen wird. Innerhalb des Netzwerkes der italienischen Genossenschaften erfolgt dann auch die Verarbeitung und Vermarktung der meist landwirtschaftlichen Produkte, wobei Mitarbeiter der früheren Inhaber beschäftigt werden, sofern sie keine Vorstrafen erlitten haben.

Der Vertrieb an den Endverbraucher erfolgt dann über die nationalen Konsumgenossenschaften und durch die Eine Welt Läden, die ihrerseits in Genossenschaftsform organisiert sind.

5.6 Der Abbau der Nahversorgung bzw. der öffentlichen Dienste

Die jüngste Erscheinungsform innovativer italienischer Genossenschaften sind die "cooperative di comunità". Ihr Förderauftrag betrifft meist ein benachteiligtes Territorium, z.B. eine kleine ländliche (Berg-) Gemeinde, die von Abwanderung betroffen ist oder von einer säumigen Lokalverwaltung geführt wird, die nicht mehr in der Lage ist, nachfrageorientierte, bürgernahe Dienstleistungen zu erbringen.

Wo Lokalkörperschaften überfordert und Privatunternehmer nicht interessiert sind, übernimmt einmal mehr die Genossenschaftsform die Rolle der Selbstverwaltung und Selbstbestimmung.

Sie wirkt gegen Abwanderung und für aktiven Umweltschutz, trägt zur ökologischen Energiegewinnung und zur Bewahrung alter Berufe bei, betreibt die Vermarktung lokaler Produkte und erbringt vielseitige Dienste an der Gemeinschaft.

Dabei betreibt sie Schülertransporte und Schulausspeisungen ebenso wie Breitbandanschlüsse, sie sichert die Nahversorgung und den Denkmalschutz, betreut Freizeitaktivitäten, betreut die sportliche Infrastruktur des Dorfes und nutzt leer stehende Häuser für den Fremdenverkehr.⁷

⁷ Mit der Bezeichnung "albergo diffuso" sind bereits einige Initiativen erfolgreich geworden, die eine innovative Präsenz der Genossenschaften in der italienischen Hotelbranche darstellen.

Jüngste Erfahrungsberichte melden erste Erfolge sogar bei der Weiterführung der Postämter, die von einer sanierungsbedürftigen Postverwaltung eingestellt oder nur mehr sporadisch betrieben werden.

In all diesen Bereichen kann die Form eines genossenschaftlichen Unternehmens nicht nur eine bürgernahe Dienstleistung sicherstellen, sondern auch zur Verbesserung der Beschäftigungslage in benachteiligten Gemeinden beitragen.

Diese auch als "cooperative di utenza" bekannt gewordenen innovativen Genossenschaftsformen eignen sich auch für die nachhaltige Vermarktung von regionalen Produkten oder für die Nahversorgung in strukturarmen Gebieten.

5.7 Soforthilfe bei den Erdbebenschäden in der Emilia

Wie schnell und zielgerecht die Genossenschaftsbewegung reagieren und sich plötzlich auftretenden Erfordernissen anpassen kann, beweisen die "cooperative di supplenza" in der stark industrialisierten Region der Emilia Romagna, die kürzlich von einer Erdbebenserie heimgesucht worden ist.

Hier haben sich neue Genossenschaften bereits gebildet, und bestehende Unternehmen wirken mit, um die Produktionskapazität beschädigter Betriebsstätten zu ergänzen bzw. zu ersetzen.

Nach dem Prinzip "alle für einen" tragen unversehrt gebliebene genossenschaftliche Unternehmen dazu bei, die Einhaltung der Lieferverträge seitens beschädigter cooperative zu gewährleisten und deren Beschäftigungslage aufrechtzuerhalten.

Die Genossenschaften des Baugewerbes haben sich zu einem Ehrenkodex verpflichtet, um die Misswirtschaft und Unterschlagung von öffentlichen Aufträgen im Wiederaufbau zu vermeiden.

Sozialgenossenschaften ersetzen schließlich mit ihrer Tätigkeit den fehlenden Unterricht an beschädigten Schulen.

6. Schlussbemerkung

Die Reihe der Beispiele könnte noch weiter geführt werden und müsste die ersten Erfolge der italienischen Seniorengenossenschaften und das "social housing" mit den genossenschaftlich geführten Mehrgenerationenhäusern streifen. Aber auch die Wiederbelebung der kriselnden Medienbranche und des erschlaffenden Kulturlebens müsste man erwähnen, weil sie auf genossenschaftliche Initiativen zurückgreift.

Dann wäre das Bild der genossenschaftlichen Landschaft Italiens mit ihrer neu erwachten Aufbruchsstimmung etwas vollständiger. Man sollte auch auf die Herausforderungen eingehen, die sich aus diesen Entwicklungen für die italienischen Genossenschaftsverbände auf zentraler und lokaler Ebene ergeben.

Und man könnte nachdenken über die zukünftige Rolle der Mutualitätsfonds als untypische Investmentfonds bzw. als Förderinstrumente der Branche.

Und schließlich müsste man erwähnen, dass Italien, das ein eigenes Genossenschaftsmodell im Laufe der Jahrzehnte entwickelt und verfeinert hat, in zunehmender Weise die im Ausland errichteten Sekundärgenossenschaften nachahmt, um die Vernetzung von genossenschaftlichen Unternehmen zu fördern bzw. um deren Position auf dem Primärmarkt zu festigen.

Auf die Frage, ob Italien nach Krisen und Reformen sich im internationalen Vergleich wieder erholen und behaupten wird, kann an dieser Stelle nicht eingegangen werden.

Hingegen kann die Frage, ob die italienische Genossenschaftsbewegung derzeit, in erneuerter zeitgemäßer Form ihrem historischen Förderauftrag nachkommt, eindeutig bejaht werden.

National and International Aspects of the Portuguese Legal Framework for Cooperatives

João Salazar Leite

1. Some History

Portugal has a unique system of legal instruments for cooperatives and the social economy, which might be interesting to study and discuss. We have an old co-operative movement, explained by the links we had with the British, as they helped us in the fight against the Napoleon armies. Bad relations with our Spanish neighbours also made our relations with Europe be based on the maritime route, and British were the first ports our ships went to. Therefore we were very much aware of the co-operative ideas and practices. We followed the British with the world's second cooperative law, published in 1867, some months before the French and German ones. At those earlier stages cooperatives were considered associations and dealt with under the Civil Code.

In 1888, however, our legislator decided to consider them as one of the 4 types of private societies, therefore being dealt with by the Commercial Code, situation that subsisted until 1980.

At the turn of the XIX/XX century, once normalised the relations with our neighbours, and after the construction of a railway to Europe through Spain, our intellectuals turned to the French cooperative ideas, those of *Gide* and the Nimes school, followed by those of *Georges Fauquet* and the ILO cooperative office. Like in other parts of Europe the consumer cooperatives were the most important branch of existing cooperatives, and credit, industrial, agriculture and housing cooperatives existed but in low numbers.

Following the 1974 revolution, that stopped the so called '50 years of dictatorial regime', a boom in the creation of cooperatives occurred (they quadrupled to almost 3000), and the Governments had to answer to and create a legal frame for this situation.

2. From the Constitution to the Cooperative Code

In 1976 the democratic Constitution saw the light. The President of the Constitutional Assembly, *Henrique de Barros*, was a long time cooperative crusader, who influenced the text and brought into it the ideas of the late *António Sérgio*, our leading cooperative ideologue. The Portuguese Constitution states in its article 61, that the right to create cooperatives is given to all, in observation of the cooperative principles. The Constitution opens way to cooperative activities in all sectors of the economy, if authorised by the law, and to their regroupment in unions, federations and confederations.

Which principles are we talking about? The problem arose with article 3 of the Cooperative Code. The Code 1996 revised version, published after the ICA Centennial Manchester Congress, states that to be recognised as a cooperative in Portugal, all ICA cooperative principles and the declaration on values must be observed. Until that date (first version in 1980 and following revisions) it wasn't clear for me this obligation. ICA had its principles, but WOCCU had them slightly different for credit unions.

From that 1996 date onwards, if we decide to create credit unions in Portugal, we can't do it because they still abide to their own principles. In practical terms they don't exist, because the Bank of Portugal, in spite of the existence of article 61 mentioned, only allows banking cooperatives in the agricultural sector.

Recently, recognising this unfair situation in the banking sector, a June 2009 law allows agricultural credit cooperatives to operate with the general public, however limited to 35% (in special cases 50%) of their total net active (article 28 of *Decreto-Lei* 142/2009, of June 16). May be in some year's time we will have a full cooperative bank, a bank that could bring a solution to the difficulties cooperatives now have in finding credit in the commercial banks. The Constitution makes further special references to cooperatives in the housing, education, social solidarity, consumer and agricultural sub-sectors.

A final very important reference is to be made to article 288 in the Constitution. It states that future changes made to its text, must leave untouched the "*coexistence of the public sector, the private sector and the cooperative and social sector of the means of production property*".

The cooperative and social sector is regulated in article 82 of the Constitution. It includes the means of production:

- owned and managed by cooperatives;
- owned and managed by local communities;

- collectively explored by workers;
- owned and managed by non lucrative legal entities having as their main aim social solidarity, namely entities of a mutual nature.

To reflect in the law what the Constitution determines, cooperatives have since 1980 an autonomous legislation, the Cooperative Code, and a special tax regime (*Rodrigues, 2000*). The Cooperative Code states that cooperatives are not created under the society or association legal forms; they are a tertium genus. Therefore several specific concepts and expressions are used, for instance persons who join the cooperative are called co-operators or members and not shareholders or associates. This tertium genus regime exists, as said above, only since 1980 (*Leite, 1994, pp.12*).

Being the cooperative sector a tertium genus, Portugal is presently faced with a problem created by the European Cooperative Society statute. What will we do when a European cooperative society wants to have its main office in Portugal? For the moment none of the few existing ones covers Portugal, but admitting sometime this will happen, we will have to decide if the two different regimes (societies law and tertium genus) can remain unchanged, or we have to change our present law. In fact we could decide to change the Cooperative Code, or we can reinstate European cooperative societies in the Commercial Societies Code, the new wording for the Commercial Code.

When negotiations started in Brussels in the early nineties, we tried that the other countries around the Council table, at that time limited to twelve, understood our specific situation and could accept that the new European cooperative was left without a reference to the fact of being a society, an association or something else, thus following the same solution taken for foundations and mutualities and proposed for associations. However, the Commission never accepted our arguments, and a decade later, in 2003, the Council passed the law. But once again few European cooperatives exist, and only if the review of the statute proposed by the Commission for the next months will mean a simplification of the existing articles, we will be able to see an increase in European cooperative societies creation, and may be then we will have to make the needed changes.

3. The Cooperative Code

Article 4 of the Cooperative Code mentions that the cooperative sector includes 12 cooperative branches: consumer, trade, agriculture, credit, housing, industrial production, handicraft, fisheries, culture, services, education and social solidarity cooperatives. Multipurpose cooperatives are allowed, but statutes must say which branch members choose as main branch, in accordance with their main activity.

Each branch has a further special law to be observed alongside the Cooperative Code. Each cooperative, to be registered, must observe its branch minimum capital and number of members. Initial capital goes from 250 Euros for handicraft, culture, services and industrial production cooperatives, to 5000 Euros for agriculture and university cooperatives. Other education cooperatives, so as cooperatives from the remaining branches, must be created with 2500 Euros minimum capital. Credit cooperatives, in accordance with Central Bank decisions, must be created with a minimum capital of 1.246.994 Euros. All cooperatives can be started by 5 individual members, being credit cooperatives the exception, needing 50 members as a minimum.

Cooperatives are therefore easy to create and a good form for many to start or restart their economic or social activities. Unemployed, women and youth, among others, can look at cooperatives as an easy way to be active and improve their lives.

Article 6 of the Cooperative Code makes reference to the so called public interest cooperatives, or “*regies cooperatives*”. They are regulated by a special 1984 law (Decreto-Lei 31/84 of 21 January). Public interest cooperatives can be created by State or local authorities, jointly with individuals, cooperatives and all other types of enterprises. I will come back on this later.

Special reference must be made to article 8, allowing cooperatives to join other cooperatives or private enterprises in a joint venture. This opens the door to a social economy sector, may be also to a future new legal form that could incorporate all different social economy families. At local level I could foresee a ‘social economy house’, a place where offices of the different social economy partners could be located, thus using common support services and make interact their respective lists of members. A real sector only exists, in the words of *António Sérgio*, when a spider web is formed by the social economy entities, for instance when consumer members can find treatment to illnesses in the Misericórdia (a church related type of association) hospital, when someone member of a mutual society can find a house in a cooperative, and so on.

Article 15 is about the mandatory dispositions to be included in the cooperative statute: Name; head office address; cooperative branch of its main activity; duration; organs; initial social capital and individual

capital subscribed. When cooperative initial members do not voluntarily rule on a given subject in the organisation statutes, the Cooperative Code will act as supplementary text.

Cooperatives acquire legal personality after being registered following articles 4, 9 and 10 of the Commercial Register Act. For this purpose they are seen as any other enterprise.

The Code deals lengthily with the cooperative organs (General Assembly, Board of Directors and fiscal Council) and their functioning; mergers, schisms and integrations; dissolutions, the previous process of liquidation and existence of an amount that should then go to another cooperative and not redistributed between members; mandatory and facultative reserves, one of the mandatory ones being the reserve for education and training.

Special mention should be made to article 80, that states being illegal the transformation of a cooperative into any type of commercial society. This article is very important, as it shows that cooperatives aren't considered as commercial societies.

Finally the Code deals with second and third degree cooperatives and relations with the State. Four final and transitory dispositions are included, one of them article 92 declaring that fiscal and financial benefits shall be included in a special law.

4. Fiscal law

In what concerns the fiscal regime, cooperatives and their members had, since 1980, a special treatment (firstly DL 456/80, then Law 85/98, of 16 December, that just has been abolished by the 2012 Budget law) if compared with other enterprises, but year after year we saw some of that special treatment being reduced under the yearly State budget laws.

The private sector never stopped its lobbying activities against the so called cooperative most favoured regime, apparently with success. No cooperative lobby exists, so we witness weak reactions from this or that organisation, with no effect at all. Cooperatives only have fiscal and financial special treatment if CASES, a public interest cooperative I later will speak about, recognises that their statutes and by-laws obey the law, that reports are yearly published on the activities carried out and accountancy is correct. Articles 87 and 88 of the Cooperative Code rule this matter.

Cooperatives can be submitted to an inspection by the fiscal authorities to their documents, this being the only legal inspection admitted.

Since 1974 that the State declined to inspect the day by day activities of a cooperative as a cooperative. Of course a coop university or primary cooperative school can be inspected by the Minister of Education on the teaching activities, but not on the cooperative itself.

Because of the crisis the country is going through, the 2012 budget project law previewed a total end to the cooperative tax exemptions, decision that obviously could be declared against the Constitution by the Constitutional Court. During last time negotiations, the Secretary of State responsible for the social economy sector could finally convince his government colleague responsible in the Finance ministry to keep a reduced list of exemptions for at least one more year. This will be a permanent fight cooperative Confederations will have with the Government during a couple years more.

Some types of cooperatives (agriculture, culture, social solidarity, housing) keep exemptions to corporation tax. The others only may have it when 75% of the cooperative workers are at the same time members of the cooperative, and 75% of the members effectively work in the coop. Cooperatives can also be exempt of local taxes, and municipal real estate tax on the premises of the cooperative headquarters.

5. Public interest cooperatives

Article 6 of the Portuguese Cooperative Code (in its present version, Law 51/96, of September 7) allows the creation of *regies cooperativas* or public interest cooperatives. Members of this type of organisation can be: State, other public law collective entities, like municipalities, autonomous regions or public enterprises, but also cooperatives and/or users of public goods and services. Public interest cooperatives can be formed either only by public members, or others open to the so called civil society, in areas where services can no longer be fully provided by State or regional public bodies.

Its main objective is therefore the prosecution of public interest activities. Capital is subscribed by members according with the founding act. Although in theory State or other public bodies can join the public interest cooperative subscribing less than half the social capital, this seems not to be the case, as public entities want to be responsible for the management and decide, in terms of voting, the direction of activities to be carried out.

The Cooperative Code saw the day, as said, in 1980. *Regies cooperativas*, already previewed by the initial text, were only regulated in 1984, under *Decreto-Lei* 31/84, of January 21. In the justification remarks one

can read: "...there is no tradition, nor sufficient theorisation that allows us to evaluate its applicability to our cooperative reality. Therefore, when writing the present law, there has been a preoccupation in not being over regulatory".

And further on: "although we must consider that the public interest cooperative should be the nearest possible to the normal cooperative, one can't forget its specificity, nor that the nature of its members that belong to its public part determines, sometimes, the adoption of some solutions that not always abide to pure cooperative principles".

So, the lawmaker is confronted by a double challenge: can public entities be part of cooperatives, and if yes how can they keep control of the decision processes in an organisation based upon equality (one member, one vote rule). Personally I answer yes to the first challenge, but no to the second one. Or at least, I could assume that equality, the democracy principle, could be postponed for a certain period of time, but never forever. I will come to this later. The problem lies, again, with the new wording of article 3 of the Cooperative Code. Let us remember that the Code 1996 version, published after the ICA Centennial Manchester Congress, states that to be recognised as a cooperative in Portugal, all ICA cooperative principles and the declaration on values must be observed.

The violation of the cooperative principles was so clear to some, that they asked the Constitutional Court to declare *Decreto-Lei* 31/84 not abiding to the Constitution, therefore it could not produce effects. The decision taken by the judges, however, was that article 1, § 3, and article 14 on taxes also, of the text were unconstitutional, but that the rest of the text could be in force, therefore public interest cooperatives could exist as cooperatives.

For information, article 1, §3 of the text allowed public interest cooperatives to act in areas where private entities are forbidden to act. In cases where the majority of the cooperative capital was in the hands of private members, this could not be accepted.

This legal situation created a further difficulty, namely if public interest cooperatives should be included in the private sector or elsewhere. In Portugal, as said, the Constitution speaks of three sectors: public, private and cooperative and social sectors, so one should include them in this last one. However, this is not clear if the majority of the capital lies in the hand of public entities.

Rui Namorado, well known Coimbra Professor in Cooperative Law, in his book "Introduction to Cooperative Law", states that they only are part of the cooperative and social sector since the revision of the Cooperative Code in 1996. From then on *regies* could be looked upon not as full cooperatives, but as organisations similar to cooperatives, due to the new wording introduced to article 1 of the Code ("*The present law is applicable to all grades of cooperatives and to similar organisations*").

whose special legislation expressly remits to it”). Therefore he considers that they are now full cooperatives under Portuguese law.

In the case of article 14, on taxes, the problem was that the competence to raise or reduce taxes lies in the hands of the National Assembly, and not in the hands of the Government. Therefore it was declared unconstitutional. Both unconstitutionalitys were solved by the Government at a later stage in time.

Let us see in detail where cooperative principles are violated. The answer is given by the legislator himself:

- participation in the governing bodies linked to the social capital (article 8,§1);
- voting rights also in accordance with the subscribed capital (article 12);
- public part can decide to nominate and change their representatives without having to go through a general assembly (article 10);
- decision by the public part to quit the public interest cooperative is linked to an administrative decision (articles 13 and 3,§1). And he justifies himself: “... if this wasn’t the case, it was not possible to create a public interest cooperative, because of the natural difficulty the public part would always have in joining in, in a strict equality position, with cooperatives and/or users”.

The administrative decision can be issued by the Council of Ministers or the Regional Governments (islands of Madeira and Azores) when the member is the State, by a Minister when the public participation comes neither from the State nor the municipalities, or by the municipal assembly when a municipality subscribes the capital (article 3,§2).

The decision must include:

- definition of the object and duration;
- minimum capital;
- capital to be subscribed by the public partners;
- conditions where public capital can be increased or sold;
- conditions for the public part to quit the cooperative;
- creation of reserves;
- distribution of surpluses.

Therefore, it will be very difficult for the non public partners to decide the course of a public interest cooperative and to keep it alive when public capital is withdrawn, following the terms of the initial administrative decision. Article 13, §2 declares non existent a general assembly decision to exclude the public partners in a public interest cooperative. But article 12,§3 accepts the transformation of the public

interest cooperative in a normal cooperative, when the public partner leaves the cooperative in accordance with the administrative decision. If the others want to continue, they only have to raise their own capital contributions to reach the legal minimum established in article 18, §2 of the Cooperative Code (this minimum further depends on the special law for each of the 12 cooperative branches).

Apparently this could answer to the second challenge raised, but I would prefer another solution, as I will explain later. So, several violations to the second cooperative principle, democracy, can be found. Violations also exist to the first principle, in what regards the freedom to keep the organisation going on, with a sufficient number of members, when the public part decides to leave. Not always can they continue to provide services to members, depending on conditions of the administrative decision referred to.

Having said this, however, the cooperative family (those organisations belonging to the International Cooperative Alliance) recognises several types of cooperative undertakings that doesn't abide to all cooperative principles. Under the heading "cooperative hybrids" several new experiences were made legally possible in given countries, for instance social cooperatives in Italy, developments in the Mondragon family in Spain, and are discussed in the Research Committee of the Alliance. Therefore, it is legitimate for me to ask if our public interest cooperatives couldn't be included as one of such hybrids.

I revisited the last century doctrine on *regies cooperatives*, the writings of *Bernard Lavergne*, in France, and *Paul Lambert*, in Belgium. In my opinion, State or other public entities participating in the capital of a *regie*, should always leave it, should not stay in them one day more, when the private partners are capable of keeping the activities rolling without public support. A true cooperative would see the day when this happens.

In an article published in University of Deusto, Bilbao, 1992 Cooperative Studies Yearbook, I considered to be abusive the use, by the Portuguese legislator, of the expression *regie cooperative* as a synonym of public interest cooperative. From my point of view, reflecting my overall position on State participation in cooperatives, a "true cooperative *regie* should after some time transform itself into a "normal" cooperative. I mean by this that, even when central or local public authorities participate, in majority, in the cooperative's starting capital, they should gradually open that capital to existing private partners, according to the yearly results. After some time, we find a real cooperative in the place of the *regie*, one where all capital is in private hands, a cooperative of individuals and/or cooperative organisations regrouped around a common objective".

Lavergne wrote: "A cooperative *regie* is a cooperative with the curious characteristic of having as members, instead of individuals, almost only

moral public law persons: State, provinces, departments, communes, public entities". So, he could never have accepted the Portuguese model, but of course we are decades apart when looking into the economic reality around us.

I would like to think, at a time when the Social State is in the forefront and at risk in the present economic crisis in many European countries, that *Lavergne*, if living, would accept that cooperatives, other types of private enterprises, and even individuals, could be members of a *regie*. Some services provided beforehand by the State can no longer be fully provided. Therefore the *regie* model with private participants may be an interesting solution to be adopted by national legislators.

I consider the *regie* model to be of use nowadays, namely in sectors where, to start, huge amounts of capital is needed (seed or risk capital), or sectors of public interest at national, regional or local levels, but always for the shortest possible period of time. For instance, after some natural catastrophes, big environment crisis, men caused disasters, reconstruction must be a joint effort between State and citizens. These, don't have capital, but if they don't feel themselves involved, final results achieved seldom will be the best. Let's recall what happened in Europe after both World wars and the efforts made, through cooperative *regies*, in some countries. Also some general interest services, for instance water provision, garbage collection, school transport, culture, could be dealt with at local level under a public interest cooperative.

Having said this I consider Portuguese law to need adjustments. And the present Government already publicly declared they are studying it. Our law isn't far away of *Lavergne's* theories, namely the criteria. I also consider we may have problems with democracy. I consider it a true hybrid.

6. New developments in Portugal

During the preparation of the 3rd European Conference on Social Economy, held in Lisbon back in 1992 during our first EU Presidency, a dialogue with no substantive results in the years that followed began between the three different families, cooperatives, associations and mutualities. At some point in time it was considered the creation of a Social Economy Institute to replace Inscoop, the Cooperative Institute, but the process was stopped before the turn of the century. At the same time at European level, a similar 'blackout' happened in the influence inside the European Commission of the different structures and social economy lobbies.

But recently, changes are occurring fast. The previous Government, a socialist one, wrote in its Programme, under the heading “to reinforce the role of social economy”, the recognition of the citizen organisations that try to bring together efficiency criteria and the production of critical public goods (health, social solidarity, education, housing...), meaning a symbiosis between market economy and social preoccupations.

The intention was to establish a true Public Social Partnership for an intervention strategy aimed to seek a social and economic regeneration, so needed after the recent neoliberal policies. The Partnership should be structured on 5 points:

- Reduction of the public deficit, through contracts with social economy organisations allowing to guarantee the efficiency of public expenditures, namely in the social intervention area;
- Fight against unemployment, by promoting initiatives like micro-credit or cooperative employment;
- Developing innovative Social security measures, namely using mutualities;
- In Regional Development policy, using local and regional organisations, namely in the field of rural development;
- In housing policy, namely through the cooperative movement.

The Government began by closing Inscop, the Public Institute for cooperatives existing since 1977, meaning with this that we ceased to have a 100% public organisation to carry out State’s policies and orientations for cooperatives. The, then, Minister for Labour and Social Solidarity decided to propose the transformation of Inscop in a new organisation to face present Social Economy challenges, as the society, like all other societies of the other EU and world countries was faced with a new paradigm in the process of economic and social development.

In Inscop’s place a new body has been created (Decreto-lei 282/2009, of October 7), under the form of public interest cooperative, bringing together State, both National Cooperative Confederations, the Union of Mutual Societies, the Union of Misericórdias (a type of association linked to the church existing for over 500 years), the National Confederation of Solidarity Associations and a national local development association, ANIMAR.

As a cooperative, the organisation is opened to other members, namely the foundations. The intention was to strengthen the cooperative and social sector institutions politically, economically and institutionally, giving them a greater public visibility and operational capacity, therefore responding to the European Parliament recent suggestions of action for the EU.

The new body called CASES – Cooperativa António Sérgio para a Economia Social, has been accepted by the ICA – International Cooperative Alliance as a full member. It will manage a Programme for Social Economy Development – PADES (Resolução do Conselho de Ministros n° 16/2010, of March 4) and the National Microcredit programme.

PADES has a subsidized and guaranteed credit line for the social economy sector, called *Social Investe*, in the amount of 15.000.000 Euros, with three objectives: investment to reinforce existing or new activities intervention areas; modernisation of services delivered to the community; management modernisation and treasury reinforcement. CASES, is joined by the National Institute for Employment and Professional Training and the Portuguese Mutual Guarantee Society in PADES's management.

The National Microcredit Programme, *Sou Mais*, aims all those with special difficulties in market access and in risk of social exclusion, with a business viable idea and entrepreneur profile, business that brings sustainable job creation or consolidation.

To discuss social economy considerations, CASES will be in charge of the running of a Social Economy National Council – CNES ((Resolução do Conselho de Ministros n° 55/2010, of August 4). Presided by the Prime Minister, it includes as members other Ministers, representatives from regional and local authorities, representatives from the different social economy organisations and experts in the field of social economy. It will have consultative, evaluation and follow up functions in what regards policy proposals and strategies aimed at the enhancement and growth of social economy.

The National Council is discussing the revision of all laws that touch the social economy organisations, with a harmonisation perspective. CASES inherited all public competences in what regards cooperatives, but not over mutualities and associations. Responsibility on those belong to the Social Security General Direction (Decreto Regulamentar n° 36/2012, of March 27). This causes some policy coherence questions, but for the moment the most important is to sit all partners around the table and discuss jointly common matters.

Social economy considerations are a hot topic in Latin European countries, and the European institutions are following the way. Spain passed the first National Social Economy Framework Law. In France after the Vercamer report, we wait for new developments in the government structure aimed at social economy. A pilot project launched by the Commission on social economy satellite accounts is being tested by 5 different European countries, so Portugal has prepared similar steps and unveiled the preliminary data on October 24th. The European Economic and Social Committee has promoted an update of the CIRIEC study on 'The Social Economy in the European Union'.

But we must be very attentive to new initiatives developed on entrepreneurship and social enterprises; we consider that they could cause more damage than benefices to social economy organisations in the way definitions and objectives are being proposed by the European Commission.

Portugal wants to coordinate actions with Spain and others, allowing us to push Brussels in such a way that social economy, and not social enterprises, can be a full partner in the European social dialogue. We want to do it not only inside the Commission, but also in the European Parliament, where we recognise and want to strengthen the intergroup on social economy.

We are sure that cooperatives, mutualities, associations and foundations will find new development forms inside the social economy sector. In fact the cooperative values and the principles of education, intercooperation and interest for the community, recognised and to a certain point also adopted by the other types of organisations, will give us a leading authority when speaking of a new bottom up push up, that can generate a general recognition of our sector.

The present Government, a coalition of Social democrats and Christian democrats, didn't change the organisational framework they inherited. However, they decided to push in Parliament a framework social economy law, at the image of the one adopted in Spain. The law was adopted and sent to the Commission in charge for some changes. I would have preferred that the law only was brought to discussion when the CNES's process on revision of all existing legislation had been concluded; but we have to be ready to deal with what is imposed to us. So, we are trying to lobby our Parliament to introduce the needed changes in the framework law (*Lei de Bases*), changes to be voted in the Parliament's Commission in charge before final adoption in Plenary, that hopefully will happen in November.

Portugal supports a revision of the European cooperative statute and a renewal of the discussions on the mutual societies, associations and foundations European statutes. We want that the Commission prepares for discussion an action plan for social economy, which could use the ideas adopted in *Toia's* Parliament 2009 resolution. As said, we don't want that private enterprises follow, again with the new social enterprise concept, the same line they did impose in the corporate social responsibility discussion.

We are preparing a 1st Portuguese Social Economy Congress for 2013. All matters on the table at present will be discussed, but most importantly we aim to bring all social economy families to draw a development plan that brings social economy into the next decade and recognises it as a full economic and social partner.

1.3 Osteuropa – Transformationsländer

Die Rolle und Struktur des genossenschaftlichen Bankwesens in Polen

Agnieszka Alinska

1. Einführung

Die Genossenschaftsbanken (GB) haben in Polen eine langjährige Geschichte. Sie überstanden sowohl die Zeiten der Besetzungen und der Kriege als auch der zentralen Planwirtschaft und erreichten dabei sehr gute finanzökonomische Ergebnisse in der freien Marktwirtschaft. Im Jahre 2012 feierte die Genossenschaftsbank in Brodnica, eine der ältesten Genossenschaftsbanken in Polen, ihr 150. Jubiläum. Der bankgenossenschaftliche Sektor, der seit vielen Jahren auf dem Markt der Bankdienstleistungen agiert und im Laufe der Zeit zahlreichen Umstrukturierungen und organisatorischen Veränderungen ausgesetzt war, ist nach wie vor ein wichtiger Bestandteil des Bankwesens in Polen. Die Genossenschaftsbanken verfolgen im Rahmen ihres Tätigkeitsbereichs die im Bank- und Genossenschaftsrecht festgelegten Ziele und Grundsätze und bleiben dabei ein treuer Partner ihrer lokalen Kunden. Der duale Charakter der GB bewirkt, dass sie nicht nur Banken, sondern zugleich auch Genossenschaften sind, das heißt freiwillige Verbände einer unbegrenzten Zahl von Mitgliedern, die bei ihrem Beitritt zur Genossenschaft Einzahlungen in Form von Anteilen deklarieren, die dann den Wert des Beteiligungsfonds ausmachen, der in das Eigenkapital der Banken eingeht. Dabei ist es bemerkenswert, dass bei manchen Banken, die auf unserem Markt agieren, gerade solche Finanzinstitute den größten Marktanteil haben, deren Wurzeln auf die Genossenschaft zurückgehen. Dazu gehören unter anderem die Rabobank (BGŻ, BGŻ Optima), die Crédit Agricole oder die Raiffeisen Bank. Letztere assoziiert man in Polen vor allem mit der Betreuung von Firmenkunden¹.

In den letzten zwei Jahrzehnten (1989-2012) war eine Reihe von wesentlichen Veränderungen bezüglich der Struktur und Prinzipien der

¹ Nach der Übernahme der Polbank SA durch Raiffeisen Bank Polska SA wird höchstwahrscheinlich die Betreuung der Privatkunden ausgebaut.

internen Zusammenarbeit im Rahmen der Verbände zu verzeichnen. Sie ergaben sich sowohl aus Herausforderungen und Erwartungen des Marktes als auch aus finanziellen und organisatorischen Möglichkeiten der Genossenschaftsbanken, die sehr oft mit dem genossenschaftlichen Charakter ihrer Tätigkeit zusammenhängen. Die Genossenschaftsbanken agieren auf dem lokalen Markt, sie betreuen die Kunden aus ihrer nächsten Umgebung und konkurrieren dabei mit den Kommerzbanken durch bessere Qualität der von ihnen angebotenen Dienstleistungen. Sie verfügen über gute Kenntnisse der Bedürfnisse ihrer Kunden und deren finanziellen Möglichkeiten und unterstützen die lokale und regionale Entwicklung ihrer Gebiete. Zugleich versuchen sie durch Einführung von modernen Dienstleistungen und Produkten, neue Kundengruppen zu gewinnen. Die Genossenschaftsbanken, die im Rahmen der Verbandstrukturen tätig sind, haben nur in geringerem Maße unter den Folgen der Krise gelitten. In Zeiten schwacher ökonomischer Konjunktur und immer stärkeren Einflusses der Finanzkrise auf den Markt der Finanzdienstleistungen in Polen verzeichneten die Genossenschaftsbanken durchaus positive finanzökonomische Ergebnisse. Ihr finanzielles Potenzial, gemessen an den wichtigsten Kennzahlen des Jahresabschlusses und der Gewinn- und Verlustrechnung, weist auf weitere Möglichkeiten der Entfaltung und Stärkung eines solchen Finanzinstituts und seiner Stellung auf dem Markt hin. Angesichts dieser Überlegungen entsteht die Frage: Warum muss der Sektor der Genossenschaftsbanken trotz so vieler positiver Ergebnisse eigener Tätigkeit wieder neuen Herausforderungen gerecht werden und sich an die neuen Regulierungen und Erwartungen des Marktes anpassen? Die gegenwärtige Situation auf dem Finanzmarkt zwingt die Genossenschaftsbanken (ihre Eigentümer und Manager), viele bedeutsame organisatorische und funktionale Veränderungen durchzuführen. Die Bedingungen, unter denen die Genossenschaftsbanken zu agieren haben, sind schwierig zu erfüllen und erfordern strategische Entscheidungen. Der Sektor der Genossenschaftsbanken steht erneut vor der Notwendigkeit der Veränderungen im organisatorischen und funktionalen Bereich, deren Ziel es ist, sich an die neuen Markterfordernisse und Herausforderungen anzupassen, die durch die Behörden der europäischen Union vorgeschrieben sind.

Der vorliegende Aufsatz hat sich zum Ziel gesetzt, die allgemeinen Veränderungen, die bisher im Sektor der Genossenschaftsbanken vollbracht wurden, zu beschreiben, sowie die Möglichkeiten der Ausarbeitung eines Modells des genossenschaftlichen Bankwesens in Polen aufzuzeigen.

2. Allgemeine Charakteristik des Potenzials und der Finanzlage im Sektor der Genossenschaftsbanken

Im Jahre 1990 agierten in Polen 1.664 Genossenschaftsbanken, 1997 verringerte sich ihre Zahl auf 1.295, Ende 2001 gab es von ihnen nur noch 644. Ende 2011 umfasste der Sektor der Genossenschaftsbanken in Polen (Genossenschaftsbanken und Verbandsbanken) 573 Genossenschaftsbanken, die in zwei Verbandsstrukturen agierten. Es gab über 4.200 Standorte mit 32.000 Mitarbeitern. Der Anteil dieses Sektors am polnischen Bankmarkt lag bei 8-10% (Bilanzsumme: 8,2%, Kredite und Darlehen: 8,39%, Depositen: 10,22%, Eigenkapital: 8,2%, Nettoergebnis: 6,79%). Die Gesamtkapitalrentabilität (GKR) betrug 1,14%, die Eigenkapitalrentabilität (ROE) 9,35% und der Zahlungsfähigkeitsfaktor (*Cook's*) 13,9%.

Ende 2011 verband die Bank BPS SA 366 Banken, dies entspricht 63,76% der Gesamtzahl aller Genossenschaftsbanken, und die SGB-Bank SA 207 Banken (36,06%). 2011 stieg die Zahl der Genossenschaftsbanken der Gruppe BPS um 9, die vorher zur Verbandsstruktur der MR Bank gehörten, was den Anteil der Genossenschaftsbanken der BPS Gruppe um 1,44 Prozentpunkte im Vergleich zu Dezember 2010 steigerte. In den Genossenschaftsbanken der Gruppe BPS SA arbeiteten 19.708 Personen, das waren 60,22% aller im Sektor der Genossenschaftsbanken angestellten Mitarbeiter. Die Genossenschaftsbanken der Gruppe SGB Bank SA zählten 12.390 Mitarbeiter (37,86%).

Die Genossenschaftsbanken der Gruppe BPS hatten 2.786 Standorte, was 60,64% aller Standorte in diesem Sektor ausmachte. Zu den Genossenschaftsbanken der Gruppe SGB-Bank gehörten 1.733 Standorte, das waren 37,72 %.

Am Ende des ersten Quartals 2012 agierten im Rahmen der BPS SA Gruppe 365 Banken, das entsprach 63,70 % aller Genossenschaftsbanken, und in der SGB Bank SA Gruppe 207 Banken (36,13%). Die Genossenschaftsbanken verfügen über mehr als 4.500 Standorte, was ein Drittel aller Standorte im Banksektor ausmacht. Hier werden über 30.000 Mitarbeiter angestellt, das sind rund 19% aller im Banksektor tätigen Mitarbeiter.

Die Genossenschaftsbanken legen großen Wert auf die Kapitalbildung. In den letzten Jahren gingen ca. 97% ihrer Gewinne in ihr unteilbares Eigenkapital. Überdies gewannen sie auch durch Emissionen von Schuldverschreibungen auf dem Markt Catalyst der Wertpapierbörse in Warschau an Kapital. 2009-2011 stieg die Kapitalgrundlage dieser Banken um 1,8 Milliarden PLN (um 62,2%). Ende 2011 waren

19 Genossenschaftsbanken auf dem Markt Catalyst notiert. Der Wert der durch die Genossenschaftsbanken auf diese Weise gewonnenen Geldmittel belief sich auf fast 200 Millionen PLN.

Der Sektor der Genossenschaftsbanken in Polen wird als sicherer, aktiver Partner der lokalen Kunden wahrgenommen, der deren finanziellen Bedürfnisse zu befriedigen weiß. Zur Zeit der globalen Finanzkrise hat er eines der größten Potenziale in Bezug auf Kreditleistungen, das sich aus dem finanziellen „Überschuss“ (der Unterschied zwischen dem Wert der Depositen und dem Nennwert der Kredite) ergibt. Ende 2011 wurde im genossenschaftlichen Bankwesen ein Überschuss der Depositen über die Kredite in der Höhe von 17,4 Milliarden PLN verzeichnet.

3. Etappen der Veränderungen im Tätigkeitsbereich und in der inneren Struktur der Genossenschaftsbanken in Polen

Die bisherige Tätigkeit der Genossenschaftsbanken in Polen und die Entwicklung der Veränderungen in ihrer inneren Struktur lassen sich in folgende Etappen aufteilen:

- *Anfang der 1990er Jahre.* Die Genossenschaftsbanken mit all den zur Zeit der zentralen Planwirtschaft entstandenen Forderungen stellen sich auf die freie Marktwirtschaft ein. Es herrschen nahe Relationen und gegenseitige Abhängigkeiten zwischen BS und BG.
- *Bildung einer dreistufigen Struktur* des genossenschaftlichen Bankwesens. Gemäß dem Gesetz vom 24. Juni 1994 zur Restrukturierung der BGZ und der Genossenschaftsbanken wurden neun regionale Banken in Form von Aktiengesellschaften gegründet, die zugleich Aktionäre der BGZ waren.
- Das Jahr 2001 brachte weitere Veränderungen im genossenschaftlichen Bankwesen mit sich. *Die Veränderung der dreistufigen Struktur zur zweistufigen.* Die BGZ SA trat aus den Strukturen des genossenschaftlichen Bankwesens aus und blieb zunächst staatlich. Zurzeit ist die Rabobank, die fast 60% aller Anteile hält, der Hauptanteilseigner.
- In der Geschichte des genossenschaftlichen Bankwesens in Polen gab es Zeiten einer intensiveren *Konsolidierung der Genossen-*

schaftsbanken, deren Ziel es war, das Eigenkapital zu steigern. Es wurden Mindestkapitalgrenzen von 300.000 Euro, 500.000 Euro und 1 Million Euro festgelegt, welche die GB Ende 2001, 2005, 2007 erreichen mussten. Die Frist für die Erzielung der letzten Stufe wurde schließlich bis zum Ende 2010 verlängert.

- Die nächste Etappe der Umstrukturierung des GB-Sektors war *die Konsolidierung unter den Verbandsbanken*. 2011 blieben auf dem Markt nur zwei Verbandsbanken: die Bank Polskiej Spółdzielczości (BPS S.A.) in Warschau, die 366 GB verband, und die Spółdzielcza Grupa Bankowa – Bank (SGB-Bank) in Posen, die 207 GB vereinigte. Laut Angaben vom 31. Dezember 2011 waren die GB in zwei Gruppen vereinigt. Die Bank Krakowski Bank Spółdzielczy agierte selbständig und arbeitete mit der Bank BPS SA zusammen. Am 5. September 2011 schloss sich der GBW SA der Mazowiecki Bank Regionalny S.A. an. Die GB, die bisher im Rahmen der Gruppe der MR Bank agierten, schlossen sich zugleich der genossenschaftlichen Bankgruppe an. Die am 5. September neu gegründete Finanzgruppe änderte ihren Namen in SGB Bank SA.
- Das Jahr 2012 war durch die Suche nach einer zeitgemäßen und strategischen Ausrichtung für die GB geprägt: die *Richtlinie CRD*, die *Verordnung CRR* und das *Institutionelle Schutzsystem IPS*.

4. Gegenwärtige strukturelle Veränderungen im Sektor des genossenschaftlichen Bankwesens

Im zweiten Quartal 2012 begann in Polen die Diskussion über die Vorschläge für strukturelle Veränderungen der GB, die sich aus den Vorschriften der Richtlinien CRD IV und CRR ergaben und vor allem mit der Höhe des Kapitals der GB zusammenhingen. Das Fehlen einer klaren, einheitlichen Stellung im Sektor der GB bezüglich der Art und Weise der Umsetzung dieser Richtlinie in Polen führte dazu, dass der Versuch unternommen wurde, eine gemeinsame Stellung auszuarbeiten, die durch alle Mitglieder des Verbands sowie die Aufsichtsräte akzeptiert werden sollte. Da der Vorschlag der wichtigsten Veränderungen gemäß CRD IV vor allem einen neuen Blick auf das Kapital und die Liquidität der GB warf, wurden 2012 diese heiklen Fragen besonders kontrovers diskutiert. Die neuen Anforderungen nach Basel III und der Richtlinie CRD IV erforderten die Notwendigkeit, das bisherige Modell des genossenschaftlichen Bankwesens in Polen zu verändern. Zu betrachten waren dabei drei Möglichkeiten:

- Durchführung von Veränderungen im Bereich der inneren Struktur im GB-Sektor nach dem Muster der Rabobank. Das für die Gruppe der Rabobank charakteristische Merkmal, das auch diese Bank von anderen genossenschaftlichen Bankengruppen in Europa unterscheidet, ist die vollständige finanzielle und steuerliche Konsolidierung. Die Rabobank Nederland und die lokalen niederländischen Genossenschaftsbanken werden also durch die Steuerbehörden und die Steueraufsicht als ein Wirtschaftsträger betrachtet. Charakteristisch für die Rabobank ist es, dass alle ihre lokalen Banken ihre Bürgschaft gesamtschuldnerisch leisten, das bedeutet, dass jede Bank für die Verpflichtungen anderer Rabobanken nach dem Motto „Einer für alle, alle für Einen“ bürgt. Sollte eine Rabobank Verluste machen, wird das Garantiesystem aktiviert. Infolge dessen kann keine Rabobank Konkurs anmelden, was auch eine gute Grundlage für ein hohes Kreditstanding der ganzen Rabobank Gruppe schafft.²
- Die größten Genossenschaftsbanken (mit einem Kapital von über 5 Millionen Euro) verlassen die gegenwärtigen Verbandsstrukturen und beginnen, wie die Kommerzbanken zu agieren; es entsteht ein neuer Verband der Genossenschaftsbanken, die die Voraussetzungen hinsichtlich des Eigenkapitals nicht erfüllt haben, um selbstständig auf dem Markt zu agieren. Nach Angaben vom 30.06.2012 gab es 90 „große“ Genossenschaftsbanken mit einem Kapital von über 5 Millionen Euro, die Aktiva von 38,4 Milliarden Euro besitzen (über 47% aller Aktiva beider Verbände). Das Risiko der Realisierung dieses Szenarios ist ziemlich groß sowohl seitens der großen Banken als auch der kleinen, die im Rahmen neuer Verbände agieren müssten.
- Die Bildung des Institutionellen Schutzsystems IPS. Die Bildung dieses Schutzsystems würde die Liquidität und Zahlungsfähigkeit der Mitgliedsinstitute innerhalb der Gruppe und nicht auf der Ebene der einzelnen Genossenschaftsbanken gewährleisten. Es ist zu betonen, dass die vorgeschlagene Lösung sich nicht nur auf die gemeinsame Steuerung der Liquidität beschränken, sondern auch die Einführung von entsprechenden organisatorischen Lösungen und Überwachungsmechanismen bedeuten würde. Doch soll IPS Bedingungen für die gegenseitige Einhaltung der internen Disziplin schaffen, was die wichtigste Voraussetzung für die Sicherheit der Träger bildet, auf denen die gemeinsame Verantwortung für die Liquidität und Zahlungsfähigkeit lastet. So müssten sie auch auf solche Art und Weise umgesetzt werden, dass sie den Erwartungen

² W. Gostomski, Funkcjonowanie i znaczenie banków spółdzielczych w wybranych krajach europejskich [In:] *Współczesna bankowość spółdzielcza*, Hrg. A. Szelańska, CeDeWu, Warszawa 2011, S. 53-85.

der Finanzinstitute in Bezug auf die Einhaltung ihrer Souveränität als selbstständige Träger gerecht werden³.

Von den drei oben erwähnten Vorschlägen erscheint die Schaffung eines neuen Systems der internen Zusammenarbeit und inneren Struktur des Verbands, das auf den für das Schutzsystem für Finanzinstitute festgelegten Prinzipien aufbaut, am plausibelsten. Doch wurden die Voraussetzungen für die Umsetzung dieser Lösung relativ detailliert festgelegt und unterscheiden sich in vielen Punkten von den bisher im Rahmen der Verbandsverträge geltenden Bestimmungen.

Der Vorschlag der wichtigsten Veränderungen gemäß CRD IV wirft vor allem einen neuen Blick auf das Kapital und die Liquidität der GB, deshalb wurden 2012 diese heiklen Fragen auch besonders kontrovers diskutiert. Damit der Verband in das IPS Schutzsystem aufgenommen wird, müssen bestimmte Grundlagen ausgearbeitet und akzeptiert werden, die einerseits als relativ einfach umzusetzen erscheinen, andererseits aber durch die Genossenschaftsbanken als eine Art Einschränkung ihrer Tätigkeit auf dem Markt betrachtet werden. Gemäß zur Zeit angenommenen Voraussetzungen ist es unter anderem erforderlich, ein einheitliches Risikoüberwachungssystem zu schaffen sowie Instrumente und Voraussetzungen zu bestimmen, die den Einfluss der Verbandsbank auf das Risikomanagement in den einzelnen Banken und im ganzen Verband ermöglichen. Dieses System muss durch die Aufsichtsbehörden des Staates genehmigt werden. Diese Anforderung ist unter anderem auf die Notwendigkeit der Hilfeleistung durch die Verbandsbank bzw. alle Banken innerhalb des Verbands im Bereich der Liquidität und/oder Adäquatheit für die einzelne Bank, die mit Problemen zu kämpfen hat, zurückzuführen. Dies erfordert wiederum die Einführung eines konsolidierten Systems der Risikoüberwachung auf der Verbandsebene. Bei dieser Lösung ist eine gemeinsame Rechnungslegung des Verbands notwendig.

Zurzeit wird in Polen der Versuch unternommen, ein Modell des genossenschaftlichen Bankwesens auszuarbeiten, das allgemein akzeptiert und angenommen wird.

³ Äußerung von *Wojciech Kowalczyk*, dem Unterstaatssekretär im Finanzministerium, am 13.09.2012 in der 21. Parlamentssitzung, Warschau 2012.

5. Perspektiven der Entwicklung des genossenschaftlichen Bankwesens in Polen

Das Problem in der Entwicklung des genossenschaftlichen Bankwesens in Polen besteht darin, dass die in diesem Sektor agierenden Banken keine klare und einheitliche Linie für seine Entwicklung ausgearbeitet haben. Große Unterschiede zwischen den Banken in Bezug auf die Größe des Kapitals und des Finanzpotenzials erschweren die Bestimmung einer gemeinsamen Strategie und beeinträchtigen ihre Stellung auf dem Markt. Ein störender Faktor ist auch der Wettbewerb innerhalb des Verbands (zwischen den einzelnen Genossenschaftsbanken) und zwischen den Verbänden, der den Grundprinzipien des Funktionierens der in den EU-Ländern agierenden Banken widerspricht.

In den entwickelten Ländern Europas haben die Genossenschaftsbanken stabile und effiziente Modelle der Verbände erstellt, in denen sie ihre Überlegenheit auf dem Markt und ihr inneres Potenzial genutzt haben. Bemerkenswert ist dabei, dass die großen genossenschaftlichen Bankengruppen im Rahmen ihrer Tätigkeit in diesen Ländern folgende Grundprinzipien beachten:

- Solidarität, die die Genossenschaftsbanken zur gegenseitigen Unterstützung sowie zur Unterstützung der Banken aus verschiedenen Ebenen der Verbandsstruktur verpflichtet,
- Regionalisierung, die den inneren Wettbewerb sowohl auf der vertikalen als auch horizontalen Ebene der Verbandsstruktur ausschließt,
- Subsidiarität, die auf Verteilung der Funktionen zwischen den einzelnen Ebenen der Verbandsstruktur beruht, deren Hauptvoraussetzung es ist, die Bedürfnisse der Banken niedrigerer Stufen durch Banken höherer Stufen zu ergänzen.

Leider werden diese Prinzipien nur im begrenzten Maße im genossenschaftlichen Bankwesen Polens umgesetzt. Im Entwurf der Verordnung zur Richtlinie CRD IV wird darauf hingewiesen, dass die genossenschaftlichen Bankengruppen die Möglichkeit haben, mithilfe von Solidaritätsinstrumenten ein Finanzsicherheitssystem aufzubauen, das die einzelnen Genossenschaftsbanken vor dem Verlust der Liquidität und Zahlungsfähigkeit unter neuen rechtlichen Bedingungen schützt; so wären sie auch imstande, ihr Entwicklungspotenzial effizient zu nutzen. Die polnischen Genossenschaftsbanken signalisieren aber ihre negative Einstellung gegenüber diesem Modell und unterstreichen

ihre Unabhängigkeit und Selbstständigkeit, auch wenn dies zu Lasten einzelner Beteiligter führen sollte. Dieses Beispiel zeigt, dass trotz der inneren Kraft des genossenschaftlichen Bankwesens in Polen, die zur Vergrößerung der Anteile am Bankmarkt führen sollte, Verfahren an Bedeutung gewinnen, die auf dem immer wettbewerbsfähigeren Markt der Bankdienstleistungen keine guten Ergebnisse erzielen.

The determinants and the dimensions of the position of the cooperative banking in Poland¹

Alina Danilowska

Abstract

In the paper, the assessment of the achievements of the cooperative banks in Poland, their position in the economy, its determinants and threats for the future was carried out. The analyses showed that cooperative banks overcame the difficulties with adjustment to rules of market economy and gradually have strengthened their position in the banking sector. There are some sources concerning successful performance in the last 10 years. The main are connected to the financial service of the domestic and EU support for agriculture and development of rural areas, local character of these banks and their activity for gaining new groups of clients. The state support for this sector of banking is worth to be mentioned as well.

Key Words cooperative banks, agriculture, local character,

1. Introduction

The cooperative banks in Poland like in many European countries have quite long history of their activity. During more than 150 years, they operated in very different economic, political and social conditions. Their situation went up and down due to complex reasons but they carried on with their activity what can be regarded as a success despite the changing environment and the conditions of the strong market competition.

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

The aim of the paper is to highlight the assessment of the achievements of the cooperative banks in Poland, their position of in the banking sector and the economy, and of the challenges they face.

The study is devoted particularly to the following problems: (i) the position of cooperative banks in the banking sector, (ii) the role of the cooperative banks in financing different sectors of the economy (iii) the significance of the state support for the performance of the cooperative banks, (iv) the problems and challenges the cooperative banks face.

2. Methods and materials

The study encompasses 21 years of market economy in Poland (1990-2010). It was a very interesting and difficult period for the cooperative banks which had to adjust to new conditions of conducting the activity – and to new market conditions². The data for the analysis is taken from different sources like the Central Statistical Office, the Agency for Restructuring and Modernization of Agriculture, the Polish Financial Supervision Authority, and the National Bank of Poland. Additionally, the results of the author's survey about the activity of the cooperative banks in agricultural credit market are used. The survey included all cooperative banks in Poland except one bank that fulfilled the requirements about the capital funds the same as in the case the commercial banks³. The investigation was carried out in two steps. In January 2008 the cooperative banks affiliated with the Mazowiecki Regional Bank were examined; in February 2009, the banks affiliated in two other affiliations – the Banking Cooperative Group (Spółdzielcza Grupa Bankowa) and the Group of Bank of Polish Cooperative Movement (Grupa Banku Polskiej Spółdzielczości). As results, until the end of February 2009, 160 cooperative banks – about 28% of all cooperative banks in Poland filled in questionnaires.

The main method of the analyses applied in the study is descriptive analysis widely based on the quantitative analysis.

The paper starts with the brief overview of the cooperative banks' history in Poland and the analysis of the changes of their position in the banking sector. Next, the areas of the credit activity of these banks are studied. It is followed by the examination of how the state has supported the cooperative banks. In the last part, the problems the banks

² See *Swinnen* 1998.

³ Such banks can conduct operations like commercial banks and does not have to be a member of cooperative banks affiliation.

have to sort out, are presented. At the end of analysis, the conclusions are drawn.

3. Cooperative banks in Poland – historical background

The roots of the Polish cooperative banks lay in the 19th century. The ideas of mutual financial cooperation originated from *Hermann Schulze-Delitzsch* were adopted in the Polish areas belonged to Prussia and to the Austro-Hungarian Empire in the 60's of the 19th century. The cooperative banking system developed very quickly and in 1913 in Prussia, 204 Polish cooperatives bank conducted the activity with the number of shareholders amounting at 125 868 [*Wojciechowski* 1939], while in the Austro-Hungarian Empire there were 238 such institutions with 350 161 shareholders [*Nowak* 1932]. In the Polish areas under the Austrian-Hungarian Empire in the year 1890, the first credit cooperative organised according to the rules formulated by *Friedrich Wilhelm Raiffeisen* was established. In the following years, this form of cooperative bank was gaining popularity and in 1913, 1397 credit cooperatives operated with 321 830 shareholders [*Wojciechowski* 1939]. Thanks to the cooperative banks the severe problem of non-commercial loans granted by private moneylenders on very high interest rate was resolved. In the Russian areas, the cooperative banks started their activity at the beginning of 20th century. The success of credit cooperatives in the course of the first 50 years of their activity was so overwhelming that the idea of cooperative banking helped cooperative banks to survive the unfavourable period between the First and Second World Wars⁴ and supported their existence in the communistic economy.

During the time of communistic economy, some state banks and cooperative banks conducted the activity in Poland. The operations of cooperative banks were limited generally to the financial services for farmers. Cooperative banks were hardly independent. They had to accept the central guidelines about the terms on credits and deposits. Their offer was very modest due to the features and rules of central planned economy.

⁴ Because the loss of real properties and deposits during the war, hyperinflation in 1923 and great crisis in 30ties of XX century, which push the rural areas in great poverty.

4. The performance of cooperative banks in market conditions

The process of transformation to the market economy began in the banking sector earlier compared to the other sectors of economy. In 1989 cooperative banks became independent because universal banks operated in competitive environment. They had to compete with other cooperative banks as well as with commercial banks in rural areas. The first five years of market economy marked a very hard time for cooperative banking. Lack of experience in conducting activity in new economic conditions, low assets, bad quality of loan portfolio, deep decrease in incomes of farmers who were its main clients, competition of the commercial banks resulted in a successive increase in the numbers of bankruptcies. Till the end of 1996, 120 cooperative banks bankrupted and 26 were liquidated. Since 1997, the number of bankruptcies has decreased mainly due to the reform of cooperative banking.

Contrary to cooperative banking, commercial banking developed very quickly and was the leading sector of economy in the process of adjustment to market conditions. The inflow of foreign capital with modern technologies and know-how played a noticeable role in this process.

The difficult situation of cooperative banking was reflected by the data by the indicators of its role in banking sector (table 1). During the first ten years of market economy the share of cooperative banking diminished considerably in respect to assets, deposits, credits or earnings.

Table 1: The proportion of the cooperative banks to the total banking sector in 1993-2011 (31 XII) (%)

Specification	1993	1995	1997	1999	2001	2003	2005	2007	2009	2010	2011
total assets	6.6	4.8	4.5	4.2	4.5	5.3	5.8	6.2	5.8	6.1	6.1
total capital funds	3.7	4.1	4.2	4.7	4.80	6.0	7.0	7.2	6.8	6.9	x ¹
loans to non-financial customers	8.1	5.8	5.4	5.0	5.8	6.8	7.6	6.5	5.6	5.7	x
deposits from non-financial customers	7.6	5.5	5.2	5.0	5.6	6.6	7.7	8.8	8.1	8.7	x
net earnings	46.5 ²	3.0	5.0	6.6	7.1	11.2	5.5	5.0	6.9	5.8	5.9

¹ lack of data

² this year the banking sector as a whole generated losses and as data shows the cooperative banks had a noticeable share in them

Source: Summary Evaluation of the Financial Situation of Polish Banks 1998-2011, General Inspectorate of Banking Supervision National Bank of Poland Warsaw 1999-2007, Reports on Condition of Banks in 2007-2011, Polish Financial Supervision Authority, Warsaw, 2008-2012

During the successive decade the negative tendencies stopped and a process of strengthening cooperative banking system took place. As a result, the proportion of cooperative banks in the banking sector's assets, credits, deposits and earnings increased noticeably. They were successful especially in collecting the deposits from non-financial customers, mainly households. This process deserves particular attention because it demonstrates that cooperative banking was developing more quickly than commercial banking. The commercial banks are generally much better equipped technically, employ skilled staff, are directed by professional managers with international experiences; implement more and more advanced systems of risk management, modern banking technologies and systems of organizations. Therefore, the question about the sources of this success arises.

5. Sources of cooperative banks' successful performance

Answering the question about the sources of the success the cooperative banks undoubtedly gained, is complex. It is necessary to analyze the different dimensions of cooperative banks' activity like the main areas of banking activity, organizational adjustment, risk management and state support.

5.1 Areas of the cooperative banks' activity

According to the data (table 2), the cooperative banks specialize in granting credits for agriculture. Their share in banking debt of this sector was rising quickly in 1999-2010 and in 2010 it amounted to 68%. This stemmed from the traditional localization on rural areas, territorial limitation of their activity, monopolistic position in communistic economy and the strategy of development.

It is interesting, how the managers of cooperatives banks consider their role in financing agriculture especially in the context of competition with commercial banks. The result of the survey showed that great majority - 93.1% of the managers of cooperative banks thought that they have an advantage on commercial banks in crediting agriculture. The list of the main factors of this advantage indicated by the managers is shown in table 3.

Table 2: The proportion of cooperative banks in segments of the bank services, by classification (%)

Share of cooperative banks	1999	2001	2003	2005	2007	2009	2010
in debt of:							
-the agriculture	50.3	54.6	66.7	70.1	72.5	73.2	67.8
-individual entrepreneurs (microenterprises)	x	x	15.6	18.0	16.3	15.5	15.6
-small and medium enterprises	x	x	1.9	2.9	3.2	6.6	7.9
-big enterprises	x	x				0.2	0.3
-local governments	x	x	5.0	7.7	10.7	13.8	13.5
in deposits of:							
-household	5.4	5.8	8.12	10.2	12.7	10.5	11.1
-enterprises	x	x	2.0	2.2	2.3	2.7	2.9
-local government	x	x	24.5	23.3	26.4	30.0	29.9

x: lack of data

Source: Own calculations based on data from Bilansowe wyniki finansowe banków w 1999, 2001, 2003, Central Statistical Office, Warsaw 2000, 2002, 2004. Monitoring of banks 2005-2010, Central Statistical Office 2011.

Table 3: Bank managers' opinion about the sources of cooperative banks' advantage on commercial banks in crediting agriculture

Specification	Percentage of bank managers who indicated the factor
- close relation with client due to long term cooperation or localization of bank	62.9
- experiences in financing the agriculture	40.3
- psychological like tradition, trust	21.4
- simply administrative procedures	14.5

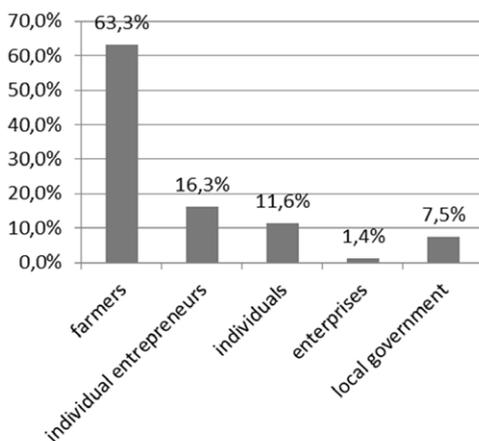
Source: Author's survey.

The cooperative banks tried to find other possibilities for development. They became a partner for local governments. In 2010, their share in deposits of local governments amounted to 30%, in debt nearly

14%, what is a remarkable success. Moreover, they were an important source of credits for microenterprises and were strengthening their position in financing small and medium enterprises.

The financial data are confirmed by the results of the survey (Figure 1). For the 63% of cooperative banks, farmers were the most important group of clients, whereas for 16.3%, the most important group was microenterprises. The local government took in the fourth place – 7.5%.

Figure 1: The most important group of cooperative banks' clients



Source: Author's survey.

To provide the services to their main groups of clients, cooperative banks gradually and consequently were developing the network of different kind of offices as well as raising the employment (table 4) even in a time of financial crisis. As a result, the network of offices in rural areas became dense and this has made the physical access quite easy: it is not time consuming and at a low cost.

It is worth to mention that commercial banks during 2001-2005 were reducing the number of offices and the staff. The rate of the decrees was noticeable and in the case of branches it amounted to 22%, while in the case of employment it was about 14% [Danilowska 2009].

The specialization in providing financial services for agriculture and local governments makes the cooperative banks the indirect beneficiaries of support which agriculture and rural areas have been offered under domestic and EU policy.

Table 4: The offices and workers of cooperative banks in 1996-2010

Specification	1996	2000	2003	2005	2007	2009	2010
Employment	25 333	25 697	27 161	28 265	30 103	31 722	32 131
Offices	2 530	2 708	3 162	3 598	4 014	4 416	4 438

Source: Summary Evaluation of the Financial Situation of Polish Banks 1998-2011, General Inspectorate of Banking Supervision National Bank of Poland Warsaw 1999-2007, Reports on Condition of Banks in 2007-2011, Polish Financial Supervision Authority, Warsaw, 2008-2012

Preferential agricultural credits were the main forms of domestic support for agriculture. Cooperative banks have participated in an agricultural subsidized credit system. The subsidies to interest rate have influenced credit demand very positively. The share of cooperative banks in these credits amounted to 65%. The subsidies paid for cooperative banks thanks to them can be estimated at 100 million Euros per year⁵.

EU support is very important because of the direct payments for farmers under CAP. Every year about 2 billions of Euro are deposited on farmers' bank accounts, mainly accounts in cooperative banks⁶. Moreover, cooperative banks have offered to farmers micro enterprises and local governments credits for the investments supported by EU funds.

5.2 Risk management

Banks faced many kinds of risk, so the risk management in banking is a complex activity. One of the important sources of the risk is a problem of insolvency of the clients. As data in table 5 indicates, during the examined period, cooperative banks coped with this problem much better than commercial banks.

⁵ Own estimation based on data from Annual Reports on Activity of the Agency for Restructuring and Modernisation of Agriculture (ARMA)(1994-2011).

⁶ Like above.

Table 5: Share of non-performing claims in total claims of non-financial sector in cooperative and commercial banks

2000		2005		2007		2008		2009		2010	
CoB	CmB	CoB	CmB	CoB	CmB	CoB	CmB	CoB	CmB	CoB	CmB
4.5	15.5	4.9	11.4	3.0	5.5	2.8	4.8	3.4	8.0	5.2	9.0

CoB – cooperative banks, CmB – commercial banks

Source: Report on the condition of Polish banks in 2010. The Polish Financial Supervision Authority, www.knf.gov.pl/en/about_the_market/Banking

The rate of non performing claims in cooperative banks was at least nearly two times lower compared to that of commercial banks. So the question arises, why the cooperative banks whose staff is less educated and does not use very complex statistical methodologically advanced methods succeeded in evaluating the creditworthiness of their clients. The answer is not easy and there are some sources of this phenomenon. Methods of overcoming the problem of adverse selection applied by cooperative banks deserve the special attention⁷. The results of the author's survey can help to find the answer. In the survey, the assumption on embedment of cooperative banks in local society was taken. One aspect of this embedment was under special interest. It concerned the information and reputation. The staff of cooperative banks is a part of the local community, participates in its daily life, and in result possesses information about the economic and financial situation of clients, as well as about the family network, social behaviours, history and reputation of families, etc. In such circumstances, the problem of influence of informal information and reputation of the applicants and even their families in the process of assessment of credit applications arises. Of course, the officers of commercial banks are in the same situation, but generally in these banks the process of evaluation of the credit applications is very formalized and centralized and there is no space for such kinds of information. It seems that commercial banks often consider credit history as proxy of reputation⁸. The results of the survey have confirmed that the local character of cooperative banks can be a special advantage. The majority of chairmen of examined banks (82,5%) admitted that informal information about the applicant's different aspects of situation that can potentially influence the creditability is important for the final decision during the evaluation of credit application. In 2% of banks such information is taken into account if the information is verifiable. Only 11% of respondents declared that in their banks the in-

⁷ See *Danilowska* 2012.

⁸ In survey the differences between the these two terms was indicated.

formal information does not play any role⁹. The reputation of the client and his/hers family can be treated as a form of signalling. Its creation takes very long time and positive one can be seen as an additional asset which can serve as collateral. The data show that in cooperative banks this factor is appreciated. 42% of respondents declared that the role of reputation is important, while 55% take it into account but consider it as not very important.

It is worth to mention, that the farmers who are important partners for cooperative banks are considered as a very credible group of clients. 96% of investigated banks declared that farmers are more reliable clients than enterprises and households. This finding is in line with the results, which *Zawojcka* and *Siudek* underlined in their research on the creditworthiness of clients of cooperative banks' carried at the end of the 90's. [*Zawojcka, Siudek* 2005]. There is a rational reason for this phenomenon connected with the fact that 80%-85% of farmers' debt is due to preferential credits with very favorable terms of repayment. If a farmer does not reimburse the credit in time he/she will lose the right to preferential terms. It resolved the very important problem of reimbursement of agricultural credits often mentioned in literature [*Von Pischke, 2001; Yanbykh, 2001; Van Empel, 2001*]. Of course, the psychological and social factors like the fact that any member of local society is not anonymous, the respect of local society for honest members, the feeling of shame, etc. play a role as well.

5.3 State support and regulations

As aforementioned, at the beginning of the market economy, cooperative bank had great difficulties with adjustment to the requirements of the market economy. The state was engaged in the organisational and financial support for cooperative banks. The important reason for this engagement was tradition, but this could not be sufficient for the long term help. The most important factor was the threats that rural areas could become financially excluded because during the communistic period cooperative banks were monopolies in their local communities and in the beginning the commercial banks were developing their network of offices in towns. The problem of the insufficient bank infrastructure in rural areas and disadvantages caused by the lack of access to credits is indicated by many authors from transition countries: *Turshin* in Russia [*Turshin* 1999], *Nikolov* in Bulgaria [*Nikolov* 2004], *Kawai* in Kyrgyz Republic [*Kawai* 1999], *Gaisina* in Kazakhstan [*Gaisina* 2007]. The advantages of the network of cooperative bank branches occurred

⁹ 3% of respondents did not answer for this question.

fully in 2004, when the system of direct payments under the EU Common Agricultural Policy was introduced.

The organisational help involved the regulation introducing the restructuring of the sector. The main two regulations, took forms as acts of the Parliament.¹⁰

The financial support includes forms such as:

- bonds for restructuring,
- central bank and the Bank Guarantee Fund financial support for bank mergers and acquisitions,
- exemption from required reserves,
- income tax exemption.

The first three forms were used in the 90's, the fourth in the last decade. Organizational reforms and financial support helped cooperative banks to survive and to restructure themselves [*Cendal 2007, Siudek 2011*]. The ground for the success in the first decade of the 21st century was prepared.

6. Problems and challenges the cooperative banks face

Although the last decade has been very positive for cooperative banks, they face different kind of challenges. Three of them are very recent:

- Competition with credit unions and commercial banks. The credit unions are developing very quickly. During 2001-2011 they increased at about three times in number of offices, and the number of shareholders in June 2012 amounted to 2,500,000¹¹. Their offer is gradually extended and improved. They have been developing their network of offices mainly in towns and now they are present even in small towns. They can be main competitors for cooperative banks, especially about the farmer households' deposits. Not every

¹⁰ The Act on the Restructuring of Cooperative Banks and Bank Gospodarki Żywnościowej and Amendments to Certain Legislation of June 24, 1994 , The Act on the Operations of Cooperative Banks, Their Affiliation, and Affiliating Banks of December 7, 2000.

¹¹ www.skok.pl.

commercial bank is interested in operating in rural areas and in serving agriculture or small enterprises, but lately some banks, which are familiar with financing agriculture and rural areas in other countries like the Credit Agricole or the Raiffeisen bank, carry very intensive promotion and open new branches. If they offer better terms on credits they will be able to attract clients of cooperative banks.

- Loss of local character – the analysis in the previous parts of paper indicated the positive role of local character in successful performance of cooperative banks. If cooperative banks become similar to small commercial banks, they will be acquired by stronger commercial banks.
- Technological problems – the cost of adoption of new technologies is very high and small cooperative banks cannot afford them. Additionally, the lack of technical skills of the bank staff and, what is more important, the lack of clients' computer skills is a serious and difficult problem to overcome.

7. Conclusions

The cooperative banks in Poland are a very interesting phenomenon. They play a much more important role than the data on their proportion in banking sector suggest. Without them, the rural areas would have faced the severe problem of financial excludability. They have offered financial infrastructure for absorption of domestic and EU support for the development of activity of economic agents and regions. They are especially important for agriculture which is an important sector of economy and for the smallest enterprises.

The last decade was a very positive time for cooperative banks thanks to skills of bank staff in operating in local environment, government assistance and EU support for the main groups of clients.

Cooperative banks face some important challenges like competition with commercial banks and credit unions, technological and organizational progress. The continuity of EU support for agriculture and for development in rural areas, their experience and skills in operating on local financial markets, can help them to continue the activity. Yet, whether it provides for further development and strengthens their position, remains an open question.

References

- Annual Reports on Activity of the ARMA (1994-2011), Agency for Restructuring and Modernisation of Agriculture, Warsaw.
- Bilansowe wyniki finansowe banków w 1999-2006, GUS, Warszawa 2000-2007.
- Cendal, M.* (2007): Banki spółdzielcze w Polsce, in: *Szelągowska A.* (ed.), *Instytucje rynku finansowego w Polsce*, Wydawnictwo Ce.De.Wu.pl, Warszawa 2007.
- Danilowska, A.* (2009): Banking Infrastructure as a Precondition of Development of Rural Areas and Agriculture – Evidence from Poland, Proceedings of the 2nd International Economic Conference, Kaposvar University, Kaposvar – Hungary 2-3 April 2009.
- Danilowska, A.* (2012): Cooperative Banks and a Problem of Adverse Selection in, Agricultural Credit Market, Economic Science for Rural Development No 28, Academy of Agricultural and Forestry Sciences of Latvia, Latvia University of Agriculture, Jelgava, pp. 176-180.
- Gaisina, S.* (2007): Rural Credit Partnerships and their Role in the Development of Agriculture in Kazakhstan, in: *Martin Petric* and *Gertrud Buchenrieder* (eds.) *Studies on the Agricultural and Food Sector in Central and Eastern Europe*. Leibniz Institute of Agricultural Development in Central and Eastern Europe, Halle, Germany, Volume 39. pp. 148-163.
- Kawai, S.* (1999): The Groundwork for Agricultural Cooperative Finance in a Transition Economy in: *Agricultural Finance and Credit Infrastructure in Transition Economies*, OECD Proceedings, OECD Centre for Co-operation with Non-Member, pp. 141-147.
- Monitoring of banks 2005-2010 (2011): Central Statistical Office, Warsaw.
- Nikolov, D.* (2004): Access to Credit of Market Oriented Rural Households in Bulgaria, Presentation on the IAMO Forum 2004, 4-6 November 2004, Halle.
- Nowak, H.* (1932): *Bankowość w Polsce*, Skład Główny w „Domu Książki Polskiej”, Warsaw.
- Reports on Condition of Banks in 2007-2011, Polish Financial Supervision Authority, Warsaw 2008-2012.
- Sytuacja finansowa banków w 2006 r. Synteza (2007): NBP, Warsaw 2007.
- Swinnen, J.* (1998): Agricultural reform in Central and Eastern Europe, w: *International Agricultural Development*, in: *Eicher, C.K., Staatz, J.M.*(eds.): *International Agricultural Development*, John Hopkins University Press, Baltimore and London, pp. 586-600.
- Summary Evaluation of the Financial Situation of Polish Banks 1998-2006, General Inspectorate of Banking Supervision National Bank of Poland Warsaw 1999-2007.

- Siudek, T.* (2001): Bankowość spółdzielcza w Polsce i wybranych krajach Unii Europejskiej - wymiar ekonomiczny, organizacyjny i społeczny. Wydawnictwo SGGW, Warsaw.
- Trushin, J.* (1999): Prospects for the Participation of Commercial Banks in Providing Credit to the Agriculture and Food Sector in Russia in View of the Financial Crisis [in:] *Agricultural Finance and Credit Infrastructure in Transition Economies*, OECD Proceedings, OECD Centre for Co-operation with Non-Member, pp. 159-163.
- Van Empel, G.* (2001): *Agricultural and Rural Co-operative Banking: EU. Experiences and Lessons for Emerging Markets. Agricultural Finance and Credit Infrastructure in Transition Economies. Focus on South Eastern Europe*, Proceedings of OECD Expert Meeting, Portoroz, Slovenia, May 2001, OECD, pp. 125-135.
- Von Pischke, J. D.* (2001). Public policy and preconditions for sustainable rural finance systems. *Agricultural Finance and Credit Infrastructure in Transition Economies. Focus on South Eastern Europe*, Proceedings of OECD Expert Meeting, Portoroz, Slovenia, May 2001, OECD, pp. 35-52.
- Wojciechowski, S.* (1939): *Historia spółdzielczości polskiej do 1914 r.*. Nakładem Spółdzielczego Instytutu Naukowego . Zakład drukarski F Wyszynski o S-ka, Warsaw.
- Yanbykh, R.* (2001): Country Note: Russia. *Agricultural Finance and Credit Infrastructure in Transition Economies. Focus on South Eastern Europe*, Proceedings of OECD Expert Meeting, Portoroz, Slovenia, May 2001, OECD, pp. 281-292.
- Zawojcka A., Siudek, T.* (2005): Do Cooperative Banks Really Serve Agricultural Sector in Poland, <http://agecon.lib.umn.edu>.

Cooperatives as an instrument of the development of agriculture and rural areas in Poland^{1, 2}

Aneta Suchoń³

1. Introduction

Agriculture, performing the essential economic, social and spatial function and, most importantly, providing food for the population of each country, is an important part of the economy. Simultaneously, there is much uncertainty about the financial matters for agricultural producers, because of, for instance, relatively high costs associated with agricultural activity, changes in prices for agricultural produce and the weather conditions. That is why, in order for agriculture to develop, joint actions of farmers are necessary, making it possible to lower the costs of agricultural production, achieve higher prices for agricultural produce and reduce the competitiveness on the agricultural market. In many countries around the world it is the farmers' cooperatives that are the most popular forms of economic cooperation and mutual assistance when occasional or regular needs and risks occur⁴.

It is worth mentioning that agricultural producers and their farms are small units. Cooperatives contribute to an improved productive capacity: they increase the value of its share in the food chain of agricultural producers. For farmers, who cooperate in a cooperative, it is easier to do farming business by means of the methods oriented at environmental protection, to achieve the sustainable development of

¹ The publication was prepared within the research project of the author “*Cooperatives in agriculture and in the rural areas in Polish and in given European countries legislature*”. The project was financed by the National Science Centre (Narodowe Centrum Nauki) from Kraków.

² We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

³ *Aneta Suchoń*, doctor, Legal and Management Department, Poznań University of Life Sciences, Poland asuchon@up.poznan.pl

⁴ <http://www.krs.org.pl> [assessed June 2012].

agriculture and to introduce innovations which require high outlay. Working together also helps to take actions to limit the effects of climatic changes and to use alternative sources of energy. In some European countries like Germany or France, where the system of biogas plants is well developed, a cooperative acts usually as the investor of constructing biogas plants. Unquestionably, cooperatives also contribute to the increased balanced territorial development.

Cooperatives contribute to the development of rural areas, which are an important part of the European Union. More than 56 percent of the population of 27 Member States lives in rural areas⁵. But only some of them are involved in agriculture, working on or running a farm. More and more country dwellers, however, do not connect their professional work with an agricultural activity. Therefore, it is so important to take some actions designed to increase the jobs in rural areas because the unemployment rate there is higher than in urban areas. Additionally, the income of the village inhabitants is often lower than the income of the city dwellers. It is also important to provide essential services to the rural population, to improve the infrastructure, to use the renewed energy, and to ensure the cultural development. It is also worth mentioning the help provided to the excluded or disabled people for whom, undoubtedly, the opportunities in rural areas, compared with the city, are limited. The cooperatives help to solve the problems of rural areas and their development.

In order for a cooperative to develop, there have to be proper legal regulations that will not create any obstacles to its modernization. Except for the legal provisions relating to the setting up of cooperatives and their structure there are also other important laws, such as tax provisions, regulations relating to trading in land or getting a state financial aid. Cooperatives operating in agriculture and rural areas depend on the EU regulations. These laws often stimulate the growth of cooperatives or create some barriers.

Furthermore, the development of cooperatives depends on extra-legal factors like history of the country or its region, the importance of agriculture or the economic situation. It is exemplified by Poland, where the regional development of cooperativeness is connected with the development of agriculture, the economy and the history.

Therefore, the aim of the paper is to answer the question of whether cooperatives are an effective instrument of the development of agriculture and rural areas in Poland. To answer this question it is necessary, firstly, to show the branches of cooperatives, secondly, to analyze legislation on the setting up and operation of cooperatives in Poland and the provisions on the Common Agricultural Policy. In addition, it is also

⁵ Policy on the development of rural areas for the years 2007-2013, http://ec.europa.eu/agriculture/rurdev/index_pl.htm [assessed June 2012].

essential to analyze the extra-legal factors which have influence on the cooperative development.

The paper consists of three parts and a summary. The first part presents the history of cooperativeness in Polish land and legal aspects of the setting up and operation of cooperatives in Poland. Additionally, it briefly presents the situation of Polish agriculture and rural areas in Poland after the accession to the European Union. The second part shows some activity of some branches of cooperatives and legal solutions which are applicable and have influence on the development of cooperatives. The third part discusses the main objectives and instruments of the Common Agricultural Policy relating to the activities of the cooperatives, especially the financial ones.

2. Cooperative movement development and relevant legislation

It is the Rochdale Society of Equitable Pioneers set up in England in 1844 that is believed to be the first cooperative in the world. At the same time, or even earlier, a lot of similar initiatives started to appear in many other countries. On the Polish lands it is *Stanisław Staszic* that is considered to have been the precursor of the Polish cooperativeness. In 1816, he set up the Hrubieszów Agricultural Society of Mutual Assistance in Misfortunes⁶. The peasants cultivated their lands individually; they paid the rent as well as a fixed fee for the common goals of the Society. The Society dealt with the mutual assistance of the country dwellers connected, for example, with rebuilding the facilities destroyed by fire, taking care of the casualties of natural disasters, establishing saving and loan plans to provide low-rate credits for the development of the farms. The Society operated for many years but in 1952 it was disbanded by the communist authorities and its property was nationalized⁷.

Cooperative movement, popular on the Polish lands in the period of the Partitions, served different functions. It helped the landowners to, e.g., provide the peasants with a form of association and education. Is also allowed for the horizontal consolidation of the agricultural

⁶ R. Bierzanek, *Prawo spółdzielcze w zarysie*, Warszawa 1984 r., p. 8 and n.

⁷ A. Piechowski, *Historyczny kontekst uchwalenia ustawy z 29 października 1920 r., in: 90 lat prawa spółdzielczego*, materiały pokonferencyjne Krajowej Rady Spółdzielczej, Warszawa 2010, p. 7 and n.

production, being the start of the associations of producers, and for the improvement of the local supply by creating a simple agricultural processing and crafts. It also brought the Poles together in the struggle to maintain the Polish identity⁸. The development of cooperativeness in the 19th century took place as part of the legal framework of the partitioners and depended on the development of cooperativeness in those countries.

In the independent and democratic Poland created after World War I, the Act on cooperativeness was passed in a relatively short time as it was important to build the economy from the beginning. A cooperative is a kind of entity that does not need any capital at the beginning of its activity. The capital is collected in the course of its activity. On the Polish lands there were well functioning cooperatives but in the period of the Partitions they operated under different legal frames⁹. On 29 October 1920 the Act on cooperatives was passed. As for that time, the law seemed to be very modern. It was a kind of constitution of cooperatives in Poland based on rich historic experience from different rules. It comprised only a general part and it did not regulate particular types of cooperatives, making it possible for various types to be formed¹⁰.

The very idea of the cooperative movement was negatively affected by the time of socialism. Admittedly, after World War II there were a lot of cooperatives operating in the rural areas but they were used to carry out the command and control policy. The cooperativeness lost its self-governing and social nature and the members had less and less influence on what was happening in the cooperatives and, as a result, they stopped identifying with the cooperatives, treating them as a tool of the party and state. It contributed to a negative image of cooperativeness after the political changes of 1989, when the cooperative system was suddenly transformed in Poland.

The cooperatives had their autonomy limited and became dependent on the state. A farmer was obliged to sell its produce to a cooperative and to buy all the production means from the cooperative he was member of. It was that lack of independence that caused a negative attitude towards the cooperatives¹¹. After the political transformation of 1989, many cooperatives were liquidated and their role in supporting agriculture in rural areas was weakened. The farmers perceived cooperativeness as a relic of a bygone era. Additionally, passing the Act of 20 January 1990 on changes in structure and operation of cooperatives¹²

⁸ <http://www.krs.org.p> [assessed June 2012].

⁹ A. Jedliński, *Ustawa z 1920 r. na tle ówczesnych regulacji europejskich*, in: 90 lat prawa spółdzielczego, materiały pokonferencyjne Krajowej Rady Spółdzielczej, Warszawa 2010, p. 21 and n.

¹⁰ *Ibidem*.

¹¹ <http://www.krs.org.pl> [assessed June 2012].

¹² *Journal of Laws*, No. 6. Item 36, as amended.

had a very negative influence on the development of cooperatives. In 1994, the Act on Cooperative Law¹³ was amended and certain mistakes were corrected, but a lot of cooperatives had already been liquidated or were in a terrible financial condition. Undoubtedly, in the period of the political transformation it was essential to change the regulations. They should have gone, however, into the direction of making the cooperatives independent from the state and implementing cooperative principles, especially democracy. It was necessary to reactivate the cooperatives from the inter-war period and to make them develop further. The cooperative entities operated really well in many market economy countries, including the “old” EU countries or the USA. It appeared, however, that many actions or legal regulations did not reactivate the true cooperative movement in Poland but they contributed to its demise. Such situation resulted from, among other things, a lack of knowledge on the principles of operating of cooperatives in the world and from the intention to get rid of the entities associated with the time of socialism. The members of the board were connected with the old system and they were not prepared to manage the enterprise under different economic conditions. Unfavourable regulations, mismanagement, an adverse financial situation as well as not obeying the cooperative principles resulted in the fact that many of these entities were liquidated in the 90s¹⁴.

Polish accession to the European Union had a positive effect on the situation of certain operating cooperatives. Moreover, it contributed to the development of new cooperative branches in agriculture and in rural areas, such as cooperative agricultural producer groups and social cooperatives. We can also observe slow changes of the country dwellers’ and politicians’ attitude towards cooperatives. The agricultural producers started to notice more often that it is owing to cooperativeness that the farmers from the Western Europe are more and more competitive on the EU and world market. Additionally, Poland is a member of COGECA (General Committee for Agricultural Cooperation in the European Union).

¹³ Act of 7 July 1994 on amending the Act on cooperative law (Journal of Laws, No. 90, Item 419).

¹⁴ <http://www.krs.org.pl> [assessed June 2012].

3. Statistical data (agriculture, cooperativeness)

Poland is a country situated in the central part of Europe, with a territory of 312.7 thousand km² (7th in the EU-27 and 68th in the world) and a population of 38.1 million (6th in the EU and 33rd in the world). Since 1 May 2004, Poland has been a member of the European Union. In terms of total population, Poland ranks 6th among the 27 Member States, and in terms of agricultural population, it occupies the 1st position. As regards the number of agricultural holdings, Poland is in the 2nd place (after Romania)¹⁵. A characteristic feature of Polish agriculture is considerable fragmentation – the average surface area of agricultural land per agricultural holding is gradually expanding and in 2009 amounted to 8.0 ha of agricultural land (in 2008 – 7.8 ha). Poland is an important European and world producer of agricultural and horticultural products, as well as products of animal origin. This country also holds an important position in the production of berries (strawberries, raspberries and currants) and field vegetables such as onion, cabbage and cauliflower. The profile of production is determined by soil and climate conditions and regional traditions¹⁶.

At present there are more than 3,000 cooperatives operating in agriculture and rural areas. Depending on the function or type of business activity the following types of cooperatives can be distinguished:

- Cooperatives associating agricultural producers – they join producers of one or several products and are commonly called groups of agricultural producers, being part of branch cooperativeness,
- Processing cooperatives, e.g. dairy cooperatives,
- Supply and sale cooperatives, such as “Samopomoc Chłopska” cooperatives (Peasants’ Self-Help),
- Service cooperatives providing e.g. banking and credit services, agricultural service cooperatives (cooperatives of farmers’ associations),
- Agricultural production cooperatives,
- Social cooperatives working in agriculture or in rural areas.
- Consumer cooperatives “Społem”,
- Folklore and artistic handicraft cooperatives

The development of cooperativeness as well as the attitude of the inhabitants towards cooperativeness varies depending on the region,

¹⁵ See: Ministry of Agriculture and Rural Development, *Agriculture and food economy Agriculture and food economy*, Warsaw 2011, p. 10 and n.

¹⁶ Ibidem.

history, agrarian structure and the development of agriculture. Some dairy cooperatives are more than 100 years old and they still operate.

The region of Wielkopolska is one of the most developed parts of Poland in terms of agriculture. It has also strong cooperative tradition. The biggest number of groups of agricultural producers was set up in Wielkopolska and, what is the most important, cooperatives are very popular there. The dwellers of this region, characterized by a pragmatic attitude to life, support cooperativeness, because they know that joint actions may lead to success. There are also numerous agricultural production cooperatives, Samopomoc Chłopska, cooperatives of agricultural circles. Some of these entities set up the groups of agricultural producers under the Article 3a of the Act on the agricultural producers and their associations¹⁷. Pursuant to this provision, a cooperative may operate as a group if the cooperative consists of at least 5 producers of a given product or a group of products and if some other conditions prescribed by the Act are met.

The agricultural cooperativeness in the region of Wielkopolska has its roots in the liberal theories. According to them, “medium size” entities which have already achieved something – entrepreneurs, merchants, craftsmen, farmers – strengthen their position and develop their companies or farms by means of cooperatives or social enterprises. Joint actions enhance their position on the market. Additionally, cooperatives give a helping hand also to the poor by providing employment, which contributes to the increase of the wealth of the society. It is worth mentioning, that the liberals emphasized the subjectivity of individuals, namely independence of and democracy in social enterprises and they rejected the notion of group property¹⁸.

4. Legal regulations, operation of particular types of cooperatives

The fundamental law which regulates the problem of cooperatives in Poland is the Cooperative Law Act of 16 September 1982¹⁹. According to it, a cooperative is a voluntary association of an unlimited number of persons, with variable personnel and participation fund, which runs

¹⁷ Journal of Laws, No. 88, Item 983, as amended.

¹⁸ A. *Piechowski*, *Rodowód przedsiębiorczości społecznej* in: *Przedsiębiorstwo społeczne w rozwoju lokalnym*, Ed. E. Leś, M. Oldak, Warszawa 2007, p. 22 and n; S. *Inglot* (Ed.), *Zarys historii polskiego ruchu spółdzielczego*, Warszawa 1971, p. 127 and n.

¹⁹ Consolidated text Journal of Laws of 2003, No. 188, Item 1848, as amended.

a joint business activity in the members' interest. It may also run a social activity and educational and cultural activity in the interest of its members and their milieu. Part one of the aforementioned act contains common regulations for all cooperatives, whereas part two contains specific regulations, including those that concern agricultural production cooperatives and agricultural service cooperatives. On the other hand, separate acts deal with the issue of social cooperatives²⁰, the European Cooperative Society²¹ and housing cooperatives²².

The cooperative acquires legal personality when it is entered into the National Court Register. The general rule states that the number of founders of the cooperative must not be smaller than ten if the founders are natural persons or three if the founders are legal persons. However, there are exceptions to the rule. In agricultural production cooperatives the number of founders – natural persons must not be smaller than five. Apart from that, natural persons and legal persons managing a farm, in accordance with the agricultural tax regulations, or running an agricultural business in special branches of agricultural production, may establish a cooperative where the number of its founders may be only five at least. However, this is possible only when the entity is established exclusively for the purpose of organizing into groups of agricultural producers, according to the Act on groups of agricultural producers and their associations of 15 September 2000 and to the amendment to other acts, or into initially recognized groups of fruit and vegetable producers or into recognized organizations of fruit and vegetable producers, according to the Act on organization of the fruit and vegetable markets, hop market, tobacco market and dried fodder market of 19 December 2003.

The bodies of the cooperative include an annual general meeting, a supervisory board, and a management board. If the number of members exceeds a limit specified in the statute, the statute may provide that a general meeting of members be substituted by a meeting of representatives. If this is the case, the statute should specify the principles for determination of the number of representatives and their election, as well as the duration of representation. Each member has one vote regardless of the number of shares he holds. A statute of the cooperative, whose members can include only legal person, can lay down a different rule of calculating the number of votes of the members. It is worth explaining that each cooperative is obliged, at least once every three years and while being wound up –to be inspected once a year in

²⁰ Act of 27 April 2006 on social cooperatives, Journal of Laws, No. 94, Item 651 as amended.

²¹ Act of 22 July 2006 on European cooperative, Journal of Laws, No. 149, Item 1077 as amended.

²² The Housing Cooperative Act of 15 December 2000. Consolidated text. Journal of Laws of 2003, No. 119, Item 1116, as amended.

terms of legality, economy of management and accuracy in relation to its all actions. The purpose of this inspection is, among others, to check whether a cooperative obeys the legal regulations and its statute, to examine whether the cooperative acts in the interest of its members, to check its economy of management, appropriateness and accuracy of its actions taken to carry out its economic, social and cultural goals. The inspection is carried out by the competent review associations in the cooperatives united in the associations. Not united cooperatives commission a given review association or the National Cooperative Council to carry out the inspection.

The next part of the article briefly presents various types of cooperatives operating in agriculture and in the rural areas.

Production cooperatives, running agricultural activity, include Agricultural Production Cooperatives. The object of such cooperatives is to run a common farm and to take actions for the benefit of individually owned farms of their members. However, cooperatives may also be engaged in other types of economic activity. The regulations do not limit its types and do not specify the ratio of agricultural activity to another type of activity. Agricultural production cooperatives have been running not only common farm but also non-agricultural business activity. They were forced to do it usually by a bad economic situation and in some periods they were encouraged to do it by tax regulations²³. In the 1990s a financial situation of many agricultural cooperatives worsened and they were liquidated. After the Polish accession to the European Union the situation in the agricultural production cooperatives became noticeably more stable. Currently, there are about 700 agricultural production cooperatives in Poland.

Agricultural production cooperatives provide employment not only to their members and people living with them in one household but also to some other people from the rural area. Membership in agricultural production cooperatives is only allowed to the farmers who are: 1) owners or independent holders of farmland; 2) lessees, users or other dependent holders of farmland. Membership in the cooperative is also allowed to other people with useful qualifications for work in the cooperative.

Not only agricultural production cooperatives but also cooperatives of agricultural circles may deal with running a common farm. After the political transformation, however, the number of cooperatives of agricultural circles started to go down steadily. Currently, there are about 500 of them in Poland. As part of its activity, the cooperative of the agricultural circles may distinguish the following types of business activity: agricultural services connected with agriculture (e.g. combine harvest of grain, sugar beet and potatoes as well as the spread of ferti-

²³ A. Suchoń, *Spółdzielnie rolnicze po akcesji Polski do Unii Europejskiej; wybrane zagadnienia prawne*, *Problemy Rolnictwa Światowego* 2011 No 4, pp.148-158.

lizers and lime); running a farm; extra-agricultural services; trade and production (e.g. production of building materials, building water supply and sewage systems, renovation and building services; supplying fertilizers, building materials, fuel, fodder and pesticides)²⁴.

Dairy cooperatives have a long history and a well-established position on the Polish milk market. In recent years the number of dairy cooperatives has dropped (in 1989 there were 323 cooperatives, in 2000 – 238, and in 2007 – 188 dairy cooperatives)²⁵. It results, first of all, from the winding up of the weakest cooperatives that struggled with money and, secondly, some dairy cooperatives have consolidated, namely they have merged. The activity of such entrepreneurs is highly affected by, apart from cooperative law, the regulations relating to the milk market as, pursuant to the Act of 20 April 2004 on Organizing Milk and Dairy Products Market, they are the purchasing entities. The basis of each cooperative are farmers, cooperative members, who have a milk quota. They conclude farm agreements with dairy cooperatives. Under these agreements the cooperative members commit themselves to produce and deliver milk of appropriate quality. The milk price is not a fixed amount. At the same time, the situation on the milk market is affected by a series of factors, including a demand, legal regulations, the situation on the European and world market.

Agricultural activity relating to the milk production is important in Poland. It constitutes a significant pillar of the economy and generates a substantial added value in agriculture. The milk industry plays an important part not only in milk production but it also provides employment in rural areas and fulfils tasks relating to ecology.

A particularly important legal document relating not only to the development of cooperativeness but also to associations of farmers is the Act on groups of agricultural producers of 15 September 2000, which created legal bases for trade cooperativeness, namely for cooperative groups of producers. After the Polish accession to the European Union more and more country dwellers started to notice that acting alone is not beneficial for them. It is worth mentioning that there are two stages of formation of such groups. In the first stage the legal person is established, e.g. a limited liability company, cooperative, association and voluntary association. In the second stage the group is registered. The head of the province competent for the registered office of the group issues an administrative decision which states that the legal person has met the conditions specified in the regulations and has been registered as a group of agricultural producers.

According to the statistics of 30 June 2006 there were only 126 registered groups of agricultural producers but two years later there

²⁴ <http://www.kolkarolnicze.pl/> [assessed June 2012].

²⁵ <http://www.krs.org.pl> [assessed July 2012].

were 294 such groups in Poland, 85 of which (29% of the total number) were registered as cooperatives. In mid-March 2009, there were 401 of them, whereas on 2 May 2011 there were 666 such groups in Poland, 182 of which were cooperatives²⁶. On 17 September 2012 there were 960 groups of agricultural producers registered in Marshal Offices²⁷, including 63% of groups in the form of a company, 31% in the form of a cooperative, 6% - association and 1% - society²⁸. It is worth indicating, however, that more and more groups are set up in the form of a cooperative. Out of 220 groups of agricultural producers established in 2011, more than 60 were established as cooperatives. In 2012, there were 41 cooperatives among 93 groups²⁹.

Groups of agricultural producers help the agricultural producers to increase their competitiveness and income, contribute to the development of agriculture and of the rural areas. This help is possible owing to the investments made by the groups, purchasing modern equipment and devices, building storehouses as well as setting up the entities dealing with processing. The development of the groups entails employing new workers, which results in lower unemployment in the rural areas. Apart from the groups of agricultural producers, established pursuant to the Act on groups of agricultural producers of 15 September 2000, groups of fruit and vegetable producers, which operate under separate legal regulations, should also be noted. Above all, this concerns the Act on organization of the fruit and vegetable markets, hop market, tobacco market and dried fodder market of 19 December 2003 and executive regulations.

In recent years the establishment of social cooperatives in rural areas has also been noticeable. It resulted from the fact that the Act on social cooperatives was passed. On 15 March 2012 there were 447 social cooperatives entered into the National Court Register. They mainly deal with providing various services and some of them run business activities, especially ecological ones. This kind of cooperative works for the social occupational reintegration of its members, which is understood as the actions aimed at the redevelopment and maintenance of the capacity to be independent work providers on the job market. The social cooperative is a big chance for people who are not favoured in society and who are usually unable to start a business on their own.

²⁶ See <http://www.krs.org.pl> [assessed June 2012].

²⁷ Currently, the biggest number of agricultural producers operates in the regions of: Wielkoposka (241 groups), Kujawsko-Pomorskie (110 groups) and Dolnośląskie (109 groups). The members of cooperative groups of agricultural producers are usually medium farms. According to the "open door" principle, the cooperatives want to be joined by new members. People running large farms tend to form groups in the form of companies. They usually do not include many members.

²⁸ See <http://www.ksow.gov.pl> [assessed June 2012].

²⁹ See <http://www.krs.org.pl> [assessed June 2012].

Social cooperatives may be established by e.g. unemployed people, disabled and homeless people. Social cooperative may be also set up by: 1) persons other than those specified above, unless the number of such persons is not more than 50% of the total number of founders, 2) non-governmental organizations within the meaning of the regulations on public benefit activity and voluntary or local authorities, 3) the church legal persons.

There are still a lot of supply and sales cooperatives “the Samopomoc Chłopska” on the Polish countryside. There are more than 1200 entities, but some of them are liquidated each year. These are the production and trade and service cooperatives whose business primarily involves selling food and industrial products, particularly those related to the running of agricultural activity, such as fertilizers, seed materials, and coal for fuel. Some are also engaged in buying livestock and food processing (they run bakeries, abattoirs, meat processing plants). It is also worth mentioning consumer cooperativeness. Consumer Cooperative is one of the oldest cooperative branches in Poland – in 2009 it celebrated its 140th anniversary. It works throughout the country, both in villages and in towns. Currently, there are about 200 cooperatives. Cooperatives “Społem” run business activity in many fields. The most important include retail and wholesale trade of different industries, bakery, confectionery, meat processing plants, delicatessen as well as all kinds of services to the public³⁰.

Undoubtedly, the development of agriculture and rural areas is contributed by cooperative banks. These are the most popular banks in rural areas usually having their registered offices in each commune. It is thanks to the loans from the banks that the farmers can lead and develop the agricultural and non-agricultural activity.

5. Cooperative structure

The majority of the basic cooperatives presented above are part of supervising unions. Cooperatives may set up and join supervisory unions. There must be at least 10 founders in order to set up the supervising union. It aims at providing its members with help relating to their statutory activity. The tasks of the union include, among others, carrying out the inspection of the associated cooperatives, carrying out, for the benefit of the associated cooperatives, an instructional, consulting, cultural and educational training and publishing activity;

³⁰ <http://www.krs.org.pl> [assessed June 2012].

representing the associated cooperatives' interests before the government administration authority and local government authorities. The register of supervising unions is maintained by the National Cooperative Council. The example of a union operating in agriculture is Polish Supervising Union of Agricultural Production Cooperative (*Krajowy Związek Rewizyjny Rolniczych Spółdzielni Produkcyjnych*) with its registered office in Warsaw. It is open mainly for production, processing and service cooperatives, other cooperatives and units working for the benefit of the food complex and the country as well as for provincial and regional supervising unions. In Warsaw, there is also a registered office of Polish Union of Dairy Cooperatives – Supervising Union. It is a voluntary self-governing organization associating dairy and other cooperatives whose object of activity relates directly or indirectly with the production, processing and trade in milk and milk products.

The principal body of cooperative self-government is the National Cooperative Council with its registered office in Warsaw. Its tasks include, among others, representing Polish cooperative movement at home and abroad, cooperating with principal state authorities on the issues relating to cooperative movement, initiating and providing opinions on legal acts concerning cooperativeness and being of great significance for cooperativeness; initiating and developing cooperation among cooperatives and promoting the idea of such cooperation. The National Cooperative Council operates under the statute specifying the principles and way of its operation³¹.

6. Selected EU instruments influencing the development of cooperativeness

As it has already been indicated, the development of the cooperative movement in Poland had been positively influenced by the Polish accession to the European Union. It mainly relates to the European funds.

The groups of agricultural producers, also those run as cooperatives, can use the financial aid on the basis of the regulation of the Minister of Agriculture and Rural Development of 20 April 2007 on specific conditions and mode of granting the financial aid within the action “Groups of agricultural producers” and Rural Areas in Development Programme 2007-2013³². The application has to be filed by the group

³¹ <http://www.krs.org.pl> [assessed June 2012].

³² Journal of Laws, No. 81, Item 550, as amended.

of agricultural producers within 6 months from the date of entering the group into a register to a director of a branch office of the Agency for Restructuring and Modernization of Agriculture (ARMA) competent for the group's registered office. The aid is granted in a percentage lump sum on the value of gross revenue of the group from the sales of products or the groups of products produced in the farms of the members in particular years. The maximum rates are, however, prescribed by the regulation.

The groups of fruit and vegetable producers may also use the EU funds by filing an appropriate application to ARMA. The groups that are initially recognized may use the granted funds to pay the costs relating to setting up the group and running an administrative activity. Additionally, the financial aid may be used to cover part of qualified investment costs included in an approved recognition plan, e.g. the costs of building, purchasing or extending the buildings or facilities designed to store or prepare the fruit and vegetables to be sold.

At the beginning of April 2012, Commission Implementing Regulation (EU) No. 302/2012 of 4 April 2012 amending Implementing Regulation (EU) No. 543/2011 laying down detailed rules for the application of Council Regulation (EC) No. 1234/2007 in respect of the fruit and vegetables and processed fruit and vegetables sectors³³ was passed. The regulation significantly limits the level of financial aid for Initially Recognized Groups of the Fruit and Vegetable Producers. The reason for passing the regulation was to reduce the EU budget. The change in the legal provisions will drastically limit the development of the groups of the fruit and vegetable producers in Poland.

Dairy cooperatives, in turn, as entrepreneurs dealing with processing agricultural produce may use the financial aid coming from the European Agricultural Fund for Rural Development (EAFRD) within Development of Rural Areas Programme, activity "Increasing added value of basic agricultural and forest production". The aid may be granted, among other things, to carry out the project relating to the building and modernization of the plant of agricultural produce processing. The aid includes the investments aiming, e.g. at improving the results of the entrepreneurs or the conditions of environmental protection.

An important source of financing the activity of a social cooperative are funds coming, first of all, from the European Social Fund, particularly Priority VI "Labour Market Open for All", Priority VII "Promotion of Social Integration" and, secondly, from Operational Programme Civil Initiatives Fund³⁴. Some social initiatives, dealing with ecological agriculture, use the European funds coming from Rural Development

³³ Journal of Laws of EU of 5 April 2012, L 99/21.

³⁴ <http://www.krs.org.pl> [assessed June 2012].

Programme for 2007-2013. Financing ecological agriculture is regulated mainly by the regulation of the Minister of Agriculture and Rural Development of 26 February 2009 on specific conditions and mode of granting the financial aid within the action "Agricultural and Environmental Programme" included in the Rural Development Programme for 2007-2013³⁵. Package no. 2 (including 12 options) prescribed that regulation relates to Ecological Agriculture. The payment for ecological agriculture is granted to agricultural lands used, e.g. as arable lands, grasslands, orchards where the kinds trees and bushes listed in attachment no.4 to the regulation are planted.

7. Summary

To sum up, two main issues should be indicated. Firstly, the co-operative sector on the Polish lands has a rich history and it has undergone changes and, secondly, the cooperatives have undoubtedly contributed to the development of agriculture and of rural areas. The time of socialism affected the cooperative movement in a very negative way. Although the political transformation took place more than 20 years ago, the consequences of that time are still noticeable. It mainly relates to a negative attitude of the society, including the agricultural producers towards the cooperatives. The process of changes, however, can be observed, which was undoubtedly influenced by the Polish accession to the European Union. Simultaneously, it will be very difficult to build agricultural cooperatives in Poland operating in the same way they operate in France, Germany or Denmark in respect to the number of farmers involved, the annual turnover of cooperatives and a wide range of their activities. In these countries the cooperative movement has a long, established history and is well perceived by the people as well as the public authorities.

While defining the directions of the development of agricultural cooperativeness in Poland it can be stated that they certainly include cooperative groups of agricultural producers helping to increase the competitiveness of Polish agricultural producers on the European market. The cooperative is, undoubtedly, the most effective form of the carrying out of the economic business of agricultural producers. The cooperatives of agricultural production, which were not liquidated, often operate on the agricultural market in the form of modern, joint farms introducing innovative solutions and streamlining their activity. It was,

³⁵ Journal of Laws, No. 33, Item 262, as amended.

without doubts, the Polish accession to the European Union that had a positive effect on improving a financial situation of some agricultural production cooperatives and on stopping the liquidation process of these entities. It is worth indicating that they provide employment to many country dwellers. In fact, no new agricultural production cooperatives are going to be set up but the existing ones are bound to develop. They have to; however, face some problems including a small number of young people working in them.

An established position of dairy cooperatives on the Polish agricultural and food market can be attributed to both political transformation and the Polish accession to the European Union. Dairy cooperatives are usually modern trade entities investing into innovative solutions. At the same time, in order to keep up with the competitors and reduce the costs they try to consolidate.

There are diverse entities in the cooperative movement. On the one hand, they work in order to make their members agricultural producers more competitive on the European market and, on the other hand, to achieve social goals. They may solve the problems of unemployment or disability faced by numerous rural inhabitants. At present in Poland cooperatives in rural areas usually offer employment for many local inhabitants. It relates to social cooperatives and, as it has been indicated, some of them run an agricultural activity. Moreover, it is easier to do farming business by means of the methods oriented at environmental protection, and to introduce innovations which require high outlay when farmers work together.

Strong points of Polish cooperatives include, above all, knowledge of the local market, vast experience in the industry, favorable location and loyal customers. Agricultural cooperativeness operates on the majority of agricultural markets. It mainly influences, however, the milk market, where not only milk cooperatives operate but also the groups of agricultural producers who purchase milk. Also cooperatives on the pigs market are of big importance. It is especially visible in the region of Wielkopolska.

The weaknesses of the cooperatives include their difficult financial situation and their members who are not involved in the matters of cooperatives. It is essential to improve the financial situation of the cooperatives and to restore the relations among the members³⁶. Moreover, the fact that there is often no marketing department in cooperatives makes their position much worse in comparison with other companies on the market³⁷.

³⁶ M. Brodziński, *Spółdzielnie, członkowie, samorzady. Z problematyki więzi oraz rozwoju spółdzielczości wiejskiej*, Warszawa 2007.

³⁷ <http://www.krs.org.pl> [assessed June 2012].

For the development of the agricultural cooperative movement it is recommended to pass a new Act on Cooperative Law. The act should make it easier to set up and run the activity of the cooperatives. The current act of 16 September 1982 was created to great extent before the political transformation and it does not correspond to current social and economic circumstances. The act often acts as a hindrance to the development of cooperativeness and to the creation of new entities.

References

- R. Bierzanek, *Prawo spółdzielcze w zarysie*, Warszawa 1984.
- M. Brodziński, *Spółdzielnie, członkowie, samorzady. Z problematyki więzi oraz rozwoju spółdzielczości wiejskiej*, Warszawa 2007.
- S. Inglot (ed.), *Zarys historii polskiego ruchu spółdzielczego*, Warszawa 1971.
- A. Jedliński, *Ustawa z 1920 r. na tle ówczesnych regulacji europejskich, w: 90 lat prawa spółdzielczego, materiały pokonferencyjne Krajowej Rady Spółdzielczej*, Warszawa 2010.
- Ministry of Agriculture and Rural Development, *Agriculture and food economy Agriculture and food economy*, Warsaw 2011.
- A. Piechowski, *Historyczny kontekst uchwalenia ustawy z 29 października 1920 r., w: 90 lat prawa spółdzielczego, materiały pokonferencyjne Krajowej Rady Spółdzielczej*, Warszawa 2010.
- A. Piechowski, *Rodowód przedsiębiorczości społecznej in: Przedsię biorstwo społeczne w rozwoju lokalnym*, Ed. E. Leś, M. Ołdak, Warszawa 2007.
- Policy on the development of rural areas for the years 2007-2013, http://ec.europa.eu/agriculture/rurdev/index_pl.htm [assessed June 2012].
- A. Suchoń, *Spółdzielnie rolnicze po akcesji Polski do Unii Europejskiej; wybrane zagadnienia prawne*, *Problemy Rolnictwa Światowego* 2011 No 4.
- <http://www.krs.org.pl> [assessed June 2012].
- <http://www.grupyogrodnicze.pl/home> [assessed June 2012].
- <http://www.ksow.gov.pl> [assessed June 2012].
- <http://www.kolkarolnicze.pl/> [assessed June 2012].

Czech housing cooperatives nowadays¹

Magdalena Hunčová

Abstract

This study focuses on housing cooperatives practices in the Czech Republic. The pressure of globalisation and unfriendly law cause some changes in cooperative structure and values after 1948 and after 1990 again. Housing cooperatives as very large organisations, with thousands flats and members, were obliged to convert their associational-private ownership of co-operative flats and houses into personal-private ownership according to the law of transformation (1992). This situation caused many practical troubles for housing cooperative democracy and economy. The new Civil Code and the Corporate Code (1993) emphasized this tendency. Surprisingly in such conditions, cooperatives as a legal form of peoples' association and their economic activity remain attractive and successful for many people till now. Some dates and one case study are presented.

Key words: Czech cooperatives; housing cooperative; credit union; privatisation and transformation; cooperative democracy; dwelling unit owners association; block-of-flats; case study.

1. Czech cooperatives – a historical overview

During the recent past the cooperative economy and cooperative democracy in the Czech Republic stood under the pressure of globalisation and under unfriendly Czech legal conditions. This situation caused some deformation of the cooperatives' structure, their activities and

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

values. Under massive governmental interventions after 1990 cooperatives lost their autonomy and mutuality; housing cooperatives as well. Many cooperatives became only an enterprise, even some of them only a business. The new Civil Code and the Corporate Code (valid from 1. 1. 2014) continue this tendency. Surprisingly, in such conditions cooperatives as a legal form of people's association and their economic activity have remained attractive for many people and successful until now². In this view cooperatives demonstrate their internal force and potency as specific socio-economic bodies.

After 1990, Czech cooperatives have lost their specific law as they were put under the Commerce Code. Cooperatives were obliged to go through a transformation process according to the "transformation Law" (1992). In consequence of this process many cooperatives changed their legal form and lost their cooperative values.

Housing cooperatives e.g. have grown into large organisations with thousands of flats and members during the time of central planned economy. Then, after 1990, the political goal was to crush such big structures and decimate cooperatives generally because they were seen as strongholds of the old regime. Within privatisation and according to the new Housing Code (1992), housing cooperatives were strictly obliged to convert their ownership of flats (and houses) from associational-private ownership into personal-private ownership as soon as a member applied their flat request (valid until 1995, and prolonged). If the sum of privatised flats has overgrown 75 per cent of the sum of flats in one house or one entrance of a block of houses, new flat owners (physical bodies only) were obliged to join "dwelling unit owners associations", or new small housing coops. The former housing coop was liquidated. New co-ownership was anticipated to provide flats and houses care in better way. The residue of cooperative (non-owners)'s flats in such "privatised" house remains to be represented by former housing cooperative agent with the weight of its co-ownership share.

These decisions not only broke many of big housing cooperatives but caused many practical troubles for the fundraising of housing cooperatives, because of the different types of membership they created ownership in one house or entrance, or cooperative or association, alongside. Administration of democratic control became to be more complicated and more expensive. Of course, many of the new small housing cooperatives were established, so the number of housing cooperatives increased.

² *Hunčová, M.*: Success Factors of Czech Workers' Cooperatives. In: Team of authors: Le Grand Magasin. Berlin: AG SPAK Bücher, 2010.

1.1 The history of Czech cooperatives

We can agree with the definition of the Czech Statistical Institute (2009)³ based on the current legal situation: “a cooperative is a community of an unclosed number of persons established for the purposes of entrepreneurial activities or procurement of economic, social or other needs of its members. A cooperative, which ensures housing needs of its members, is a housing cooperative. Original capital of a cooperative is a sum of member’s investments, to the payment of which members of the cooperative engaged. To establish a cooperative, there have to be at least five members (natural persons) or two legal persons. A cooperative is a legal person, the activity of which is set especially by Commercial Code (513/1991 Sb.), and further by the Statute of the cooperative, which is adopted by the members’ meeting. The Statute determines in detail the activity, rights and duties of the members, structure of bodies of the cooperative, and money management. The Accounting Act lays the following duties to cooperatives: the accounting duty (to keep books in full extent); cooperatives, which ensure exclusively needs of their members, can have simplified book-keeping.

Housing cooperatives transfer dwelling (non-dwelling) units in accordance with Act No 72/1994 Sb. (the Ownership of Flats Act). Based on transfers of dwellings to ownership, dwelling unit owners associations originate, in which housing cooperatives are members, too, with regards to the ownership of dwellings, which were not transferred to ownership”.

That is true, “the term “cooperative” (“družstvo” in Czech) came into existence in the first half of the 19th century. In 1844, the Rochdale Society of Equitable Pioneers, which can be considered the first cooperative in the world originated. It was based on two key principles: the principle of self-help and mutual co-operation of small craftsmen. The Rochdale Society further developed; they designed the now famous Rochdale Principles. In Czech lands, “Food and Saving Society in Prague” (“Potravni a úsporný spolek v Praze”) founded in 1847 is considered to be the first cooperative. Soon, cooperatives of all kinds started to originate: cooperative savings banks, producer cooperatives, and the like. The first producer cooperative in 1892 was the still existing “Producer Cooperative Kovo Věšín” (“Výrobní družstvo Kovo Věšín”). During the First Czechoslovak Republic cooperatives prospered. Already in 1924 there were 6.151 cooperatives of all types in Czech lands, in 1933 there were already 7.865 ones”. (Prague: CSU, 2009)

Before World War 2, the Czech (and other Czechoslovak) cooperatives were set up spontaneously and consensually, being created many net-

³ Vosvrđova and Hrdinova: Statistical dates on housing cooperatives. Prague: CSU, 2009. See www.csu.cz (visited 14.7.2011).

works with their centrals for supply and sales, Cooperative Bank (plus “*Raiffeisen*” saving and loan “casas”, and “*Schulze-Delitzsch*” credit units) in middle, with many cooperatives’ unions (being organised on language and territorial principle mainly), of their own accord. The cooperative legal base was stated on Cooperative Law from 1873 (like in Austria)⁴ when cooperatives principle and values was respected. There were two types of cooperatives in law: societies based on united economic activities, and societies based on united work. The cooperative sector flourished and played a significant role in the economy and society in our country that time.

Starting 1938, after annexation of Czech and Moravian lands by Third Reich, there all cooperatives were obligatory subordinated to (Reich) cooperative’s central institutions according to needs of Reich central planned economy of war.

After 1948 the totalitarian state kept cooperatives under unitary cooperatives central institutions (agricultural, productive, housing, consume). All independent savings and loan institutions and credit unions were shut down by governmental decree as their assets and liabilities were subordinated to a new National saving bank. Agricultural cooperatives were based on collectivized ground starting from 1954, and all craftsman and small entrepreneurs were obliged to join productive cooperatives, obligatory. Housing cooperatives became administrators of cooperative home and flats. Cooperatives generally lost their autonomy, due to their new role in central planned economy. Cooperatives lost a part of cooperative values, though membership, mutuality, and a certain amount of internal voting democracy was saved. During the totalitarian period, the Czech cooperatives slowly grew in their size and with time they increased in economic strength.

After 1992 cooperative law did not return to a position of respect with regard to cooperative principles and values, but it became very unfriendly because of political factors. Additionally, the new civil and corporate law pushed cooperatives (as association & its enterprise) much more down. – Newly it is allowed to establish cooperatives also for business, i.a. under such a law there cooperatives lose their autonomy, mutuality, and democracy much more. Nevertheless, many of cooperatives save (some of) their values and repute, even as a part of “social economy” till now; most of housing cooperatives as well. Go for Czech credit union, they exist under their code from 1995 and EU regulative BASEL II. The number of than decrease in last 10 years (see below). No law for independent mutual funds exists there.

⁴ The Austrian Cooperative Code issued in 1873 was valid all the time, and cancelled in 1954.

1.2 Czech cooperatives organisational structure

With the SCMBD we can say that today most of Czech cooperatives belong to some cooperative unions as a member. This means that they belong to the Union of Czech and Moravian Producers' Cooperatives (worker's co-ops incl.), the Union of Czech and Moravian Consumers' Cooperatives (with their channels), the Agricultural Union (joining coops which work on jointed fields, sales cooperative organisations, and other small entrepreneurs in agriculture), and the Union of Czech and Moravian Housing Cooperatives. These unions are sheltered by the Czech Cooperative Association (DACR). Membership of coops is optional both in unions and DACR. Some cooperatives remain outsiders. Alongside the DACR, the Association of Credit Unions (ACU) also operates with optional membership. In the Czech Republic there are 14 credit unions. They nearly became banks under the EU regulation of BASEL II and under the governmental politics of marketization. Unions and the DACR, cooperate on international level as members of international co-operative organizations.

Union of Czech and Moravian Housing Co-operatives (SCMBD) join housing co-ops of several types and some of Dwelling Unit Owners Associations together. The Union is a professional association of housing co-operatives, which operate across the whole territory of the Czech Republic. Its member organizations are housing co-operatives, i.e. those that were established in the post-war period, as well as those that participated especially in the construction of flats before World War 2.

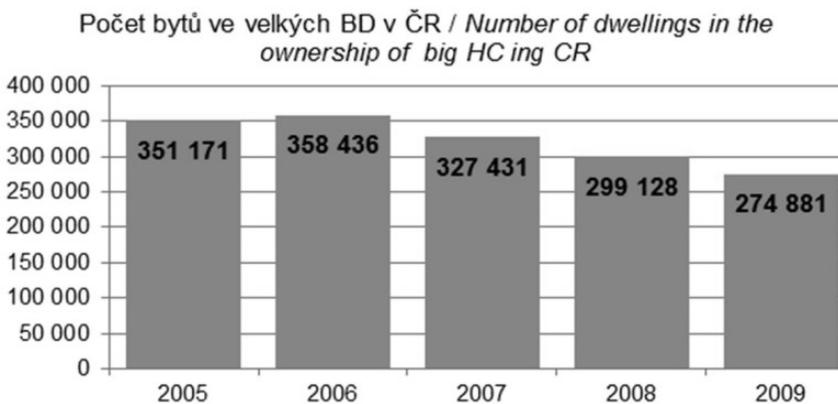
The Union of Czech and Moravian Housing Co-operatives is an organization which represents its member co-operatives in negotiations with the government, Parliament of the Czech Republic and with other governmental and non-governmental bodies and organizations. It is a member of the international co-operative organizations and it is in contact with international institutions of a similar type. It provides information and consulting services for its member organizations, and it organizes educational events for the office holders and employees of the co-operative system. It helps its member organizations in making direct contact abroad. In order to facilitate its activities, it established its regional offices in all regions of the Czech Republic.

The dwelling unit owners association is a specific legal person, which originates from Act No 72/1994 Sb., by which some co-ownership relationships to buildings are set as well as some ownership relationships to dwellings and non-dwelling premises; the act complements some acts (the Ownership of Flats Act). A significant change in the act was made in its 2000 amendment (No 103/2000 Sb.) with effect from 1st July 2000, in which it was determined that a dwelling unit owners association becomes a legal person by law. Having fulfilled the conditions for origination, a legal person is incorporated in an independent register

of dwelling unit owners associations. An association as a legal person is eligible to execute rights and engage only in matters related to administration, operation and repairs of common parts of the building and plot, or in other matters mentioned in the Act or the Statute. A dwelling unit owners association is not a business entity, because according to law it can administer only a real estate, which is in the co-ownership of the members of the dwelling unit owners association; it can acquire property, however, only such that will serve the purposes, which are related to the operation of common parts of the building. Nevertheless, the association is not (by its character) a non-profit organization, either, although by its activity it does not create profit. It provides to its members services against payment; the activity and money management is decided about only by the members of the association.⁵ Czech housing cooperatives are understood as big (with more than 20 employees) and small ones (with less than 20 employees). Below you can see some statistical data.

1.3 Some statistical data on housing cooperatives

Table 1: Number of Czech big housing cooperatives



⁵ <http://www.scmdbd.cz> (visited 20.8.2012).

Table 2: Union of Czech and Moravian Housing Co-operatives

	1998	2011
Number of co-operatives	996 *)	596
Number of members		493 742
Number of flats „in personal ownership and usage“	366	
Number of flats	801.530 **)	280 658
Number of houses		18 591
Number of parking places and houses		44 737
Number of employees		3 017
Number of small housing coops (SMBD), and of Associations of flats „in personal ownership and usage“ owners - both outside of Union		1 649
Number of members united in the Dwelling Unit Owners Association		73 264

Source: <http://www.scmbd.cz>

Notes

*) Consisting of 437 small housing co-operatives (1998) created by means of separation of the part of a bigger co-operative or, as a new possibility, by sale of municipal flats and houses this data are constantly being changed and grow during the time given the *privatisation* of co-operatives flats and municipal housing and house-holding property.

According to the Housing Code from 1994 it is an obligatory process for housing co-operatives to transform their private co-operative property into private individual property of co-operative flats when a member-user of co-op's flat applies. At the same time, part of newly created co-operatives or societies stays outside of the Union. In the Czech Republic, there are also several hundreds of small housing co-operatives and associations of flat owners, which are neither member of the Union of Czech and Moravian Housing Co-operatives nor of the Union of Small Housing Cooperatives

***) There can be two members per flat (when they are married).

Table 3: Number of flats in the ownership of big housing cooperatives

CR in total	351 171	358 436	327 431	299 128	274 881
-------------	---------	---------	---------	---------	---------

Source: www.csu.cz, 2009 (visited 14.7.2011).

Table 4: Number of flats in Czech Big Housing Cooperatives

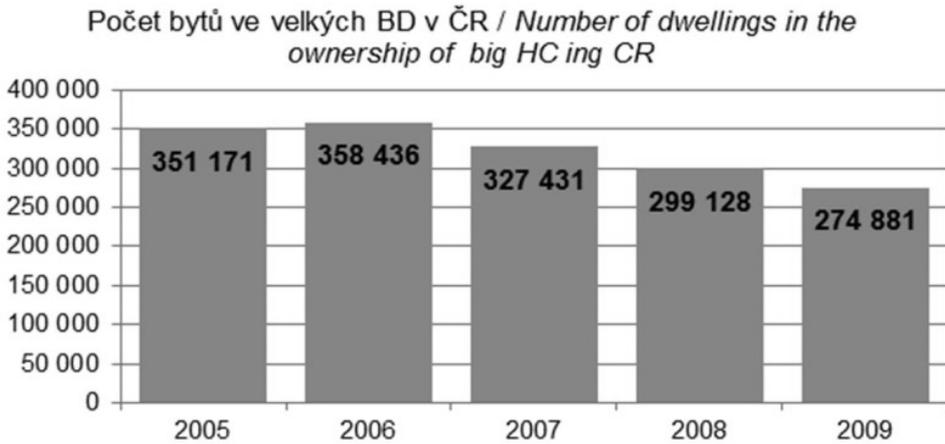


Table 5: Number of Small Czech housing cooperatives

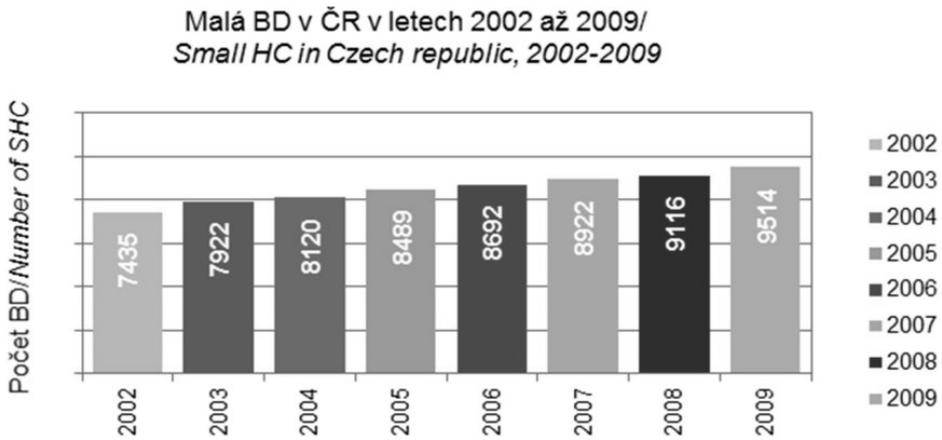
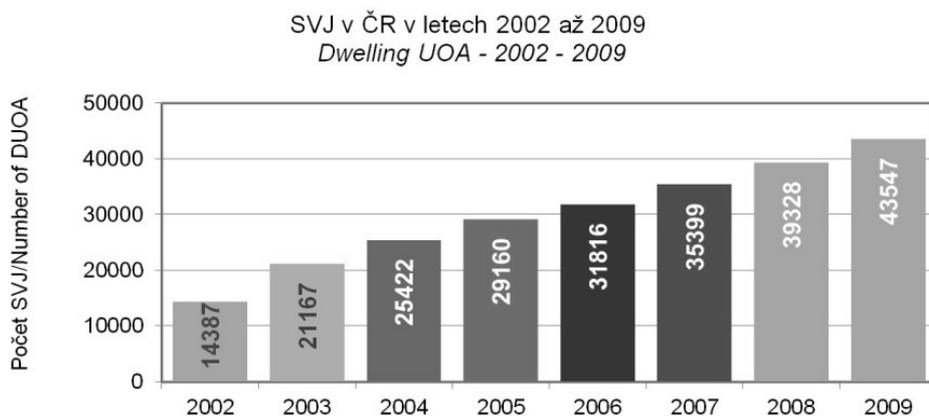


Table 6: The number of Dwelling Unit Owners Associations



Source: www.csu.cz, 2009 (visited 14.7.2011)

1.4 Focus on the terminology of cooperative types

Table 7: Co-operatives' terminology (proposal)

<i>British view to co-operative features and aspects:</i>	<i>Wording of the old Austria-Hungarian Co-operative code No. 70 form 1873:</i>	<i>Nowadays type of co-operatives in the view of the Czech Co-operative Alliance and sectorial Co-operative Unions</i>
Workers' co-operative - which is a co-operative of members, associative benefits of which are labour, livelihood, exercise of profession, etc.	"Výdělkové společenstvo" (co-operative association for provision of earnings) - association of professionals, tradesmen, craftsmen and handicraftsmen, and small manufactures, farmers, etc.	"Výrobní družstvo" productive co-operative, co-operative society)
		"Zemědělské družstvo" (agricultural, farmers, fishers etc.co-operative), namely when the property as a productive factor (for example farmland, fish boat, machine, engine, cellar, shop, processing or treatment plant etc.) is associated by members for provision of earning or livelihood

Consumers' co-operative - which is a cooperative of members, associative benefits of which are the consumption of products, services or effects of co-operative plant, house, arrangement, etc.	"Hospodářské společenstvo" (co-operative association for common or collective economy which produce the benefits for which the members were associated. (Members are cooperative" customers)	"Spotřební družstvo" (co-operative of customers) created namely for availability of better and cheaper consumption of food-stuffs and convenience goods
		"Bytové družstvo" (housing co-operative) created namely for availability of better and cheaper housing
		"Penežní družstvo" (saving and loan co-operative, credit union, etc.)* created namely for availability of cheaper credit in better condition

Source: M. Hunčová, 2010; dates prepared for publication of Le Grand Magasin. Berlin. 2010

2. Case study on the Housing Cooperative – Czech good practices example

We can show good Czech practices on an example of the Housing Co-operative „Družba“ in Ústí nad Labem (Northern Bohemia). This coop was established during the time of central planned economy by the state as a big unit to provide governance, administration and maintenance of all co-operative flats and houses in Ústí nad Labem, in bulk.⁶ After 1990, this housing co-op lost its weight because some small housing co-operatives and dwelling unit owners separated themselves from the former big coop as housing cooperatives which were transformed according to the Housing Act (1992).

Nowadays, the governance, administration, and maintenance of the “Družba” co-op’ property (flats and houses) is provided by itself. Some services, maintenance, and reconstruction are provided by contractors. Co-operative internal democracy is based on its own by-law. The economy of the Housing Co-operative is based on professional staff and management, which are under control of a elected President and Directorate, and a Revision Chamber. At the moment, the working Director of Management and the President are the same person.

Flats in houses, owned by a cooperative, are used by a variety of people: members-flat not-owners; members-flat owners; and by flat-owners-not members. This fact creates internal cooperative democracy and complicates administration at the level of “house self-governance”.

⁶ <http://www.bddruzba.cz> (visited 8.8.2012).

A process of privatisation cooperative flats follows. In the future we can maybe expect housing cooperatives to turn into cooperatives or unions of dwelling unit owners associations. The Cooperative “Družba” has recently offered to provide for payed governance, administration, and maintenance also for other housing societies and owners which stand outside.

The Housing Co-operative Družba in Ústí nad Labem is a member of the Union of Czech and Moravian Housing Co-operatives. The users of flats are „full members-non-owners“, „members-owners“, and „owners-non-members“ (getting difference under the pressure of the housing law). For this reason, the administration of democracy becomes very complicated (cf. Table 7).

2.1 Property and administration

The Housing Co-operative “Družba” (HCD) takes care about its still large property (about 6 thousand co-operative flats and relevant flat-houses, and block-of-flats), administrates them and provides for their maintenance. Within governance and administration of the property, the co-op holds evidence of members, flats, houses and users of flat (and not-flat) units, of all property, and of users debts.

Beside a maintenance of co-op’ property and improvement of houses and their technology equipment, the housing coop tries to bring co-op’ property into prosperity. Inter alia, the housing cooperative works with the Fund for Maintenance, which is created by users under their control within self-governance of users of one house or one block-of-flats. The HCD operates also as the Building Authority on its own property. Providing the maintenance of houses, the Housing Co-operative has established an enterprise „Delmax, Ltd.“ under the control of co-operative authorities. Property of any parcels located under co-op houses and block-of-flats are owned by the HCD, but the property of parcels surrounded that houses are still owned by the Town-hall, which provides the maintenance of such areas on its public costs.

2.2 Co-operative authorities of self-governance and governance

Members of HCD, within co-operative principles and values, vote their cooperative authorities:

- *Assembly of Delegates* – whose members are elected by self-governance on the level of individual houses or block-of-flats (users-not-owners only).

- *Directorate* – whose members are voted by the Assembly of Delegates for 5 years. Members of the directorate are fully responsible for the Assembly of Delegates. They undertake the guaranty based on their own private property.
- *President of the Directorate* – he/she is elected by the members of the Directorate within the Directorate.
- *Checking Committee* of the Housing Co-operative – whose members are elected by the Assembly of Delegates for 5 years. The committee is fully responsible for the Assembly of Delegates.

Table 8: Some figures on cooperative „Družba“ in Ústí nad Labem

Total number of flats which are administered by Housing Co-op Družba in Usti nad Labem (ca.)	8,4 thousand of flat units
Detailed:	
Cooperative flats being occupied by full co-op members (non-owners) <ul style="list-style-type: none"> • Within this number it is about 1,7 thousand of flats, where co-op members have been registered as a person interested for transfer of their flat from private co-operative ownership into private individual ownership (within the law), but didn't apply for the transfer till now. 	5,9 thousand of flat units
Individually owned flats within co-operative houses (block of houses) in case the quota of private ownership is under 75%, where transfer of ownership has been realised. <ul style="list-style-type: none"> • Flat-owners can stay a member of co-op (when not-flat property of house or block-of-flats is shared with the co-op as co-ownership), but some of them have left the membership (than not-flat property of house or block-of-flats became their own co-property registered in the land registry). 	2,3 thousand of flat units
Number of flats organised within 10 Associations of Flat Owners (legal form) which houses or block of houses are administrated by the Housing Co-op contractually. <ul style="list-style-type: none"> • Associations of Flat Owners are established by law when quota of 75% is overflowed. • When some flats still remain to be co-ops property, Housing Co-op becomes one of co-owners there (until 25%). 	0,2 thousand of flat units

Source: Internal dates of Housing Cooperative “Druzba” (checked it 31.12.2011).

Organisational units within self-governance and governance of the HCD sustained from:

- *Meeting of Users of Flats* on the level of individual co-operative houses or block-of-flats as basic authority of members and all flat-users self-governance (separately checked flat not-owners and flat owners. Each group has a different weight of the vote: 1 member = 1 vote; 1 owner-not-member = his/her share of co-ownership)
- *Board of self-governance* (eventually department of governance)
- *Remedial commissions* of co-operative. It is elected by the users of flats.
- *Central office* of cooperative administration
- *Administration boards* located directly in 4 districts of the city.

The ground *self-governance authority* of co-op members like flat users is established on the level of any individual house of flats or block-of-flats. It is responsible for each self-governance authority to create and use its own deal of *the Fund for Maintenance*, as well as to ask for, and accept additional *internal co-op loan*. The members of self-governance authority are obliged to *elect their delegate for the Assembly of Delegates* per year. By the new by-law being accepted by the Assembly of Delegates this year, the only delegate could be a member-non owner. Any *decision made by the Meeting of Users of Flats* (as an authority of self-governance) is necessary to be proved in note separately both for group of co-op members and for non-members (owners of flats) because of the dual law (different quotation per different legal form which are to make their decisions together). It is not-ignorable tool of internal co-operative democracy and self-governance.

3. Conclusion

Despite the recent repute, a dwelling in block of houses is really convenient and comfortable when coop and users take care about it well. Users of such flats (25-92 m²) are recruited from all levels of society, from the very poor to well situated, it depends on current locality of the city. It is a general tendency to reconstruct the houses and flats to be modern, well equipped and wide (spoiling 2-3 small flat units together). Housing cooperatives go to crumble and change them into dwelling unit owners associations under the pressure of law. But joint or collective care on property and providing relevant benefits is usually

more cheaper than separate care. Internal cooperative democracy has recently proved to be complicated but it is also productive.

It is true, one third of flats in the Czech Republic was built with panel technology (till about 1990). Most of block-of-flats are owned by Housing Cooperatives or co-owned by Dwelling Unit Owners Associations. The Housing Cooperative „Družba“ in Ústí nad Labem is an example of good practices on this field.

Literature and data sources

Hunčová, Magdalena: Success Factors of Czech Workers' Cooperatives.
In: Team of authors: Le Grand Magasin. Berlin: AG SPAK Bücher 2010.

<http://www.scmbd.cz> (visited 20.8.2012).

www.csu.cz, 2009 (visited 14.7.2011).

<http://www.bddruzba.cz/> (visited 8.8.2012).

Internal dates of Housing Cooperative “Družba” in Ústí nad Labem.

An appendix – Czech credit unions nowadays

Some data about Czech Credit Union nowadays:

	1998	2011
<i>Number of credit unions</i>	75	14
<i>Number of (personal) members</i>	62.300	44 696
<i>Total of deposits (savings) of members</i>	Kč 4.200.000	Kč 25.060.000
<i>Total of provided credits to members</i>	Kč 1.900.000	Kč 19.293.000

Note: Beside the number of 14 credit unions operated, there were plus number of 23 credit unions in an liquidation and number of 16 credit unions in a bankruptcy in 2011. Regulative BASEL II is applied without výjimky pro existenci lokálních kas. Credit unions distribute their product not only to members.

Recent Trends and Strategic Focus of the Consumer Co-operatives in The Republic of Moldova

Larisa Savga / Ghenadie Savga / Tatiana Surugiu

1. The significance of the co-operative sector for the national economy

The co-operative sector in the Republic of Moldova is one of the oldest and the most important socioeconomic movements in the country. In the course of time, it assumed different organisational forms and developed with various intensity, adapting to different social-economic systems, knowing periods of ascension but also of decline. Anyway it always found the necessary equilibrium in order to accomplish its socioeconomic mission.

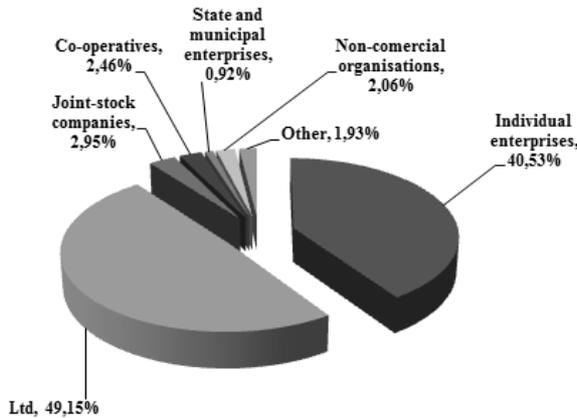
The transition to a market economy and the evolvement of the market forces during the last two decades favored the diversity of organisational and legal forms of economic activity and the development of entrepreneurship. According to The State Chamber of Registration of the Republic of Moldova on October 1, 2012 there were 162, 908 registered legal entities and sole proprietorships, thereof 4,014 were co-operatives (producers' cooperatives, consumer co-operatives and entrepreneurship co-operatives) or 2.5% of all registered businesses, as presented in Figure 1.

In the 90's, at the beginning of the transition from the centrally planned to a market economy there were 3,250 co-operatives in the Republic of Moldova, the main types being: consumer, housing, agricultural, etc.

A new legislation contributed to the diversification of the cooperative activities. Particularly, the following laws should be mentioned – Law on Co-operation (No. 864-XII as of 16.01.1992), Law on Entrepreneurship co-operatives (No. 73-XV as of 12.04.2001), Law on Consumer Co-operation (No. 1252-XIV as of 28.09.2000), Law on Production Co-operatives (No. 1007-XV as of 25.04.2002) and Civil Code (No. 1107-XV

as of 06.06.2002). Nevertheless, the consumer co-operatives still have a dominating position in the co-operative sector.

Figure 1: The economic structure of the Republic of Moldova according to the organisational and legal form of the businesses



2. Development and current dimensions of the consumer co-operatives

According to their mission and objectives consumer co-operatives in Moldova have an important economic and social role in the society, representing one of the most numerous mass social movements. During its existence of over 140 years they have proved to be one of the most resilient sectors of the economy with a clear defined social mission.

Consumer co-operatives steadily expanded the areas of activity and become strongly diversified. Backed by their solid infrastructure, they succeeded to extend their operating presence to the entire territory of the country. Beside their traditional activity, to supply the members with consumer goods, mostly of first necessity, the consumer co-operatives in Moldova, unfolded various activities in 80's and 90s: retail and wholesale trade, procurement of agricultural products from the population, conditioning and processing of agricultural products, rendering services, including public catering, transportation and education, etc. At the time of the centrally planned economy until the early 90's, the consumer co-operatives were the only one retailer and services provider

in the rural area with a market share of between 36 per cent and 40 per cent of the total retail turnover in the country, running their own network of shops, amounting between 60 per cent and 65 per cent of all shops in Moldova. They had one million members or 23 per cent of the country's population and secured jobs for almost 70 thousand people.

Traditionally the consumer co-operatives in Moldova operate in rural areas. The transition to market economy and the evolvement of the market forces since the early 90's intensified dramatically the competition. At the very beginning of this process the consumer co-operatives were not prepared to face this challenge and had to down size their activities.

The next period until 2002 was characterized by a further decline in the economic activities, weakening the market position and loss of market shares, inefficient utilization of the infrastructure. A long expected turnaround took place in 2002. The decline was stopped; a phase of stabilization and growth began.

Figure 2 illustrates the uneven development of the consumer co-operatives as a result of various external and internal factors. The accelerated development of co-operative branch network in 2003 was followed by a moderate one in the next years (2005-2006). 2007 was marked by a significant growth of the operations. In 2008-2009 the consumer co-operatives in Moldova were severely affected by the global financial and economic crisis, which led to deterioration of their market and financial position. The situation didn't change in 2010. In 2011 the economic situation in Moldova and in cooperative sector began to stabilize.

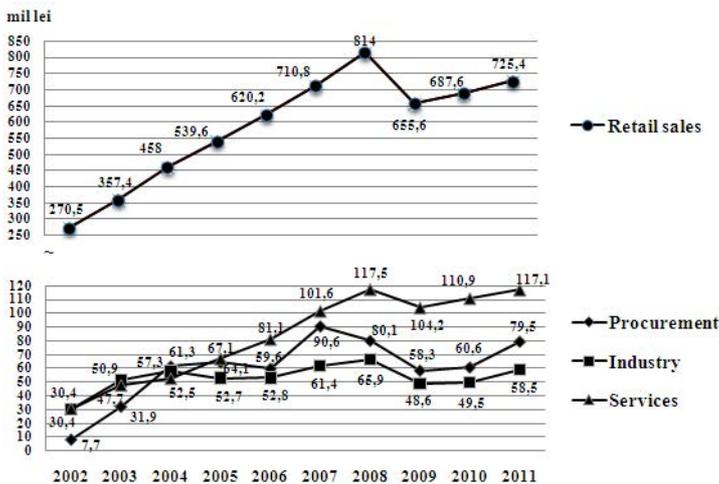
An interesting finding should be mentioned. On the eve of the Congress of consumer co-operatives (2003, 2007, 2011) an increased activity was registered. This should be regarded as a clear sign for the existence of sufficient growth and efficiency increase potential.

The recovery of consumer co-operatives was largely due to the extension and modernization of their infrastructure in the retail and wholesale trade, public catering and production, particularly of bread. The emphasis was placed on trade, because it has a dominant share of around 80 per cent in the sales of consumer co-operatives. An ample process of reopening and modernization of sales outlets began in rural areas in 2003, primarily where they were shut up. 580 shops and public catering units were reopened and another 858 technologically modernized in the years 2003-2008. Even in the years 2009-2011, despite the economic crisis, the process of modernization of the infrastructure continued. 23 new business started operations, another 111 units were modernized.

Intensive and extensive factors contributed to the 2.2 times increase of the net sales of consumer co-operatives in 2002-2011 and therefore to the improvement of their financial position. In 1999-2002 the co-

operative sector suffered huge losses. In the next two years 2003-2004 the losses continued, but due to the launch of new business policy and efficiency increase they were reduced. In 2005 the consumer co-operatives began to make profit. For comparison, 2002 they suffered losses of 7 million lei; in 2007-2011 they generated an annual net profit between 7 and 13 million lei.

Figure 2: The volume of retail sales, industrial production, procurement of agricultural products and services by the consumer co-operatives in Moldova



In 2011 there were 104 co-operative societies with about 200 thousand members. Together with another 67 companies, owned by the co-operatives, they employed about 6000 people. Consumer co-operatives ran operating units in 1107 villages or 66 per cent of the country. They served 1.8 million people or 53 per cent of the country's population. Consumer co-operatives operate in the following business areas: retail and wholesale trade, public catering, procurement of agricultural products and products of other nature from the population, food production, service sector (transportation, education, etc.). They ran 2,111 sales outlets (22 per cent of the total number in the country) with a sales area of 2,000 sq. m (24 per cent of all sales area), 44 market places with 11 thousand sales points, 23 procurement companies and 3 production enterprises. It should be mentioned that the sector of consumer co-

operatives has developed its own system for education and training, which includes all levels of professional education: university, college, vocational.

Although the financial position of co-operative system has improved in the recent years, it hasn't succeeded to generate a sustainable growth despite the existing growth potential.

3. Challenges faced by the consumer co-operatives

The current situation in the sector of consumer co-operatives, the instable development is a result of the influence of both external and internal factors. This conclusion is supported by the following:

- the number of the members is in decline, the number of new members is very low and can't offset the decline;
- the utilization of the fixed assets is not optimal, in retail trade it's about 75 per cent, in other business areas even lower;
- the cooperative's fixed assets are in decline (the amount of fixed assets sold is higher than the acquisition or construction of new business buildings);
- the consumer co-operatives can't generate sufficient profit for financing the needed investments (the estimated investment needs in the period 2007-2011 amounted to 217 million, but only 58 million lei were invested);
- although strongly diversified the business model is still not balanced; beside the relatively stable development of the retail and wholesale trade as well as the service sectors the production activities are still lagging in regard of product diversity and territorial area mainly due to limited financial resources;
- the share of consumer co-operatives in their traditional markets, in the rural areas has been declining and amounts nowadays only to 11 per cent.

In our opinion, the main weaknesses of the consumer co-operatives are of legal, economic and financial, organisational, managerial, patrimonial and motivational nature, as presented in Table 1.

One of the reasons hindering the growth acceleration of consumer co-operatives are the contradictions between the traditional ways of organizing co-operatives and the challenges of modern economy based on fierce competition.

Table 1: The main constraints faced by the consumer co-operation in Moldova

Domains	Constraints
Legal	<ul style="list-style-type: none"> • imperfection of the legislation on consumer co-operatives • lack of conformity of the co-operative legislation to other laws and rules
economic and financial	<ul style="list-style-type: none"> • limited access to the capital market • limited sources of internal capital generation • business model not attractive for new members and investors • diversification not justified, some business areas are loss making
organizational	<ul style="list-style-type: none"> • rigidity of principles the traditional way of organizing co-operatives doesn't stimulate the implementation of new innovative organizational forms • multi-tier organization of the sector of consumer co-operatives (primary cooperatives - territorial union – central union) and numerous cases of overlapping of territorial coverage by consumer cooperatives
managerial	<ul style="list-style-type: none"> • multilevel structures slow down the decision making process, making it inefficient • excessive hierarchical structures cause unreasonable operating costs
patrimonial	<ul style="list-style-type: none"> • imperfect property relations • the property relations in their existing form are an obstacle for higher efficiency and competitiveness
motivational	<ul style="list-style-type: none"> • financial participation of the members is insignificant due to a lacking motivation for its increase • limited opportunities for the members to exercise control on the management • lack of motivation for the employees

These contradictions require and justify the need for an innovative new vision to reform the system of the consumer co-operatives, which would boost its development, would motivate all stakeholders (members, employees, business partners, etc.) to work efficiently, sustainable, thus enhancing the competitive advantages of the cooperatives.

The development of consumer co-operatives depends not only on internal factors, but also on external ones. The latter has led to unfair economic conditions for the activities of consumer co-operatives in comparison with other economic agents, especially, patent-based entrepreneurship ¹(Law on entrepreneurship patent, No. 93-XIV as of 15.07.1998).

Another important factor is the support of the consumer co-operatives by the state. Taking into account that they actively contribute to the implementation of the national socioeconomic policy, supplying the population in remotest areas with goods of first necessity and providing numerous services the state should subsidize some co-operative

¹ The term of patent represents a form of authorization for entrepreneurial activities in a specific domain that gives these entrepreneurs advantages over other forms of enterprises (Ltd., co-operatives etc.) Paying the patent fee in the amount of 100-400 lei (equivalent to approximately € 6-25), the patent holders sell goods in large quantities without paying other taxes. Currently, 30,200 patent holders operate on the domestic market, out of them 60% in trade.

activities, for example, operating of bakeries and supplying population with bread and other bakery products, procuring of agricultural products from population, etc. Unfortunately, this isn't the case in Moldova. On the contrary, the local authorities often impose major taxes on the activity of co-operatives. Under such conditions the co-operatives are forced to cease their business. In the long run the population will suffer.

That is why, in our view, boosting the development and securing the functioning of consumer co-operatives requires innovative internal solutions, on one hand, and support from public authorities, on the other hand.

4. Main directions of development of the consumer co-operatives

The amplification of internal needs for changes requires rethinking the organisational forms of co-operatives, of their management, business areas and forms of activity, of relations with their members, property relations system. It is also important to redefine the role of the state in the relationship with the consumer co-operative system and the elaboration of some national development options of this system, restoring its image in the society.

All these require amendments of the legislation on consumer co-operatives, its adjustment to the needs of the system and of the community in accordance with the international experience, as well as an optimization of the infrastructure, increasing the efficiency of operations, what finally will have a positive social impact.

Consumer co-operatives in Moldova are regulated by the Law on Consumer Co-operation (No. 1252-XIV as of 28.09.2000), which stipulates:

- the non-commercial character of consumer co-operative (it limits the access to funding sources),
- limitation the membership of natural persons and legal entities only to member-users of co-operative services,
- the organization of co-operatives and their activity in a traditional form, which inhibits their innovation and attraction of investments;
- multi-tier organization of the co-operative system (primary co-operatives – territorial unions – central union);
- multilevel structure, which slow down the decision making process, making it inefficient.

As specialists in the field consider, this law is overly restrictive, detailed and requires improvement.

Securing the functioning of the co-operative system, its stabilization and progress in the future as well as the prevention of the internal crises were the main discussed issues at the XV Congress of consumer co-operatives on January 27th, 2012.

Taking into consideration the current situation in the sector of consumer co-operatives and in order to enable a sustainable development, increase of the competitiveness and strengthening the position in the national economy, the Congress approved Program for Development of the Consumer Co-operation for 2012-2015, at the elaboration of which we participated.

The program establishes the following priorities:

- streamlining the organisational and managerial structures of the system of consumer co-operatives, implementation of innovative models of co-operative organization, adjusting the legislative framework,
- diversification of the economic activities,
- consolidation of resources and increase of the competitiveness,
- improvement of the financial position through increase of the efficiency of the operations,
- development of public private partnership.

Taking into consideration the priorities, the Program lists measures, focused on optimization, increase of efficiency as well as the internal needs of the consumer co-operatives of restructuring, implementation of some innovative organisational approaches.

Regarding the optimization of the organisational and managerial structures of consumer co-operatives priority should be given to:

- managerial restructuring through:
 - reducing the hierarchical structure and the transition to two tier structure (primary consumer co-operatives - central union),
 - optimization of co-operatives management structure, excluding those levels that prevent the decision-making process,
 - internal management restructuring at the organisational level (co-operatives, enterprises),
- optimization of the organisational structure of the system by:
 - evaluation of co-operative business units and reorganization or liquidation of loss making units (about 35 per cent of the business units are loss making),
 - reorganization or restructuring of co-operatives in cases of overlapping of their territorial coverage through merger or other appropriate forms, which would reduce the operating costs,

- introduction of integrated and associative co-operative structures in certain areas of operations (retail – wholesale; procuring – processing – conditioning – storage of agricultural products, etc.).

At the same time, we consider needed the reassessment of different types of co-operatives and the principles of their creation. An introduction of two-level co-operatives seems to be economically reasonable: first degree co-operatives, formed on classical principles by individuals, and second degree co-operatives, created by legal entities (first degree co-operatives) and natural persons (members, employees, customers, investors, etc.). The latter can contribute to the capital of the co-operatives, in such a way increasing the investments in the co-operative sector.

Attraction of internal and external investments has become an important factor for securing sustainable development of consumer co-operatives. In our view, for achieving this goal, substantial contribution could be made by:

- diversification of members categories – member-users (those using the co-operatives' services) and non-member users (those not using the co-operatives' services but participating in their capital and interested in investing in their development) and elaboration of an profit-participation system, offering attractive return on investment distribution of a part of the profit to the members proportionally to their subscribed capital, what would motivate them to increase their participations,
- reconsidering the legislation in regard of the legally regulated social functions of the consumer co-operatives which puts them in unequal economic conditions to their competitors.

Implementation of these proposals requires amendments to existing legislation, particularly to the Law on Consumer Co-operation.

Sustainable development, diversification of the operations and increase of efficiency are crucial for strengthening the co-operative system. For this purpose, there is a great need for the creation of a new, unique distribution system that would link the wholesale infrastructure (warehouses) and the retail infrastructure (stores) in an integrated system with a common management (currently 2.111 stores are independently managed by 171 co-operative business units, each unit using its own procurement and distribution system, that involve major costs).

The establishment of a unique distribution system will enable an increase of efficiency of trading activities as well as of satisfaction of the members' and customer's needs by implementation of new concepts and models of modern retail chains such as the stores CoopPrim and supermarkets CoopPlus, which started in 2007 and now amounts for

26 units. These innovations offer great opportunities for technological renewal of business operations and application of modern sales methods and services to the customers.

But the achievement of these most important targets encounters resistance from the human factor. The system's employees do not want to give up their own benefits in the favor of efficient trading system. Thus, the change of the attitude of the employees towards the challenges, faced by the consumer co-operatives becomes an important management task.

In regard of the services, provided by the consumer co-operatives, priorities will be set in the extension of the operating presence especially in urban area, modernization of the fixed assets, diversification and increase of services' quality.

The development of the procurement and the food processing sector is oriented mainly towards:

- integration of procurement and food production enterprises in a unique system securing optimal conditions for collecting-processing-selling of procured agricultural products and finished goods;
- attraction of internal and external investments for the implementation of modern technologies of conditioning, processing and storing of products;
- increasing export of procured and processed products.

Efficient functioning and further development of consumer co-operatives depend on available resources (human, material, financial, informational), of their quality.

Regarding the capital assets the efforts should be directed to extension of the co-operative infrastructure in areas, where the consumer co-operatives haven't operating presence, on the one hand, and to modernization of business by introduction of new technologies, changing the image of the co-operatives through launching new brands and enhancing the quality of service, on the other hand.

A grade of utilization of the existing co-operative infrastructure should be increased. In this respect, in our opinion, it is needed to check the business model in regard of business areas and territorial presence, from the prospective of economic reasonability and competitiveness.

Unused capital goods, especially commercial real estate should be disposed. The proceeds could be invested in the modernization of co-operative's infrastructure. In order to manage this process effectively, we consider useful to set up a Real Estate Co-operative Agency.

In order to strengthen the financial position of the consumer co-operatives we consider appropriate to establish financial institutions within the system, assigning them functions to attract investments from vari-

ous internal and external sources and to offer credits to co-operative businesses in order to increase their working capital and development of fixed assets investments.

Organisational optimizing through integration of the wholesale and retail trade in a unique distribution system and of procuring, processing, storing, conditioning and selling of goods in an integrated system, accompanied by the setting up specialized companies would help strengthen the earning power and the competitiveness of the consumer co-operatives.

Informational resources play an important role in the modern economy. They are a precondition for the implementation of the business model and the decision-making process. The main objectives relate to:

- implementation of Co-operative Informational System (CIS), which would integrate all co-operative businesses and information flows in an unique system, thus facilitating the implementation of an efficient information management, timely data exchange, the decision-making process, etc.,
- development of modern sales methods, based on application of new information and communication technologies, such as distance sales, electronic commerce, etc.,
- development of an information-distribution system of consumer co-operatives as a basic component of the CIS, accompanied by an adequate logistic system which would enable optimization of the distribution costs.

Human resources play a crucial role in the development of the consumer co-operatives. Running their own educational system, they are in the position to educate and train personnel in accordance with the existing needs. Priority should be put to:

- continuous improvement of the professional skills of staff through attending various training programs, self-training, etc. (every year around 200 employees, representing about 3% of employees undergo training),
- involvement of young people in co-operative activities at all levels as a part of generation change (according to estimations around 70 per cent of the employees are aged over 50 years),
- implementation of procedures for staff's evaluation and effective motivation mechanisms,
- development of partnerships between co-operative businesses and educational institutions.

The lack of financial resources remains an obstacle to accelerated development of consumer co-operatives in all regions. The complexity

of this problem is amplified by the demographic trends in the country and by low income of the population, especially in the rural areas.

The investments in recent years were financed by internal sources, but they are insufficient. Thus, in the last four years only 27 per cent of the investment needs were met.

New approaches and mechanisms are needed to increase the motivation and responsibility of co-operative business companies and their employees, such as:

- establishment of internal audit and implementation of an effective financial management to enable a profitable and efficient operations,
- attraction of external financial resources, which becomes possible in the condition of reforming the property relations;
- enhancement of internal resources for co-operative's development;
- participation in technical assistance projects and projects for technological renewal of co-operative businesses.

An important role is attributed to public-private partnership development, strengthening the relations between public authorities (central and local) and consumers co-operatives' businesses.

The mission of consumer co-operatives has been to provide goods and services to their members, especially to people with low income. Thus they have become an important partner of the state in implementation the social-economic policy.

The most part of the business activities of consumer co-operatives take place in the rural areas. The co-operative businesses supply the remotest areas as well as locations with sparsely populations (about 20 per cent of the operating units are located in this area). These activities are loss-making and not interesting for the competitors of the consumer co-operatives. Nevertheless consumer co-operatives pledge themselves to their social responsibility towards members and customers.

Consumer co-operatives contribute to the state's and local budgets about 90-100 million lei annually.

To enable the accomplishment of their social-economic mission, consumer co-operatives should be supported by the state in the way of:

- subsidizing the operating costs in the remote areas and in locations with sparsely populations,
- facilitating conditions(exemption of placement fee) to co-operative enterprises that are located in areas where the economic activity is unprofitable (due to the small number of served people, difficulties in the supply of goods);

- involvement of consumer co-operatives in various state programs, investment projects, technical assistance and other projects aimed at acceleration of the development in rural communities,
- setting up of joint ventures with public authorities (state and consumer co-operatives capital), etc.

The consumer co-operatives were established as a system, open for external partnerships. In our view, the emphasis should be shifted to economic co-operation with foreign co-operative businesses in the European Union, CIS and neighboring countries. This would speed up the process of the modernization of the co-operative system in Moldova.

Successful implementation of the above-mentioned measures will contribute to consistent and sustainable development of consumer co-operatives and thus to the prosperity of the country.

References

- Codul Civil al Republicii Moldova. 1107- XV din 06.06.2002. Monitorul Oficial al Republicii Moldova 82-86 (661) din 22.06.2002.
- Legea cooperăției de consum. Nr.1252-XIV din 28.09.2000. Monitorul Oficial al Republicii Moldova, nr.154-156 (1156) din 28.09.2000.
- Legea cu privire la cooperăție, Nr. 864-XII din 16.01.1992. Monitorul Oficial al Republicii Moldova nr.1 (14) din 1992 (abrogată: 06.06.2002, legea nr.1007-XV din 25.04.2002).
- Legea cu privire la patenta de întreprinzător. Nr. 93-XIV din 15.07.1998. Monitorul Oficial al Republicii Moldova, 06.08.1998, nr.72-73 (485).
- Legea privind cooperativele de întreprinzător, Nr.73-XV din 12.04.2001. Monitorul Oficial al Republicii Moldova nr.49-50 (237) din 03.05.2001.
- Legea privind cooperativele de producție, Nr.1007-XV din 25.04.2002. Monitorul Oficial al Republicii Moldova nr.71-73 (575) din 06.06.2002.
- The State Chamber of Registration of the Republic of Moldova. <<http://cis.gov.md/content/6>> [Accessed 10 November, 2012].

The publication is fulfilled within the research Project “Substantiation of the Trade and Consumer Co-operation modernization from the perspective of their implications in the sustainable socio-economic development and consumer protection” (the code of the project 11.817.08.85A).

2. Afrika

Which Methodology to Support Farmer Based Organizations for Stable Collective Action and Increased Farm Incomes

An Evaluation Study from Ghana¹

Uwe Grewer

Summary

The paper at hand analyses how newly established Farmer Based Organizations (FBOs) can be a functioning cooperative solution for the provision of services in economically marginal rural areas.

It analyses the approach to enhance livelihoods by the introduction of organizational structure as well as institutionalized and expectable action as part of such rural producer groups through external support projects. This also includes linkages to new actors in the value chain and training for the adoption of improved agricultural production practices.

The study is based on qualitative interviews with smallholder farmers participating in newly founded Farmer Based Organizations under the Millennium Development Authority (MiDA) in Ghana. The main analysis examines the varying capacity support measures provided to FBOs, the different emerging forms and structures of collective action (group trajectories) and the distinct economic outcomes for FBO members.

The study results provide evidence that on the one hand the initiation of lasting collective action by the external project often failed due to various specified social incentives within the group as well as uncertain, group external, economic factors. On the other hand, the study presents evidence that the provided capacity support for e.g. joint procurement, savings and marketing proved to be indeed strongly beneficial, when trainers and capacity support staff were food-chain practitioners that could engage the FBO in a practical

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

learning-by-doing experience that discursively accompanied them in procurement, savings and marketing activities during a hand-holding phase throughout at least one entire farming season. In addition it was highly beneficial when such project staff provided the FBO with their own established network to other value-chain actors of whom the FBO could benefit e.g. by having an increased number of market opportunities. As a second factor it is pointed out as central that the self-given rules inside the FBO contain elements of motivation and monitoring of commonly agreed production objectives similar to the mechanisms known from microfinance groups. These can provide strong incentives and disincentives for upfront investments as typically occurring during the initial stages of collective action initiatives.

1. Introduction

Agricultural based livelihoods in rural Ghana face multiple challenges that put high obstacles to the achievement of economic, social and ecological sustainability. Generalizing over regions, resource poor rural inhabitants are thereby often interlocked in a self-enforcing situation of low agricultural development as well as missing non-farm income possibilities.

The study at hand focuses on Ghanaian rural contexts characterized by few physical as well as institutional market infrastructures that would be able to transmit more complex product information (quality standards, variety choice of agricultural products), missing access to a sufficiently big and higher priced output market and high transportation costs (*Chamberlain, 2007, p. 34f*) that prevent transactions from happening. As further constrains function a challenged traditional and missing state-provided institutional infrastructure for labour contract enforcement and land tenancy (*Ubink & Quan, 2008*) leading besides others to the depression of the agricultural labour market. Agricultural production is further put under pressure by the lack of financial capacity and low endowments with other productive resources, most notably (organic) fertilizer, mechanization, labour and land². Taken together these factors constitute a strong combination that inhibits the shift to

² For descriptive information on land sizes, total labour and non-household labour used for agricultural production as well as inputs applied see *Chamberlain (2007)* and Ghana Statistical Service (2008). For the situation and possibilities of mechanization refer to *Ngeleze et al. (2011)*.

higher incomes, reproduces steady states of low asset levels and leads to incentives of depleting natural resources (c.f. *Barrett, 2008*).

The combination of the two approaches of *capacity support* to and *training* of Farmer Based Organizations (FBOs) is one of the widely applied approaches in Ghana that intends to confront the above outlined problem set.

Measures of capacity support have the objective to enhance organizational structure and organizational capacity of FBOs. They thus intend to make FBOs able to provide a wide set of essential services to their members (*Cook, 1993*), enabling them to better confront the outlined disincentives that depress productive activity. Key strategy is thereby the new initiation of institutionalized – and thus expectable and regularized – actions as part of the group³. Due to its collective and cooperative character such FBOs are evaluated as having the potential to successfully address issues of contract enforcement, information and credit access, quantity requirements, commercial and political bargaining power, surpassing savings and investment thresholds, value chain upgrading as well as economic diversification and innovation.

On the other hand, training measures follow the objective of guaranteeing or improving the individual skill level of farmers concerning agricultural cultivation practices as well as communicating the possibilities of adapted mechanization measures and other innovations.

Complementing each other, enhanced organizational capacity and agricultural skills, shall enable small farmers to overcome the most challenging constrains and transition towards high-productivity as well as ecologically sustainable agricultural production, accessing input and credit markets as well as extension services at reasonable prices, engaging in professional marketing and shifting their set of activities towards an enhanced position in the value chain.

Four examples of such recent or ongoing programmes that contain capacity building and training of FBOs in Ghana are the agricultural project of the Millennium Development Authority (MiDA, 2011), the Rice Sector Support Project of the Agence Française de Développement (AFD, 2012), the Northern Rural Growth Programme of the Interna-

³ The analysis of challenges and limitations of this approach that intends to practically stimulate and engage in the process of institutionalization of rural self-help groups is at the centre of this paper and will be carried out later. At this point of the paper it is instead intended to state that when actually in place, regularized and expectable activities of FBOs can be identified as “institutions [that] define or specify opportunity sets” (*Bromley, 2009, p. 31*) and thus offer some new opportunities to rural peasants, which were otherwise not available to them. Bromley thereby points out, that institutions in general do not need to have only such positive outcomes, as cooperative theory assumes for the case of rural self-help groups. Instead they have at the same time the potential of liberating from, as well as adding new constrains to the livelihood of rural peasants (*ibid.*).

tional Fund for Agricultural Development (IFAD, 2012) as well as the Market Oriented Agriculture Programme of the German Agency for International Cooperation (GIZ, 2012).

In the following the paper at hand presents shortly the intervention measures of capacity building and skill training by the MiDA agricultural project, displays the study design and discusses the theoretical underpinnings of how capacity support to and training of FBOs is expected to contribute positively to agricultural performance as well as farmers' incomes.

In the successive part the specific empirical findings are presented and discussed. Particularly it is analysed which measures of training and capacity building have been carried out, which collective action activities were initiated and institutionalized in the group and to which economic outcomes this has been associated. In such a way the paper at hand analyses to what extend capacity building and training can be effective measures to initiate and institutionalize collective action for higher farm incomes in economically marginalized rural areas in Ghana.

2. Capacity building and training of FBOs under the agricultural project of the Millennium Development Authority (MiDA) in Ghana

The capacity building and training measures of FBOs under the agricultural project⁴ of MiDA consisted of a 36h training in agricultural practices, using the Farmer Field School (FFS) methodology (usual duration: 3 weeks), 96h of capacity building measures (usual duration: 8 weeks) and a subsequent hand-holding process with varying intensity of interaction and support between project staff and farmers. In such a way, around 62,000 farmers organized in around 1,200 FBOs were impacted by the programme.

Initially, contracted staff from the Ministry of Food and Agriculture (MOFA) invited existing and mostly informal small farmer groups as well as so far "unassociated" farmers to organize themselves in FBOs of around 50 members each and participate in the programme.

⁴ Besides the here selected components the MiDA agricultural project also included further interventions related to rehabilitation of feeder roads, promotion of selected post harvest centers and packhouses, the development of selected irrigation schemes and land tenure facilitation (c.f. MiDA, 2011).

The subsequent *training in agricultural practices* was carried out mostly in the field and partly in a classroom setting and involved the free of charge distribution of a starter pack (c.f. Levy, 2005), comprising certified seeds⁵, NPK fertilizer, sulphate of ammonia, protective clothing and a small amount of top-up money sufficiently to farm one acre of maize. The training contents were centred on good planting practices, effective and safe application of broad-spectrum systemic herbicides, weed and pest control, effective application of fertilizer, post-harvest handling and seed selection.

The *capacity building measures* instead, focussed on the transition to commercial agriculture and entrepreneurial and business capacity of the FBO as an actually working group. The classroom activities were organized in the five modules of group formation and development, credit management, contracts and procurement, business and technical communication and methods for tracking progress of FBOs.

Thereby the intervening project staff presented options for a possible division of the functional roles within the FBO by creating topic committees (a financial, marketing, procurement, welfare and technical committee) as well as elected representatives (mainly the positions of chairman, secretary and treasurer) with specified duties and controlled by all group members. In the same way organizational routines of meetings, small financial dues and activities were presented. Every FBO then decided interactively how they wanted to structure themselves, while the complete process was focussed towards guaranteeing active membership and rendering the group actually operational.

After discussing and exercising the use of crop budgets, the FBO chose one commercial activity that they would like to pursue together in the field of either agricultural production, processing or input provision. The most frequent choice was the agreement of coordinated but individual production of a target crop, for which then certain activities would be carried out together with a cooperative benefit (as e.g. input provision, group facilitated credit, ploughing services, irrigation pumps, storage, produce transportation, marketing). On this basis the project staff assisted the FBO to write a business plan and thus taught them which documents were necessary for a formal loan application to a commercial bank.

Subsequently the group entered into the hand-holding phase. Thereby the trainer was supposed to reactively support the FBO in the implementation of the commonly decided activities and provide further assistance.

⁵ The seed variety was Obatampa, an open pollinating, quality protein maize variety. For a discussion of such maize seed choice as part of extension programs refer to Pixley & Baenzinger (2004).

3. Study design

The study is based on 41 qualitative interviews (average of 2h09min) with smallholder farmers participating in 2 newly founded FBOs and additional 13 interviews with various different stakeholders, including agrochemical dealers, agricultural extension agents, representatives of formal cooperatives, wholesale traders, exporters and agro-chemical companies. The interviews were carried out with farmers randomly selected from the FBOs' membership register and included in addition interviews with the FBOs' chairmen and secretaries. By contrast the study villages could only be randomly selected from a limited subset of villages participating in the MiDA intervention, based on the time availability of extension staff that was supporting the study.

The study villages were located in the different agro-ecological zones of the transitional forest zone in the Eastern Region and in the Guinea savannah of the Northern Region and they were both within closer proximity and good road access to bigger towns.

The main objective of the qualitative study was to analyse the potential of different types of capacity development and training measures to stimulate and support collective action within FBOs as well as the impact of such divergent forms of collective action on socio-economic outcomes for the group members.

4. Cooperative theory: Cooperatives and collective action for higher agricultural incomes

A growing body of literature subscribes itself to analyse the determinants of linking smallholders successfully to dynamic markets⁶. Such literature focuses most prominently on the performance needs of smallholders as suppliers in international, commercialized wholesale chains, especially for non-traditional export crops, such as e.g. pineapple, mango or cut flowers. This product category is of special research

⁶ *Al-Hassan et al. (2006), Ashraf et al. (2008), Berdegué et al. (2008), Bernard et al. (2010), Biénabe & Sautier (2005), Chirwa et al. (2005), Coulter (2006), Huang & Reardon (2008), KIT, FAIDA MaLi, IIRR (2006), Sautier et al. (2006), Ton et al. (2007).*

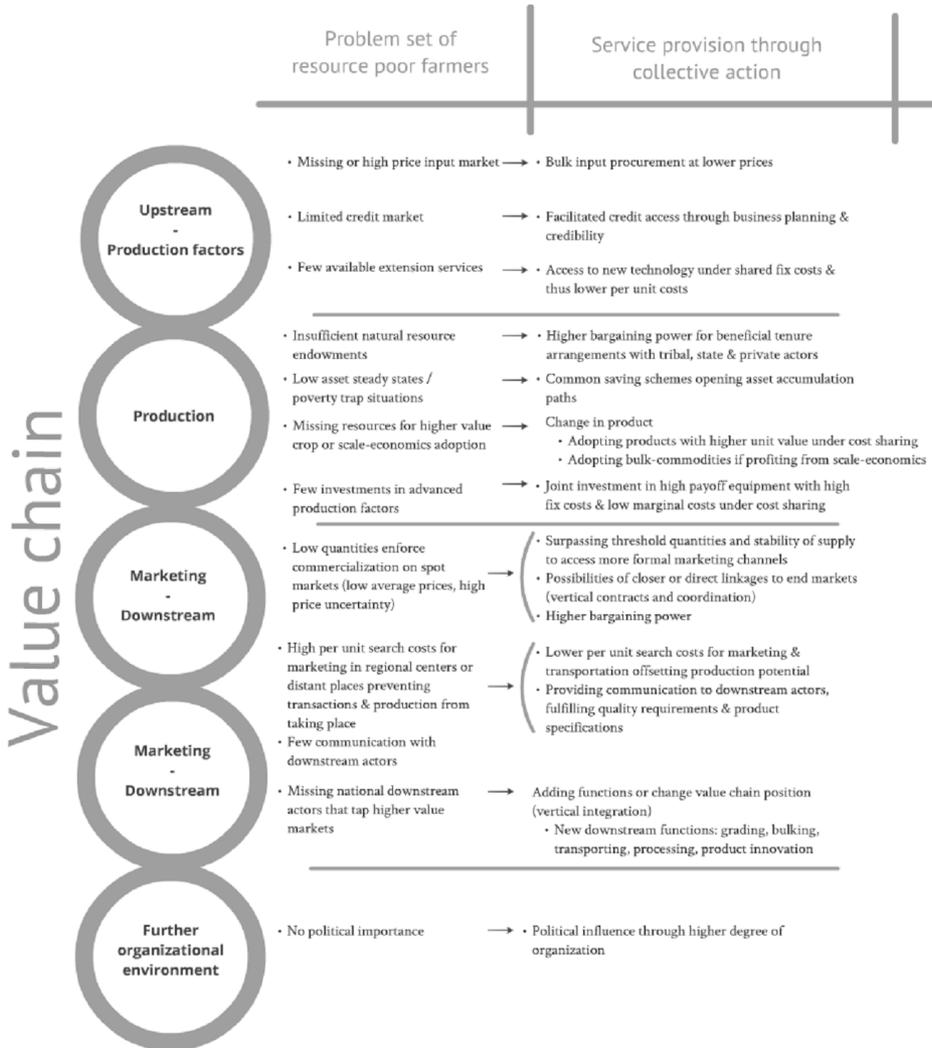
concern, since it is characterized by comparably high product prices, allowing more easily for profit margins for all major actors as part of an export value chain arrangement. Also the fact that non-traditional export crops originating from developing countries increased in many locations disproportionately high during the last decade in product volume and value (see e.g. for Ghana *Afari-Sefa*, 2006), is another reason for special interest in them as a source of additional income. At the same time they depend as fresh products on a more sophisticated exporting network than other traditional export crops, often involving *just in time* harvesting and transporting, cooling facilities as well as airfreight.

Though systematically different concerns, also producers of traditional export crops are often confronted with increased performance needs, be it due to falling prices from oversupply and inelastic demand (e.g. coffee, bananas, c.f. FAO, 2003), the lasting effect of withdrawn services from commodity boards (e.g. cotton, groundnut) or new demanded product specifications (e.g. global GAP and other certifications).

Besides such export oriented literature *Sautier et al.* (2006) point out that smallholders can equally enhance their agricultural income by effectively responding to the changing internal market demands in developing countries. They point out that growing urban centres in Africa often coupled with an demographic expansion caused not only the – in strength greatly differing – emergence of domestic supermarket retail structures, but also growth rates and moderate price increases in urban domestic markets and thereby especially the informal urban food processing and trading sector (i.e. *Sautier et al.*, 2006, p.12).

Though differing in type, it is for all three product categories alike the case that farmers face increasing needs to respond to conditions defined by downstream actors (c.f. *Sexton & Lavoie*, 2001), if they want to achieve higher sales prices for their products. Thereby these changing and increasing demands are difficult to face by individual acting, resource poor farmers. In the following table 1 presents the central problem sets along the value chain for resource poor farmers of the two FBOs (first column) as identified by the qualitative interviews and displays at the same time central hypotheses about how collective action is supposed to contain the potential to overcome or minimize the identified limitations (second column).(cf. Table 1)

Table 1: Why can collective action lead to better market performance of resource poor farmers?



On the *production level* the interviewed farmers struggle with insufficient natural resource endowments (amount of land as well as access to water resources), with the inability to save sufficient amounts in order to invest into high pay-off production factors, which leads to low asset level steady states (poverty trap situations, c.f. Carter & Barrett,

2006) and with missing access to financial resources in order to invest in the production of higher value crops or advanced production factors. FBOs are instead assumed to have higher bargaining power than individual farmers, when negotiating for bigger quantities and better located land with e.g. tribal authorities. Common saving schemes that pool together small individual contributions can lead to paths of asset accumulation, big enough to buy expensive production factors. As another aspect, groups can more easily share costs for the adoption of crops with higher unit value or profit from scale when adopting bulk commodities. As for investments in advanced production factors, FBOs have always an advantage when fixed costs can be shared and marginal costs are low, as e.g. for tractors or irrigation pumps.

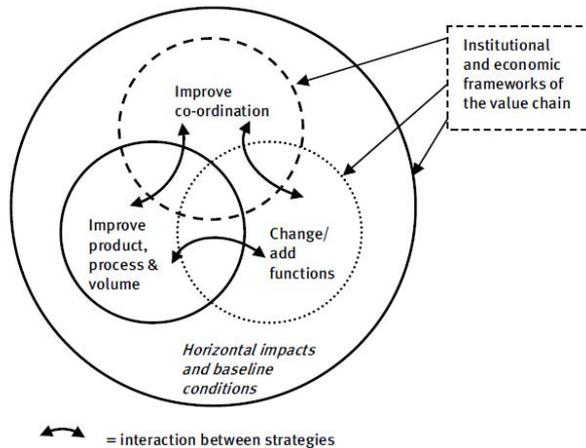
Focussing on elements of *agricultural marketing* the qualitative results indicate that the low production quantities of the individual farmers enforced commercialization on spot markets at low average prices and with high price uncertainty. The shift to more beneficial sales conditions was instead restricted for individual farmers by high per unit search costs, which further limit as one aspect of transaction costs the incentives to produce higher quantities. Indeed, farmers reported to have *per se* little communication with downstream actors and do not always know which quality and variety specifications are most demanded by buyers prior to their arrival in the village. For FBOs it is instead assumed that they are able to jointly surpass threshold production quantities of their focal crop in order to offer a stable and in quantity sufficient supply to downstream actors. In such a way more formal and higher priced marketing channels can be accessed, including also closer or direct linkages to end markets by vertical contracts. Collective marketing initiatives as FBOs have thereby lower per unit marketing search costs as well as per unit transportation costs when they engage in the quest for higher priced markets in regional centres or distant places. With their more specialist structure it is also more likely for FBOs to maintain communication channels to downstream actors and react to their conditions. With special competencies it is potentially even possible that FBOs add functions (vertical integration) or change their position in the value chain to increase their margins, including e.g. grading, bulking, specific packaging, transporting, processing or product innovation.

Such potentials for smallholders to achieve higher profit margins from agricultural activity, are structured by *Riisgaard et al.* (2010, p.201) into three strategies: firstly, to work integrative along the value-chain and to engage in up- or downgrading (changing and adding functions); secondly, to use the advantages of vertical and horizontal contractualisation (improving coordination within the value chain); or thirdly, to improve process, product, or volume (c.f. figure 1). These three dimensions summarize analytically many of those expected gains

from collective action, that were specified on a more specific and activity oriented level in table 1.

By its focus on such capacities of farmers to respond reactively to the conditions of commodity chain arrangements, the intervention logic of the MiDA programme focuses thus not on a possible change of external unfavourable conditions that smallholders face (e.g. by price incentives, subsidization of fertilizer or mechanization), but on building up capacities and skills of FBOs themselves that are able to confront persisting unfavourable market conditions.

Figure 1: Commercial development strategies for higher profit margins from agricultural activity



Source: Riisgaard et al., 2010, p.201

While table 1 specified which problems farmers identified as their central constraints as well as how collective action initiatives are assumed to contribute to overcome these challenges, it is by contrast unclear which specific activities of collective action would contain the potential to provide these services and by which measures of capacity building they could be triggered and supported. In the following it is thus identified for the concrete case of two FBOs which capacity building measures have been carried out, to which FBO constitution and forms of collective action they led over and which economic performance resulted from them.

5. Empirical results: Which capacity support for stable collective action and which collective action for beneficial economic returns?

As outlined further above certain capacity support measures have been similarly provided to all FBOs participating in the MiDA programme, while other central measures depended on the individual choices of FBOs as well as on the active support of the intervention staff and will be described in the following.

5.1 Activity decisions by FBOs

After the initial training and generic group capacity support measures, the study village in the Northern Region decided to engage in individual but coordinated production of maize, fixing specific production targets. Similarly, the study village in the Eastern Region decided to engage in common production with specific production targets, though focussing on chilli pepper instead. Both FBOs specified that they would like to take a common credit for input purchase, market and commercialize their produce together (including e.g. a storage facility for maize in order to avoid selling when prices are low and a sales agreement prior to the harvesting season in the case of chilli pepper). In addition, the FBO members envisaged to have some moderate savings that they would put together and which would eventually account for bigger amounts once that profits would be higher as well as to engage in the purchase of jointly usable assets with high fixed costs and low use costs (transportation vehicle, tractor, small scale irrigation pumps).

5.2 Targeted capacity support measures and forms of collective action

5.2.1 The study village in the Northern Region

After the FBO targets had been set, the capacity support staff of the study village in the Northern Region wrote together with the FBO members a joint business plan that calculated a crop budget for which farmers verbally specified plot sizes that they wanted to farm with maize. The business plan calculated cash needs to buy tractor ploughing services, artificial fertilizer, atrazine herbicide, manual labour and

transportation services and showed that with expected maize prices the production activity would be profitable.

Being the only one well familiar with using a computer and with the writing of complex, longer texts, the actual writing of the business plan was solely carried out by the project staff, limiting the commitment of farmers to stick to the fixed targets, since FBO members did not in a different way reinforce them with each other. Confronting the bank, the project staff served as a guaranteeing instance for the correctness of the assumptions in the business plan. While assumed prices, productivity levels and input costs can always be criticized from different angles, the area specified to be planted with maize was unquestionably and strongly over reporting farmers' actual cultivation potential for maize or even exceeding their total land sizes. This increased the amount of money to be disbursed to farmers by credit and limited the expectable returns after the harvest.

Delaying the process heavily, the bank disbursed the loan only in the middle of the farming season, where land preparation costs, costs for fertilizer, pesticides and central labour costs had already occurred. While it was thus clear that the FBO members would not be able to invest the money into productive activity, the project staff did not intervene to stop the credit disbursement, reschedule it for the following production season or guarantee at least other productive use of the money. The money was disbursed individually to the FBO members, who in turn used it for other (mostly non-farm) businesses, as e.g. trade with agricultural produce, and also for consumption purposes (e.g. education costs for children). Since the FBO members did not reach often any or at least not the necessary level of returns on the used capital they defaulted and usually did not pay back any of their credit. This was further possible since no individual collateral had been provided by the farmers under the FBO facilitated credit.

While the project staff had thus undoubtedly provided good capacity to the FBO in order to obtain a well needed credit, it did not support the FBO in its inner structure to clearly fix and safeguard that agreed productive activity would have been carried out with the taken credit. Thereby especially the capacity support to build up such inner group structures, that also would monitor and encourage individual productive activity in the jointly decided amount, was missing.

In the following process much conflict and group discussions then circled dominantly around the issue of credit default. This took away potential capacity for other areas of cooperation.

Though indeed it had been agreed that also input procurement, the contracting of tractor service, maize storage and commercialization would have been carried out commonly, the project staff did not investigate commonly with the FBO members which concrete option of doing so would exist. The contact to the nearby urban centre in Tamale,

pre-seasonal agreements with tractor operators and professional but low-cost village storing facilities would have been some options. In this process it got clear that projects' staff experience as practitioners in the field of food commercialization would have been especially helpful.

The results in terms of collective action were that no other activities were initiated, group meetings were at one point in time only taking place for the credit issue and no further cooperation between farmers was envisaged for the future. Two years after its foundation the group thus stopped to be actually operational.

5.2.2 The study village in the Eastern Region

After receiving the standard package of training and capacity building under the programme, the FBO in the Eastern Region was additionally trained on good production practices of okra and chilli pepper, since they had chosen them as focal crops. The project staff then tried to activate the FBO members of the commercialization committee to look together with him for pre-seasonal sales agreements, which were only verbally concluded in the first two years. While in the first year the FBO could sell all their produce and make good profit, in the second year the buyer started sourcing from other suppliers and left the FBO with high production costs and huge product amounts that were not marketable for local demand. In the third year they finally found a more formal agreement with a chilli pepper exporter, were provided with seeds of a special variety for Asian consumers in the UK market and signed a memorandum of understanding that specified quantities and prices of goods that needed to be provided at the end of the season. Thereby the project staff had themselves already made experience as vegetable exporters from Ghana and could provide their practical knowledge and network to the FBO. The extent to which this prepared the FBO to be able to actively search for changing buyers without any assistance in the future, has to be seen.

For the next time that the FBO will be able to sell produce, the members have foreseen to deduct a 5% margin from the chilli pepper sales in order to pay for the provided seeds, but also save a capital stock for generic inputs for the next farming season. To what extent this is actually happening in the near future, cannot be judged priory. It is nevertheless already essential that group members discuss potential plans of common savings, procurement and investment and that these activities of planning and objective setting are a driver and an active part of regular group interaction.

Two years after the foundation also in this FBO many farmers had dropped out due to considerable cash needs for inputs and the disappointment of one season without commercialization. At the same time the FBO managed subsequently to engage in vertical coordination

along the value chain, which implies to be connected to buyer-defined communication channels about produce specifications as well as having higher market security.

Project staff greatly facilitated this process by providing practitioner knowledge on the choice of the higher value crop, on how to cultivate the crop with high productivity and on how to motivate as well as monitor that a considerable amount of members of the group stick to the specified production target of 1 acre per FBO member. In addition, they provided the FBO with a concrete marketing network of various potential buyers.

6. Conclusion

The paper at hand showed through the specific example of two FBOs in Ghana that the new initiation of cooperative structures of collective action is a strongly challenging process for resource poor farmers: The intervention did not succeed to initiate lasting group structures or coordinated, collective action, where the capacity building and training measures did not lead to engaging in a courageous and practical hand-holding process that meant the active accompanying of e.g. procurement, savings and produce marketing activities throughout the entire or even several consecutive farming seasons. Where this was by contrary the case, an actual working Farmer Based Organization with regular and expectable collective action was against all unfavourable conditions established.

For this successful promotion of cooperative structures it was essential to use the information advantage that neighbouring farmers possess over each other as part of institutionalized group action. Instead of local bank officers or other agents from outside the village, they thus could easily motivate and monitor each other's activity at low costs and e.g. intervene early in the process when individual production targets were not kept. Similar to the constitution of rural microfinance groups it was thereby essential, that it existed institutionalized and clearly regularized mechanisms of how and when such monitoring activities would be carried out.

As further element, it proofed essential that the project staff engaged in a proactive way with the FBO committees, suggested them specific ways of how to change to a higher value crop and engage in common procurement, savings or marketing. Besides the active suggestion of alternatives it was essential that project staff actively accompanied the FBO in these practical activities throughout one farming season.

One example of such a procedure was that some project staff provided their own former network of vegetable exporters to the FBO and then accompanied the group in managing the relation to various exporters in the following two farming seasons. Similar as the Farmer Field School approach for agricultural practices, this made it possible that the FBO members actively applied their discursive acquired knowledge about joint procurement, transport and marketing throughout the farming season. In such a way the MiDA intervention achieved with certain FBOs the highly challenging outcome of actually initiating working groups with lasting collective action.

In a subsequent step the analysis showed however that collective action initiatives do not necessarily translate directly into economic gains for individual members in the short run. Uncertainty of producing for spot markets, problems of moral hazards originating from buyers, weather shocks in rain-fed agriculture and other factors can inhibit the realization of cooperative potentials in a given year. In the specific case of the study village in the Eastern Region it was a missing market for export vegetables in a bumper harvest year that prevented the realization of high produce prices and by contrast led to the total income loss from up to one acre of production per farmer. While this short term outcome put further heavy income stress on participating farmers, the group reaction was at the same time nevertheless to look looking for a more formalized pre-seasonal sales agreement in the following season that provided some market guarantee. Though there is no empiric evidence yet, this organized and sound reaction to challenging market conditions supports the hypothesis that such working FBOs will achieve actual economic gains in the long run.

Similar as outlined by *Biénabe and Sautier* (2005, p.4), young FBOs tend thereby to engage more frequently in vertical coordination along the value chain or in diversification into a higher priced crop (change of product). Instead it could hardly be found that FBOs had chosen to engage in up- or downgrading activities along the value chain (changing or adding of functions) or any activities that would entail joint investment in common assets. Also strategies that would have been focused on providing services to other agricultural producers as clients, which can be denoted as a horizontal contractualisation strategy, were not detected (as e.g. through the up taking of upstream functions as the provision of inputs, credit or services).

References

- Afari-Sefa, V.* (2006). Agricultural export diversification, food security and living conditions of farmers in southern Ghana: A microeconomic and household modelling approach. *Farming & Rural Systems Economics* 81. Weikersheim: Margraf Publishers.
- AFD (2012). Projet d'appui au secteur riz. Retrieved July 12, 2012, from: <http://www.afd.fr/lang/en/home/pays/afrique/geo-afr/ghana/projets-ghana/projet-dappui-au-secteur-riz>.
- Al-Hassan, R. M., Sarpong, D.B., & Mensah-Bonsu, A.* (2006). Linking smallholders to markets. Washington: IFPRI.
- Ashraf, N., Giné, X., & Karlan, D.* (2008). Finding missing markets. Evidence from an export crop adoption and marketing intervention in Kenya. Discussion paper. New Haven: Economic Growth Centre, Yale University.
- Barrett, C., B.* (2008). Poverty Traps and Resource Dynamics in Smallholder Agrarian Systems. In: *Dellink, R., B., & Ruijs, A.* (eds), *Economics of Poverty, Environment and Natural-Resource Use*, pp. 17ff. Dordrecht: Springer.
- Berdegú, J., A., Biénabe, E., Peppelenbos, L.* (2008). Keys to inclusion of small scale producers in dynamic markets. Innovative practice in connecting small scale producers with dynamic markets. London: IIED.
- Bernard, T., Spielman, D., Taffesse, A., S., Gabre-Madhin, E., Z.* (2010). Cooperatives for staple crop marketing. Evidence from Ethiopia. Washington: IFPRI.
- Biénabe, E., & Sautier, D.* (2005). *The role of small scale producers' organizations to address market access*. DFID: Proceedings of the International Seminar Beyond Agriculture: Making markets work for the poor, London, (pp. 69-85).
- Bromley, D., W.* (2009). Sufficient reason: Volitional pragmatism and the meaning of economic institutions. Princeton: Princeton University Press.
- Carter, M. R. & Barrett, C. B.* (2006): The economics of poverty traps and persistent poverty: An asset-based approach. *Journal of Development Studies* 42(2), pp. 178-199.
- Chamberlin, J.* (2007). Defining smallholder agriculture in Ghana. Who are smallholders, what do they do and how are they linked with markets? Washington: IFPRI.
- Chirwa, E., Dorward, A., Kachule, R., Kumwenda, I, DKydd, J. Poole, N., Poulton, C., & Stockbridge, M.* (2005). Walking tightropes: Supporting farmer organisations for market access. Natural Resource Perspectives 99. London: ODI.

- Cook, M., L. (1993). Cooperatives and Group Action. In: Padberg, D. (ed), *Food and Agricultural Marketing Issues for the 21st Century*, pp. 154-69. Texas: A&M University.
- Coulter, J. (2006). Farmer groups enterprises and the marketing of staple food commodities in Africa. Washington: IFPRI.
- FAO (2003). *The World Banana Economy 1985-2002*. Rome: FAO.
- Ghana Statistical Service (2008). *Ghana living standards survey. Report of the fifth round*. Retrieved July 12, 2012, from: http://www.statsghana.gov.gh/docfiles/glss5_report.pdf.
- GIZ (2012). Market Orientated Agriculture Programme. Retrieved July 12, 2012, from: <http://www.giz.de/themen/en/7787.htm>.
- Huang, J., & Reardon, T. (2008). *Keys to inclusion of small-scale producers in dynamic markets. Patterns in and determinants and effects of farmers' marketing strategies in developing countries*. London: IIED.
- IFAD (2012). Northern rural growth programme. Retrieved July 12, 2012, from: <http://operations.ifad.org/web/ifad/operations/country/project/tags/ghana/1390/project%20overview>.
- KIT, FAIDA MaLi, IIRR (2006). *Chain empowerment. Supporting African farmers to develop markets*. Amsterdam/Arusha/Nairobi: KIT, FAIDA, IIRR.
- Levy, S. (2005). *Starter Packs: A strategy to fight hunger in developing countries? Lessons from the Malawi experience 1998-2003*. Oxfordshire: CABI Publishing.
- MiDA (2011). The MiDA compact. Retrieved July 12, 2012, from: http://mida.gov.gh/site/?page_id=184.
- Ngeleza, G.K., Owusua, R., Jimah, K., & Kolavalli, S. (2011). Cropping practices and labour requirements in field operations for major crops in Ghana. What needs to be mechanized. Washington: IFPRI.
- Pixley, K., & Baenzinger, M. (2004). Open-pollinating maize varieties: A backward step or valuable option for farmers? In D., K. Friesen, A., F., E. Palmer (eds.), *Integrated Approaches to higher maize productivity in the New Millennium*. CIMMYT (International Maize and Wheat Improvement Center) and KARI (Kenya Agricultural Research Institute): Proceedings of the seventh Eastern and Southern Africa regional maize conference, Nairobi.
- Riisgaard, L., Bolwig, S., Ponte, S., Toit, A. d., Halberg, N., & Matose, F. (2010). Integrating poverty and environmental concerns into value-chain analysis: A strategic framework and practical guide. *Development Policy Review* 28(2), pp. 195-216.
- Sautier, D., Vermeulen, H., Fok, M., & Biénabe, E. (2006). Case studies of agri-processing and contract agriculture in Africa. Rimisp – Latin American Center for Rural Development.
- Sexton, R., J., & Lavoie, N. (2001). Agricultural production. Production and supply. In B. Gardner, & Rausser G. (eds), *Handbook of Agricultural Economics 1*. Amsterdam: North Holland.

- Ton, G., Bijman, J., & Oorthuizen, J.* (eds) (2007). Producer organizations and market chains. Facilitating trajectories of change in developing countries. Wageningen: Wageningen Academic Publishers.
- Ubink, J. M., Quan, J. F.* (2008). How to combine tradition and modernity? Regulating customary land management in Ghana. *Land Use Policy* 25 (2), pp. 198-213.
- Vermeulen, S. & Cotula, L.* (2010). Making the most of agricultural investment: A survey of business models that provide opportunities for smallholders. London/Rome/Bern: IIED/FAO/IFAD/SDC.

Cooperative Action in Morocco: Constraints and perspectives, Presentation of a new system of self-aggregation¹

Said Khalil

Introduction

Although it is true that in the last decade, Morocco has shown a remarkable progress regarding human development, it is also true that a considerable effort remains to skirt many countries in similar situations in the Mediterranean basin.

A number of questions remain unanswered regarding the effectiveness of State actions to overcome the socio-spatial inequalities and the effectiveness between urban and rural areas in terms of distribution of wealth and sustainable development of mass.

This work has two aims. Firstly it shows that, despite the willingness of the State, whose purpose is to provide solutions to the issue of human resources development, through various programs especially the 'Plan Maroc Vert', Morocco is still far from operating a better distribution of fruits of the effort deployed to do so. The statistics used here come from official websites based programs in Morocco.

Secondly, this work presents a new alternative (new cooperative system) in which the contribution of civil society and human resources in perfect harmony with standards of good governance is of a considerable asset.

1. Efforts of the state and status report

Since the beginning of the recent century, and because of important political changes in the country, a new thrust has been given to raise

¹ We want to thank Prof. *Roessl* who has taken the responsibility for the proof reading of this contribution.

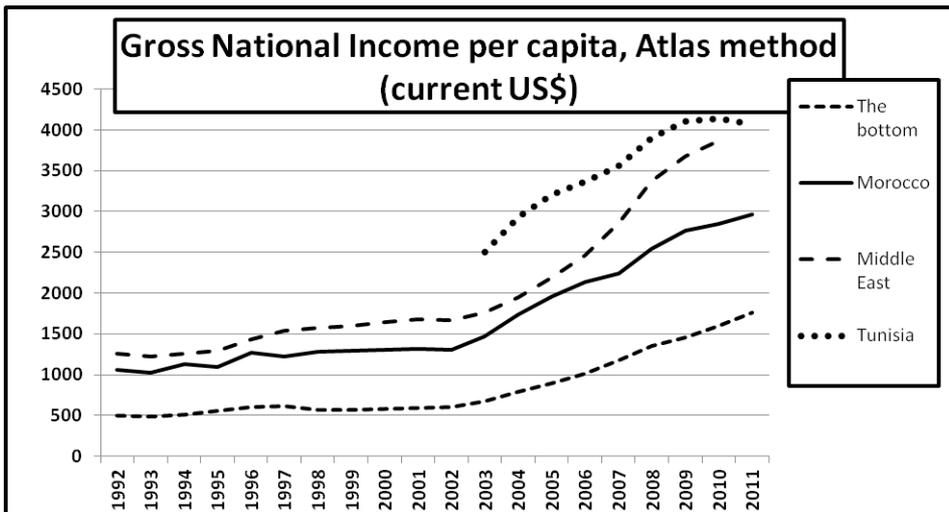
the socio-economic situation of the country and to proceed to the human development. The objective is not there far from supporting the economic performances to answer to the conditions required in the international market, in terms of financing and investments.

1.1 Development and social indicators

Many strategic State programs which we quote here have arisen: the National Initiative for Human Development (INDH) which started in 2005 and the “Plan Maroc Vert” (PMV) which started in 2008. The second program is particularly intended for restructuring and developing agriculture, the structural element of the Moroccan economy.

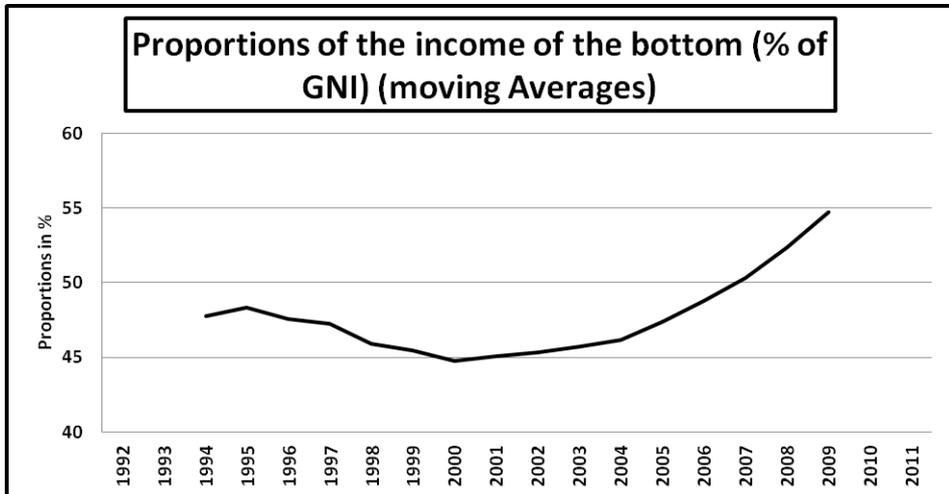
We should note here, in terms of result, that the gross national income per capita has changed significantly as shown below (Fig. 1) although Morocco is still far in position relatively to other comparable countries (especially Tunisia).

Figure 1



Not only is the gross national income per capita low, but it is also, considering the lower tranches, only approximately 50% compared to the national average (Fig. 2).

Figure 2



This situation is strongly linked to the high poverty rate, to the precariousness and to the weakness of the human resources, especially in rural areas, general characteristic of the developing countries. Thus, the spatial and social disparities are large (Fig. 1 and Fig. 2) and will not stop increasing because of these constraints. According to the World Bank, in Morocco in 2007, the most deprived decile of the population detained only 2,7% of income against 33,2% for the upper decile. For comparison, in the Mediterranean area, the corresponding values were respectively 2,4% against 32,5 in Tunisia (2005) and 2,2% against only 29,4% (33,9 in 2003) in Turkey (Fig. 3). The population living below the national threshold of poverty is estimated at about 15% in rural areas.

1.2 Agriculture and development of rural areas

To operate a serious development, the action of the State is heavily focused on agriculture which affects the majority of the population of Morocco. Statistics show that the population of rural areas knows a remarkable decrease: in about twenty years, rural inhabitants represent no more than approximately 43% in 2011 against 51% in 1991. However, in Morocco, urbanity does not mean that the 'urban' is no longer maintaining socio-economic relations with the rural areas

where it comes from. Therefore, any action of the State in agriculture, embraces the whole population of the country: as well the rural population in situ as the one that emigrated towards the urban zones.

On the other hand, although the added value of the agriculture, which employs about 40% of the jobs in Morocco, did not stop increasing in absolute terms (Fig. 4), this sector remains relatively of low contribution to the GDP(GROSS DOMESTIC PRODUCT) (only approximately 15% of the GDP) (Fig. 5).

Figure 3

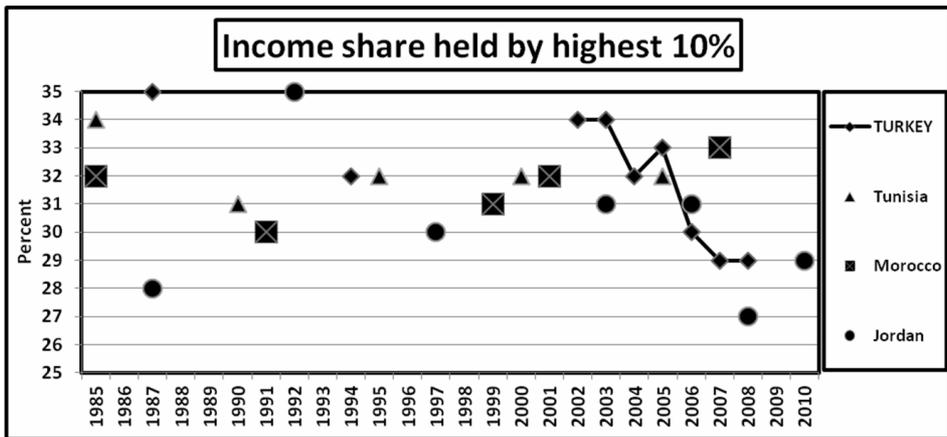


Figure 4

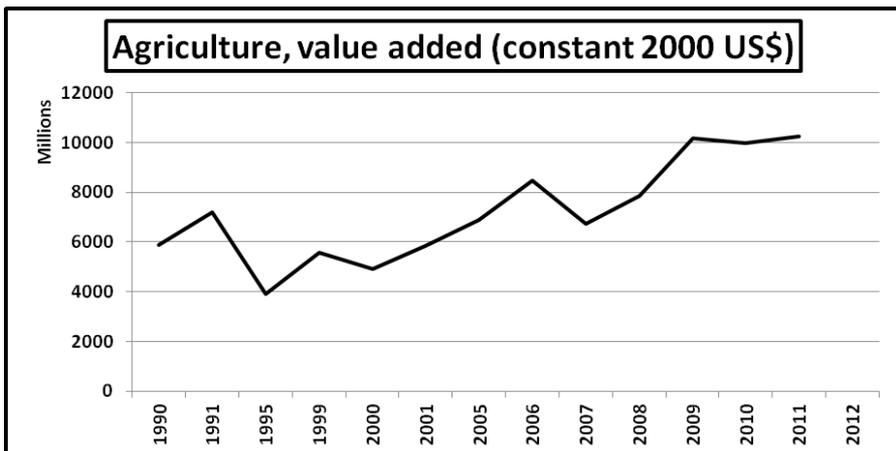
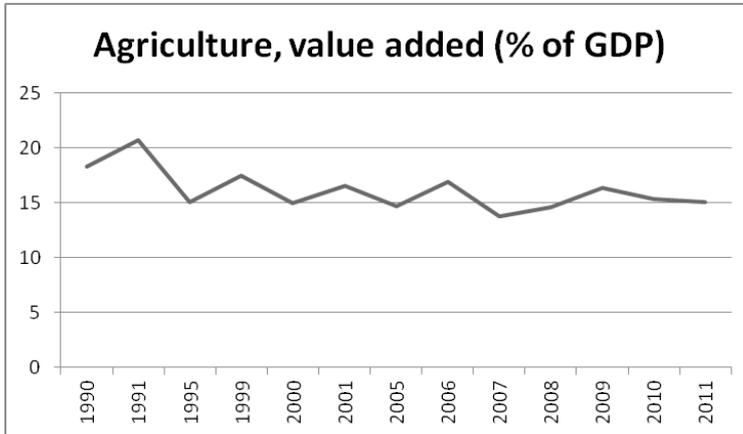


Figure 5



Thus, major rural development programs allowed, from the 90s, to ensure access to safe drinking water, electricity and road to a greatly increased number of rural households. However, the large effort deployed by the State remains far from being able to reduce the social and spatial inequalities and to operate a better wealth distribution for the benefit of all the social strata. The following two tables (Table 1 and Table 2.) show the very clear superiority that is granted to the modern sector (Pillar 1) in the PMV to the detriment of the traditional sector (Pillar 2).

The same result can be seen in a report of the Moroccan ministry of agriculture and fisheries, that is entitled: “ Plan Maroc Vert „ (May 2009, p. 24/32) (Tab. 2).

Table 1: Plan Maroc Vert: example of investments untill 2009 (Souss Massa Draa (Agadir)) (From « Plan agricole régional de souss Massa Draa en 2009 »)

	Public invest (in K Dh)	Private invest. (in K Dh)	total	Project number	size of target population	Public investissement /project (in Dh)	Public investissement /person (in Dh)
Pillar I (Modern agriculture)	1 095,9	3 758,9	4 854,7	24	29500	45661	37
Pillar II (Traditionnal agriculture)	1 165,7	376,7	1 542,4	56	65000	20815	18
Transversal (Infra-structures)	2 754,3	1 388,4	4 142,7				

Table 2: Action program of the PMV on a national level (until May 2009)

	Pillar I	Pillar II
Nombre de projets	961	545
Investissements in MDh	75	20
Concerned farmer number	560000	840000
Investissements in KDh per a project	78044	36697
Investissements in KDh per a farmer	1339	238

So, it is true that statistics show that production, yields and exports are going increase by 2020 but the embarrassing question remains the same, unanswered: How far we can admit that the Plan Maroc Vert joins really the objectives of a social economy ?

How can the simple small farmer who represents the mass majority of the rural population in Morocco get involved?

2. A new arising voluntary system

Requiring internal standards, the voluntary system in upward direction, aims, through human resources in civil society, to involve all social masses for global development and a better distribution of wealth.

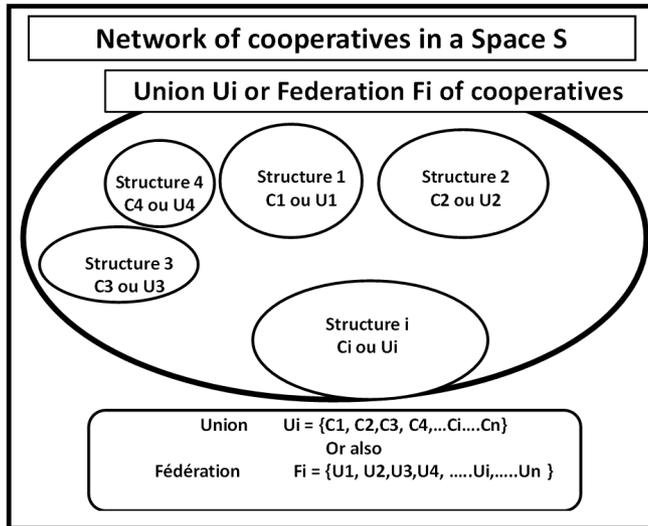
2.1 Cooperative structures: features of organisation

In order to achieve a better distribution of wealth, the fellahs are organized in a network (self-agrégation) of multipurpose cooperative structures in different hierarchical levels: this difference is related to the nature of the adherents, but also it differs in the spatial scale following the geographical configuration in such logic as seen in the table (Tab.3) and in the figure below (Fig. 6):

Table 3 : hierarchical level system elements

Level	Entity Nature	Spatial nature	Approxamitive Spatial extent (length * width) :	Elements of Communication intensity
0	Physical persons	Douar	Some tenn of km ²	Daily in the douar
1	Level 0 Cooperatives : (moral entity)	Fekhda (Clan, part of a tribe),..	A hundred of km ²	At least , Weekly in the Souk,
2	Level 1 Cooperatives: (moral entity)	Administrative district, Tribe, géographique entity,	?	Monthly , in the district, chief town..
.....				
N	Level N-1 Cooperatives: (moral entity)	Countr(y), (ies)	?	?

Figure 6: hierarchy of the the system elements



Beside to this economic structure, another network of non-profit organisms (provincial and/or local associations) is set up to be operational in social aspects and to represent the fellahs (interlocutor).

2.2 System standards

To achieve these objectives, the current system implementation requires a number of standards to be respected by all member elements in all levels.

2.2.1 Every structure of any level is superimposed on a single socio-geographical entity already in place such as :

- The douar for a primary structure
- Fekhdha, an administrative division for higher level structures as indicated in the Table 3.

2.2.2 In any basic entity, an awareness meeting of proximity, is necessary to involve the local population in the entrepreneurship project of the douar.

We think that this is a key element for the success of the project. However, such a meeting must not be held in administrative offices themselves (usually inaccessible to the public: psychological impact or effect removal). Convince the fellahs in such environment, where there is illiteracy, requires to hold, in the douar, simple meetings organized by the fellahs themselves or by local civil society.

2.2.3 A cooperative, embraces equally all the inhabitants of the douar (to the extent possible).

The number of members can not be less than a fifteen of inhabitants. A new concept of "Douar cooperative" replaces here the very widespread idea which makes affiliate and attribute the cooperative to individuals

It is important in this regard, to indicate that the involvement of the largest number of inhabitants in a "douar cooperative" is likely to have positive impacts. We can enumerate here a few:

- Reactivation and consecration of the idea of the solidarity of group
- Development of feeling of close strength of the group in the douar
- Efficient control of the members especially when they realize that the douar's cooperative constitutes a common property.
- Better choice of human resources for the elections of the board of directors.

2.2.4 The board (in all the levels of the system) is set up in a participatory manner through two rounds of fair elections.

The elections are supervised by the system itself, according to required standard procedures whose objective is to achieve good governance and to earn the trust of the fellahs. These democratic elections which are required everywhere and supervised by the system itself lead to a great farmers' confidence in the persons elected in their cooperative (board members are theirs) and by reciprocity, in all cooperatives boards since the fellahs are beforehand ready to make union with to join the efforts.

2.2.5 A cooperative is an entity of production while the highest structure is in charge of commercialisation

To circumvent the problem of marketing and to avoid competition between cooperatives, the fellah are kept informed from the upstream of the project that these cooperatives will be united and that the cooperative of base(basis) (douar) is an entity of production and that the highest structure will take care of the marketing. Flows in both directions (product flows and gain flows to be distributed) are channelled through intermediate structures. Marketing will be done at points common to all system structures. The gains will be distributed (in return of the flow) in all structures according to the corresponding economic power of each of them.

2.3 Features and originality of the System

2.3.1 Effectiveness of the internal Communication

This feature ensures the efficiency of the system in reason of the size of membership but also, because of the nearness of all the members who have this possibility to share the information which concerns them from day to day even and in no useless cost.

2.3.2 Sustainability due to a starting-up in standards of good governance.

The system is characterized by an auto-genesis sustainability that grants the voluntary implementation. The system depends on structures rather than persons as it was described above. The concept of “Douar cooperative”, develops a spirit of “common shared good” and the process of compliance with good governance involves all members for assuming responsibilities. The integration of a new structure within the system depends on the supervision of a president (elected) who will subsequently supervise the implementation of an external structure to his.

2.3.3 Original and innovative functioning : Combination of multifunctionality and specialization :

One of the strengths of system is to seek a profit profile, which can mix the requirements of both natural and human environments. This is to opt for a combination of both of specialization which leads to best performances and multifunctionality. This then ensures diversification

of products in our country. This operation aims to optimize the entire production process

2.3.3.1 Adaptation to Mediterranean climate variability by opting for the multifunctionality:

Two major reasons connected with the particularities of the Moroccan economy are behind this choice:

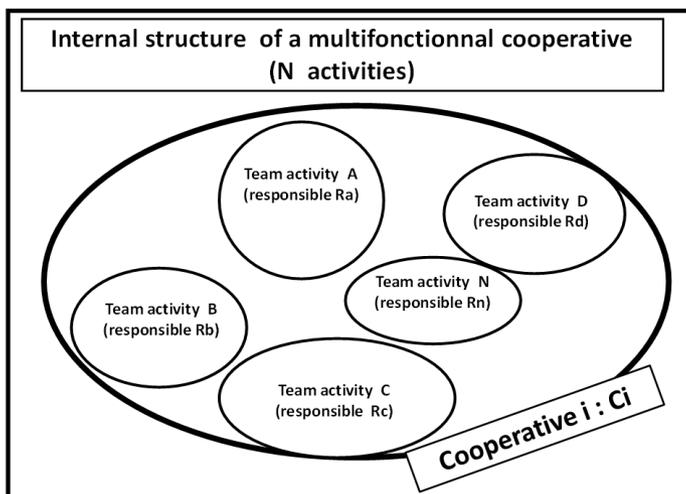
On the one hand, for socio-economic reasons and especially in areas where traditional agriculture dominates, fellah are obliged to use more than one product (particularly because of the 'smallness of plots).

On the other hand, it is clear that the caprice of the Mediterranean climate weighs heavily on the fate of agriculture in subtropical latitudes. Weakness and irregularity of rainfall in these regions make any attempt to focus on a single product, an adventure of a high risk.

2.3.3.2 Specialized Teamwork

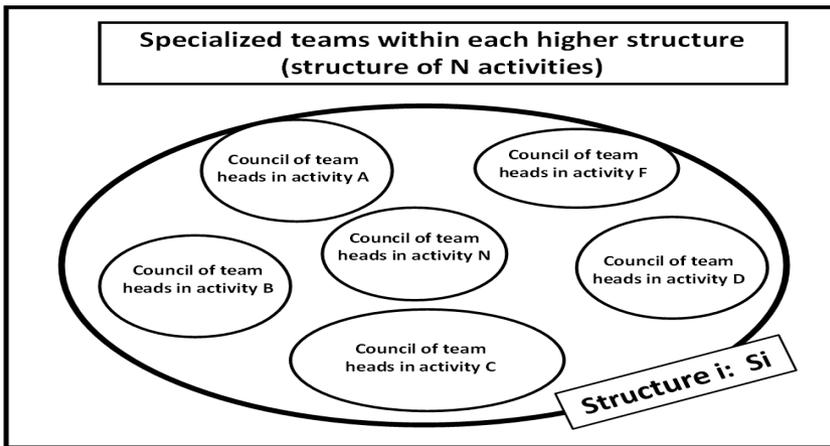
Within each cooperative, several teams will see day according to the activities carried out by farmers of the douar (the vocation of the douar). An expert in an activity, will hold place of team leader by elections according to the shared norms and he will make the choice of the team members. (Fig. 7).

Figure 7



In the upper structure, a board of experts from the underlying ones will form a specialized council in a given activity. This structure, also chaired by an elected person, will be represented in the higher level and serves as a vehicle of great efficiency for knowledge transmission to the entire community (Fig. 8).

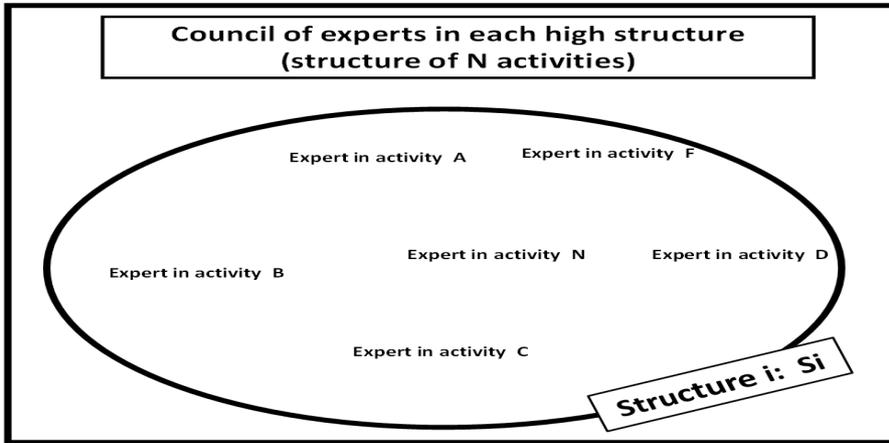
Figure 8



Generally, in each structure and in each activity (specialization); there will be a representativity such as following :

Council team leaders in a given activity $i = \{(Team\ Leader\ L\ in\ activity\ i\ from\ the\ Structure1), (Li(S2)), (Li(S3)), (Li(S4)), \dots (Li(Si)), \dots, (Li(Sn))\}$ (Fig. 9).

Figure 9



3. Conclusion

By way of conclusion, this work consists in showing that Morocco indeed spreads an enormous effort for development. However, this effort rather intends to develop a modern agriculture in the modern sectors of the country. The fellahs in the so-called traditional agricultural sectors remain badly involved and cannot easily take part in this ambitious strategy. The attempts of the State to correct and end the social and spatial imbalance and fight against the poverty attempts remain on small-scale.

In connection with the education levels, generally very low for the majority of fellahs, but also for socio-economic and political reasons, the efforts of development will remain limited if not vain and will risk to develop more disparities in this connection to namely a located and punctual development. The contribution of civil society and educated human resources which this one can mobilize is crucial in this regard.

The system of agricultural cooperatives in the course of implementation is an alternative of strong contribution for a sustainable development of mass. This voluntary and voluntarist system, which is at its beginnings, requires patience and perseverance but also assistance from the State. The new system considers that young people (in university circles in particular) are eminent vectors of development and it would be necessary to involve them in the actions development of local civil society of their douars, where illiteracy is highly prevalent. For

this, workshops on rural development have been held for quite a while at the Ibnou Zohr University of Agadir, to spread the new concept to the students and mobilize them to be active, not only for the benefit of all their community.

The system also requires a great effort of preliminary communication not only with fellahs but also with the circles of decisions (local and central). In this respect, the closely sensitization meetings are very useful and the system counts on the civil society in connection with human resources from the University spheres to realize them.

A certain slowness during the implementation of the system, in the starting up phase, is normal but doubtless ephemeral. The distribution curve of the involved people in the system follows, in our view, an exponential logic and the inflexion point of this evolution will soon emerge once the first elements of the system become functional. The communication, which was individual and very limited at the beginning, quickly becomes an institutional communication more widely disseminated by the expected results. Such effort of communication with supervisory authorities in particular, will participate to involve the administration in the project and to dissipate any reluctance which we can notice here and there in this respect.

Bibliography

- Rapport sur la pauvreté : Comprendre les dimensions géographiques de la pauvreté pour en améliorer l'appréhension à travers les politiques publiques. Rapport No. 28223-MOR.; Groupe du Développement économique et social, région Moyen-Orient et Afrique du Nord; Banque mondiale Septembre 2004; 127 pages
- Draft Document du Programme de Pays du Maroc (2012-2016).; Executive Board of the United Nations Development Programme and of the United Nations Population Fund; 11 pages
- Plan cadre des Nations Unies au Maroc, 2007-2011, 97 pages

3. Asien

Cooperatives in Iran – Contemporary Report

Dariussh Pakbin

Esteemed president of the conference, fellow cooperators, ladies and gentlemen!

First and foremost, I must appreciate all the honorable ICA authorities especially in Europe, Austria in particular, who gave us a great opportunity to gather together and put forth key issues regarding cooperatives through holding the conference. Cooperative societies have proved that they are successful economic institutions also in times of worldwide crises. They have served their members, and society, and constituted a sustainable economy for the poor and women as well. Now let me give you a brief overview on the cooperatives in Islamic Republic of Iran.

First, I am going to draw your attention to the philosophy and the role of cooperatives. As you know, prophets like *Jesus*, *Moses* and *Mohammad*, have taught people to gather together to accomplish great works, but not to cooperate in evil acts. The cooperatives can encourage people to get together in order to achieve social, economic and political aims in a positive manner. Coops can make wealth distribution equal, and obviate gaps among different walks of society. This will culminate in the social equity within the society. Coops are useful for creating jobs for the youth, they can reduce the inflation. The only economic institution which seems to be savior of the world economy is coops. In the International Year of Cooperatives we have to continue our efforts to expand coops worldwide. We have to present a new diplomacy to the world which I call cooperative diplomacy.

Ladies and gentlemen, Iran has a special law on the cooperative sector as a part of the constitution. Iran's economy is divided in three sectors: governmental, cooperative and private. According to Article 44 and the 5-year development plan the share of the cooperatives have to increase from 8% to 25% of the GDP. This signifies the fact that the cooperative sector will play a more active role than in the past. Pre-revolution coops in Iran were mostly in the form of agricultural, rural and consumer. But in the new, post-revolution era we witness eagerness of the people from different walks of the society, especially the youths and women to become members of coops. In Iran, cooperatives are active in different fields such as:

Production, agriculture, animal husbandry, fisheries, shrimps and aquatics, mining, hand-woven carpets, handicrafts, inter and intra

city transportation of cargo and passengers, consumption, distribution, supply, housing, health care services, trade and export, training institutions, arts and culture, Nano technology, new technology, aerospace. Provincial chambers of cooperatives are formed by the coops and unions in each province. There are 31 provinces in Iran, so there are 31 provincial chambers of cooperatives. Iran Central Chamber of Cooperatives (ICC) is formed of 31 provincial chambers of cooperatives plus 42 unions and other coops beyond the provincial. I am honored to be the Secretary General of ICC which is the leader of coops, manager of objectives and designer of goals. The Chamber also has international and parliamentary departments. There are over 178,000 coops with 33 million members. In terms of legislation, measures have been taken to facilitate law enactment in favour of cooperatives 65% of the members in the Islamic consultative assembly (parliament) are at the same time members of cooperatives and contribute to creation of friendly cooperative legislation. Iran.

By the 5th economic, social and cultural development plan, the strategic cooperative sector policies are determined as follows:

- Centralization in policy making process to strengthen coops in Iran
- Decentralization in plan fulfilment
- Forming large cooperatives with a comprehensive level of participation especially in the field of foreign trade.
- Cooperation and assistance of affiliated organizations in forming and promoting cooperative culture
- Focus on increasing the share of cooperative sector in fiscal markets and banking system by at least 15%.

Ladies and gentlemen, there are over 20,000 women coops in Iran. The managers and members are normally women. One of the valuable institutions in my country is Tose Tavon Bank, established with capital of about 500 million dollars. In the past 4 years it has extended loans for over 2 billion dollars to the coops. The bank has helped to create 80,000 jobs up until now. It has also preserved 200,000 jobs during the economic crisis. The bank operates 400 branches with 2,500 young high qualified employees. An investment guarantee fund to support the cooperatives has been set up with 120 million dollars capital. An equity fund will start its operations soon. And soon the company of capital provision for the cooperative sector will be formed. Also, leasing, cooperative money exchange, small cooperative enterprises fund has been formed with the help of Tose Taavon bank.

The cooperative economy in Iran which is a 100% people based economy suffers from the unilateral sanctions. The coops provide people with food, medical treatment, transportation, etc. On the behalf of these coops I demand and suggest that ICA and its regional offices on all

continents cooperate with the governments of your countries in order to lift these sanctions and give the coops the opportunity to flourish in the International Year of Cooperatives.

Finally, I would like to make some proposals which could pave the way for cooperatives in all parts of the world. These could bring impetus for closer cooperation and generate synergies in the cooperative sector regardless of the race, tribe and the like. My suggestions are the following:

- Encouraging governments towards helping and protecting coops and unions, and establishing common markets and removing legal obstacles with united efforts of the governments,
- Encouraging governments towards inspiring people to become members in coops by offering incentives such as lower interest rates, issuance of investment guarantees by guarantee fund fore investments in cooperatives, lower taxes and custom duties, etc.,
- Establishing an international university for cooperative education with at least one affiliate centre on each continent. ICC is prepared to offer Iran as its location,
- Holding a specialized conference on cooperative banks and cooperative financial institutions and establishing a world cooperative bank with the capital of the members. On the behalf of 180,000 coops, I as the Secretary General of ICC announce the preparedness of my country to host the conference in 2013 in Iran.

Finally, I would like to thank the organizers of such a fruitful conference in the International Year of Cooperatives. In this exceptional year ICC holds an annual construction and building industry Expo on an exhibition area of this 58,000 sq m. 1,100 and 220 foreign companies will present their latest achievements in this field. I'm very confident that we could also host the expo in 2013. At the end of 2013 a festival of women coops from all over the world will take place in Iran. ICC and I personally invite women to attend the festival. Thank you for your kind attention!

Good Cooperative Governance as a Tool to withstand Urban Coop Bank Crisis – A Case Study of Rajkot Nagarik Co-operative Bank, India¹

Vrajlal K. Sapovadia

Prologue

Indian economy is substantially supported by cooperative sector through 5,25,000 cooperatives, 230 million members, assets worth INR 1.5 billion and presence in every sector of economy. 20th century remained milestone for credit and banking cooperatives in India and especially Western parts of India including the Maharashtra and Gujarat states. Out of total 1853 Urban Cooperative Banks in India, there were more than 620 UCBs in the Maharashtra state and 350 UCBs in the Gujarat state, accounting 35% and 18% of UCBs of Country's urban banks, respectively. The Gujarat state is comparatively small state having 50 million inhabitants in comparison to the Maharashtra State which has more than 120 million inhabitants. At the beginning of the new millennium, Gujarat had 350 Urban Co-operative Banks (UCBs) held around 18 per cent (INR 170000 million) of the total bank deposits in Gujarat and advanced 6 per cent of the loans. Due to a major UCB scam, the year 2001 was the turning point and a year of misfortune for the state cooperative banking and it has damaged the image of the sector. The volume of deposits, number of depositors and also the volume of loans and advances as well as the number of borrowers of UCBs in the state dropped substantially in subsequent years. With the chain effect of this scam, around 10% of the UCBs became virtually insolvent and vanished, around 20% UCBs were declared weak by the Central Bank and around 50% UCBs were threatened & vulnerable. It is noteworthy that during the last 6 years almost 50% of the UCBs have come out of the problems and regained the confidence of the public. This paper

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

discusses the case of good governance shown by the urban cooperative banks during and after the shock of the failure of several urban coop banks. The Rajkot Nagarik Sahkari Bank Limited (a medium schedule urban cooperative bank) is the perfect example of the impetus in performing par excellence.

1. Urban Co-operative Banks (UCBs) and their Role in Indian Banking

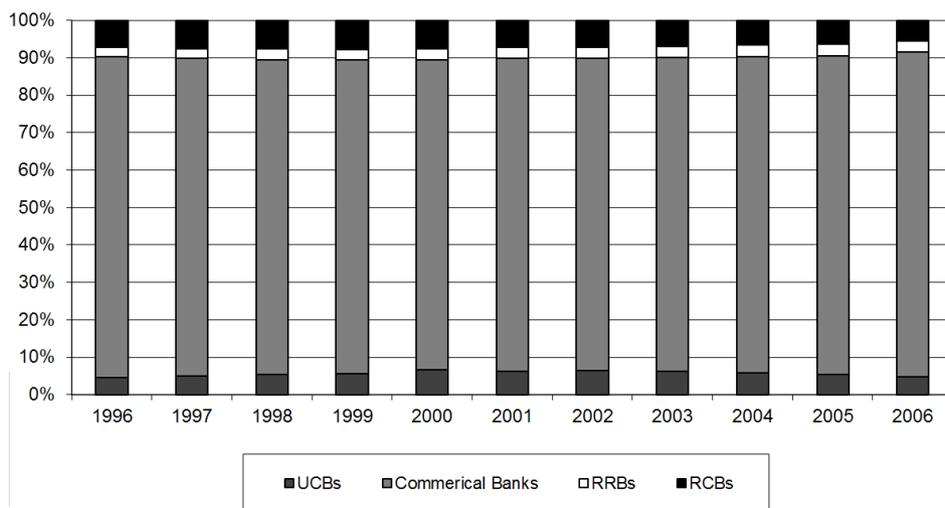
Urban Cooperative Banks play an important role in providing credit to urban & semi-urban areas of the country. UCBs mobilise savings from middle and lower income groups. They extend credits to small borrowers as well as weaker sectors of society. UCBs, also known as primary cooperative banks, are similar to credit unions seen in other countries. Indian households save 28 per cent of their disposable income, but invest only half of these savings in bank deposits and other financial assets. Nationalised banks, as a group, accounted for 47.7 per cent of the aggregate deposits. The share of Other Scheduled Commercial Banks, Foreign Banks and Regional Rural Banks in aggregate deposits was 21.2 per cent, 5.9 per cent and 3.0 per cent, respectively. As regards gross bank credit, nationalised banks held the maximum share of 47.0 per cent in the total bank credit followed by the State Bank of India and its Associates at 23.2 per cent and Other Scheduled Commercial Banks at 20.6 per cent. Foreign Banks and Regional Rural Banks had a relatively lower share in the total bank credit, that is to say, 6.7 per cent and 2.5 per cent, respectively.

A small but substantial share of total deposits is covered by UCBs in India. Their market share increased from 3.3% in 1990-91 to the top/peak of 6.6% in 1999-2000. Though it declined after that, it contributed around 5% of total deposits in 2005-06. Graph 1 show the percentage market share of various bank groups where commercial bank group play a lead role with almost 85% market share.(cf. Fig. 1)

2. Historical Scenario

The cooperative movement in India began in 1889 with the establishment of the Urban Cooperative Credit Society in Vadodara Town, in the Bombay Province, even before the enactment of the Cooperative Societies Act. But the real beginning of the cooperative movement in India began after the enactment of the Cooperative Societies Act in 1904. The basic objective of the establishment of cooperative credit societies in India was to cater to the farmers and to the rural poor who were not covered by commercial banks or any other institutional financing agencies. Though commercial banks had branches in urban and semi-urban areas, they did not cater to the needs of urban middle and lower class populace due to several reasons. This inability of commercial banks led to the emergence of urban cooperative banks. After the enactment of the Cooperative Societies Act, the first UCB was founded in a small town in South India called Conjivaram in 1904. But since this movement was not much popular and accepted by the masses, the UCBs did not attract the attention until 1914, when many commercial banks collapsed. The Malegaon Committee, while investigating the crisis, reported a great potential in UCBs.

Figure1: Marketshare of Deposits- Bank group wise²



² Annual Report RNSB.

If we analyse the growth of UCBs in the recent past, the number of banks has increased from 1500 banks in 1996 to 1941 in 2003. In 2003, the deposits and advances of UCBs rose to Rs. 1015 bn and Rs. 648 bn, from Rs. 241 bn and Rs. 179 bn in the year 1996 respectively. Subsequently by 2006, the number of UCBs declined to 1853 and hence the deposits and advances.

A major factor for the decline of the public confidence was the crisis faced in 2001 by a large multi-state cooperative bank in Gujarat, when the bank witnessed a sudden run on its branches. The reason was its exposure to a broker who had suffered huge losses in the stock market. The large-scale withdrawal of deposits led to severe liquidity problems for the bank. The urban cooperative banks in Gujarat State were holding Rs. 80 bn in interbank deposits that resulted in a systemic crisis. This was followed by a major UCB crisis in Andhra Pradesh and Maharashtra State in 2004-2005. This double blow to the UCB sector took away the public confidence.

3. The Growth of Urban Cooperative Banks

The Urban Cooperative banks have substantially grown during the last decade, in number and working, except for the year 2005 which had a negative balance. The growth till 2001 was spectacular and reached 95.6% in terms of advances, 98.7% in terms of deposit, but due to the infamous Ketan Parekh scam, the UCBs base was eroded. In 2005, it was negative; however, it was restored to positive growth in year 2006 (cf. Table 1).

4. UCB Spread across country

UCBs are not uniformly spread across the country. The Western part of the country comprised the highest share, as Gujarat & Maharashtra share almost half of the banks in the country. South India shares one third of UCBs in the country, while East & North India share the rest of the UCBs in India (cf. Table 2).

Table 1: Growth of Urban Cooperative Banks³

Year	Number of UCBs	Deposits	% Growth	Advances	% Growth
1996	1501	241.60	-	179.27	-
1998	1502	406.90	68.4	278.07	55.1
2001	1618	808.40	98.7	543.89	95.6
2002	1854	930.69	15.1	620.60	14.1
2003	1941	1015.46	9.1	648.80	4.5
2004	1926	1106.56	9.0	679.30	4.7
2005	1872	1050.21	-5.1	668.74	-1.6
2006	1853	1122.37	6.9	703.79	5.2

Table 2 Region-wide distribution of UCBs⁴

Tabl-2 Region-wide distribution of UCBs ³		
Region	No. of banks	% Share in Total
West	926	50
South	613	33
North	231	12.5
East	83	4.5

³ RNSB Annual Reports

⁴ RNSB Annual Reports

5. Rajkot Nagarik Sahkari Bank Ltd.

Rajkot Nagarik Sahkari Bank Ltd. (RNSB) is a mid-sized scheduled urban cooperative bank which has registered an office at Rajkot, an industrial town of Gujarat state in India. It has 220,000 members with a deposit of INR 6000 million and a loan base of INR 4000 million. It also faced competition from private and foreign banks; reform process had snatched protection to the cooperative sector. In faint milieu and backdrop of lost faith on cooperative banking, during 2001-2007 RNSB maintained its constant growth on all major indicators. The research paper investigates reasons for the growth under adverse conditions and test whether the RNSB has maintained cooperative principles and value at the centre of its business.

The Rajkot Nagarik Sahkari Bank Ltd. (RNSB) is a leading scheduled urban cooperative bank operating in the state of Gujarat, India. It was established in the year 1953 with a small group of 59 members and a share capital of Rs. 4890. Presently it has 250,000 members with a share capital amounting to approx. Rs. 184 million.

The RNSB's mission is 'To provide a world-class banking facility to the common people of the society at an economical rate, so as to be a preferred provider of the banking services in the area where the bank operates and to achieve healthy growth in profit, which will be partly used for the benefit of the society and for upliftment of masses & general growth of the cooperative movement.' With this noble business mission, RNSB has been growing its business over the years. Even when public confidence in UCBs in general has declined due to collapse of many UCBs, RNSB has been growing at a healthy rate. Financial as well as cooperative indicators proving this growth follow.

A cooperative bank is a business model like any other financial institution, run on certain principles and values. Though the objective of a Cooperative Bank is not to earn profit, the bank has to earn certain surplus for the creation of wealthy banks so as to cater the increasing specialised banking needs of the customers. It has to blend carefully business expediency and cooperative values. Cooperative governance implies rules, tools and the concrete procedures through which cooperatives are managed. The governance must be consistent with the values, principles and the mission of credit cooperative, in order to allow the correct implementation. The RNSB is the only UCB in India, which has the maximum member base of 225,000. The management of RNSB claims its aim to provide a WORLD-CLASS banking facility to the local common people at economical rate & achieve healthy growth. The Bank claims its commitment to the highest level of ethical standards, professional integrity & regulatory compliances while the bank's philosophy is based on three core values: Operational Excellence, Customer Focus

and Upliftment through Co-Operation. This research paper analyses critically the success of a cooperative bank in an institutional perspective.

6. Financial Performance

The financial indicators show that, the RNSB has maintained the constant growth in all aspects over a certain period. The above charts & annexure for the RNSB reveals that the deposits of the bank increased from Rs.864.09 cores in 2007 to up to Rs.983.95 cores in 2008, with a rise of 13.87%. The average growth of the deposits of a banking industry as whole is less than 10%, whereas, the average growth rate of the deposit of this bank was almost 14 to 15% for the last ten years. This shows that the general public continues to have full faith & confidence in the management of the bank.

The loans and the advance of the bank have been increased by over 24.64% during the same period. The bank has given more attention to the increase of loans and advances and of the customer base rather than only to the excess investment and hence the handsome increase in advance of nearly 25%. Almost all advances are fully secured by collateral security. Although the interest rates on advances are high, they have been very competitive. The PLR (Prime lending Rate) decided by the bank was just 12% contrarily to the average PLR of the Banking Industry which is around 13 to 14%.

The total income of the increased from 89.45 crores is at 31.03.07 to Rs. 104.7 crores as on 31.03.07 a rise Rs. 15.33 crores; in percentage terms this is a rise of 17.13%. However Of this income the interest on advances went up from Rs.43.55 crores to Rs. 61.59 crores; which means a rise of 41.50% beside the income went up from Rs.278.38 lacs to Rs. 444.82 lacs a rise of over 60%.

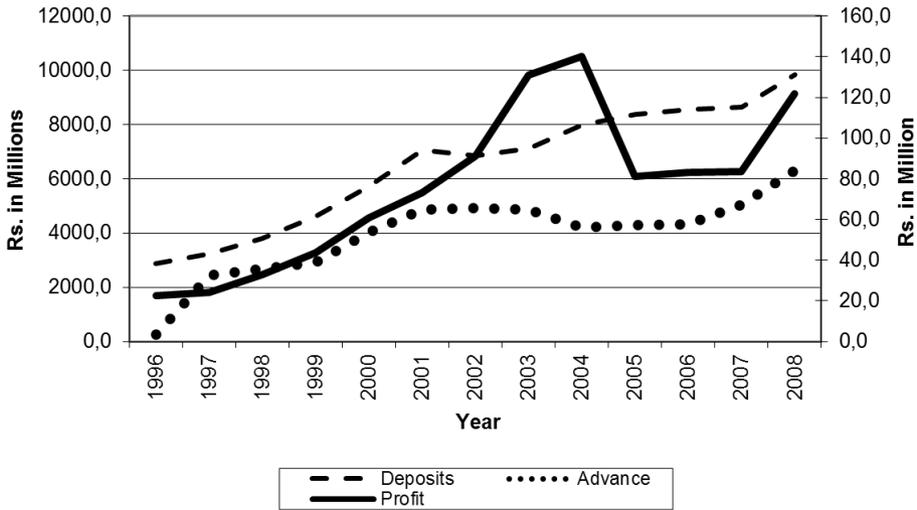
The operating profit of the bank up from Rs.12.80 crores to Rs. 20.60 crores a rise of 7.80 crores in percentage terms a rise of nearly 61%. The bank introduced a policy of offering interest rebate to all regular borrows with a limit up to Rs. 25000/- last year. The policy has been continued during the current year too and an accordingly to provision of Rs.2.40 crores has been made out of the total income earned during the year. As such Rs.2.40 crore got reduced from the total income earned. If this figure is added to operating profit to Rs.20.60 crores, the total operating profit for the year comes to Rs.23.00 crores a rise of nearly 80% as compared to last year.

The Net profit of the bank after all provisions comes to Rs. 12.17 crores as against Rs.8.36 crores last year, a rise of 46.65%.

The capital Adequacy ratio of the bank increased from 26.90% to 27.70%. The strength of the Bank keeps on increasing day by day.

The membership continues to grow in the bank, too. People are taking advantage of its scheme of membership on deposit of Rs.49000/-. The total membership includes ordinary & nominal members. The RNSB is attracting members by launching various schemes.

Graph 2:Financial Indicators⁵

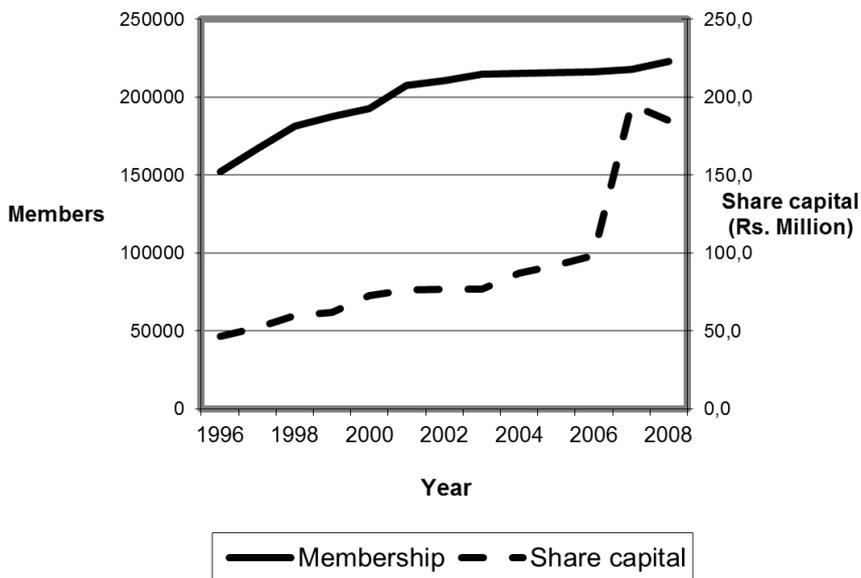


⁵ RNSB Annual Reports.

Table-2⁶: Growth of Deposits & Advances

Particulars	31/3/07	31/3/08	Inc/Dec.	Per(%)
Deposits (Rs in lacs)	86409.2	98395.67	11986.47	13.87
Advance (Rs in lacs)	50494.18	62937.88	12443.7	24.64
Total income (Rs in lacs)	8945.43	10477.55	1532.12	17.13
Total expense (Rs in lacs)	7664.77	8417.32	725.55	9.82
Operating Profit (Rs in lacs)	1280.66	2060.23	779.57	60.87
Provisions (Rs in lacs)	445.11	843.23	398.12	89.44
Net profit (Rs in lacs)	835.55	1217	381.45	45.65

Graph 3: Cooperative Indicators⁷



⁶ RNSB Annual Reports.

⁷ RNSB Annual Reports.

7. Reasons for growth & Member confidence

The RNSB being a cooperative bank and having a good service for its members and customers has always maintained personal relations with its members like family members. As a cooperative bank, it has a local management, local staff members and also local customers. The strength of localness is the key for fast decision-making and personal relations with all. The bank is known for its innovative and customer friendly services. Recently, the bank has decided to offer mobile cell phone connections to all its shareholders. The bank, which has more than 25 million shareholders, has made an arrangement with the Bharat Sanchar Nigam Ltd (BSNL) to provide for a mobile connection for each shareholder. So the chairman *Kalpaka Maniar* explained to the reporters: “The bank gives an attractive gift to its share holders every year and this time we have decided to give our share holders something special— a mobile phone.” The BSNL has offered the lowest price to the bank share holders under two different schemes: the Nagrik Sahakari cell one scheme and the Nagrik Sahakari excell scheme, Maniar said that share holders would be given the mobile phone by the bank, while the SIM card would be provided by the BSNL.

RNSB bank management’s active participation while also providing fund through a government scheme, lead to the revival MMCB. The bank chairman was one of the members of MMCB revival committee appointed by state government.

Studying Annexure V, one can see that in comparison with other UCBs, the RNSB’s expenditure is substantially low, while that of earning and revenue is equally very high. It indicates the effective management of banking performance to generate high profit and incurring low cost. With the surfacing of the cooperative banks scam, once again the financial sector and its markets fell a victim to the regulator’s failure to check malpractices within the system. The new scam involving the co-operative sector points to a crying need to have a speedier and better co-ordinated process for dealing with financial frauds as well as an effective governance structure and settlement system for efficient functioning of financial institutions. Many banks across the region were in grip of financial crisis and of lost confidence of general public. The RNSB maintained its growth in spite of general loss to the major UCBs.

In its endeavour to rescue other sinking cooperative banks, RNSB acquired the Junagadh Vibhagiya Coop Bank. The JVNS became defunct due to its credit failure in 90s. The JVNS, which was fully merged on 10th April 2007, had three branches. At a time when most cooperative banks in Gujarat were facing a run on their money follo-

wing the Madhavpura Mercantile Cooperative Bank (MMCB) scam and the successive scams in the cooperative banking sector, the RNSB went the whole hog to restore customer confidence in the sector by using customer relationship, expanding network, advising members in business problems, managing public confidence, administering assets effectively and efficiently and above all, maintaining the cooperative character at the centre.

The RNSB has continued to maintain its track record of paying maximum possible dividends to its members. The Bank endeavoured to provide best services to its customers, by equipping existing branches with new and modern facilities. Last year, the bank framed a policy for the members' welfare in order to offer full interest rebate to regular borrowers having limits below Rs. 25,000. A total Rs. 24, 00,000 has been provided for the purpose the current year, too. The Bank has implemented business process restructuring and decentralization by delegating the power to branch managers. The Bank continued its contribution to local social and economic development activities by humanitarian services such as: supporting cricket coaching camps, providing assistance to cancer patients, supporting dialysis made available to Chronic Kidney Diseases patients, maintaining the library etc. To encourage youth, merit certificates and scholarships are offered to ranker students in the city.

To increase efficiency among employees, training and research is undertaken, besides linking salary with productivity. The RNSB has its own training centre for employees. Modern HRD policies are in place and human resources are considered true assets of the bank.

The RNSB has practiced seven basic principles of cooperation. Rajkot is industrial town having 3000 SSIs. To promote business through small enterprise, entrepreneurs and RNSB management has constantly welcomed members. There has been a continuous growth in members of RNSB since its inception. The bank follows a democratic process in selection of board members and encourages members to participate actively in the meetings. The RNSB management focuses on training the members, board members and employees. Board members are professional and entrepreneurs in general, as revealed in its various reports. The majority of the members have active relations either by saving or taking credit. Such active engagement with the members was creating very influential groups in social and political spheres. The RNSB board members have enjoyed political positions within the state, as M.P. and M.L.A, as ministers and many government boards, thereby creating strong relations with the government. The Bank management has strong HR policy adopting professional approach, in selection, career development, control, performance evaluation, training and research. The RNSB stood with other cooperative organisations in crisis, it stood firm during the MNCB scam, helped in creating funds and devising

rescue schemes for the MNCB, it also acquired weak cooperative banks and helped in restoring confidence. The bank has always assisted the local communities in general and especially in times of crisis like floods, earthquakes and riots.

8. Conclusion vis-à-vis objectives of research

- To study and analyze critical financial and cooperative indicators of the UCBs in Gujarat vis-à-vis RNSB – As discussed in the previous paragraph, and reported in the RBI report, the RNSB has performed well in terms of financial indicators like profit, deposit and credit compared to other UCBs in the state.
- To investigate reasons of growth for the RNSB – it is certain that the reasons for the growth are multifold, briefly focus on the members' mutual interest, efficient management, scanning overall business environment to devise strategies and policies to benefit in cooperative structure, interest of the member and business expediency, social sensitivity and good HRD policies are few to name.
- To scrutinize governance of the RNSB in light of cooperative principles and values – RNSB has maintained its business within the cooperative spirit, complied with cooperative and other legislations, and respected cooperative principles in banking activities with the members and state.
- To study whether Good Cooperative Governance is Good Business Practice – As reflected in financial indicators, good cooperative governance is fortifying business and improving financial performance. Hence, it is in the interest of the cooperative, bank and society to practice cooperative governance in its full spirit.

While the progress of the cooperative banks was in doldrums during the Ketan Parekh and the MNCB scam, the cooperative banking in Gujarat and more particularly, the RNSB has been rather appreciable. The cooperative movement proved to be vibrant with regard to cooperative values and philosophy as enunciated in cooperative principles coupled with business efficiency. With regard to the extension of reforms to the cooperative banking segment, under the doubt that the same would ensure soundness and stability in the cooperative banking segment, coupled with technology invasion, liberalisation and cooperative failu-

re in general, the RNSB could cope up with all hindrances it faced. It maintained and promoted prudent financial practices in banking business and has applied, as it is a *sine quo non*-in the present competitive environment. The RNSB in the long run, maintained its core value in centre, devised policies and business products that suit the members' requirements, while the cooperative character is preserved and used for growth of the bank, members and the society at large. The RNSB used prudent practices, systems of cooperative governance and supervision; all regulations should emanate from the guiding principles of cooperation. The RNSB has performed well compared to other UCBs – as reflected in RBI's comparative financial charts in annexure V. Good cooperative governance is thus the key to perform well.

The bank has professional approach in its banking business; however, there is the general feeling that bank management is inclined towards a particular political party. In recruitment and promotion of staff there is still the need to adopt a highly professional approach. The bank could recruit more professional MBAs, CAs (Chartered Accountants) and other finance and management professionals. In the current technology age, it is important to provide for rigorous and continuous training to the employees and officers on modern technology and on management principles. It is also important that in open economy, a bank cannot be isolated, and hence, it should integrate its activities along with national and global market.

The Bank has not so far witnessed any major working for micro enterprises, Self Help Groups or micro finances. In the coming years, a bank will not be able to survive or it will lose its cooperative character if people at the bottom of the pyramid are not served. As many research reports suggest, banking in this sector is safer at a micro and macro level, as the NPAs are low and these activities are strengthening economy by alleviating poverty and generate employment at grass root level.

Similarly, the bank has no activities in the field like corporate banking, merchant banking, and export and foreign exchange business. Considering the growth of the city Rajkot, the bank has to think in the direction to provide services of the nature described above. Hence, the bank needs to expand its activities on both extremes, which will consolidate its core area of current working. Due to recent technical, social and political development, the bank has to take precautionary measures to equip its activities keeping in mind various acts as the Right to Information Act, Consumer Protection Act, Information Technology Act, Money laundering and Foreign Exchange legislations. The banks needs to equip the system to avoid financial frauds, more particularly technology based. The bank will also need to collaborate with other banking institutes for availing ATM and credit card facilities, money transfers through international and national systems. To conclude, researcher emphasize that there is still room for improving financial

indicators, cooperative indicators and social indicators. The bank can still consolidate its position on financial and cooperative front by using the concept of 'kaizan'.

Annexure I, Financial Performance of RNSB Balance Sheets

Particulars	31/3/2005	31/3/2006	31/3/2007	31/3/2008
LIABILITES				
Capital	92276530.00	98146030.00	195486857.50	184802080.00
Reserve and surplus	2648273466.70	2713677918.24	251233845037	2617966924.33
Deposits	8371989334025	8554541245.73	8640920253054	9839566802.33
Borrowings	20386000.00	88448000.00	316414001.09	37372000.00
Other liabilities and provisions	286881501.23	3269293546.53	3281967228.09	4945488668.48
Total	14185256832.18	14724106740.50	14947422185.89	17625196475.14
ASSETS				
Cash and Balance with RBI	447271996.97	478672415.40	556605453.60	818162312.13
Balance with Banks and money at call and short Notice	731477319.99	766464287.79	2010018417.34	1475313998.70
Investments	56201.99442.45	5645114463.00	3867321923.00	3855390278.00
Advances	429891824.02	4309082300.32	5049417649.63	6293787874.97
Fixed assets	139330996.80	168587116.19	165174289.00	194732877.00
Other assets	2957085251.95	33561861573.19	328884453.32	498709134.34
Total	1485256832.18	14724106740.50	14947422185.89	17625196475.14
Contingent liabilities	239013019.00		301515976.38	334610212.80
Bills for collection	48661649.35		46335704.43	22933126.69

Annexure II Profit and Loss accounts

PARTICULARS	31/3/2005	31/3/2006	31/3/2007	31/3/2008
INCOME				
Interest earned	801354814.02	848272890.98	859077578.67	988378095.34
Other Income	11070909.06	2923771.79	35465714.91	59377239.27
EXPENDITURE				
Interest expanded	553317342.63	590907800.15	577736084.61	637701330.62
Operating expenses	150369100.27	163533290.71	188740731.14	204030622.83
Provision and contingencies	5325452.06	13640571.91	44511477.83	84323381.16
PROFIT/LOSS				
Net profit/loss	81272000.00	83115000.00	83555000.00	121700000.00
Transfer to statutory reserves	20318000.00	20778750.00	20888750.00	30425000.00
Education cess	812720.00	831150.00	8355500.00	127000.00
Special reserve	8127200.00	30711500.00	8355500.00	-
Investment Fluctuation reserve	30000000.00	0.00		
Community welfare fund	812720.00	831150.00	835550.00	1217000.00
Dividend proposed	13430700.00	14145450.00	15500000.00	28805100.00
Contingency fund	7000000.00	15000000.00	35639650.00	8145400.00
Co-op edu fund	15132.00	157400.00	300000.00	300000.00
General welfare F	154132.00	157400.00	300000.00	300000.00
Member welfare F	154132.00	157400.00	300000.00	300000.00
Co-op publicity F	154132.00	157400.00	300000.00	300000.00
Celebration fund	154132.00	157400.00	300000.00	300000.00
Shareholder gift F			0.00	20500000.00
Dividend Eq. F			0.00	177205000.00

Annexure III: Progress at glance

Sr. No.	Year ending	Membership	Share capital	Reserve	Deposits	Advance	Profit	Dividend
1	1996	15229	46560	717346	2882997	249901	22509	15%
2	1997	167282	51996	856210	3236843	2444557	24003	15%
3	1998	181359	59814	984465	3790222	2682943	32774	15%
4	1999	187657	61761	1139975	4616510	2914626	43503	15%
5	2000	192923	72729	1329535	5701400	4026602	60622	15%
6	2001	207579	76375	1638134	7053544	4874265	73354	15%
7	2002	210724	76606	2091130	6842202	4926075	91211	15%
8	2003	214540	76823	2252051	7117233	4853329	130931	15+10%
9	2004	215556	87154	2454473	7981260	4215461	140078	15%
10	2005	215888	92277	2567001	8371989	4289891	81272	15%
11	2006	216274	98146	2630563	8554541	4309082	83115	15%
12	2007	218006	195487	2512634	8640920	5049418	83555	15%
13	2008	223063	184802	2617967	9839567	6293788	121700	15%

Annexure IV: Financial Performance in Brief

Particulars	31/3/07	31/3/08	Inc/Dec.	(%)
Deposits	86409.20	98395.67	11986.47	13.87
Advance	50494.18	62937.88	12443.70	24.64
Total income	8945.43	10477.55	1532.12	17.13
Total expense	7664.77	8417.32	725.55	9.82
Operating Profit	1280.66	2060.23	779.57	60.87
Provisions	445.11	843.23	398.12	89.44
Net profit	835.55	1217.00	381.45	45.65

Source: Annual Report of RNSB (Annexure I to IV).

Annexure V: Comparative Financial indicator with other UCBs (Source: RBI)

No.	Name of The Bank	Operating Expense		Spread	
		2002-03	2003-04	2002-03	2003-04
43	Rajkot Nagrik Sahakari Bank Ltd	1.11	1.09	2.41	1.46
	Average of UCBs	2.14	1.93	1.99	2.12

No.	Name of the Bank	Operating Profit		Net Profit		Interest Income	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
43	Rajkot Nagrik Sahakari Bank Ltd.	2.22	2.17	1.12	1.06	7.84	6.17
	Average of other UCBs	1.52	1.78	-1.06	0.62	8.45	7.29

No.	Name of The Bank	Interest Expended		Provision & Contingencies	
		2002-03	2003-04	2002-03	2003-04
43	Rajkot Nagrik Sahakari Bank Ltd	6.46	5.17	2.58	1.16
	Average of UCBs	5.43	4.71	1.1	1.11

Glossary

Creore – 10 million

Lac – one tenth of million, 100 thousand

Bn – Billion

JVNS – Junagadh Vibhagiya Nagarik Sahakari Bank

MMCB – Madhavpura Mercantile Bank Limited, Ahmedabad

M.L.A. – Member of Legislative Assembly

M.P. – Member of Parliament

RBI – Reserave Bank of India

RNSB – Rajkot Nagarik Sahakari Bank Limited

UCB – Urban Cooperative Bank

Sahakari – Cooperative

SSI – Small scale industries

Vibhagiya – Regional

Transformation in the Operations of the Kerala Cooperative Credit Movement¹

*Govindaraj Veerakumaran*²

1. Introduction

The state of Kerala is entirely different from other states in India. The unique 'Kerala Model of Development' resulted in the highest 'Human Development Index' in the country. Kerala has achieved the highest literacy rate, universal health care, and effective public distribution system ensuring availability of food grains to the downtrodden. The downtrodden is assured of hundred percent financial inclusion. Kerala is known for its significant level of labour migration and depends mainly on repatriation. The state has successfully implemented decentralized democratic governance at all levels. Plantation crops and service sector play a pivotal role in the state economy. However, development in agriculture and industries shows a dismal picture.

Cooperatives in Kerala are well developed and highly democratic in nature. In addition to the traditional credit cooperatives, cooperatives are also performing better in the fields of healthcare, education, housing, labour contract, fisheries and milk, coir and consumer. The Cooperative Credit structure in Kerala can be divided into short-term credit structure and long-term credit structure. The three tiers Short-Term Cooperative Credit Structure consist of the Kerala State Cooperative Bank (KSCB), 14 District Cooperative Banks (DCB) and the 1573 Primary Agricultural Cooperatives Societies (PACS). Long Term Cooperative Credit Structure consists of Kerala State Cooperative Agriculture and Rural Development Bank (KSCARDB) and the 63 Primary Cooperative Agriculture and Rural Development Banks. In addition to these, 95 Urban Cooperative Banks, 1041 Employees Credit Cooperatives and 134 Non-Agricultural Credit cooperatives are in operation.

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

² Associate Professor, Department of Co-operative Management, College of Cooperation, Banking and Management, Kerala Agricultural University, KAU Post, Thrissur-680656, Kerala, India, Email:govindarajveerakumaran@gmail.com.

2. Status of Short-term Credit Cooperatives

The main objectives of Primary Agricultural Credit Cooperative Societies are to provide agricultural credit, supply inputs such as fertilizers and organize the sale of agricultural produces. However, consequent upon the decreasing trend in agricultural operations due to uneconomic holdings, high cost of labour and low return, agricultural lending has comedown terribly to less than 10 percent of total lending. Nevertheless, they are in a position to mobilize more deposits and lend it for many other purposes. The PACS in Kerala are also successfully running consumer stores. Moreover, PACS in Kerala are operating like banks with almost all banking facilities.

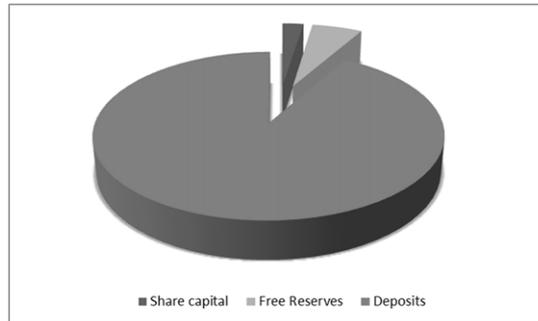
The following table depicts the current status of PACS in Kerala. Though, profit is not the only criteria to judge the operational efficiency of cooperatives, more than 52 percent of PACS in Kerala are running on profit. However, it should also be noted that there are 24 dormant PACS. PACS in Kerala are in a position to meet the entire credit needs of their members through mobilizing deposits with a credit deposit ratio of 87.44 percent. It should also be noted that the borrowings are insignificant and hence, the author has not listed them here. Eighty-eight percent of PACS in Kerala are having computerized accounting systems. Thus, one could easily infer that the PACS in Kerala are really financially independent and that they uphold the confidence of members and depositors.

Table 1: Status of the Primary Agricultural Credit Co-operatives Societies in Kerala as on 31st March 2011

Particulars	Amount in Million \$
Share capital	190
Free Reserves	452
Deposits	7285
Working Capital	8941
Loan Outstanding	6370
No. of Banks in Profits	825
Profit	141
No. of Banks in loss	724
Loss	129
Dormant Societies	24
Computerized Societies	1391

Source: Kerala State Cooperative Bank

Figure 1: Status of the Primary Agricultural Credit Co-operatives Societies in Kerala as on 31st March 2011



District Cooperative Banks (DCBs) are the bridge between primaries and the apex bank. They are the refinancing banks for primaries, particularly for agricultural credit. Since agricultural lending has come down, primaries are not showing interest to get refinance from the DCBs. Moreover, DCBs are also mobilizing deposits from all sources and lending to all purposes. Rather than playing a supplementary and complementary role to PACS, DCBs act as a competitor and pervade the domain of rural lending, too.

The following table (2) portrays the current status of the District Cooperative Banks in Kerala. Out of 14 DCBs only one is running on loss. The deposits mobilized by the DCBs both from the member primaries and other depositors show that the amount is sufficient for their lending. During the year 2010-11 the credit deposit ratio was 80 percent. However, NPA to loan outstanding stood at 9.31 percent during the year 2010-11. Subject to further investigations, NPA in DCBs are due to the fact that they lent it to some business ventures on political influence. Normally in cooperative banking, increase in share capital position is directly related to borrowings. Since borrowings by the primaries are insignificant, share capital position is relatively less.

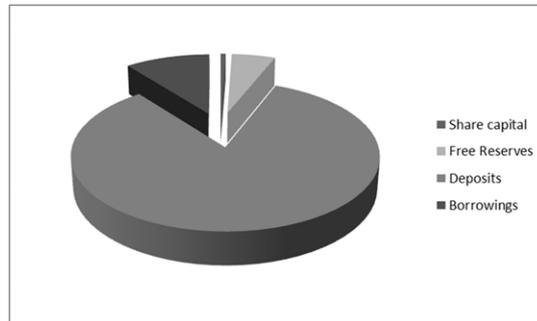
Thus, the DCBs in Kerala are operating successfully with their own resources, but not really as federal cooperative but as independent cooperative banks. (cf. Table 2, Fig. 2)

The Kerala State Cooperative Bank (KSCB), which is the apex bank of the state, has to develop the cooperative movement as a whole. KSCB gets refinance from the National Bank for Agriculture and Rural Development (NABARD) and percolates down to PACS through DCBs. The bank is in a position to mobilize deposits worth of \$1321 million as on 31st March 2012. KSCB operates with 20 branches and lends to individuals, institutions and even to the state Government.

Table 2: Status of the District Cooperative Banks in Kerala on 31st March 2011

Particulars	Amount in Million \$
Share capital	32
Free Reserves	276
Deposits	4269
Borrowings	536
Working Capital	5052
Loan Outstanding	3404
Investments	1137
No. of Banks in Profits	13
No. of Banks in loss	1
Gross NPA	317

Source: Kerala State Cooperative Bank

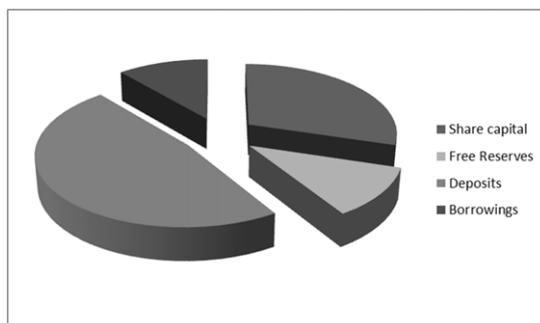
Figure 2: Status of District Cooperative Banks in Kerala on 31st March 2011

The following table describes the current status of the Kerala State Cooperative Bank's performance for the year 2011-12. The deposits are more than loan outstandings. KSCB has also borrowed to the tune of \$310 million and the amount is mainly from NABARD for the purpose of agricultural lending. The Credit deposit ratio for the year 2011-12 was 52.53 which indicate poor lending. Moreover, the bank has invested more than 26 percent of its borrowed funds. Thus, the Kerala State Cooperative Bank needs to revamp its operations to be more efficient.

Table 3: Status of the Kerala State Cooperative Bank on 31st March 2012

Particulars	Amount in million \$
Share capital	824
Free Reserves	312
Deposits	1321
Borrowings	310
Loan Outstanding	694
Investments	428

Source: Un-audited statement of KSCB for the year 2011-12

Figure 3: Status of the Kerala State Cooperative Bank on 31st March 2012

The following table depicts the comparative position of Kerala Credit Cooperative Societies with national level. The parameters considered for comparison are Membership, Owned Funds, Deposits and Loans Outstanding. Here, the data are presented in terms of Indian rupee. The exchange value is Rs. 44.65 per \$ as on 31st March 2011. One crore of rupees is equivalent to 10 million.

Table 4: Kerala and National Level Averages as of 31st March 2011 (Rs. in Crores)

Particulars	Kerala			National		
	KSCB	DCBs	PACS	KSCB	DCBs	PACS
Membership(Nos.)			14000			1336
Owned Funds	486.85	98.10	1.79	335.24	75.03	0.13
Deposits	5899.67	1361.50	20.24	2736.70	393.29	0.37
Loans Outstanding	3096.68	1085.61	18.13	1583.99	282.25	0.81

Source: compiled by the KSCB

Figure 4: Kerala and National Level Average as of 31st March 2011

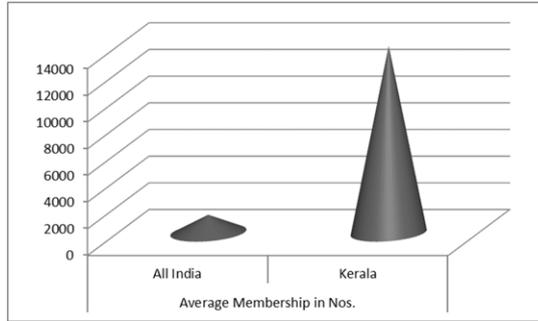


Figure 5: Kerala and National Level Average as of 31st March 2011

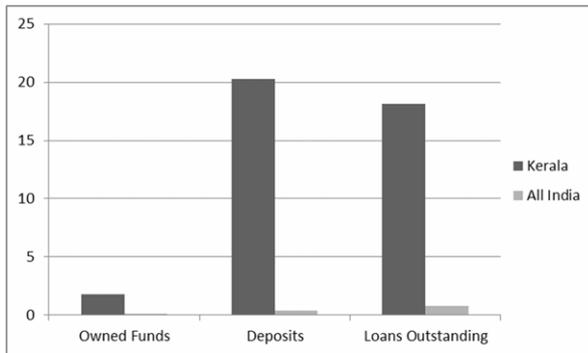
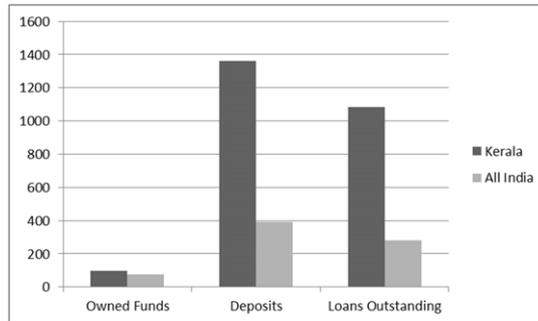
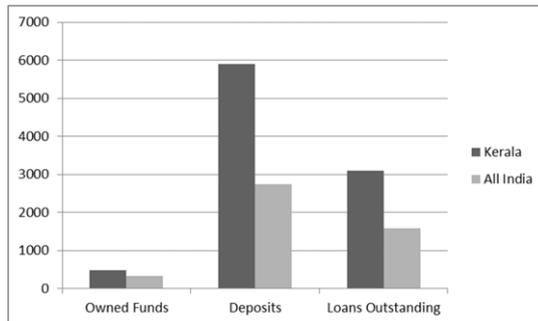


Figure 6: Kerala and National Level Average as of 31st March 2011Figure 6: Kerala and National Level Average as of 31st March 2011

It should be noted that the performance of Kerala Cooperative Credit Societies are far better than the national average. Regarding membership of PACS, Kerala has almost “cooperativised” the rural community. All qualified individuals are members of the PACS. Owned funds of primary Cooperative Credit Societies in Kerala were 14 times of national average. With regard to DCBs and SCB, the variation is only moderate. This phenomenon is mainly due to the fact that the loans disbursed to members on the basis of share capital are not to the extent of what other states are performing. As on date, as there is no restriction for mobilizing deposits from the non-members, all the three tiers of short-term credit structure are mobilizing deposits. Lending of short-term credit structure is also showing a rosy picture compared to all India average. However, the proportion of agricultural lending is less than 10 percent. Banks give loans for non-agricultural purposes

and for housing. Thus, the short-term credit structure in Kerala is performing better financially but in terms of functional objectives, they have failed terribly.

3. The Kerala State Co-operative Agricultural and Rural Development Bank Ltd

The Kerala State Co-operative Agricultural and Rural Development Bank (KSCARDB) have always been in the forefront of committed activities aimed at bettering the social scenario of the village community. As the Apex body of the Primary Co-operative Agricultural and Rural Development Banks in the State, it had spear headed programmes and it streamlined them, right from its inception. The KSCARD Bank has, in fact, come a long way since the formative years when it focused primarily on the redemption of prior debts of rural farmer. The accent has switched over to the production oriented financing policy, which involves long term loans for development needs. The bank has also diversified its activities and formulated various innovative loan schemes so as to achieve the prime objective of rural development.

The origin of the KSCARD Bank can be traced back to 1931, the year in which the Land Mortgage Bank started functioning in the erstwhile Travancore State. Subsequently, Land Mortgage Banks were established in Cochin and Malabar as well. With the formation of the Travancore Credit Bank, the land Mortgage Bank, the Kerala Co-operative Central Land Mortgage Bank was merged into it. As a successor to the Travancore Credit Bank, the Kerala Co-operative Central Land Mortgage Bank was organized on October 4, 1956. Before long, the Land Mortgage Banks of Cochin and Malabar were also affiliated to it. The present Kerala State Co-operative Agricultural and Rural Development Bank Act came into force in 1985. Recently, the bank re-oriented its activities catering to definite target groups such as artisans and small entrepreneurs and specific areas like village industries and rural housing.

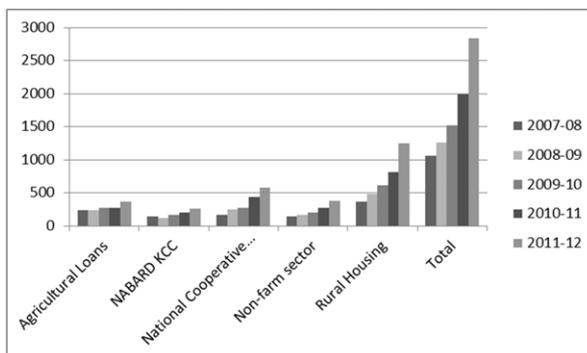
The KSCARD Bank lends money to the farmers through its 63 PCARD Banks in the State. The following table highlights the disbursement of loans from 2007-08 to 2011-12.

Table 5: Disbursement of long-term loans by the Kerala State Co-operative Agricultural and Rural Development Bank Ltd from 2007-08 to 2011-12. (Amount in million \$)

Loan Type	2007-08	2008-09	2009-10	2010-11	2011-12
Agricultural Loans	234	240	276	276	363
NABARD KCC ²	143	121	164	204	265
National Cooperative Development Corporations(NCDC) loans	172	254	267	435	580
Non-farm sector	138	163	203	271	378
Rural Housing	368	484	611	808	1245
Total	1055	1262	1521	1994	2831

Source: Compiled from the records of KSCARD Bank

Figure 7: Disbursement of long-term loans by the Kerala State Co-operative Agricultural and Rural Development Bank Ltd from 2007-08 to 2011-12.



The bank which was founded for the purpose of long-term lending has ignored the mission and started lending for the non-farm activities and overwhelmingly to rural housing. The bank recently transformed into a full-fledged commercial bank.

4. Adat Farmers Service Cooperative Bank Ltd-A Case let

The Adat Farmers Service Cooperative Bank Ltd.No.R.696 was established at Puranattukara in the Thrissur district of Kerala. It was formed on 26th January 1980 by amalgamation of the Puranattukara Service Cooperative Society, the Choorakkattukara Service Cooperative Society and the Adat Farmers Service Cooperative Society. The bank started functioning on 3rd February 1980.

The Bank has seven banking branches in addition to the head office. The bank operates even on Sundays and with flexible working hours. The bank mobilizes deposits of all types, namely savings accounts, current accounts, fixed deposit accounts, recurring deposits accounts and monthly deposit scheme/chit funds. The bank lends simple loans, overdrafts, gold loans, Kisan Credit Card loans, interest free agricultural loans, weekly repayment loans, personal loans, education loans etc. The bank has locker facilities, too.

The bank carries out the following non-banking activities:

- *Conducting Agricultural Operations in 27000 acres of kole lands:* The bank is undertaking the common agricultural operations based on group farming under its area of operation in 2700 acres of kole land (land below the sea level and could be used only when water recedes). The kole land is situated below the sea level. The bunding, dewatering and irrigation processes are carried out by the bank by spending around \$0.22 million per year. During the off-season the land filled with water is used for aquaculture and the revenue generated through the auctioning of fish is also used for such purposes. Any expenditure incurred over and above will then be collected from the farmers at the time of harvest.
- *Paddy Procurement:* The bank procures the entire paddy produced by the farmers of its area of operation at the rate fixed by the government of Kerala. The annual procurement value of paddy is around \$3.3 million. The profit derived from the procurement will be divided among the farmers. Now, the bank procures on behalf of Civil Supplies Corporation.
- *Supermarket:* There are two supermarkets with all consumer goods operating with a monthly turnover of \$0.11 million.
- *Arecanut Market:* The bank with the patronage of The Central Arecanut & Cocoa Marketing & Processing Co-operative Limited (CAMPCO), Mangalore runs arecanut market where many traders are participating in the auction of arecanut.
- *Neethi Medical Store:* Two Neethi Medical Stores with all necessary

medicines at fair price are operating with a monthly turnover of \$0.033 million.

- *Large Godown Facilities:* The bank has a godown facility with a capacity of 8000 tonnes. The paddy procured is stored in the godown until it is disposed.
- *Fertilizer Depot:* The bank has three permanent fertilizer godowns and in the season arrangements in the fields are also Exists. The IFFCO assisted storage cum community center is also in operation.
- *Marketing and Distribution of Agricultural Inputs:* In addition to fertilizer distribution the bank undertakes distribution of seeds and other agricultural implements.
- *Copra Procurement and Extraction of Coconut Oil:* The bank procures raw coconuts and converts into copra. In the modern expeller unit of the bank, the filtered premium quality coconut is produced and sold with the brand name of 'APPU'.
- *Neethi Gas Distribution:* The bank undertakes distribution of Neethi gas to its members.
- *Farmers Green House:* The bank maintains a nursery and selling plants at a discounted price.
- *Onam Chantha:* The bank as a market intervention mechanism every year conducts onam³ chantha⁴ and distributes Onam Kits which contain goods required for the celebration at a fair price.

The following table depicts some selected performance indicators for nine years from 2003-04 to 2009-10.(cf. Table 6)

The membership and paid up share capital have not shown significant increase over a period of time. This phenomenon is mainly due to the fact that already the entire population of the village has been brought under the cooperative bank fold. Further it has to be mentioned that there is no significant population growth in the village.

The bank enjoys the confidence of local people and the mobilization of deposits has never met any constraints. The bank also has many Non-Resident Indian Deposits. The bank finds many ways and means to lend its money to needy members and other segments. The CD ratio for the study period ranges from 82 percent to 97 percent. This also reflects the efficiency of the bank. And at the same time the bank has not adhered entirely to the stipulations of the Registrar's direction on maintaining fluid resources.

The significant level of non-banking business is an area which needs attention when we are moving towards terminating such practices for banks.

³ Festival of Kerala celebrated during the month of August.

⁴ Malayalam word denotes market.

Table 6: Selected Performance Indicators of Adat Farmers Service Cooperative Bank (Amount in \$)

Year	Members	Paid-up Share capital	Deposits	Loan Outstanding	Non-banking Business	Credit Deposit Ratio
2003-04	19,755	206047.03	9977603.58	9632698.76	3234042.55	96.54
2004-05	19,894	208286.67	10958566.62	10170212.76	2833146.69	92.80
2005-06	19,954	212765.95	12721164.61	10821948.48	3843225.08	85.07
2006-07	20,801	230683.09	15359462.48	12996640.53	3334826.42	84.61
2007-08	21,038	262038.07	18586786.11	15843225.08	8069428.89	85.23
2008-09	22,227	293393.05	20725643.89	18288913.77	2094064.94	88.24
2009-10	22,370	318029.11	24190369.54	20586786.11	1513997.76	85.10
2010-11	23,760	344904.81	28963045.91	23840985.44	1928331.46	82.32
2011-12	24,454	376259.79	33466965.28	27805151.17	2313549.83	83.08

Source: Compiled from the annual reports of Adat Farmers Service Cooperative Bank

5. Uniqueness of Kerala Cooperative Movement

Here, it is worthwhile to mention some of the unique features of the Kerala cooperative movement which is absent in other states of India. This uniqueness certainly promoted the development of cooperative credit movement in Kerala.

5.1 State Co-operative Election Commission (Section 28b)⁵

A State co-operative election commission has been appointed by the Government of Kerala for the superintendence, the direction and for the control of the conduct of election of the committees of all credits, apex, Central Federal Societies in the state. The committee at least 60 days prior to the expiration of the term passes a resolution fixing the date time and place for the conduct of the election of the new committee and sends the resolution to the election Commission within 7 days. The Election commission in their circular No: 1/2001 dated 10.5.2001 has instructed that the resolution for the conduct of election shall also contain the request for the appointment of returning officers and electoral officers, and the resolution to be forwarded through the Joint Registrar (General).

Election to other types of cooperative societies is conducted by the Registrar. In Kerala, the election to cooperative societies is considered as paramount important event for the members of cooperative societies. It ensures democratic management practices in the cooperative sector.

Moreover, the act permits nomination to the board membership only in the district and state level cooperatives. No primary cooperative society is dictated by the government by nominating board members.

5.2 Cooperative Audit (Section 63)⁶

A directorate of co-operative audit is constituted which is headed by Director of Co-operative Audit who is an Indian Administrative Service/ Indian Audit and Accounts Service officer. The director is assisted by one Additional Director, one Joint Director, one Deputy Director, one Assistant Director and seven Auditors of Co-operative societies. The Directorate is engaged with audit of all co-operative institutions in the state.

5.3 Cooperative Development and Welfare Fund (Section 57A)

A society may contribute to the Cooperative Development and Welfare Fund which will be used (i) for the purpose of safeguarding the

⁵ http://www.kerala.gov.in/index.php?option=com_content&view=article&id=2879&Itemid=2332.

⁶ Sections mentioned in the paper are of the Kerala Cooperative Societies Act, 1969.

interests of the societies against any loss or damage to their assets and properties (despite reasonable precautions to prevent such loss or damage);(ii) for utilizing the developmental activities of the societies.

5.4 Consortium Lending Scheme (Section 57C)

The government may, by notification in the Gazette, frame a scheme, called the 'Consortium Lending Scheme', for the purpose of providing loans for infrastructure development to societies, local authorities, development authorities or similar institutions on government guarantee subject to such terms and conditions, as may be specified in the said scheme.

5.5 Cooperative Services Examination Board (Section 80B)

Cooperative Services Examination Board has been constituted for the conduct of written examination for all direct recruitment to posts of and above the category of Junior Clerks in the Primary Agricultural Credit Societies, Primary Credit Societies, Urban Cooperative Banks, and Rural Development Banks in the state.

6. Employees Welfare

Employees' welfare was taken care by the Kerala State Co-operative Employees Pension Board, the Kerala State Co-operative Employees' Welfare Board and LIC linked Group Gratuity Scheme. There are two pension schemes, namely the State Cooperative bank and District Co-operative Bank Employees Self Financing Pension Scheme, 2005 and the Kerala Cooperative Societies Employees Self Financing Pension Scheme, 1994.

7. Transformation in the Operations of Kerala Cooperative Credit Movement

The Constitution (97th Amendment)⁷ Act, 2011⁷ which came into effect on 12th January 2012 stipulates ‘...cooperative society carrying on the business of banking, the provisions of the Banking Regulation Act, 1949 shall also apply’. There are two important implications due to this amendment: (i) Banking Regulations Act (BR Act) prohibits PACS in carrying out non-banking business and (ii) the maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). Either they should transform into a bank or they should not do banking particularly with non-members.

Considering the studies carried out, I predict the following transformations in the operations of credit cooperatives in Kerala:

- Though the cooperative credit structure is of two types, the trend is that both structures are now lending to all types of loans and forget their uniqueness. Hence, members of the cooperatives have multiple numbers of cooperatives to serve them for the same purpose.
- Apart from some exceptions, almost all PACS would also like to be brought under the Banking Regulations Act. Moreover, they will give up their non-banking business.
- Though small in number, farmers who are currently availing services, such as agricultural input, marketing and value addition, should organize a new form of cooperative.
- Consumer stores run by the PACS could also be merged with such cooperatives and so they would form a Multi-purpose Cooperative Society. The irony is that the non-banking activities are carried out only with the asset base of PACS, which the newly proposed may not have
- The professionals do not manage Cooperative Banks at the primary levels. In order to do banking business as told by the Banking Regulation Act, they should professionalize their operations.

⁷ <http://indiacode.nic.in/coiweb/amend/amend97.pdf>.

8. Conclusion

As the economic policy of liberalization, privatization & globalization has failed to promote growth and development in their real sense and spirit, the UNO has announced the year 2012 to be celebrated as International Year of Cooperatives. It pleads the cooperatives to “build a better world” as it has realized that the policy of liberalization, privatization & globalization has caused enough damage and danger to humanity, as a whole. The return to the “Cooperative way of living” has received much attention. The Kerala Cooperative Movement is a ray of hope and radiance in the bewildered Indian scenario. We, the co-operators of Kerala have announced the prologue and better players will come to increase public awareness about cooperatives, to contribute to socio-economic development and to the achievement of the Millennium Development Goals. They will promote the formation and growth of co-operatives among individuals and institutions in order to address common economic needs and reach socio-economic empowerment.

Selected References

- Trends and Progress of banking in India 2011-12. <http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/0TPB021112FLS.pdf>. Retrieved on 26.12.12.
- Report of the High Power Committee on Cooperatives. <http://agricoop.nic.in/cooperation/hpcc2009new.pdf>. Retrieved on 26.12.12.
- Financial Health of Cooperative Credit Institutions. http://www.nabard.org/pdf/inst_cd.pdf. Retrieved on 26.12.12
- 97th Constitutional amendment. <http://indiacode.nic.in/coiweb/amend/amend97.pdf>. Retrieved on 26.12.12
- Statement on cooperative Societies in Kerala. <http://www.cooperation.kerala.gov.in/images/pdf/statistics09.pdf>. Retrieved on 26.12.12

Christ of the World and Rural Cooperative of China¹

Wu Xiliang

Abstract

Based on the analysis on the basic information, problems and characters of rural cooperative in China, the paper finds that the cooperative governance by the blood, institution should be changed into the governance by civil ethic. We compare the relation between Christ of the world and the rural cooperative in China and find the close relation between them. The cooperation, equality and devotion in cooperatives are also shown in Christ. With the case of the cooperatives founded by Chinese Christians, we also find that the belief in China should be of freedom, the traditional ethic should be innovated and the religions could promote the daily public good affairs without the political intervention.

Key Words: Christ; Cooperative; Diversity-orderly Structure

1. Introduction

Farmers' Specialized Cooperatives (abbreviated as FSC, the main part of the rural cooperatives) develop very quickly in China. But the cooperatives could not work well. *Hu Lan, Wang Lei* (2009), *Chen Guoxiong* (2009) pointed out some problems such as the shortage of funds and talents. The main problem is that many cooperatives lack standards and do not operate according to the national law on FSCs and the principles of ICA.

Why could the good cooperative institution not work well in China? The rural cooperative in China has the same characters of the back-

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

ground society such as the blood family base, politics control and profit orientation. *Zhang Kangzhi* (2009) studied three kinds of cooperation in three societies. Mutual assistance belongs to agricultural society, coordination belongs to industrial society, and cooperation belongs to post-industrial society. China is in the phrase between agricultural society and industrial society. There are three kinds of cooperatives such as kinship cooperative, institution cooperative and ethic cooperative. The institution is based on the ethic. In China, there are many cooperatives mixed with kinship and the institution of market economy and political ideology. The cooperative institution needs to have the ethic as the foundation.

We try to compare the Christ of the world and Cooperative in China and find that there is a close relation between them.

There are also some scholars who studied the relation between the Christ and Cooperatives based on some cases. E.g., *Herrera, David* (2004) studied the Mondragon cooperatives and thought that the not-for-profit organization embodied the Catholic social thought. *Michael Klein* (2009) studied the cooperative work of *Friedrich Wilhelm Raiffeisen* and thought the root of the cooperatives was Christ. This paper gives the analysis between Christ of the world and the rural cooperative of China based on the cases in China.

2. Basic Information, Problems and Characters

2.1 Basic Information

In China, the main part of the rural Cooperatives is the Farmers' Specialized Cooperatives. According to official statistics, since the Law of the People's Republic of China regarding Farmers' Specialized Cooperatives (FSCs), promulgated in 2006, came into effect on 1 July 2007, there has been a very rapid growth of FSCs. The FSCs numbered more than 379,100 by the end of 2010 and more than 531,700 by the end of 2011. Until the first half of 2012, the registered FSCs numbered 600,000. The average increasing number is 10,000 every month. There were more than 46 millions farmers which joined in the FSCs and the number covered the 18.6% of all farmers in China. The average member number was about 80 every FSC.

Table 1 the Development Situation of FSCs in China

Year	Number of the FSCs(ten thousand)	Year-on-Year Growth	Number of Famers (ten thousand)	Year-on-Year Growth
2007	2.67		35	
2008	11.09	315.4%	1800	5042.9%
2009	24.64	122.2%	2100	16.7%
2010	37.91	53.9%	2900	38.1%
2011	53.17	37.6%	4100	41.48%

2.2 Problems

The FSCs face many problems such as the shortage of funds and talents. The main problem is that many cooperatives lack standards and do not operate according to the national law on FSCs and the principles of ICA. The mechanism governing the distribution mechanism of the FSCs' profits is incomplete, the benefit of the cooperatives' chairmen is not made clear in the law, the FSCs are dominated easily by the big farmers and capable men, the normal members would like to be free-riders and are unable to participate in decision-making and are unwilling to supervise the chairmen; the financial management lacks standards (*Hu Lan, Wang Lei 2009*). Based on a study of 27 FSCs in Zhanjiang city of Guangdong Province, it was shown that the management of the cooperatives lacked standardization and democracy, the cooperatives were dominated by several stockholders and had few or no second profit return to the members; most FSCs were of small scale and had low-quality personnel, etc (*Chen Guoxiong 2009*).

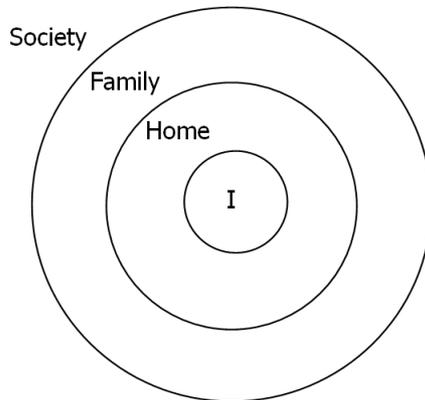
2.3 Characters

Chinese rural cooperatives are established on the family blood, controlled by the political communism ideology and affected by Mormonism in the society.

2.3.1 Blood – Based on the Family

Chinese rural cooperatives are small and established on the family blood. The members of the cooperatives are members of the families at the same time. The family members could play a role in developing the cooperatives in the early stage. But the family relations would limit the further development of the cooperatives because the governance of the cooperatives is based on the blood of the families. Only the directly-related family member could be trusted to get the key station in the cooperatives. The relations in the rural China are not equal and *Fei Xiaotong* (2009) describes the relation as a concentric circle. The core is I, from inside to the outside, the sequence is home, family and society. The member relation in rural cooperatives has the same sequence with the whole society. The cooperatives are affected by the whole social culture. The relations among the members are not equal. Even though the members of cooperatives are members of one family, the directors of the cooperatives tend to have their wives as accountants rather than their brothers.

Graph 1 Diversity-orderly Structure of Chinese Society



2.3.2 Ideology – Politics Control

In the last one hundred years, politics took the cooperatives as a tool to implement the principles of People's Livelihood of the Three People's Principles (Nationalism, Democracy, and People's Livelihood) in the period of China Republic and Communism in the early period of People's

Republic of China. The cooperatives had a close tie with politics. *Sun Zhongshan* promoted cooperatives to restrict capitalism. *Mao Zedong* used cooperatives to unite the scattered farmers in the rural areas to meet the need in the city. After the foundation of the People's Republic of China, many kinds of cooperatives such as the Supply and Marketing Cooperative and the Handcraft Industry Cooperatives lost their original volunteerism and became the departments of the governments. Many agricultural cooperatives were merged together as People's Communities. The cooperatives were politicized and administrativized.

Politics was never stable and it affected the life of the people and civil cooperatives. After the death of *Mao Zedong* in 1976, *Deng Xiaoping* came to power and cancelled the Peoples' communities. The farmers' lands were contracted to farmers by household for the efficiency. Then farmers began the small-scale family-based farming and China faced the problems how to socialize the small-scale farmers again. In the 1980s, some agricultural Science&Technology associations or agricultural industry associations were established to solve the small-scale farming problems. National Law of FSCs was implemented in July, 2007 and a lot of FSCs were developed. But how to improve the management level of the FSCs is the key problem to make the FSCs develop healthily.

Even today, politics affects the whole society. The CPC has more than 80 million members and the party is a huge organization which administrates the government, the congress, public security organs, etc. At the same time, the ideology of the party controls the press, the newspaper and magazines. In rural China, the CPC controls all the farmers' organizations through establishing the branches in them. Even today, many CPC branches have been established in FSCs. For example, after some pilot experiments, the Fengxian District government of Shanghai City has promoted party construction of FSCs since October, 2010. Until September 2012, 24 CPC branches, 20 joint branches, 104 groups were established, 360 FSCs and 108 Party construction instructors were selected to help the FSCs. The party construction work has covered all the cooperatives in this district (*Hu Yurong* 2012). The party organizations are extended where economy develops.

The party uses the simplex politics ideology mind to guide the cooperatives and so controls the mind of rural cooperatives. Then the rural cooperatives are taken as political achievement by the CPC and by the government. It is difficult to have other ideas as the direction of the cooperative spirit. The politics belief has been taken as the belief of the civil belief and the idea of the cooperatives. When politics has a powerful position, also the cooperatives are powerful; but cooperatives would collapse if politics fails. The past People's Community taught us a useful lesson. So many today's empty shell cooperatives have some relations with the politics control. The governments would like to de-

velop as many cooperatives as possible, which would be taken as the achievement of CPC and government, even though most of the FSCs cannot work well.

In China, the political ideology invades too much, and it even takes the place of the civil ethic and belief. The cooperation idea of the civil voluntary cooperatives needs the support of the civil belief and ethic.

2.3.3 Mammonism – Profit Orientation

Since the 1980s, the economy reform has been going on in China. The profitable organizations are emphasized more than the non-profitable organizations. There are strict limits to establish a non-profitable organization.

In rural China, FSCs are taken as a profitable enterprise by farmers. Farmers cannot differentiate the cooperatives and companies. It is not necessary for the farmers to pay the member fees to the cooperatives. The farmers cannot get the profit return from the cooperatives. The traditional buy-sell relation still exists between the farmers and cooperatives.

Communism broke all traditional civil ethics and politics took the place of traditional morals. Politics controlled the people's mind and thus people have a vacuum of belief. With the reforming and opening-up in the 1980s, the mammonism became more and more popular. So the cooperative was used by some people as a form to apply for the project funds given by the government. It is thought as a normal situation by farmers that the directors of the cooperatives establish the cooperatives and could occupy the whole project funds.

3. Ethic Governance of the Cooperatives from Blood, Institution

3.1 Three Kinds of Cooperation in Three Societies

There are three types of cooperation in three societies as stated as *Zhang Kangzhi* (2009):

- Mutual assistance in agricultural society: Mutual assistance is a primitive cooperation based on family blood ties and ties with fellow townsmen.

- **Coordination in industrial society:** In industrial society, the various management methods including Taylor's scientific management and Weber's bureaucracy are designed to manage staffs and organizations.
- **Cooperation in post-industrial society:** In post-industrial society, network management replaces scientific management and bureaucracy and is implemented in the cooperation organizations which are based on cooperation and include cooperatives, associations, and stakeholders' corporations.

3.2 Three Kinds of Cooperatives

In relation to the three kinds of cooperation in three societies, there are three kinds of cooperatives:

- **Kinship Cooperative:** the Kinship Cooperative is established on the blood family in agriculture society. The family members play a role at the beginning of the cooperative. But when the cooperative grows, the blood family government cannot meet the requirements of the further development.
- **Institution cooperative:** The institution cooperative is indulged in the concrete institution design. Nowadays, many management technologies and tools are introduced from western world to China. The cooperatives tend to choose the management institution of business as the management method of the cooperatives. The cooperative institution is a good, but it needs the background of the civil morals to support it.
- **Ethic cooperative:** the Ethic cooperative is established on the civil ethic. The regulation of the cooperative is obeyed by the members and the cooperative is organized voluntarily.

3.3 Present Situation of Rural cooperatives in China

China is developing into an industry society. But the rural areas are still an agricultural society. So the rural cooperatives in China are in a development status, between the agricultural society and industrial society. Chinese rural cooperatives are still based on the blood family relations and try to have the modern enterprise institutions under the background of special politics institutions to govern themselves. Most of the present rural cooperatives are kinship cooperatives and the cooperative management is guided to a modern business institution with

the influence of political ideology. In the future, the real challenge will be how to use the civil ethic to govern the cooperatives as the root of the institutions.

4. The Blend between Christ of the World and Cooperative in China

This part presents an analysis of the cooperatives based on the comparison between Christianity and Chinese culture.

4.1 Christianity in China

The first documented case of Christianity entering China was in the 7th century, which is known from the Nestorian Stele, a stone tablet created in the 8th century. It records that Christians reached the Tang dynasty capital Xian in 635 and were allowed to establish places of worship and to propagate their faith (Ding Wang 2006). During a time of great political and economic unrest, Emperor *Wuzong* decreed that Buddhism, Christianity, and Zoroastrianism were banned, and their very considerable assets forfeited to the state. Manichaeism tried to enter China again and Roman Catholics also began to be spread in China during the Yuan Dynasty and the Ming Dynasty. But the governments of the Yuan dynasty and the Ming dynasty decreed that Manichaeism and Christianity were illegal and heterodox.

In the last 200 years, Christianity entered China again and gained influence. The missionaries brought technology to China and used it to preach the Christian belief. Christians established the first modern clinics and hospitals in China (*Gulick, Edward V. 1975*), and provided the first modern training for nurses. Both Roman Catholics and Protestants founded numerous educational institutions from the primary to the university level in China.

The period from 1911 to 1949 (Republic China), was signed by the freedom of religious belief. *Sun Yat-sen*, the founder of the Republic China, was a Christian and he compromised the Christian idea and the national ideology, that is to say, the Three People's Principles (Nationalism, Democracy, and the People's Livelihood). After the foundation of the People's Republic of China, religion was discouraged by the state and western Christian missionaries left the country. The Chinese Protestant church entered the communist era having made signifi-

cant progress toward self-support and self-government. From 1966 to 1976, during the Cultural Revolution, the expression of religious life in China was effectively banned, including even the Three-Self Patriotic Movement (TSPM). The growth of the Chinese house church movement during this period was a result of all Chinese Christian worship being driven underground for fear of persecution. To counter this growing trend of “unregistered meetings”, in 1979 the government officially restored the TSPM after thirteen years of non-existence (*Johnstone, Patrick* 2001) and in 1980 the China Christian Council was formed.

The number of Christians is estimated about 120-140 million by some scholars. However, it is not known exactly how many Chinese Christians there are. Estimated Christian population are difficult to obtain in China because of Christians’ unwillingness to reveal their belief, the hostility of the national government towards some Christian sects, and because of the difficulties in obtaining accurate statistics on house churches. It seems clear that the number is increasing (*John Micklethwait, Adrian Wooldridge* 2009).

4.2 Blend between Christian and Cooperation Principles

4.2.1 Cooperation – Righteousness in Christ is shown as Cooperation Spirit in the Cooperatives

In comparison with Christian society in western country, Chinese society is a family-based society, which has been governed by Confucianism for more than two thousand years. More than two thousand years ago, almost in the same period of Jesus, Confucius travelled with his disciples to many states in order to advise the kings in their governance. Confucius’ ideas was accepted by the feudal rulers and evolved into “three cardinal guides” and the “five constant virtues” specified in the feudal moral conducts. The “Three Cardinal Guides” are: the ruler guides the subject, the father guides his son, and the husband guides his wife. The “Five Constant Virtues” include benevolence, righteousness, propriety, knowledge and sincerity. Further, the whole set of courtesies guides the five relations between ruler and subject, father and son, brother and brother, husband and wife, friend and friend.

The religion had a close relation with the citizen and social life in western countries, but Chinese society had no religion and Chinese people had no social life (*Liang Shuming* 2005). Confucianism had too many relations with the government and was not considered as a religion. It was promulgated mainly among the intellectuals and officials in ancient China. If a commoner wanted to become an officer; he had to spend many years studying the Confucianism for the imperial civil service examinations.

Liang Shuming (2005) thought it was necessary to have another relation between individuals and groups besides Chinese traditional five relations, According to the opinion of *Lin Zhiping* (2005), Chinese traditional ethics should need other types of relation among strangers besides the five relations and the new relation should be righteous in Christ.

The family organization based on patriarchal blood is the basic structure of the agriculture country. A whole set of courtesies in agriculture society is based on families. To expand the relation outside the family, blood was put into a wine cup and drunken with the wine. The new brother relation among strangers was formed through blood. The righteous in Christ is called Yi in Chinese. But in Chinese, Yi have more meanings regarding chivalry and loyalty in a narrow circle, which is very different with the Yi in Christ. The Yi in Christ means righteous opponent to sin. The cooperation is one form of the righteous in Christ. In Christ there is a pure cooperation, but in the human world it is difficult to have a pure cooperation even though the pureness of the cooperation is 99.999%. Because human beings are also marked by sin, they cannot have the perfect righteous and cooperation.

4.2.2 Equality – The Christ Family Breaks the Human Family and Patriarchal System in the Cooperatives

According to Christianity, there are two different families which belong to Christ or to the human. People are very different in external appearance such as races, languages, ages, etc. and there is also the social stratum in the human family, but they are brothers or sisters and are all considered equal within the Christ family. The Christ family could break the blood family and the social stratum in the cooperatives and build on love and righteous. Christ can break the difference in the human world and all the people are brothers and sisters in Christ' eyes.

4.2.3 Devotion – The Righteous in Christ Make the Directors Willing to Devote in the Cooperatives

In order to break the blood family and the money relations within the human family and govern the cooperatives, it is necessary to establish the Christ family with the values of righteous, love, cooperation and equality. Christ is stationed in the cooperatives and never deviates from the cooperation path. Because the ownership of the cooperative is dispersed, in contrast to free riders problems of normal members, the directors tend to control the cooperative leadership. The directors have a key role in the cooperatives. The cooperatives serve the members and are non-profitable to the members. In the beginning of a cooperative

establishment, the directors have to devote more to the cooperative than normal members. In Christ, the leaders devote more in this human world and they will be rewarded more in paradise. In the Bible, Jesus washed the feet of his disciples and gave a good example how the leaders should serve his staff. In the western Christianity monotheist culture, God serves the people. In the Chinese polytheist culture, which is melt with Confucianism, Daoism and Buddha, people serve the false God and tend to worship idols.

5. Cases

In the western world, there are some cooperatives which have even been influenced by Christianity, such as early-timed Mondragon cooperative found by the Catholic priest *José Maria Arizmendiarieta* and the *Raiffeisen* cooperatives established by Christian *Friedrich Wilhelm Raiffeisen*. The Christians tried to use the cooperatives to establish the ideal economy organizations which conform to the purpose that God made man. Here follow some cases of cooperatives organized by Christians in China.

5.1 Caleb Agricultural Mechanization Specialized Cooperatives

The Caleb Agricultural Mechanization Specialized Cooperative (CAMSC) was founded by a Christian group in Panjin city, in the Liaoning Province July, 2010. The Christians helped each other during the busy farming season. It cost them only three months to finish the construction of the main part of the church in 1993. They had a construction team with more than ten farmers and contacted some construction projects later.

After the development of 18 years, the construction team with more than ten farmers evolved into a cooperative with more than one hundred members. By July, 2010, the Caleb Agricultural Mechanization Specialized Cooperative was established. The cooperative contacted and planted more than 4000 mu of organic paddy fields.

Christians use the cooperative form to produce healthy food and glorify God. In China, the small-scaled farmers always use a lot of chemical fertilizers and pesticides on the farmland. In recent years, many food matters happened in China, such as melamine scandal in 2008, the poisonous chives event in the Shandong Province in 2010. To make

people have healthy and ecological rice, the Caleb people contacted and farmed the 4000 mu paddy fields without the use of any chemical fertilizer and pesticide.

Though the CAMSC was registered as a FSC, the members (also Christians) work voluntarily and the output is distributed according to the needs of the members. The members show more cooperation spirit with the Christian Communism. Max Weber said “The only desire of a true Christian is to be the tool of the Lord, he will find his own dignity because this is his desire, so he would become the beneficial tool of rational transformation and control this world” (*Max Weber*, 2008). The cooperative form was used by the CAMSC to realize the society of “having all things in common” in the Acts chapter of the Holy Bible (Holy Bible 1989, 211).

5.2 Some Cooperatives Established and Supported among the Christians in Linyi City, Shandong Province

In recent years, some cooperatives have been encouraged and supported by the National Committee of Three-Self Patriotic Movement of the Protestant Churches and China Christian Council (National TSPM & CCC) in Linyi city, Shandong Province, China.

6. Conclusions

Though the numbers of the cooperatives led by Christians are few, this kind of cooperative is a good example of how the Christians take the cooperatives as the way of glorying the God and so affect the whole society. We also used some samples to analyze the relations between Christians and Cooperatives to show how the ethic affects the cooperative.

In China, the autonomy of the cooperatives is built on the blood family relations. The heteronomy is the modern enterprise institutions under the background of the simplex politics institution. But the cooperative idea cannot blend the Chinese traditional culture, its market economy, and its political institutions. It is very important to free the belief in China, and to distinguish the political ideology and the civil belief.

We do not refuse the institutions, but we would like to find the ethic source of the institutions. The source of the cooperative institutions has some relation with Christianity in the western world. The next step to make the Chinese cooperatives develop healthily is to renew the institution soil and innovate the Chinese culture. The cooperatives need the corresponding cooperative soil in China.

The cooperative could have the civil belief such as Christianity as its guidance. Of course, Chinese people could have the universal civilization which surpasses Christianity and western universal values such as freedom, democracy and equality. At the same time, the traditional Confucianism could be innovated as new Confucianism which would not only be promulgated among intellectuals and officers, but also among the commoners.

References

- Chen Guoxiong*, 2009, "Problems and Policy Suggestions in the Development Of The Farmers' Specialized Cooperatives Based on the Investigation To 27 Farmers' Specialized Cooperatives in Zhan Jiang City", *South China Finance*, 11, pp. 64-65.
- Ding, Wang*, 2006, „Remnants Of Christianity From Chinese Central Asia In Medieval Ages“. In *Malek, Roman; Hofrichter, Peter* (Editors). *Jingjiao: The Church of the East in China and Central Asia*. Steyler Verlagsbuchhandlung GmbH.
- Fei Xiaotong*. 2009. *Fei Xiaotong Complete Works*(Vol. 2). Huhhot: Inner Mongolia People Publishing House.pp.68
- Gulick, Edward V.* 1975. Peter Parker and the Opening of China. *Journal of the American Oriental Society*, Vol. 95, No. 3 (Jul. - Sep.). pp. 561-562
- Herrera, David*, 2004, Mondragon: A For-Profit Organization That Embodies Catholic Social Thought. [Http://www.entrepreneur.com/tradejournals/article/print/116926710.html](http://www.entrepreneur.com/tradejournals/article/print/116926710.html)
- Holy Bible (New Revised Standard Version), 1989, pp. 211.
- Hu Yurong*, 2012, Where Economic Develops, Where the Party Organizations are extended. *Labor Newspaper*. September, 10.
- John Micklethwait, Adrian Wooldridge*. 2009. *God is back: How the Global Rise of Faith is changing the World*. Allen Lane.
- Johnstone, Patrick*, 2001. *Operation World*. London: Paternoster. pp.164
- Liang Shumin.*, 2005. *Liang Shuming's Complete Works* (Vol.1). Jinan: Shandong Press. pp.395
- Michael Klein*, 2009. *The Cooperative Work of Friedrich Wilhelm Raiffeisen and Its Christian Roots*. IRU-Courier.
- Zhang Kangzhi*, 2008, *Concept and Vision Of The Administration Ethics*, Beijing: China Renmin University Publishing House, pp. 251-256.

4. Nord- und Südamerika

Flaws in legal parameter for identifying the priority public – On Public Policy of Cooperativism Support in State of Bahia/Brazil¹

Igor Loureiro de Matos

1. Introduction

The present work consists of a critical analysis on the definition of priority public in Public Policy of Cooperativism Support in the State of Bahia, unit comprised in the Federative Republic of Brazil.

Given the circumstance that this work is to be presented in an international event, we opted to provide brief comments about the cooperativism in Brazil, especially on the importance of the cooperativism legal framework for development of the sector after the Federal Constitution of 1988, in order to improve the information to the reader about the actual circumstances of the Cooperative Rights application in our State. The objective allows the reader to locate the object of our study, facing the evolution of normative legislation evidenced after the re-democratization of Brazil.

Afterwards, we will speak briefly about the legal framing of the Cooperativism Public Policy in State of Bahia. We will demonstrate its contents and the mistakes undertaken in the definition of its priority public.

2. Cooperativism in Brazil

Brazilian cooperativism experiences growth after improvement of legal framework applied to the sector, especially with the promulgation of the Federal Constitution of 1988, which ensured the freedom of association and the creation of cooperatives.

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

In Brazil, the cooperativist movement is responsible for producing 62% of wheat, 39% of milk, 27% of coffee, 29% of soy, 38% of cotton, 31% of swine, among others². Despite the rural importance, cooperativism has a lot to advance in the urban area. By way of illustration, for example, it is verified that, according to official data from the Brazilian Central Bank, the credit cooperativism accounted, in 2010, for only 2.44% of credit operations carried out in the country³.

The general participation of cooperativism in the Brazilian economy is below average found in other countries of the globe. In 2010, only 9.016.527⁴ (nine million, sixteen thousand, five hundred and twenty seven) from 190.732.694⁵ (one hundred and ninety million, seven hundred and thirty-two thousand, six hundred and ninety-four) Brazilian citizens were associated to certain cooperatives. This means that less than 05% (five percent) of Brazilians is associated to a cooperative, which accounts for a little more than 06% (six percent) of PIB.

These apparently small figures, hide the strong growth on the number of cooperates in the last 20 years. Between the years 1990 (nineteen hundred and ninety) and 2010 (two thousand and ten), the number of cooperatives' associates increased six times more than the Brazilian population.(cf. Fig. 1)

In 1990, Brazil had 146.500.000 (one hundred and forty-six million and five hundred thousand) inhabitants⁶, of which only 2.8000.000 (two million and eight hundred thousand) were affiliated to a cooperative.

In 2010, Brazil had 193.200.000 (one hundred ninety-three million and two hundred thousand) inhabitants, of which only 9.000.000 (nine million) were affiliated to a cooperative.

This indicates a strong increment in the number of cooperates, over 20 (twenty) years, very superior than he population growth. While the

² *Rodrigues Roberto*: Cooperativismo na Modernidade in *Cooperativismo: democracia e paz – surfando a segunda onda* – SP: [s.n.], 2008.

³ Banco Central do Brasil. Table: Percent participation of bank sector institutions in credit operations. http://www.bcb.gov.br/htms/deorf/r201012/T4OD_Quadro%2016%20-%20Participa%C3%A7%C3%A3o%20das%20institui%C3%A7%C3%B5es%20do%20segmento%20banc%C3%A1rio%20nas%20opera%C3%A7%C3%B5es%20de%20cr%C3%A9dito.pdf

⁴ Brazilian Cooperatives Organization. Cooperativism Figures, 2010. (http://www.brasilcooperativo.coop.br/GERENCIADOR/ba/arquivos/numeros_do_cooperativismo_2010.pdf)

⁵ Instituto Brasileiro de Geografia e Estatística – IBGE. Census 2010. <http://www.ibge.gov.br/home/estatistica/populacao/censo2010/default.shtm>.

⁶ Instituto Brasileiro de Geografia e Estatística – IBGE. Growth of Brazilian Population. (http://www.potencialpesquisas.com/downloads/Crescimento_da_Populacao_brasilerira.pdf).

Figure 1

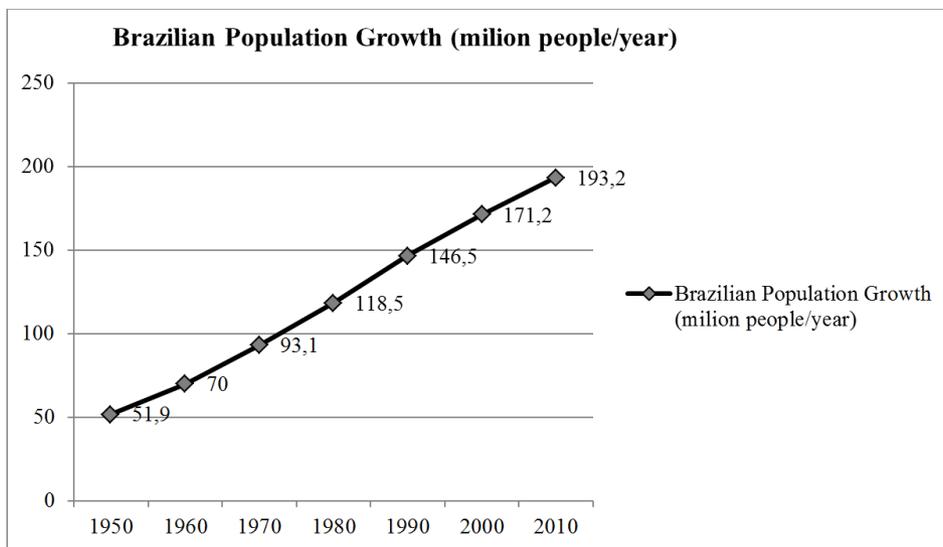
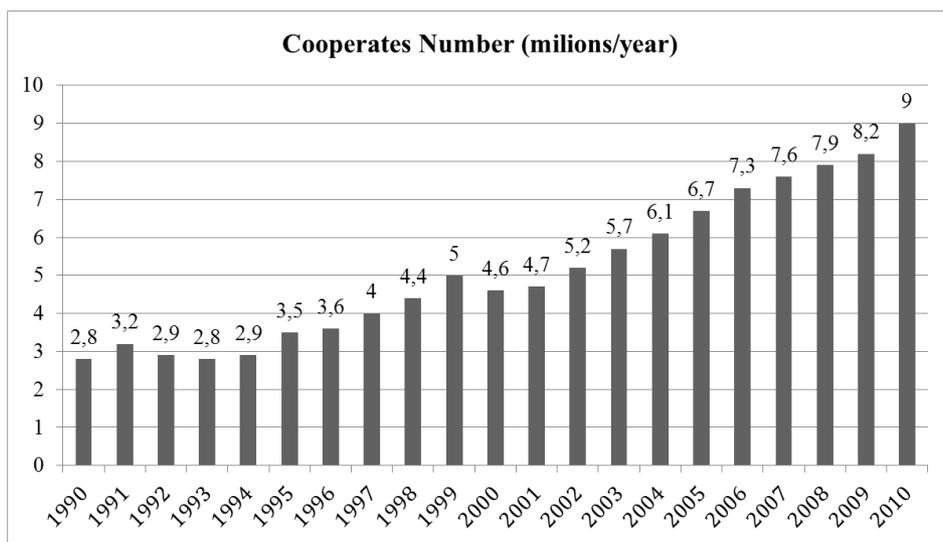


Figure 2



population grew approximately 30% (thirty percent), the number of cooperates have more than tripled⁷ (cf. Fig. 2).

Several reasons may have influenced the growth in the number of cooperates. We believe that, among these, the change on the legal framework applied to cooperativism in Brazil was crucial.

3. Cooperativism in Brazilian Law System

Brazil went through a period of Military Dictatorship between 1964 and 1985. At that time, the state intervention determined the creation, operation and supervision of cooperatives⁸, according to the express legal regulation⁹

The re democratization of the country renewed the strengths of the sector. The Federal Constitution of 1988 (CF/88), proposed/emanated by the Democratic Party, has five provisions dedicated to cooperativism¹⁰. Based on these provisions, it was ensured (1) the free right to constitute and operate cooperatives; (2) a proper tax treatment to cooperative action; and (3) the creation of public policies for supporting cooperativism.

The free right to constitution and operation of cooperatives released the sector from the state intervention. Once free, the Brazilian citizens took to their own hands the direction of their collective organization, including the practice of cooperate-sourced economic activity. The recognition on the importance of this right is so strong that the Brazilian legislator added this normative control into a chapter dedicated to Fundamental Rights and Warranties, as following transcribed:

Art. 5º - All citizens are equal before the law, regardless of any kind and, guarantees to Brazilians and foreigners that reside in Country the inviolability of the right to life, liberty, equality, safety, and property based on the following terms:

(...)

⁷ Brazilian Cooperatives Organization. - OCB http://www.brasilcooperativo.coop.br/GERENCIADOR/ba/arquivos/numeros_do_cooperativismo_2010.pdf

⁸ *Cenzi Nerii Luiz*: Cooperativismo: Desde as Origens ao Projeto de Lei de Reforma do Sistema Cooperativo Brasileiro – Curitiba; Juruá Editores, 2009.

⁹ Law 5.764/71, art. 17, 18, 92, 93, and 94.

¹⁰ Refer to articles, 5º, XVIII; 146, III, c; 174, §§ 2º to 4º; 187, VI; and 192 of Federal Constitution of Federative Republic of Brazil.

XVIII - the creation of associations and, under the provisions of law, cooperatives is independent of authorization, wherein any State interference on its operation is prohibited. (underlined by us)

Therewith, new proportions to Brazilian Cooperative Right are established. Once the autonomy and independence of organizations is ensured, all previously existing laws that are contrary to the mentioned warranty were removed from legal configuration.

Amongst several specificities of the study on Cooperative Right in Brazil, it is emphasized the comprehension of a special category of legal act: cooperative action. The beloved reader, who I think of in the middle of night, while selecting the words to comprise the text, may find this concept unusual. After all, the institute is absent in the legal system of many countries¹¹.

In Latin America, the concept of cooperative action was introduced in the mid-20th century. One of the first Latin-American authors to deal with this topic, the Mexican teacher *Antonio Salinas Puente*, in a study named "Theory of Cooperative Action" concluded that the cooperative action

*is the legal assumption, free from profit and intermediation that the cooperative company performs to fulfil a predominant economical and social utility purpose*¹².

In Brazil, the concept of cooperative action was brought into light by the teacher *Waldirio Bulgarelli*, in the book *Elaboration of Cooperative Rights*. According to him, cooperative actions are

*those performed by the cooperative along with its associates, distinguishing from those perform it with third-party, even assuming that the originality of actions practiced by the cooperative may also be present in the actions performed with third-party*¹³.

¹¹ *Namorado, Rui*: O Acto Cooperativo: uma ausência de confunde in *Namorado, Rui*. Cooperatividade e Direito Cooperativo: estudos e pareceres – Almedina: Coimbra, 2005.

¹² *Puente Antonio Salinas Apud Cracogna, Dante*: O Ato Cooperativo na América Latina in *Krueger, Guilherme*: Ato Cooperativo – e seu adequado tratamento tributário – Mandamentos: BH, 2004, pág. 50.

¹³ *Bulgarelli, Waldirio Apud Cracogna, Dante*: O Ato Cooperativo na América Latina in *Krueger, Guilherme*: Ato Cooperativo – e seu adequado tratamento tributário – Mandamentos: BH, 2004, pág. 51.

The concept of cooperative action in Latin America is essential within the legal theories applied in this side of the world. A more accurate study (not object of this essay) would certainly indicate the different interpretations in various countries, with sensible effects of legislative and jurisprudence measures in the several countries of America.

In Brazil, the legal concept of cooperative action is expressed in art. 79 of law 5.764 dated 1971:

Art. 79. Cooperative actions are referred as those executed between cooperatives and its associates/partners, between these and that and by cooperatives among each other when associated, for achieving the social objectives.

Sole paragraph. Cooperative action not implies market operation, or purchase and sales of products or merchandise agreement.

When analyzing the Brazilian law, we observe that it presents, in *caput*, subjective and objective elements, after which, in *sole paragraph*, it expressly avoids erroneous interpretations.

Subjective elements are those which indicate the legitimate subjects for undertaking the cooperative action, that is, the cooperative and the associate.

The cooperative comprises the single, central, federations and confederations.

The associate comprises individuals or legal entities admitted in the membership/social frame of single cooperatives, as well as single cooperatives bonded to central or federation, and those with a confederation.

We have observed that the participation of a single subject of above mentioned kinds is not sufficient. It is imperative that the legal relationship has the participation of two poles, that is, active and passive.

The objective element appears in the end of article *caput*, comprising that "Cooperative actions are referred as those executed (...) *for achieving the social objectives*". Cooperative action has as purpose the achievement of social objectives.

But, after all, what are the social objectives of a cooperative?

At first, the cooperatives have distinct social objectives, based on the economical sectors in which to actuate. However, due to the nature of society, all cooperatives have a determined fundamental objective, which is common for all. The essential objective, either expressed or implied in any real cooperative is to *provide services to associates*. Not any service, but services which *grant accessibility to the economic goods desired*. This is the fundamental objective of any cooperative.

In addition, the cooperative that the associate aims to achieve, based on the economical activity developed, is included in the objective ambit.

The cooperative seeks to contract the major remuneration and the best working conditions; consuming, acquiring high quality goods/assets for the lowest prices; and so on. Actions even if performed between the associate and the cooperative, that do not contemplate a social objective, cannot be considered as cooperative actions.

In Brazil, the cooperative action has relevance recognized by the Federal Constitution of 1988, which establishes the compliance with tax law standards to the specificities of relationships between cooperative and cooperative:

Art. 146. It is up to complementary act:

(...)

III - establish general rules with respect to tax law, especially on:

(...)

c) proper tax/tributary treatment to cooperative action practiced by cooperative associations.

Surely, the improvement of Brazilian tax law, especially its suitability to the particularities of cooperative persons, contributes to cooperativism growth.

Public Policy, in a very simple manner, can be regarded as a set of programs, projects and actions developed by the State, in an articulated way, aiming to achieve a determined objective¹⁴.

According to *Amaral*, the Brazilian Government has already had actions focused on development of cooperativism since the 1930's¹⁵.

In 1966, the Decree-Law n° 59 created a national policy for the sector, established the National Council of Cooperativism and changed the regulations of cooperative society.

In 1971, law 5.764 was set out, which redefined the National Policy of Cooperativism and modified the legal regime of cooperative societies. This is the law that remains in force and determines, along with the Federal Constitution of 1988 and the Civil Code of 2002, the regulation for operation of cooperative societies in Brazil.

In 1988, a new Federal Constitution was published, which provides precepts on cooperativism and interferes in the interpretation of Law 5.764/71 provisions. The Federal Constitution of 1988 established that the State must support and stimulate cooperativism and other forms of association ship:

¹⁴ A good reference for study is *Bucci, Maria Paula Dallari* (org): Políticas Públicas: reflexões sobre o conceito jurídico – SP: Saraiva, 2006.

¹⁵ *Amaral, Luis*: Tratado Brasileiro de Cooperativismo – SP: Revista dos Tribunais, 1938.

Art. 174, § 2º - The law will support and stimulate the cooperativism and other ways of association ship.

(...)

Art. 187. The agricultural policy will be planned and executed within the provisions of law, with effective participation of production sector, involving producers, rural workers, as well as commercialization, storage, and transport sectors, taking into account, specially:

(...)

VI - cooperativism.

We do not have consolidated figures about the fostering to cooperativism before and after CF/88. However, we checked that, after 1988, most of the State members of the Federative Republic of Brazil created public policies for developing the sector.

The State of Bahia passed the Law 11.362 in 2009, and so created the State Policy of Cooperativism Support in that federation unit.

Our challenge, from now on, is to indicate an improvement opportunity to Bahia Policy, in order to fit it to historical demands of combat against poverty.

4. Public Policies of Income Transfer in Brazil

Brazil is an unequal country. Poverty confrontation is a challenge for centuries. In the poorest states of the federation, the transversality of public policies imposes itself, aiming to reduce the pains of the most suffering people.

The public policies of income transfer applied in Brazil have been widely noticed on the global scenario. The rising of the living standard of a historically poor population strengthened the internal market, streamlined the economy and it was essential to promote growth, even in a period of worldwide crisis.

Table 01: Evolution of poverty and extreme poverty
– Brazil, 2003 and 2008 (in %) ¹⁶

Group / Year	2003	2008
Percent of poor people	39.4	25.3
Poverty gap	18.2	10.4
Poverty severity	11.1	6.0
Extreme poverty		
Percent of extremely poor people	17.5	8.8
Extreme poverty gap	7.3	3.7
Extreme poverty severity	4.4	2.4

Note 01: Poverty gap and poverty severity are expressed in multiples of poverty line,

Note 02: Region-based poverty lines are adopted taking into consideration the national average of R\$187.50 for poverty and R\$93.75 for extreme poverty.

The Northeastern region is the poorest Brazilian region. More than a half of the budget for income transfer programs is applied there.

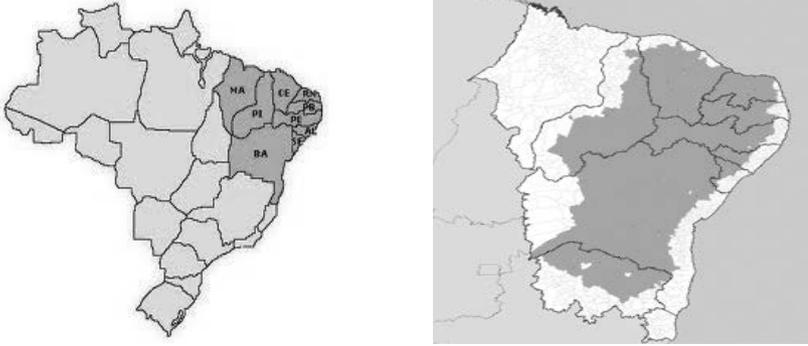
Table 02: Distribution of resources of all income distribution programs per region of Brazil.

Region	School-Allowance	Family-Allowance	Food-Allowance	Food-Card	Cooking Gas Stipend
North	09%	10%	07%	01%	09%
Northeast	54%	47%	58%	88%	48%
Southeast	24%	25%	20%	10%	25%
South	09%	11%	10%	01%	12%
Center-West	04%	06%	05%	00%	06%
Brazil	100%	100%	100%	100%	100%

Source: Administrative data from Ministry of Social Development (MDS)

¹⁶ Castro, Jorge Abrahão de; & Vaz, Fábio Monteiro (org): Situação Social Brasileira: monitoramento das condições de vida 1 – Brasília: Ipea, 2010.

Part of historical origin of poverty in the region lies on the natural shortage of water, own characteristic of the zone named Semi-arid, which comprises the entire center zone of the region (see images below).



Bahia is the major State of Brazilian Northeastern region (see map below, in yellow colour). It occupies an area of 564,830.85 Km², larger than France territory (543.965 Km²) or Germany territory (356.733 Km²), for example.



The State has 14.016.906 (fourteen million, sixteen thousand, and nine hundred and six) inhabitants¹⁷. Despite the abundance of water in the coastal region, 258 municipalities are covered by the semi-arid. Semi-arid has as main characteristic the water shortage, which is observed in an area comprising 388.274 km², where 6.316.846 (six million, three hundred and sixteen thousand, eight hundred and forty-six) inhabitants are living. That is: 48% (forty-eight percent) of the Bahia population faces water shortage in approximately 68% (sixty eight percent) of the state area.

Bahia has one of the major rural populations of the country, with more than 450,000 families supported by the National Program for Family Farming Strengthening (Pronaf). From the 699.126 (six hundred and ninety-nine thousand, one hundred and twenty-six) establishments existing in the state, 499.537 (four hundred and ninety-nine thousand, five hundred and thirty-seven) have low-income farmers¹⁸.

One of the greatest challenges of the new public policies in Brazilian society is to promote the productive inclusion to citizens who are already beneficiaries of income transfer programs. Brazil is a federation. Its member states have the autonomy to establish their own policies. The State of Bahia, for the above stated reasons, has been privileging the development of public policies aimed at providing support for cooperatives of small rural producers in the family economy regime.

The State Agriculture Agency has been applying the resources in order to increase the productivity of traditional cultivations intended for population feeding, as well as for implementing cultures with high profitability potential, such as cultivations for biodiesel production and those intended to agro industry. The goal is to increase profitability of agriculture sites, without endangering the food safety of communities¹⁹.

¹⁷ Instituto Brasileiro de Geografia e Estatística – IBGE. Census 2010 (www.ibge.gov.br/estadosat/perfil.php?sigla=ba).

¹⁸ Santos, José Antônio Lobo dos: Implicações do PRONAF na produção do espaço rural de Feira de Santana – Feira de Santana: UEFS Editora, 2009, p. 75 e ss.

¹⁹ Santos, José Antônio Lobo dos: Implicações do PRONAF na produção do espaço rural de Feira de Santana – Feira de Santana: UEFS Editora, 2009.

5. Cooperativist Public Policy of Bahia State – mistake on definition of target public

During the year 2009, State of Bahia enacted the Law 11.362, which has as purpose the establishment of a Public Policy for Supporting Cooperativism.

The Act of Public Policy for Supporting Cooperativism²⁰ was imperfect concerning the definition of the group of priority beneficiaries. The flaw may result in damages to execution of relevant actions, especially those related to projects of productive inclusion of rural producers in the family economy regime.

The proposal of the Act, in a broad sense, was to meet the different demands of the Bahia State cooperativism, both in the field and in the city, and to stimulate its development. The Act embodies and defines principles, guidelines, tools and objectives of Cooperativism Public Policy in Bahia, besides the creation of a State Council with participation of State Secretary officers and members of organized civil society, in order to promote the social control of programs.

Given the circumstance of expecting to take advantage of the Cooperative Policy to fight against poverty, the act authorized the public power to grant prioritized treatment for cooperatives that are small-sized and actuate with the weakest segments of economy. The Act requires conjugation of two requirements: to be small-sized and, cumulatively, to actuate in weak segments.

Brazilian Law measures the size of the enterprise based on its annual revenue. Bahia State Government Decree n° 13.148 of 2011 determines that a small size cooperative is the one that earns, at maximum, R\$ 3,600,000.00 yearly.

We understand that the conjugation of two requirements, within the described forms, was a mistake. The numbers of agricultural and livestock cooperativism in Brazil demonstrate a discrepancy between the legal provision and the reality of cooperative organizations. We take in that the legal framing of priority public excludes the poor field worker from its contemplation, if we consider the way that he/she is traditionally organized.

There are 1,548 agriculture and livestock cooperatives in Brazil, which form 943.054 members, from which it is concluded that each

²⁰ Bahia State Act n° 11.362/2009.

agriculture and livestock cooperative has, at average, 609 cooperate members.²¹

The initiatives in the weakest segments of economy, in rural area, are organized in cooperatives that aggregate hundreds of producers. This characteristic is essential for the economical feasibility of agro-industrial projects and raw material for biofuel production projects. As a result, it is reasonable to foresee that in a few years the cooperatives dedicated to productive insertion of field workers will not be small-sized anymore and, therefore, such cooperatives will be out of priority-related legal framework.

The minimum wage of an employed worker in Brazil, during 2012 (two thousand and twelve), was R\$ 622.00 per month, that is, R\$ 8,086.00 per year, if the 13th salary is added.

A cooperative comprised by 600 associates expecting to remunerate each member with a minimum value equivalent to the lowest wage employee will spent R\$ 4,851,600.00 in net transfers. Predicting that the cooperative, prior to remunerating its associates, must pay the expenses, inputs and tax tributes, we can conclude that, in order to remunerate the cooperate member with the minimum value for maintaining the lowest wage Brazilian worker, the annual gross income of such cooperative shall be twice or three times superior than the exclusion limit defined by Decree no. 13.148, dated 2011.

Said so, we conclude that the definition of priority public in the State Public Policy of Cooperativism Support in the State of Bahia, within the currently defined lines, excludes the most people in need from the action focus.

6. Bottom Line

Strictly speaking, there is no reason for confusing the cooperative size with its membership public profile. It is not reasonable that cooperatives formed by family-based farmers, members of one of the most impoverished segments of Brazilian economy, are excluded from the priority treatment of Cooperativism Public Policies for joining large sized projects. There is no reason to condemn the poor people to be organized in little enterprises. Legislation must be improved to identify more clearly the cooperatives predominantly comprised by citizens in socially risky situation, regardless the enterprise size, in order to avoid

²¹ Organization of Brazilian Cooperatives - OCB http://www.brasilcooperativo.coop.br/GERENCIADOR/ba/arquivos/numeros_do_cooperativismo_2010.pdf.

that the policies of productive inclusion are restrained by a merely formal parameter.

Bibliographic References

Amaral, Luis: Tratado Brasileiro de Cooperativismo – SP: Revista dos Tribunais, 1938.

Banco Central do Brasil: Table: Percent participaton of bansector institutions in credit operations. http://www.bcb.gov.br/htms/deorf/r201012/T4OD_Quadro%2016%20-%20Participa%C3%A7%C3%A3o%20das%20institui%C3%A7%C3%B5es%20do%20segmento%20banc%C3%A1rio%20nas%20opera%C3%A7%C3%B5es%20de%20cr%C3%A9dito.pdf.

Bahia. Law nº 11.362/2009.

Brazil. Law 5.764/71.

Brazil. 1988's Federal Constitution.

Bucci, Maria Paula Dallari (org): Políticas Públicas: reflexões sobre o conceito jurídico – SP: Saraiva, 2006.

Bulgarelli, Waldirio Apud Cracogna, Dante: O Ato Cooperativo na América Latina *in Krueger, Guilherme*: Ato Cooperativo – e seu adequado tratamento tributário – Mandamentos: BH, 2004, pág. 51.

Castro, Jorge Abrahão de; & Vaz, Fábio Monteiro (org): Situação Social Brasileira: monitoramento das condições de vida 1 – Brasília: Ipea, 2010.

Cenzi Nerii Luiz: Cooperativismo: Desde as Origens ao Projeto de Lei de Reforma do Sistema Cooperativo Brasileiro – Curitiba; Juruá Editores, 2009.

Instituto Brasileiro de Geografia e Estatística – IBGE. Census 2010. <http://www.ibge.gov.br/home/estatistica/populacao/censo2010/default.shtm>

Instituto Brasileiro de Geografia e Estatística – IBGE. Growth of Brazilian Population. (http://www.potencialpesquisas.com/downloads/Crescimento_da_Populacao_brasilerira.pdf).

Instituto Brasileiro de Geografia e Estatística – IBGE. Census 2010 (www.ibge.gov.br/estadosat/perfil.php?sigla=ba).

Namorado, Rui: O Acto Cooperativo: uma ausência de confunde *in* NAMORADO, Rui. Cooperatividade e Direito Cooperativo: estudos e pareceres – Almedina: Coimbra, 2005.

Organization of Brazilian Cooperatives. Cooperativism Figures, 2010. (http://www.brasilcooperativo.coop.br/GERENCIADOR/ba/arquivos/numeros_do_cooperativismo_2010.pdf)

Organization of Brazilian Cooperatives - OCB http://www.brasilcooperativo.coop.br/GERENCIADOR/ba/arquivos/numeros_do_cooperativismo_2010.pdf

Organization of Brazilian Cooperatives Organization. - OCB http://www.brasilcooperativo.coop.br/GERENCIADOR/ba/arquivos/numeros_do_cooperativismo_2010.pdf)

Puente Antonio Salinas Apud Cracogna, Dante: O Ato Cooperativo na América Latina in Krueger, Guilherme: Ato Cooperativo – e seu adequado tratamento tributário – Mandamentos: BH, 2004, pág. 50.

Rodrigues Roberto: Cooperativismo na Modernidade in Cooperativismo: democracia e paz – surfando a segunda onda – SP: [s.n.], 2008.

Santos, José Antônio Lobo dos: Implicações do PRONAF na produção do espaço rural de Feira de Santana – Feira de Santana: UEFS Editora, 2009.

The Azul Lavanda Social Enterprise in Rural Mexico – A Case Study^{1,2}

Juan M. Rivera

Executive summary

Azul Lavanda is a rural cooperative established by a group of small-scale agricultural producers from a farming community in central Mexico. This social enterprise was legally incorporated in 2008 as a limited liability rural corporation under the Mexican federal commercial laws and functions as a cooperative that pursues both profits and social benefits for its members and for the rural community where it is located. The cooperative consists of three separate but interrelated units whose activities center on the harvesting and further processing of lavender plants. The introduction of lavender as a substitute or added crop to the traditional subsistence agriculture of corn and beans was intended to introduce alternative agricultural crops that could be further processed into more value-added goods targeted for sale in the outside markets. Besides benefiting the farmers working in the planting and harvesting of lavender, the cooperative provides jobs for a group of local community women, who work in the preparation of the processed lavender goods for the market. The establishing and the progress of this rural social enterprise have been possible thanks to the sponsorship and collaboration of individuals and organizations, including a U.S.-based NGO. This case purports to present a social enterprise in its initial start-up years and the challenges and decisions faced by its management when trying to fulfil the double bottom-line objectives of providing social benefits for the members of the rural community and generating sustainable profits that would ensure the continuity and success of the entity and its mission.

¹ The author acknowledges and thanks the University of Notre Dame's Kellogg Institute for International Studies for a 2011 summer research grant that made possible the field research undertaken for this case.

² We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

“On the business side, there is a growing sense that the old-fashioned model of large companies which are focused on profit-maximization is not sustainable, and it is not socially acceptable either . . . (Now) there are many shareholders that expect more of business than profits – they want social responsibility. On the other hand we have the charitable sector and the mutuals sector having to be, and wanting to be, businesses... . So there is a convergence between companies on the one hand who want to do good by doing well, and those who do well by doing good. They come to a meeting point which is how I would define social enterprise.”³ [On why a social Enterprise is Important]

1. Introduction

There is a growing dissatisfaction among citizens, social organizations and concerned members of the civil society⁴ about the damaging effects that the debacle of the financial markets and its resulting recession in the USA and in Europe has brought on the poor and disenfranchised people of our world. Fueling this feeling of dissatisfaction is a perceived unequal distribution of the benefits of a market economy that tends to favor elitist segments of society. While this has happened, governments have retrenched from providing essential social benefits to their citizens in despair, have exhausted their cash chests by bailing out financial institutions in distress, have burdened future generations with trillion-dollar deficits, and – adding to the public criticism – have been generally lenient in prosecuting and penalizing the abuses of those who extended or interpreted the premises of the capitalistic system to suit their individual greed.

³ From: “The Importance of Social Enterprise,” address by Vince Cable, United Kingdom secretary of state, on 30 March, 2011. Voice 11 Conference, London in <http://www.bis.gov.uk/news/speeches/vince-cable-social-enterprise-voice-11>.

⁴ The “Occupy Wall Street” protest movement initiated in New York City in September of 2011 and rapidly spreading to other parts of the USA serves as an example of the increasing dissatisfaction of a wide sample of citizens in that country. Its apparent purpose is to protest the greed and abuses of the corporate financial sector and demand the government in Washington to create lasting solutions to the economic and social ills caused by unemployment, reduction in social programs, federal budget cuts, and complacency or lenience with the corporate world. See: The New York Times (October 9, 2011, p. SR10).

Given this international economic scenario, there are claims that neither the market nor the state are able to address or appropriately solve the social, economic, and environmental problems affecting our world (Trivedi and Stokols, p. 2). Even if business corporations in recent years have paid more attention to such issues as social inclusiveness, stakeholders' interests, and environmental concerns⁵, still the role of business enterprises continues to be, first and foremost, the maximization of profits and the creation of wealth for its corporate shareholders. The market-driven business model is persistently criticized for ignoring human needs and producing untenable social inequalities (Trivedi and Stokols, *ibid*). On the non-market side, the provision of social goods and benefits typical of the welfare state have been eliminated or curtailed due to budgetary constraints, changed economic and political priorities, or simply bureaucratic inefficiencies. Given these conditions and not expecting a quick and radical revamping of the roles of the state and the self-regulated markets, academicians and entrepreneurs have redirected their attention to the social enterprise, a hybrid model of a business venture that can concurrently pursue both profitable results and social returns for its constituents, stockholders, and for the communities where it operates. The social enterprises, as defined by the United Kingdom Law on the Community Interest Company in 2005 and the Italian Law of the *Impresa Sociale* in 2006, are public-benefit organizations that pursue the satisfaction of social needs by earmarking their positive residuals and patrimony to socially oriented activities (Borzaga et al., 2010, p. 3). These social enterprises can concurrently function as profit-seeking units while also delivering the social and welfare services that the public agencies and for-profit firms cannot deliver or are not interested in providing (Borzaga et al., 2010, *ibid*).

The Department of Trade and Industry of the United Kingdom has defined a social enterprise as a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners.⁶ The development of social enterprises in the UK – where they are recognized as legal entities in corporate laws – has been paralleled in other countries of Europe and in the USA, where they often engage in providing such services as job training, recycling, housing, education, leisure, and social care, thus

⁵ This phenomenon that has opened the area of study known as Corporate Social Responsibility was triggered in part by the efforts of the United Nations and a group of leading international businesses which committed to a set of principles referred to as the United Nations Global Compact. See <http://www.unglobalcompact.org>.

⁶ The Department of Trade and Industry (2002) *Social Enterprises: A Strategy for Success*. Department of Trade and Industry, London, UK See www.dti.gov.uk as cited by Kasim, R and Hudson, J. (2006) FM as a Social Enterprise. *Facilities* (Vol. 24 No. 7/8 p. 292-299).

undertaking or complementing the work of public government agencies. Since these social business ventures operate in a diversity of sectors and geographical settings and can be organized in a variety of legal forms, the most generic definition of them is that of “entities that seek business solutions to social problems” (*Chell et al.*, p. 485).

The purpose of this paper is to study the features and operating characteristics of an actual social enterprise that functions as a rural cooperative in central Mexico, to present the challenges it faces while balancing its market-oriented goals and its social objectives, and to exemplify a management participatory model uniquely found in the context of these cooperatives or social-business entities. The paper further identifies factors and variables that can impact the success or failure of this business venture and for which management teams and social entrepreneurs should be prepared when engaged in promoting this type of cooperative enterprise. At the more practical level, the case elaborates on the analysis of the break-even point for one of the operating units of this social business and reviews the judgment decisions confronted by its administration in trying to sustain the financial feasibility of the business while also attending to the social and community benefits expected to ensue from its operations.

2. Mexican agriculture, globalization, and the rural poor

The agricultural sector in Mexico has been characterized by a dichotomy of a few diversified agribusiness conglomerates on the one hand and some 20 million small-scale peasants on the other who grow such traditional staples as corn, beans, and alfalfa as self-subsistence agriculture on fragmented plots that average 6 hectares in size.

Mexico’s social revolution of 1910, which ended a 30-year dictatorship, produced a new constitution in 1917 and subsequently helped anchor in power a political party that from 1929 governed the country for 70 uninterrupted years. A by-product of the revolutionary ideology of the new cadre of Mexican political leaders was the implementation of an agricultural reform that basically expropriated land from rich landholders in the countryside and assigned it for use – but not for ownership – by the poor rural peasantry and indigenous communities. These communities organized themselves into communal agricultural units (*Ejidos*) to cultivate their crops. These peasants, who represented an important political group – at least in numbers if not in actual po-

litical power – were kept appeased, and they aligned with the party-in-power regime with a two-pronged political squeezer of partial federal subsidies and government-guaranteed agricultural product prices.

However, in the 1990s, the combined effects of the North American Free Trade Agreement (NAFTA) globalization, open-market competition, and federal government fiscal restraints contributed to a dramatic deterioration of the economic and social conditions of the Mexican peasantry. With increasing income disparity, diminishing labor and market opportunities, inability to cope with competition from abroad, and no safety net offered by the “big-brother” party in power, many of the small-scale Mexican agricultural producers found no better options than to become urban poor or to migrate to foreign lands in the north in search of better opportunities. Those who remained in the rural communities continued to struggle to make ends meet and feed their families through subsistence agriculture, government handouts, and nonfarm part-time occupations, and in many cases, by the flow of remittances from family members who had migrated to the neighboring country in the north.⁷

A study about Mexico’s decade of globalization in the 1990s found that in states with a high exposure to globalization⁸ the proportion of labor income increased more compared to that income in low-exposure states (*Hanson, 2007*). Those states with a higher exposure to globalization were located along the U.S. border and in the more skill-abundant center-west region of the country. They experienced a decrease of 10% in the number of wage-poor (those with an income not sufficient to sustain a family of four at above-poverty consumption levels) while the number of wage-poor in unexposed states increased by 7%. One of the interpretations of this analysis is that trade and investment liberalization – propelled by NAFTA – raised incomes in Mexican states with high exposure and integration to the global economy relative to those states that did not have that exposure. Since the great majority of the Mexican peasantry, heavily concentrated in the central and southern regions of the country, were not sharing in the benefits of the globalization trends, one can argue that the new market and economic conditions prevalent in the 1990s contributed to make them poorer and left them few options beyond migrating to the urban centers of the country or to the greener pastures across the border in the north.

⁷ Presently one-fifth of the total population of Mexico is employed in agriculture, a proportion that is a decline from the one-quarter that the sector had in 1980 (See *Terrazas et al., 2011, p. 10*).

⁸ As measured by the share of Foreign Direct Investment, imports, and exports assembly in the state GDP during that period.

In theory, the NAFTA treaty that Mexico implemented in 1994 was to stimulate foreign direct investment, create new manufacturing jobs, and absorb the urban poor and farmers displaced by the effects of the agreement. However, the FDI-led manufacturing growth failed to fulfil those expectations and to reduce the inequalities in income and assets between the rich and the poor. Thus, in 2002 20% of the richest Mexicans still held more than 50% of the total income – a slightly higher portion than in 1984 – while the poorest 20% continued to receive less than 4%, just as in 1984 (*Zarsky and Gallagher, 2004*).

It is within this context of the agricultural sector in Mexico that documenting the origin and development of this social enterprise – generically referred to by its founding members, sponsors and collaborators as “the Lavender project”⁹ – becomes relevant for the study of this type of novel social organizations, which seeks to alleviate the problems of poverty and marginality so pervasive in many communities of our world.

3. A brief history of the Azul Lavanda Cooperative

Azul Lavanda was incorporated as a Mexican rural production and limited liability corporation on February 20, 2008, and it is organized and operates as a cooperative in which members have equal representation and participation in the organization’s strategy and operational decisions.¹⁰ The rural enterprise was established with 15 founding members, all small-scale agricultural producers or neighbors of the Rancho La Colorada in the municipality of Dolores Hidalgo in central Mexico. Each of the 15 founding partners contributed Mex. Ps. \$10,000 (approximately U.S. \$1,000) to the initial equity capital of the rural cooperative.

According to its corporate bylaws, Azul Lavanda can engage in multiple and diversified operations associated with the production, marketing, and distribution of agricultural and livestock goods, including, but

⁹ A brief introduction to this organization, its mission, and its main sponsors and collaborators, including pictures of the project’s site, can be found on its Web page at <http://www.thelavenderproject.com>.

¹⁰ The Mexican federal commercial and tax laws offer some unique benefits to this type of rural business entity (for example, lower corporate tax rates compared to a non-rural business corporation), but the partner-investors of a rural enterprise have to qualify as farmers engaged in operations associated with agriculture or animal husbandry.

not limited to, the planting, harvesting, and reproduction of lavender plants, the extraction of lavender oils, the preparation of soaps and other lavender products, and the elaboration of artisan goods. The harvesting and processing of lavender plants and the manufacturing of soaps for their sale in urban centers presently constitute the principal business of this rural enterprise

The main operations of the Azul Lavanda cooperative take place in a two-story facility that for many years has functioned as a community center for the social, cultural, and family events of the rural community of 900 people from Rancho La Colorada in the state of Guanajuato in central Mexico. The existence of this civic center has served to reinforce the community's traits and traditions, and it has been a positive factor for the cohesiveness and cooperation among the local partners, workers, and neighbors of the Azul Lavanda cooperative.

The idea of switching traditional subsistence agriculture to more value-added crops – or to start those crops in fallow parcels – was initially presented in 2005 to the small-scale farmers of Rancho La Colorada by representatives of St. Anthony's Alliance, a 501-c-3 NGO based in Albuquerque, New Mexico. Since that time the alliance has been the driving force behind this rural enterprise in central Mexico.¹¹ Although several possible agricultural products could have been used as substitutes or complements to the traditional corn and bean crops, the choice of lavender was favored because of several unique characteristics of the plant itself and its potential markets. Lavender is a product that is very resilient, less susceptible to plant diseases, and very suitable to the type of soil, climate, and altitude of the community of La Colorada. There is also a growing market for aromatherapy products – such as those derived from Lavender – in Mexico, and presently there are no significant producers of lavender in the country. In addition, near La Colorada is the city of San Miguel de Allende, a well-known tourist center and colonial town with hotels, boutiques and a community of foreign nationals. The town represented a natural target market for lavender-based products.

By the time the group of the 15¹² farmers who formed Azul Lavanda had planted and attended one hectare of lavender plants and were ready to harvest the first lavender crop in the fall of 2007, another group of village women already trained in the basics of soap manufac-

¹¹ Information about St Anthony's Alliance and its mission and history, including its involvement in the Lavender project under study in this paper can be found in <http://www.stanthonysalliance.com>.

¹² Eight out of the 15 original member-partners of the newly incorporated rural cooperative are actively engaged either in farming their land with lavender, tending the lavender fields, and/or harvesting the lavender crops. The other seven were passive partners who contributed their allotted share of the cooperative capital and kept the same voting and participation rights as the rest of the members.

turing was ready to make the lavender-oil based soaps, hand lotions, and other aroma-therapeutic products for sale in the target market of San Miguel de Allende. While initial steps were then taken to prepare the lavender fields and organize the participating peasants in this new project, the actual incorporation of Azul Lavanda occurred in 2008, and by the end of 2011 this social enterprise was just completing its start-up phase and getting positioned to face new operational and marketing challenges.

4. Azul Lavanda Cooperative and its operational units

In 2008 the incorporation of the social enterprise into a rural business entity made it possible for the farmers and the community people who had been working for the Lavender project to be organized formally under the umbrella of a rural cooperative with direction and guidance from its managing council.

The cooperative's partner-members and the community people who have been actively participating in this rural enterprise are organized into three distinctive but interconnected operational units:¹³

- Lavender farming. The activities of this unit involve the planting, harvesting, distilling, and drying of lavender plants and are performed by seven farmers who are also partners in the cooperative. They work on the land and also at distilling and drying areas adjacent to the lavender fields. There they prepare the supply of lavender oil or fresh lavender branches for the soap production and the branch-bundles-making unit of the cooperative. Presently, the farmers working for the cooperative do so only on a part-time basis because the lavender fields are limited to four hectares and the production of lavender represents an added crop to the corn, beans, alfalfa, pepper, and other products that the local peasants still grow on their parcels. Still, the peasants in this farming group are responsible for tending and producing the lavender seedlings for replanting and making sure the supply of branches and lavender flowers is ready when the other units of the cooperative business need them. This unit does not generate direct revenues other than incidental sales of the residual oily water left over from the distilling process, which is sold as scrap.

¹³ Appendix A presents a diagram of these operating units and their activities.

- **Soap manufacturing.** This segment represents the core of the business and it is the one closest to the market and its customers. Seven village women, one of them acting as a supervisor, belong to this unit in which the various tasks of making the lavender soaps and related products take place. The women work four hours a day, three to five days of the week – depending on the level of sales orders – mixing the lavender oils and other solvents, cooking the ingredients, cutting the various sizes of soaps, wrapping them, and having them ready for transfer to the finished-product storage room. Here the control of raw materials and finished-goods inventories is performed by another employee, also from the Colorado rural village, who also handles the processing and shipping of customer orders. The eight employees of the Soap manufacturing unit are guaranteed a salary for their part-time work by the rural cooperative, and so far the flow of customer orders for soaps and related products has kept these women busy for the regular four hours of daily work. When there is slack in the production of soaps, the women of this unit help out the three or four of the village women who work on a part-time basis making the attractively shaped bundles of fresh lavender branches and twigs, which are sold as aromatic house amenities.
- **Seamstress unit.** In an area of the community center building with four sawing machines a group of seven women (one of them in the role of a supervisor) cuts, assembles and sews textile material for the production of pillows, sachets, tote bags, and aprons, some of them with embroideries or designs associated with lavender. Some of the products sewn in this unit, such as the sachets, small bags and neck pillows, are filled with bits of the dried lavender flowers and prepared for sale in deluxe hotels or speciality boutiques. As is the case with the soap-manufacturing employees, the women in the seamstress unit are guaranteed a salary equivalent to four hours of daily work for three to five working days a week.

The rural site of this land is very suitable for expanded production of lavender, and it represents a promising option if the market for lavender soaps and aromatherapy products were to grow in the future. Several hectares of land are still available, and the seven farming partners of the cooperative added new plants and new parcels of lavender in 2012. The farming area in the Rancho La Colorada has underground water available, and the drip irrigation system already in place could be extended to plots now fallow or used for products of lesser profit potential than lavender's. In addition, the weather in this part of the country, with plenty of sunshine, temperate climate, high elevation, and rains in the summer season, make it possible to have lavender flowers in bloom and harvested three times a year, roughly every four months. The expansion of the lavender crops – if the increase trend in demand

continues – is also possible through the leasing of idle parcels owned by other farmers from the La Colorada community who are not currently participating as investors/partners in the Azul Lavanda cooperative enterprise.

5. Governance and management of the Azul Lavanda cooperative

The supreme authority of the Azul Lavanda cooperative rests with the general assembly of its partner-members who must meet at least once a year, as required by law, to discuss and vote on the business matters and organisational plans and policies. The 13-partner¹⁴ general assembly delegates the day-to-day authority and responsibility for conducting the operations of the business to a management council of three members: a President, a Treasurer, and a Secretary. The President – a farmer himself – manages and controls the cooperative and periodically reports to the rest of the partner-members, employees and the main NGO benefactor. In addition to the required annual general assembly, meetings of the management council and the member-partners and employees of the cooperative are held every two weeks to discuss the status of the organization and democratically decide about procedures, policies, controls, plans, and other operational matters, all with the purpose of steering the organization on the right path of its mission and objectives. Thus, at the biweekly meetings of the cooperative's management council and its two dozen farmers and community members, such issues as dropping or adding a product line, temporarily re-allocating people to different tasks, selecting representatives to attend market country fairs, or using more of the arable land for lavender are discussed and decided upon by majority vote of those present. Based on these observed practices it is evident that the governance of the Azul Lavanda cooperative is definitely participatory

Since March of 2010 the president and manager of the cooperative has been one of the founding partners of the Azul Lavanda rural enterprise. Acting as general manager, this peasant oversees the operation of the three business units, maps long-term strategy, coordinates personnel and capital needs, and periodically reports on the status of

¹⁴ In February of 2011 two of the original partners decided to withdraw from the rural corporation, adjusting the number of cooperative member-partners to its current 13.

the business to the Azul Lavanda's partners and personnel and to St. Anthony's Alliance, the project's main sponsor.

Following the appointment of a general manager for the Lavender project and to help this manager, the directors of the St. Anthony's Alliance funded the services of a young professional from the USA who works as the on-site assistant/project manager and who oversees a variety of areas such as marketing, new product development, product distribution, personnel training, and management development. In addition to the on-site project coordinator, in August of 2010 St Anthony's Alliance hired two young Mexican business consultants to assess the progress of the project and to seek ways to make its operations more efficient, improve financial and management controls, and prepare recommendations that would make the Azul Lavanda cooperative a more profitable and self-sustainable enterprise. The work of these external consultants terminated in October 2011, when the start-up phase ended and the project prepared to consolidate operations, expand sales and seek to increase operating profits.¹⁵

6. Core business model

The Azul Lavanda cooperative presents a business model of a typical social enterprise with multiple objectives that seek both economic benefits for its business partners as well as social benefits for its cooperative constituents, employees, and for the local community. This rural cooperative processes agricultural products into value-added finished goods to generate more income for participating farmers, improve human capital, satisfy market needs of target customers, generate new jobs through expanded operations, and benefit the community with spillover effects created by the business venture. While the profits the cooperative seeks is essential and justifiable, it coexists with the other more altruistic and socially charged objective of providing employment opportunities to members of the village who would have less or no job alternatives otherwise. Providing the opportunity for people who live in traditionally poor and isolated rural towns to learn a new trade, to physically engage in making a new product, to attend market fairs and display their own creations, and to link with and reach the consumers of their products in cities and towns distant from their villages are all valid goals and outcomes for a social enterprise like the Azul Lavanda

¹⁵ Appendix C presents the Organisation chart of the Azul Lavanda rural cooperative for this start-up phase of its operations.

cooperative. In addition, the Azul Lavanda cooperative supports the provision of social services previously provided to the community by a now-defunct U.S.-based charitable organization.¹⁶ Examples of the social services are funding of the transportation of sick people from the community to city hospitals or clinics, partial or full coverage of prescribed medications not covered by the government-sponsored health insurance system, and free meals (as deemed necessary or requested) for the most indigent neighbors in the community.

In retrospect, the approach to a new business cooperative taken by the founders of the Azul Lavanda cooperative undertook was well measured and risk tempered. Their project represented an addition to rather than a substitution of the agricultural crops and products they were already cultivating in their fields. As they had space available to accommodate the lavender plants, they were able to try the new venture without necessarily jeopardizing their normal and experienced crops. In time, the actual switching from traditional subsistence products like corn and beans to lavender can take place as the lavender and its derived products are proven successful and financially more attractive.

7. External relations

The creation and development of the Azul Lavanda rural enterprise were made possible thanks to the continued actions and support of an array of actors and organizations, including NGOs, individual private benefactors, volunteers, leaders of civic-society organizations, government agencies, educational institutions, and pro-bono marketing or business consultants. From its inception, the lavender project at Rancho La Colorada was blessed by being geographically close to the colonial tourist city of San Miguel de Allende, for decades a bubbling, rich, intellectual and picturesque town that has been the chosen destination of hundreds of foreign expatriates, U.S. and Canadian retirees, artists and writers, and recurring snow-bird dwellers, all with a strong sense of altruistic and voluntary service commitment to helping improve the social and economic conditions of the less-fortunate Mexican families who live in the city or in the rural villages of the countryside near San Miguel.

¹⁶ This charitable organisation was called Esperanza de Joaquin and it was housed in the same community center that is now the headquarters of the Azul Lavanda cooperative.

Because neither the government sector nor the for-profit-only business corporations have been designed, prepared, or concerned with eradicating poverty and economic stagnation in the many urban and rural communities of the world, it is the role of the new social entrepreneurs and the community activists to create and nurture hybrid organizations that can be structured and operate to achieve the double bottom-line goals of sustainable profits and social benefits. However, the Lavender project demonstrates that it is very difficult for poor peasants of rural communities like those in Mexico to undertake the formation of socially charged business organizations on their own. As they lack start-up capital, have been accustomed to survival through hand-to-mouth subsistence agriculture, are normally isolated and far from the main markets, live in communities with limited communications and poor or nonexistent infrastructure, and have limited or no business skills and expertise, the intervention and unwavering support of altruistic and voluntary entities and agents is crucial.

In the case of the Lavanda Azul cooperative, it is also important to mention the financial support that the local and state governments have provided to the project through capital grants for investments in irrigations systems, distilling equipment, and warehouse and greenhouse facilities. Again, without these government grants the Lavender project could not have achieved its current status and be in a position to build up its future growth in the lavender products markets. Another government entity that contributed to the establishment of the lavender project is the Center for Business Incubators of the Technical State University in Dolores Hidalgo, the municipality to which the Rancho La Colorada belongs. Personnel from this academic unit assembled an initial business plan for the project and trained its manager in practical management and accounting subjects. But beyond all these government agencies and individual donors, the organization that has supported the lavender project from the very beginning is the St. Anthony's Alliance, the U.S. foundation that also keeps close ties with the U.S. expatriate community residing in San Miguel de Allende. This NGO not only has come up with funds to match government grants but has provided money to defray the cost of major repairs of machines for which the cooperative was simply not prepared. In reality, if not for the intervention and support of the St. Anthony's Alliance the Lavender project would not have reached its current stage of development. Moreover, the directors of the St. Anthony's Alliance requested a pledge from the management council of the Azul Lavanda cooperative to allocate a portion of business surpluses to the provision of the social services that were offered to the people of the Rancho La Colorada in the past by the Esperanza de Joaquin charitable organization.

8. Start-up and expand operational challenges

During the start-up phase that is now pretty much completed, sales of lavender soaps and cosmetics picked up and became the main thrust of the rural enterprise, while sales of seamstress products lagged behind expectations. The lavender farming unit continues supplying the lavender plant branches, flowers, and extracted oil for the other segments of the business. The volume of distilled oil yielded from the three hectares planted has not been enough for the volume of soap produced, and additional lavender oil has been imported from the U.S. As the lavender soap unit has carried the load of the business and operates at or close to full capacity, its sales revenues for 2012 have reached levels high enough to cover the guaranteed fixed salaries of its workers and those of the seamstress unit. Still, additional funding for carrying the operations of the Lavender cooperative through these initial years has come from annual fund-raising events and from direct contributions by St. Anthony's Alliance. Lacking equity capital for major capital investments or unexpected contingencies, the Azul Lavanda rural cooperative has relied on St. Anthony's Alliance as its major sponsor and savior. When the pump for the water well broke down and jeopardized the irrigation of the lavender fields at the end of 2008, St. Anthony's Alliance came forward with funds to remedy the situation. As mentioned earlier, the Azul Lavanda cooperative also has benefitted from capital grants provided by the municipality and the state governments, moneys that were applied to buy the distiller, install a drip irrigation system in the lavender fields, improve irrigation through underground water distribution piping, and to refurbish the working areas in the soap manufacturing and seamstress products units.

9. Economic assessment of the Lavender Soap Manufacturing unit

Still in its initial years of operations, the Azul Lavanda cooperative has been struggling to get a complete and clear picture of the finances for the whole business and its three business units. The organization lacks personnel versed in accounting, record keeping, account controls, and financial reporting, so from 2008 to 2010 the financial data con-

sisted of cash inflows (from sales, donations, grants, and partner contributions) and cash outflows (for expenses, capital investments, salaries of the cooperative employees, and supplies). A separation of revenues and expenses and traceability to the different units did not occur until 2011, thanks, in part, to the volunteer work of a local public accountant and the two external consultants brought in by St. Anthony's Alliance. At the end of 2011 there was finally a reliable measure of the significant expenses such as those of the guaranteed wages for the working women in the seamstress and the soap manufacturing units. Complete records of the operating expenses are crucial to undertake actions and decisions such as how much sales need to increase to generate a surplus, which units need to better control their operating costs, and how the various products and sizes can be better combined in an optimal mix that brings in the most profit.

As the preparation of lavender soaps and other aromatherapy products has taken the lead in the lavender cooperative, more attention has been focused on its revenue flow and its operating expenses. The classification of production costs for five of the essence soaps and four of their corresponding sizes has made it possible for management to analyze different scenarios of product and size mixes that could lead to improved profits. As the data in Appendix B show, the actual prices, variable costs and fixed expenses associated with the operation of the soap-manufacturing unit during its first five months of 2011 could be used to prepare an income statement of a typical month for that segment of the business. Based on this analysis, the soap unit of Azul Lavanda was not generating enough monthly sales revenue to be profitable. Though in the second half of 2011 the management of Azul Lavanda reported an increase in sales, the fixed salaries that this social enterprise assumes as guaranteed benefits to its employees make it imperative to expand the sales of the lavender products while seeking cost controls and improved efficiencies. In addition, while the soap-manufacturing unit is expanding sales and has surpassed the break-even point in 2012, the seamstress unit has lagged behind in its revenue projections and it represents a concern for management and the rest of the cooperative.

10. Impact analysis

The Lavender Project in the village of La Colorada was intended as a development project to give poor Mexican farmers the ability to feed, educate, and support their families while maintaining their cultural

and social identity. As is typical in these small and isolated agricultural communities in Mexico, the traditional subsistence farming activity practiced by the peasants in Rancho La Colorada was only marginally supporting the people in the community, and their farming practices were not environmentally sustainable because their use of flood irrigation severely depleted ground water. All these conditions unfavorably affected the overall health and well-being of the 900 inhabitants of this village.

Regarding economic benefits, although the project is still in its “initial years” stage, it is evident that it has already brought tangible and intangible benefits to the community. There are now four acres of lavender under cultivation, drip irrigation has been installed and is being expanded, a working warehouse and a greenhouse have been built to cultivate, store, and process the lavender plants from seedling to harvest, a distillation unit has been brought in for extracting lavender oil, the women’s soap group has matured into a reliable production unit, a women’s sewing group now makes products for sale with a lavender theme, and good market potential has been identified in San Miguel de Allende for the products made by the Lavender cooperative. Among other tangible benefits, the farmers and women of La Colorada who participate in this social enterprise have gained real income substantially beyond what they could have envisioned by selling their products at markets in San Miguel and other cities in Mexico. As the sales of soaps and aromatherapy cosmetics pick up, there are still challenges and opportunities to improve the products and operations of the other units of the cooperative.

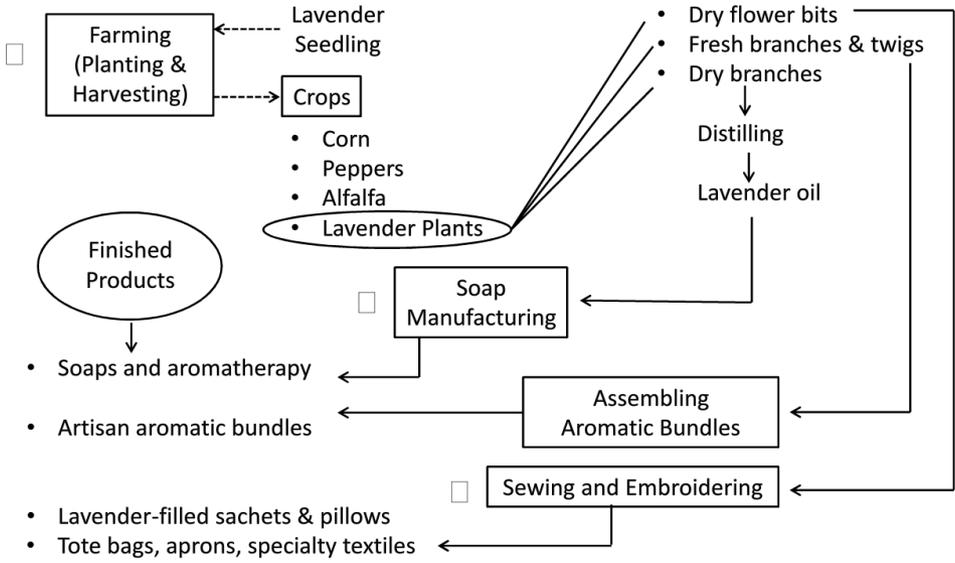
While the cooperative members and workers have earned self-esteem and recognition for their artisan work and skills, they are not yet prepared in the tasks necessary to manage a rapidly growing, potentially successful business. Thus, one more challenge and another reason exist to continue providing external support and volunteerism to these people and their project. As a final consideration, although it is true that the case of the Lavender project is unique due to the favorable geographic, environmental, and external circumstances that have contributed to its progress, one could still find other communities similar to Rancho La Colorada with people eager to learn and undertake Lavender-like projects in the future.

List of References

- Borzaga, C., Depedri, S. & Toria E. (2009) The Role of Cooperative and Social Enterprises: A Multifaceted Approach for an Economic Pluralism, Euricse Working Papers, N 000/09.*

- Cable, V.*, The Importance of Social Enterprise, address by United Kingdom Secretary of State on 30 March, 2011. Voice 11 Conference, London in <http://www.bis.gov.uk/news/speeches/vince-cable-social-enterprise-voice-11>
- Chell, E., Nicolopoulou, K. & Karatas-Ozhan, M.* (2010) Social Entrepreneurship and Enterprise: International and Innovation Perspectives. *Entrepreneurship & Regional Development*. (Vol. 22, No. 6, 485-493).
- Hanson, G.H.* Globalization, Labor Income and Poverty in Mexico, in *Globalization and Poverty*, Ann Harrison, Ed., University of Chicago Press, March 2007, pp. 417-452 <http://www.nber.org/chapters/c0107>
- Kasim, R. and Hudson, J.* (2006) FM as a Social Enterprise. *Facilities* (Vol. 24 No. 7/8 p. 292-299).
- Terrazas, A., Papademetriou, D.G., and Rosenblum, M.R.* (2011) Evolving Demographic and Human-Capital Trends in Mexico and Central America and Their Implications for Regional Migration, Migration Policy Institute, Woodrow Wilson International Center for Scholars (2011).
- The Department of Trade and Industry* (2002) *Social Enterprises: A Strategy for Success*, Department of Trade and Industry, London, UK www.dti.gov.uk
- The New York Times*, *Protesters Against Wall Street*. Editorial, October 9, 2011, SR10.
- Trivedi, C. & Stokols D.* (2011) Social Enterprises and Corporate Enterprises: Fundamental Differences and Defining Features. *The Journal of Entrepreneurship* 20(1) 1-32.
- United Nations Global Compact*. See <http://www.unglobalcompact.org>
- Zarsky L. and Gallagher, K.P.*, NAFTA, Foreign Direct Investment, and Sustainable Industrial Development in Mexico, American Program Policy Brief, January 28, 2004, pp. 1-4 <http://www.americaspolicy.org/briefs/2004/0401mexind.html>.

Appendix A: AZUL LAVANS – DIAGRAM OF OPERATIONS



Appendix B: Profitability Analysis - Soaps

Profitability Analysis -Soaps Products and groups	(a) Product code	(b) Unit Sales Jan - Apr 2012	(c) Revenue (=b*price)	(d) % of sales w/in group	(e) Var. cost per unit	(f) Contr. Marg /u (c) - (e)	% Contr. Margin (f)/price
135g Soaps							
Price: \$35.00							
(1) Stripped Lavender	JCL135	376	\$13,160.00	32.36%	\$10.90	\$24.10	68.86%
(2) Lavender w/ Flower Bits	JFL135	259	\$9,065.00	22.29%	\$10.83	\$24.17	69.06%
(3) Lemon & Honey	JALIM135	215	\$7,525.00	18.50%	\$12.62	\$22.38	63.93%
(4) Mint	JME135	164	\$5,740.00	14.11%	\$8.58	\$26.42	75.48%
(5) Chocolate Delice	JCH135	84	\$2,940.00	7.23%	\$8.49	\$26.51	75.74%
(6) Cinnamon	JCAN135	64	\$2,240.00	5.51%	\$8.14	\$26.86	76.74%
			\$40,670.00	100.00%			
80g Soaps							
Price: \$22.00							
(1) Stripped Lavender	JCL80	529	\$11,638.00	28.52%	\$6.58	\$15.42	70.08%
(2) Lavender w/ Flower Bits	JFL80	389	\$8,558.00	20.97%	\$6.54	\$15.46	70.28%
(3) Lemon & Honey	JALIM80	237	\$5,214.00	12.78%	\$7.60	\$14.40	65.44%
(4) Mint	JME80	218	\$4,796.00	11.75%	\$5.21	\$16.79	76.33%
(5) Chocolate Delice	JCH80	255	\$5,610.00	13.75%	\$5.15	\$16.85	76.57%
(6) Cinnamon	JCAN80	227	\$4,994.00	12.24%	\$4.95	\$17.05	77.52%
			\$40,810.00	100.00%			
30g Soaps							
Price: \$8.00							
(1) Stripped Lavender	JCL30	879	\$7,032.00	40.27%	\$2.66	\$5.34	66.81%
(2) Lavender w/ Flower Bits	JFL30	362	\$2,896.00	16.58%	\$2.64	\$5.36	67.01%
(3) Lemon & Honey	JALIM30	337	\$2,696.00	15.44%	\$3.04	\$4.96	62.02%
(4) Mint	JME30	235	\$1,880.00	10.77%	\$2.14	\$5.86	73.24%
(5) Chocolate Delice	JCH30	190	\$1,520.00	8.70%	\$2.12	\$5.88	73.50%
(6) Cinnamon	JCAN30	180	\$1,440.00	8.25%	\$2.04	\$5.96	74.47%
			\$17,464.00	100.00%			
Soap Balls - 80g							
Price: \$15.00							
(1) Stripped Lavender	BJCL80	430	\$6,450.00	40.57%	\$6.28	\$8.72	58.12%
(2) Lavender w/ Flower Bits	BJFL80	192	\$2,880.00	18.11%	\$6.24	\$8.76	58.41%
(3) Lemon & Honey	BJALIM80	186	\$2,790.00	17.55%	\$7.30	\$7.70	51.31%
(4) Mint *make a footnote	BJME80	48	\$720.00	4.53%	\$4.91	\$10.09	67.28%
(5) Chocolate Delice	BJCH80	120	\$1,800.00	11.32%	\$4.85	\$10.15	67.64%
(6) Cinnamon	BJCAN80	84	\$1,260.00	7.92%	\$4.65	\$10.35	69.02%
			\$15,900.00	100.00%			
30g Heart Soaps							
Price: \$15.00							
(1) Stripped Lavender	JCLCOR	697	\$10,455.00	36.82%	\$2.66	\$12.34	82.30%
(2) Lavender w/ Flower Bits	JFLCOR	289	\$4,335.00	15.27%	\$2.64	\$12.36	82.40%
(3) Lemon & Honey	JALIMCOR	283	\$4,245.00	14.95%	\$3.04	\$11.96	79.74%
(4) Mint	JMECOR	191	\$2,865.00	10.09%	\$2.14	\$12.86	85.73%
(5) Chocolate Delice	JCHCOR	200	\$3,000.00	10.57%	\$2.12	\$12.88	85.87%
(6) Cinnamon	JCANCOR	233	\$3,495.00	12.31%	\$2.04	\$12.96	86.38%
			\$28,395.00	100.00%			
20g Square Soap							
Price: \$7.50							
(1) Stripped Lavender	JCLR	70	\$525.00	18.67%	\$1.87	\$5.63	75.06%
(2) Lavender w/ Flower Bits	JFLR	62	\$465.00	16.53%	\$1.86	\$5.64	75.21%
(3) Lemon & Honey	JALIMR	66	\$495.00	17.60%	\$2.13	\$5.37	71.66%
(4) Mint	JMER	63	\$472.50	16.80%	\$1.53	\$5.97	79.64%
(5) Chocolate Delice	JCHR	51	\$382.50	13.60%	\$1.51	\$5.99	79.82%
(6) Cinnamon	JCANR	63	\$472.50	16.80%	\$1.46	\$6.04	80.51%
			\$2,812.50	100.00%			

Summary of Sales Revenues - January to April, 2012

Groups	Sales	Group sales as percent of Total
135g Soaps	\$40,670.00	27.85%
80g Soaps	40,810.00	27.94%
30g Soaps	17,464.00	11.96%
Soap Balls - 80g	15,900.00	10.89%
30g Heart Soaps	28,395.00	19.44%
20g Square Soap	2,812.50	1.93%
Total sales Jan-Apr. 2012:	\$146,051.50	100.00%

App. C --Profitability analysis Product	(a) % of Group Revenue	(b) Unit Contr. Margin as %	(c) Weighted Avg. Contr. Margin
135g Soaps	\$40,670 (total rev)	\$35 (price)	(a) x (b)
(1) Stripped Lavender	32.36%	68.86%	0.22281
(2) Lavender w/ Flower Bits	22.29%	69.06%	0.15392
(3) Lemon & Honey	18.50%	63.94%	0.11831
(4) Mint	14.11%	75.49%	0.10654
(5) Chocolate Delice	7.23%	75.74%	0.05475
(6) Cinnamon	5.51%	76.74%	0.04227
	100.00%		0.69860

80g Soaps	\$40,810 (total rev)	\$22 (price)	(a) x (b)
(1) Stripped Lavender	28.52%	70.09%	0.19988
(2) Lavender w/ Flower Bits	20.97%	70.27%	0.14736
(3) Lemon & Honey	12.78%	65.45%	0.08363
(4) Mint	11.75%	76.32%	0.08969
(5) Chocolate Delice	13.75%	76.59%	0.10529
(6) Cinnamon	12.24%	77.50%	0.09484
	100.00%		0.72069

30g Soaps	\$17,464 (total rev)	\$8 (price)	(a) x (b)
(1) Stripped Lavender	40.27%	66.75%	0.26877
(2) Lavender w/ Flower Bits	16.58%	67.00%	0.11110
(3) Lemon & Honey	15.44%	62.00%	0.09571
(4) Mint	10.77%	73.25%	0.07885
(5) Chocolate Delice	8.70%	73.50%	0.06397
(6) Cinnamon	8.25%	74.50%	0.06143
	100.00%		0.67984

Soap Balls - 80g	\$15,900 (total rev)	\$15 (price)	(a) x (b)
(1) Stripped Lavender	40.57%	58.13%	0.23582
(2) Lavender w/ Flower Bits	18.11%	58.40%	0.10578
(3) Lemon & Honey	17.55%	51.33%	0.09008
(4) Mint *make a footnote	4.53%	67.27%	0.03046
(5) Chocolate Delice	11.32%	67.67%	0.07660
(6) Cinnamon	7.92%	69.00%	0.05468
	100.00%		0.59342

Product	(a) % of Group Revenue	(b) Unit Contr. Margin as %	(c) Weighted Avg. Contr. Margin
30g Heart Soaps	\$28,395 (total rev)	\$15 (price)	(a) x (b)
(1) Stripped Lavender	36.82%	82.27%	0.30290
(2) Lavender w/ Flower Bits	15.27%	82.40%	0.12580
(3) Lemon & Honey	14.95%	79.73%	0.11920
(4) Mint	10.09%	85.73%	0.08650
(5) Chocolate Delice	10.57%	85.87%	0.09072
(6) Cinnamon	12.31%	86.40%	0.10635
	100.00%		0.83147

20g Square Soap	\$2,812.50 (total rev)	\$7.50 (price)	(a) x (b)
(1) Stripped Lavender	18.67%	75.07%	0.14012
(2) Lavender w/ Flower Bits	16.53%	75.20%	0.12433
(3) Lemon & Honey	17.60%	71.60%	0.12602
(4) Mint	16.80%	79.60%	0.13373
(5) Chocolate Delice	13.60%	79.87%	0.10862
(6) Cinnamon	16.80%	80.53%	0.13530
	100.00%		0.76811

Total sales Rev: \$146,051.50

DETERMINATION OF CONTRIBUTION MARGIN FOR ALL SALES MIX					
Groups	Contr. Margin for each Group		Group sales as percent of total		Weighted Avg. Contr. Margin
135g Soaps	69.86%	x	27.85%	=	19.45%
80g Soaps	72.07%	x	27.94%	=	20.14%
30g Soaps	67.98%	x	11.96%	=	8.13%
Soap Balls	59.34%	x	10.89%	=	6.46%
30g Heart Soaps	83.15%	x	19.44%	=	16.17%
20g Square Soap	76.81%	x	1.93%	=	1.48%
			100.00%		

Weighted Average Contr. Margin for all Sales Mix: **0.7182503**

BREAKEVEN CALCULATION					
Note: Sales at Break-even point is when contribution margin from sales = Fixed costs. The point where Profits = \$0 After calculating the contribution margin for the mix one needs to find the sales to break-even, as follows:					
0.7182503	x	Sales Mix	=	FC	
0.7182503	x	Sales Mix	=	\$8,130	
		Sales Mix	=	\$11,319.17	Monthly sales to Break Even

Total \$\$ Sales to Break-Even	Allocation of Sales to the 6 groups as per the sales mix:	
\$11,319.17	Product	B/E in Units of soaps
	(1) 135g Soaps	\$3,151.98 90.06 per month
	(2) 80g Soaps	\$3,162.83 143.76 per month
	(3) 30g Soaps	\$1,353.48 169.19 per month
	(4) Soap Balls	\$1,232.27 82.15 per month
	(5) 30g Heart	\$2,200.65 146.71 per month
	(6) 20g Square	\$217.97 29.06 per month

Required **monthly** sales to break even -->

\$11,319.17

Additional analysis -- Comparing the monthly sales at the BE Point to the average monthly sales for Jan-April of 2012:

(a) Total sales for Jan to April, 2012:	\$146,051.50
(b) Average monthly sales of soaps:	\$36,512.88
(c) Required monthly sales to break-even:	\$11,319.17
(d) Margin of Safety in monthly sales (b) -(c)	\$25,193.70

Appendix C – Azul Lavanda – May 2012

Profitability Analysis of the Soap Manufacturing Unit

Background information

The following analysis was based on financial information available from electronic files dating back to October 2011 and prepared by *Paulina Bonilla*, a hired external consultant who collected and assembled this information. Thus, the formulas and ingredients for the various soaps produced were those prepared and documented by *Paulina*. Likewise, the costs for the different ingredients (cinnamon oil, castor oil, lavender oil, etc.) needed for the making of those soaps came from records of October 2011. No adjustments were made to the unit costs of ingredients under the assumption that they were still valid for the first four months of 2012, which is the period that was used for the analysis. In particular, the cost of \$0.92 per millilitre of lavender oil represented the price of imported oil, which is the main type of lavender oil used in

the production of soaps. In addition, the analysis used updated information about sales revenues and their mix composition experienced during the first four months (January to April) of 2012. Prices for the various soap products were those in effect for the first months of 2012.

For the determination of the break-even point of the soap-manufacturing segment, the sales mix composition observed from January to April of 2012 was assumed to remain the same for the rest of the current year. The fixed costs used in the computations were only those directly associated, traceable to, and identifiable with the soap-manufacturing unit. Consequently, other costs like paper, stationary, use of the copy machine, salary of the general manager, etc., which are not directly related to the making of soaps, were left out and should be classified as general sales and administrative expenses and allocable to the general Azul Lavanda corporation. The list and amounts of fixed costs traceable to the soap-manufacturing unit are the following:

Depreciation of tools and utensils, per month	
Note: The useful life of these assets that represent small tools and equipment is estimated to be four years.	
	\$ 575
- Monthly wages for five employees and one supervisor, assuming a full capacity of four hours per day and five days of work.	
	7,500
Paper bags for bagging the products sold to Customers at a monthly usage estimate	
	55
Total fixed costs per month identifiable with soaps:	\$8,130

The profitability analysis was made for six of the main soap product groups, which represent the bulk of revenues and operations of the soap-manufacturing unit. There are other incidental products that are currently made and sold to customers if they sell a minimum of 50 pieces. The revenues from less-significant products represent additional sales which, though not material, can also contribute to additional revenues and profits for this unit.

Break Even Explanation

- * The first page of the spreadsheet is simple; however some calculations on the second page need explanation. To reach the break even numbers at the bottom of the page, there are three important steps.

1. Calculate the contribution margin for each product, then sum up the contribution margins of the products within a group.

- Calculate the contribution margin for each product by multiplying the product’s revenue as a percent of the total group’s revenue by the unit contribution margin as a percent. The unit contribution margin for each product is its sales price minus its variable costs. All of these numbers can be taken from page one of the spreadsheet.
- The weighted average contribution margin for each soap product group is the summation of the contribution margins (weighted by their respective proportion on the group Sales) of each of its products.

2. Calculate the group revenue as a percentage of total revenue.

- The total revenue is equal to \$146,051.50.
- The group revenue is the sum of the revenue of each of its products.
- Divide each group’s revenue by \$146,051.50 to obtain the group revenue as a percentage of the total sales revenue.

3. Multiply the results of steps one and two together for each group.

- For each of the six groups, multiply the contribution margin of the group by the group revenue as a percentage of total revenue to obtain the weighted average contribution margin for the group.
- Add the weighted average contribution margins for the six groups together to reach the weighted average contribution margin for all sales mix. In this case, the number is 0.7182503

4. Calculate the breakeven point.

- The formula is: Dollar Sales to Break Even = (Fixed Expenses)/(CM Ratio)

Weighted Average CM	*	Sales Mix	=	Fixed Costs
---------------------	---	-----------	---	-------------

0.7182503	*	Sales Mix	=	\$8,130
-----------	---	-----------	---	---------

- In solving for the Sales Mix, we find that \$11,319.17 total sales are needed to break even. At the break-even point, there is a level of sales where the profit is zero and losses are not incurred.

- To find the break even in dollars for each group in the total sales mix, multiply \$11,319.17 by the group revenues as a percentage of total sales.
- To find the break even in units for each group, divide the break even in dollars for each group by the respective price of each product group. This will give you the break even in units for each group.

5. Calculate the margin of safety.

- Calculate the average monthly sale of soaps by dividing the total revenue of \$146,051.50 of January to April by 4. This is equal to \$36,512.88.
- Next subtract the sales required to break even. The calculation is \$36,512.88 less \$11,319.17 = \$25,193.70.
- Therefore the margin of safety is equal to \$25,193.70. By definition, margin of safety is the excess of budgeted (or actual) sales dollars over the break-even point of sales dollars. It is the amount by which sales can drop before losses are incurred. The higher the margin of safety, the lower the risk of not breaking even and incurring a loss.

Organizational Sustainability – The Case of Handcrafts Micro-Business in Southern San Sebastian, Jalisco, México

José G. Vargas-Hernández

Abstract

This paper analyses sustainability and efficiency of organizations principally involved in exploitation of *tule* *Thypha spp* on Zapotlán's Lake taking into consideration their socioeconomic and environmental impact on the municipalities of Gómez Farías and Zapotlán el Grande. The initial hypothesis departs from the consideration scarce social capital of organizations limits development sustainability. The research method employed is the ethnographic, complemented with field work supported by informal interviews, documental and bibliographic research. The hypothesis is proved empirically and confirms similar research findings in the field of the mainstream theory of social capital and its implications on economic development. The outcomes of the application demonstrate that the drama of economic efficiency and sustainable development of micro-business is tied to constraints of social capital. This finding has implications for the design and implementation of economic and social policies oriented towards the improvement of economic growth and sustainable development.

Keywords – Economic efficiency, organizational social capital, organizational sustainability.

JEL: D20, L200, L230, 0100, 0120, 0130, Q010, Q500, Q560, Q570, R300, Z100

1. Introduction

In present times of globalization life conditions and perspectives for the new generation are components of competitiveness. What constitutes globalization is the interaction that changes the scenarios for individuals, organizations and society, who are constantly hounded by contradictory forces and uncertainties. The appropriate use of natural resources can meet present and future needs, provided that current practices will be changed. Economic rationality's logic drives the functioning of organizations and has as a lead the maximization of the return on investment. If the exploitation of natural resources yields greater benefit than taking care of them, they are sacrificed. Thus, the immediate economic profit is the current enemy of the environment. The ecological proposal in organizations widens the model of interactions which can integrate the environmental paradigm in the organizational system. The sustainability of organizations is affected by the combination of ambiguous environmental economic policies, the abrupt adoption of production technologies and market practices. Sustainability in business organizations as an implementation strategy of process re-engineering and the adoption of production technologies is oriented toward avoiding waste materials, recycling trash and eliminating toxics.

Lacking acceptance of the role business organizations play in sustainability influences the global debate questioning real causes of pollution which poses safeguards to organizations and justify poverty as the main cause generating environmental degradation. It also suggests as a consequence of deterioration the inadequate economic policies that allow less friendly business actions with the environment. This paper sets the objective to determine the role of the organizational sustainability for the environmental and economic development of cutting treatment and exploitation of the grass called *tule thypa spp* from Zapotlán Lake. Similarly, the paper analyses potentialities and economic benefits from the marketing of handcraft, made of *tule* and *palmilla* (a kind of palm) in the international markets. To achieve these objectives, it is referred to a conceptual, theoretical, methodological and contextual reference framework to analyse the case of art craft micro enterprises processing *tule* in the locality of Southern San Sebastian, following the design of a traditional research beginning with the hypothesis formulation. Finally, the results are analysed and recommendations are formulated.

2. Organizational sustainability and organizational social capital

A sustainable organization integrates the ecological vision and the institutional theories in organizational systemic values. The acquisition of a common sense in the production of goods and services is utilized as a stronghold to promote the eco-efficiency as a friendly culture of organizations with their environments to achieve emission reductions and rational exploitation of natural resources. The environmental variable in organizational culture is inserted as a rational interpretation of the functioning for the environmental protection, reducing insecurity and social pressure. Environmental protection is a technical variable composed by other environmental values such as promotion of environmental caring, environmental risk control, adequate relationship between organizations, and integration of working groups, orientation and permanent staffing on sustainability. In addition, economic instruments tie sustainable development to micro and small business enterprises. Instruments such as governmental policies, low market tariffs to reduce costs, promotion and incentives for employment, detection of opportunity areas, etc. are required. Also, it is convenient to have the diagnostic of adaptable enterprises to sustainability because not all of the micro and small business enterprises are capable to form an environmental internal culture. From the point of view of general theory of organizations, according to studies on social capital by *Baker* (2000) and *Burt* (1997) (cited by *Portes*, 1999:247) it is necessary to gain a greater insight, comprehension and understanding of market competitiveness mechanisms. Similarly, *Joyce* (1998) focuses his analysis of social capital on the leadership phenomena. Either the organization or each one of its members can be incorporated as public and private issues into the social capital. Thus, from social capital emerge two patterns, the emphasis on public goods and the emphasis on private goods.

Leana y Van Buren III (1999) defines organizational social capital as a resource which reflects the character of social relations within the organization, achieved through the levels of members' orientation by collective objectives and shared trust. Social capital is a collective attribute more than aggregation of individual social connections. It is a by-product of other organizational activities and thus it constitutes indispensable component for collective action. Social organizational capital is an asset whose joint possession between members and the organization benefits both. A new organization has the advantage to create its own organizational social capital in such a way that can maintain optimum equilibrium between stakeholders, individual and other organizational interests in spite of their contingent nature. That

is to say, different situations and persons in their relation to organizational performance. A community accounts on social organizational capital when their organizations are characterized by relationships of trust that develop and make predictable their behaviour. The capacity of a community is reflected in its level of endogenous development.

The organizations are concrete reality with resources' rules and ordinances for the pursuit of objectives. Members of an organization have as expectations to solve problems of collective action to get supply of some goods and services. Organizations that follow general strategies and the ones that follow strategies of niches occupy different environmental resources to produce innovative responses that form inter-dependent connections with other specialized organizations in other industries such as structures of community support. Processes of economic structural change in a local economy require profound changes in trust levels and inter-relationships of cooperation fomented by arrangements of institutions and organizations. Thus, local government must define action lines which function as a catalytic converter of the community efforts.

Finally, population ecologists suggest that the environment selects the organizations which structural features provide the highest values for adjustment, emphasizing the competitive process as a driver of institutional change. Besides, population ecology suggests that organizations founded in a specific organizational form, combined with differences on the surviving rates between organizations with different organizational forms, produce institutional change.

3. The case of micro and small business enterprises involved in the exploitation of *Tule Typha SPP* from the Lake Zapotlán

3.1 Background of the problem

Similarly to the great majority of aquatic bodies localized in closed basins of Mexican national territory, Zapotlán Lake is the natural receptacle, dump and outlet where converge the sewage, trash and black waters from the human settlements of Cd. Guzmán and San Sebastián del Sur (Southern San Sebastián).

The presence of these natural elements forms a nutrients blend that facilitates the growth and development of an abundant aquatic mix which has covered almost the surface of the lake and has extended beyond its shores. This environmental change has a strong impact on this socio-economic development in San Sebastián del Sur in the municipality of Gomez Farías, and to a lesser extent to the settlements of Cd. Guzmán in the municipality of Zapotlán el Grande, despite the higher levels of pollution in which it is actually found

Deterioration of this lake-body has achieved alarming levels as a consequence of the increasing population and its corresponding enlarging urbanization processes, industrial, farming and agricultural activities. Specifically, one of the natural resources offered by the lake of Zapotlán, the aquatic *tule typha spp* has been benefiting the settlers and inhabitants of San Sebastián del Sur mainly for its exploitation through the crafting of several products and handicrafts. Thus, the exploitation of *tule* and the elaboration of handicrafts create direct employments and constitute the income base for around 300 families or roughly one thousand and five hundred individuals make a living out of these activities in the municipality of Gomez Farías. However, more are the benefits obtained from *tule* chubby and plump those other kinds, followed by the one known as *palmilla* (palm). In its natural habitat, the *palmilla tule* harms *tule* chubby's growing and development. This problem, among others, derived from environmental degradation, transforms the nature of Zapotlán's lake, limits the economic activities related to the extraction of *tule*. If this tendency is going to continue in the future, an important employment's source for living sustainability of the inhabitants in San Sebastian del Sur will disappear. To aggravate this problem, The Pan-American Olympic Games has chosen Zapotlán's Lake as the location where the aquatic games have taken place in 2011. For that reason, the lake is undergoing a profound transformation which implies the clearance and cleaning of the lake's mirror from any type of grass and bush, including the cutting off and taking out of *tule*. Other factors restraining the environmental and economic sustainability of the economic activities related to the exploitation of *tule* are the following:

- Lack of strategy for a sustainable exploitation of *tule* as a natural resource.
- Lack of organizational interaction between the cutters of *tule* and the handicrafts.
- Weak infrastructure for the development of a more advanced hand-crafted production.
- Excessive interest of hoarders and middlemen in the commercialization and distribution of the products.

- Lack of governmental supported mechanisms for fostering and developing economic activities such as subsidized loans, training and technical assistance.
- Insufficient knowledge of techniques to introduce products made of *tule* to the international markets where there is a great acceptance for them.

Until now, hand-crafted products derived from *tule* as the main raw material, are with a strong artistic content and high degree of acceptance in the local, regional, national and international markets due to the strong presence of a Mexican culture from pre-colonial times. In order to tap the regional market, a group of 42 craftsmen organized the Association of Craftsmen (Asociación de Artesanos). In the early nineties it initiated the construction of the "House of Craftsmen" to operate as an outlet for selling their products. The association still operates, having only six members, being on bad odds with each other. The building and the belonging infrastructure have been divided among them and adopted to their own businesses. Most of the craftsmen deliver their production to middlemen who always perform as hoarders, being a link in the distribution channel and contributing to the commercialization of the hand-crafted products in the local, regional and national markets and incipiently in the international markets. These middlemen are the ones who hold the greater percentage of profits. Similarly, by the same token, production is oriented to meet the fundamental needs and wishes of our own local, regional and national markets. Because it is a captive and non competitive market, Craftsmen do not put emphasis on product design and product development not least because of the non competitive markets. The crafted products implicitly have higher craftsmanship content in order to meet a more sophisticated demand of international markets which value and appreciate the artistic sensibility and good taste of skilful craftsmen. These craftsmen work *tule* as a raw material for the creation of handcrafts. The exploitation of *tule* from Zapotlán's lake has followed irrational patterns which affect not only the environmental sustainability and equilibrium, but also has a negative impact on the family income and employment. The rehabilitation of the Lake requires a more rational exploitation of *tule*, in such a way that does not affect the environmental sustainability and the economic activity derived and the treatment of *tule*, while on the other hand, also it is required to improve the family income who work *tule* and inclusive to generate new employments.

3.2 Delimitation of the problem

Zapotlán's Lake has been consciously subjugated to environmental degradation by the inhabitants of the municipalities of Zapotlán el Grande y Gómez Farías. This situation together with the over exploitation of tule are the two main factors contributing to limited sustainability of the economic activity and derived benefits of cultivation, treatment and elaboration of tule handcrafts. There are other factors that limit the sustainable development. Thus, job creation and income increase for around three hundred families highly dependent on economic activity are found seriously threatened given the current development trend. In the last few years, the selling of tule crafted goods has been favored. However, the industry still faces certain problems, among which we can mention:

- Incremented costs of raw materials (wood and tule)
- Considerable increase of the number of craftsmen in the region
- Bad reduction of hand-crafted products
- Low and slow commercialization of hand-crafted products
- Insufficient support for the promotion of the hand-crafted products.

This paper is the result of a research trying to answer the following questions: What is the sustainability of the economic efficiency and environmental development of the activities and expected benefits of *tule*'s cultivation and exploitation in Zapotlán's Lake for almost three hundred families, whose income is depending on these activities, given the dysfunctional environmental conditions in which they are actually found? What are the potentials and economic benefits derived from introducing in the international markets the hand-crafted products based on *tule* from Zapotlán's Lake as the main raw material?

3.3 Objectives

- To determine the level of organizational sustainability taking into accounts the economic and environmental development out of *tule*'s cutting, treatment and exploitation activities at Zapotlán's Lake.
- To analyse potentialities and economic benefits derived from a marketing of hand-crafted products made of *tule* and *palmilla* from Zapotlán's Lake.

3.4 Hypothesis

Organizational sustainability in the making of handcraft goods of tule from Zapotlan's Lake as main raw material contributes to an increase of family income, economic benefits for workers and job creation

3.5 Handcrafts in San Sebastian Del Sur

In the last decades, the main sources of income in San Sebastian del Sur, located in the municipality of Gómez Farías, have been agriculture, livestock, fishery and handcrafts production. The handcrafts are made from different materials that are taken from natural resources abundant in the region Southern Jalisco. Inhabitants from San Sebastian del Sur take advantage of the benefits provided by what it is known as Zapotlán's Lake that offers means of sustenance from several economic activities that are done there. Among these economic activities, commercial fishery and *tule* extraction stand out. The latter has enabled the production of large quantity of handcrafts, which has become the main source of income for families and inhabitants for several years.

3.6 Main goods and handcrafts made of tule

Among the handcrafts and goods made of *tule* in the locality of San Sebastian del Sur, are chairs, curtains, armchairs, easy chairs, different types of containers for different purposes, such as the tortillas' containers, tables, blowers, bedrolls and matting (petates), baskets, etc. *Tule* is a raw material extracted from Zapotlán's Lake where it grows spontaneously and wildly. This natural resource is recollected by the inhabitants of the municipality of Gómez Farías, who don't need to obtain a permission from the, municipal authorities to cut *tule*, to dry it and to sell it.

4. Research methods

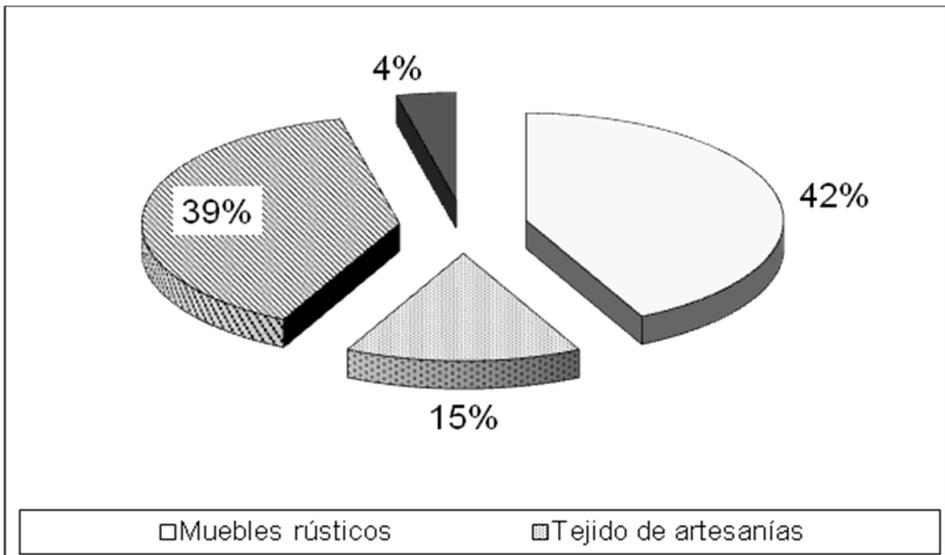
A study was conducted to analyse the economic and social development of handcrafts who carry on productive activities using tule as a raw material in the making of handcrafts at the locality of San Sebastian del Sur, in the municipality of Gomez Farías, Jalisco. Data was obtained by means of a random survey based on the list of registered

handcrafts. This was done with the purpose of obtaining information about various economic and social aspects of the producers. The number of surveyed persons was 33, and the number of workshops visited also 33. The handcrafts were divided in 4 groups: manufacturing of rustic furniture 9 persons, hand-woven furniture and handcrafts - 7 persons, manufacturing of matting and bedrolls - 15 persons and cutters of *tule* - 2 persons.

5. Analysis of results

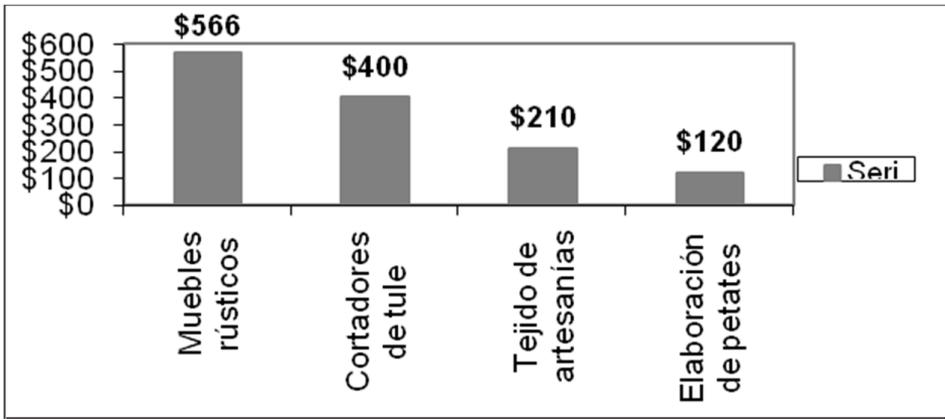
The percentage of families dependent on *tule* related activities according to the survey results in the locality of San Sebastián del Sur is showed in Figure. 1:

Figure 1: Percentage of Families Depending of *Tule* Related Activities



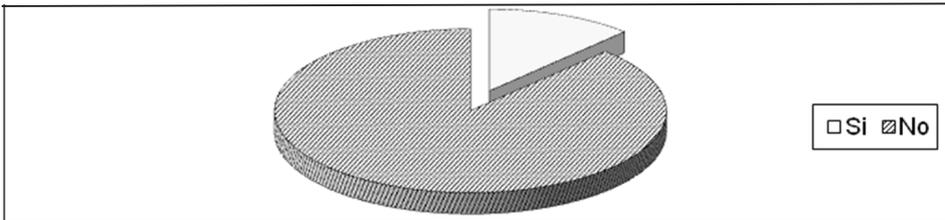
The information about the average weekly pay per worker in different *tule* related activities in the location of San Sebastian was obtained by observations in the field (Figure 2):

Figure 2: Average Weekly pay per Worker



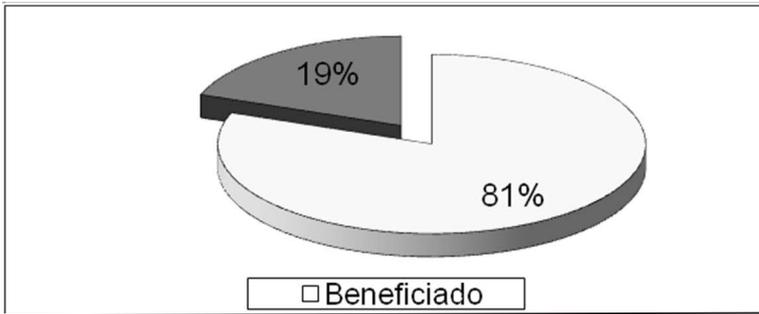
According to the conducted study in the locality of San Sebastian, the percentage of craftsmen affiliated to associations and organizations was the following:

Figure 3: Percentage of Craftsmen Affiliated to any Organization or Association



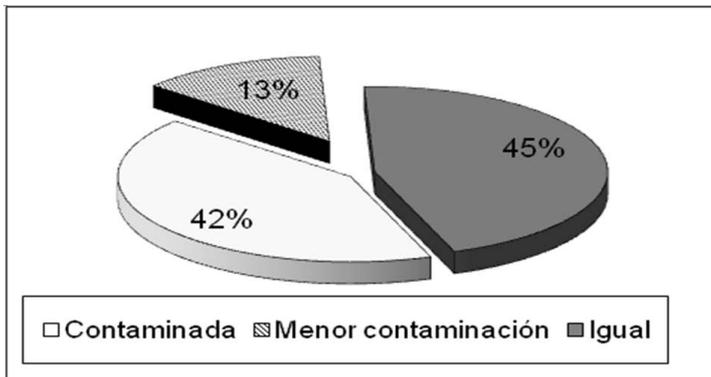
94 percent of the craftsmen in the location of San Sebastian do not receive any type of support from any institution or dependence, while a small number of workers sustained not receiving economic support and promotion for their products and goods mainly from state and municipal institutions. 81 per cent of the surveyed persons are of the opinion that the market has been benefited in the last years due to higher demand for their products and goods. Only 19% perceived that has been affected selling their products.

Figure 4: Opinion of the Persons surveyed on the Development of the Market for their Products



45 per cent of responds are sure that the pollution has increased, 42 per cent do not see any change and only 13 per cent perceive less pollution in Zapotlan's Lake.

Figure 5: Perceptions of Surveyed Persons on Pollution at Zapotlan's Lake



6. Discussion and comments on organizational sustainability based on the research results

The presence of bundles of *tule* covering around one third of the surface of Zapotlán's Lake (Universidad de Guadalajara, 1995) is important for the nesting, refuge and protection of several species of fishes such as tilapia and carps but also of birds. *Tule* is an important food for them due to the high concentration of organic matter. Some species beginning from the organic material which becomes detached from the roots, It also regulates the water temperature, thus the temperature of the environment. In the months following November, the plant is affected by groups of birds known as zanates who build their nest to sleep and to protect against the bundles of *tule* that the same birds break down. The biggest problem is that the proper bundles of *tule palmilla* (tule palm) used for weaving chairs are flouting and invading the chubby *tule* used for matting and bedrolls, thus impeding the normal growth. Therefore, the bundles of *tule* need cleaning because the *tule palmilla* damages the chubby *tule*. This problem has a solution. If there are extracted the bundles of *tule palmilla* that walk soils when the level of water goes up and cover the chubby *tule*.

The cutters claim that, among other problems, they do not count on the support and back up of any governmental or other institution granting permissions for tule cutting and exploitation. The cutters claim that they haven't any access to loans needed for capital investments in order to increase the productivity. For example, insufficient purchase of production means such as cutters and motorboats to facilitate cutting of *tule* as well as the lack of investments to adopt patios and country yards) adjacent to Zapotlan's Lake, make the tule exploitation difficult. Similarly, there is lack of support to facilitate the drying of the cut tule. This situation always raises problems when tule is green. When tule is spread out and laid out in a country yard or patio for the processing of drying, which lasts from 3 to 4 days. There are some spells, mainly during the period of ebb tide in which tule is dried without being cutted, stating a little bit green. However, ecologically and environmentally these processes have some serious consequences which affect the local economics and environment.

Cultivation and exploitation of *tule* constitute an important economic activity, mainly for the community of San Sebastian del Sur because it's the main source of income for around three hundred families. About 80 families are involved in cutting, drying and transportation of *tule*, another 140 families handcraft production of goods made of both va-

rieties of *tule*, the *palmilla tule* and the chubby *tule*. Out of latter 140 families, 120 claim themselves as handcrafters of matting and bedrolls (petateros).

Around half of the 55 handcrafts registered in the Trade and Commercial Association have their own workshops, while the other half work only in assembling due to a lack of needed tools. For around 70 families the source of income is intermediation, hoarding, stockpiling and commercialization activities of products derived from *tule*. The cutters of *tule* dry the raw material and make even up to two bunches a day. The two bunches are sold at an average price of 75-80 pesos each, making 150-160 pesos per day. Regularly, this sale represents the daily family income of around 13 USA dollars. *Tule palmilla* used for the manufacturing of chairs is sold to intermediaries; most of them are owners of small stores who stockpile it. *Tule* chubby is sold to the craftsmen at a lower price to be used in the manufacturing of matting and bedrolls (petites or petateros).

The most people involved in cutting of *tule* are permanently employed, running their business inherited from antecedent generations. According to the conducted field research, due to the ongoing changes taking place on Zapotlán's Lake, the number of cutters has been decreasing. In former years, they formed a group, a formal association. Nowadays some of the cutters are temporary workers until they succeed to find better paid jobs.

The craftsmen produce different goods of *tule*, such as matting, bedrolls, hats, chiquihuites (containers in form of wide baskets), shadows, traditional chairs, high chairs, seamstresses, etc. A bunch or bundle of *tule* is sold at a price of 30 pesos each (an equivalent of two USA dollars and 40 cents), seven matting at the price of 210 pesos (almost 17 USA dollars) with an original investment averaging 80 pesos. A bunch of *tule* is formed of 5 or 6 big hands (manotadas) of *tule*. The price of one big hand is approximately 20 pesos. One big hand is the material needed for the manufacturing of one chair which is sold at a price of 50 pesos to the intermediary or middleman. The cost of materials for one chair also include a wood branch of pine which costs up to 15 pesos (several years ago it costed only 1.50 pesos). A workshop with five permanently employed craftsmen produce up to 70 chairs per week which are sold to the intermediaries and middlemen at an average price of 70 pesos.

Higher prices can be achieved during negotiations with intermediaries and middlemen. Many cutters supply raw material to their own families who are involved in crafting of hand-crafted products, thus increasing the benefits and adding value. In other cases, the sales revenue is equally divided between the cutters and the handcrafts ("medieros")

Nowadays, the association of the handcrafts of *tule* in San Sebastian del Sur amounts to 55 members. It was established by 42 partners 16

years ago with the objective to build a craftsman's house (Casa Del Artesano) as a point of sale. Federal, state and municipal governments donations construction materials, while the partners contributed with voluntary work. However, only six partners contributed with voluntary work. Nowadays they are the people who exhibit and sell their hand-crafted products on their own at the craftsman's house. The craftsman's house is located by the side e of the Federal Highway Guadalajara-Cd. Guzman, in an adjacent location to the Municipal Cemetery. The former leader of the Association owns the estate. Initially the plot of land was made available by the Municipal Government of *Gomez Farías* for the construction of the craftsman's house. However, lately it turned out that the land is owner-less according to the Public Register of Ownership.

Nowadays, the ownership issue is the "apple of discord" and the cause of several conflicts. One of the former municipal officials tries to support a group of craftsmen who want to exhibit and sell their products at the craftsman's house by sending official letters to the Public Notary requesting a change in ownership regime and claiming that it is municipals ownership. Approximately a half of the 55 registered members have their own workshops, and the rest sell or "maquila" their working power. The latter do not have their own equipment, tools and facilities to establish their own workshop.

According to our research, the interviewed people have reported that the sales have been declining. Today they sell less than 10 years ago. The middlemen and intermediaries are who benefit from the commercialization of the hand-crafted products. There are at least two intermediaries between producers and end consumers. The intermediaries work predominately the national markets and export small volumes of hand-crafted products to the United States, Canada, Puerto Rico, England and Japan. The terrorist attacks on September 11, 2001 entailed reduction of the orders. Some of the problems that the craftsmen face are related to the lack of training programs, aimed at preservation and development of hand-crafter techniques, of access to loans for investments in capital goods, of staff education and support for tapping the international markets. Solving of these problems could improve the living standard of more than 300 families in San Sebastián del Sur, Jalisco.

7. Conclusions

The exploitation of tule represents an economic activity that provides income to approximately three hundred families living at the settlement of San Sebastian del Sur. Nevertheless, in the last few years the income has been decreasing due to the environmental changes and to the rehabilitation of Zapotlan's Lake to host the Pan-American Games in 2011. Both, the environmental changes and rehabilitation of the lake represent a serious threat to the economic efficiency and environmental sustainability. Achieving equilibrium between environmental sustainability and economic sustainability must be one of the main goals of the rehabilitation programs. Thus, the best indicators are required under a systematic study to determine the most adequate levels of environmental sustainability and economic efficiency. The limited social organizational capital and the lack of adequate forms of organization, enabling higher productivity limit the economic benefits from an appropriate exploitation of *tule* from Zapotlan's Lake. Disorganization of cutters and craftsmen is a source of profound and increasing conflicts that not only hinder the increase in productivity and family income, but also make difficult the peaceful coexistence and spoil the community's quality of life. Lacking of knowledge how to export the hand-crafted products benefits the intermediaries thus impeding the increase of the income of cutters and craftsmen and their families.

Some characteristics of specificity and appropriateness of social and human capital involve economic, social and political relationships among individuals who are members of organizations, making their effects complex. Market is a social construction that makes social relations operational. Social and human capital can be important source of the competitive advantage, assuming that reside in the members or it is specific to the organizations as integral parts of resources that are unique and that are no observables. Organizations with higher levels of social and human capital generate more competitiveness than those with lower levels. A sustainable economy requires programs aimed to improve the social and human capital.

8. Recommendations

- A program for promotion of hand-crafted activities based on the exploitation of tule as a parallel activity to the rehabilitation program of Zapotlán's Lake, definition of reliable indicators for measurement of the targeted equilibrium between economic efficiency and environmental sustainability.
- A technical assistance program, designed with the support by business economics students at the University of Guadalajara with the objective to enable a direct access to the international markets for *tule*'s craftsmen. A program for development of organizational and social capital, using new forms of business organization with the aim to increase the productivity and competitiveness of the craftsmen, their income, to enable job creation and to improve the quality of life of the whole community of San Sebastian del Sur.

References

- Baker, W. E.* (2000). *Achieving success through social capital*. San Francisco, CA: Jossey-Bass.
- Burt, R. S.* (1997). "The contingent value of social capital" *Administrative science Quarterly*, 42, 339-365
- Joyce, Paul* (1998). "Management and innovation in the public services". *Strategy Change*, 7. 54-63
- Leana, R. Carrie; Van Buren III, Harry* (1999). "Organizational social capital and employment practices" *Academy of Management Review*, Vol. 24, No. 3. Ohio.
- Portes, Alejandro* (1999). "Capital social: Sus orígenes y aplicaciones en la sociología moderna", Carpio, Jorge y Novaconvsky, Irene (comp.), *De igual a igual. El desafío del Estado ante los nuevos problemas sociales*, Fondo de Cultura económica-Siempro-Flacso, Ciudad de México.
- Universidad de Guadalajara (1995). *Ordenamiento Ecológico de la Cuenca de la Laguna de Zapotlán el Grande Jalisco*, Gobierno municipal, Cd. Guzmán, Jalisco.

U.S. Grocery Cooperatives as Democratic Firms – Evolution, Transformation and Contribution¹

Frances A. Viggiani

1. Introduction

Cooperatives as an organizational form have a long and important history. Indeed, as UN Assembly President *Abdulaziz al-Nasser* said, cooperatives based on principles of “self-help, democracy, equality, equity and solidarity” have “reduced poverty, created jobs and promoted social integration” (UN News Centre, 2011). In cooperatives, members believe that work organizations can and should function democratically. Thus the structure and management of a cooperative exists in part to bring the values and practices of democracy inside the boundary of a firm. Cooperatives are one form of an “espousedly democratic firm” (Viggiani, 2011, 1997). Majority-owned Employee Stock Ownership Plan companies are another type (Blasi et al, 2003; Kruse et al, 2010). Others include worker collectives, worker-owned firms, and worker-self-managed firms (Vanek, 1971; Zwerdling, 1978).

Speaking in Vienna at the 2012 International Conference on Cooperative Studies, *Franz Fischler*, former EU Commissioner, proposed that cooperatives should join together to “speak in one voice”. One impact of this voice would be an increase in our understanding of democracy in the workplace. A central aspect of cooperatives is their commitment to democratic organizational form. This paper discusses American grocery cooperatives and how democratic ideals are translated in organizational structure and process in these businesses.

Grocery cooperatives in the US are one evolving form of this espousedly democratic firm type. Studies of these organizations suggest they constitute a “vibrant and viable” alternative organizational type based on democratic practices at work. UN Deputy Secretary-General *Migiro* pointed to cooperatives “with democratic decision-making processes and a focus on cultivating member skills and capacities ... [that] offer a model for harnessing the energies and passions of all” (UN News Center, 2011). Studies of cooperatives and democracy in the workplace

¹ We want to thank Prof. *Roessler* who has taken the responsibility for the proof reading of this contribution.

explore this link between participation in work organizations and the effective functioning of a democratic society. *Pateman* writes that “the existence of representative institutions at [the] national level is not sufficient for democracy” and suggests that “socialization or ‘social training’ for democracy must take place in other spheres in order that the necessary individual attitudes and psychological qualities can be developed” (1970, p. 42). *Rothschild* and *Whitte* further explore the development of direct and representative democratic structures in cooperatives (1986).

In the history of cooperatives in the US, Europe and Canada many point to European activists in the 1800’s as early founders. As the cooperative form grew and evolved around the world over the past 150 years it became not only a global phenomenon but a multi-faceted type. The cooperative form now includes consumer cooperatives (of which grocery cooperatives are one), housing cooperatives, agricultural cooperatives, marketing cooperatives and workers’ cooperatives. Some also include credit unions and trusts in this category. Many individual cooperatives and cooperative types have also become well-known for their success and positive impacts on social problems in both post-industrial and developing countries.

Cooperatives have become more well-known as a business type, perhaps in part because of the impact of the recent global recession. For example, in 2009 the United Steelworkers (USW) made an agreement with the Mondragon Cooperatives (in Spain) to develop what they call “the union co-op model”. At the 2011 USW Constitutional Convention, a resolution entitled “Workers’ Capital, Industrial Democracy and Worker Ownership” detailed hopes for developing a new approach to “a continuous bargaining relationship” and the promotion of “unionized, worker-owned cooperatives as profitable and sustainable means to create jobs and invest in our communities” (United Steel Workers Constitutional Convention, 2011).

In October 2011, the United Nations declared 2012 “The International Year of Cooperatives”. UN Deputy Secretary *Migro* pointed out that “with democratic decision-making processes and a focus on cultivating member skills and capacities, cooperatives offer a model for harnessing the energies and passions of all”. The theme of the year is “Cooperative enterprises help build a better world” (UN News Centre). The UN’s attention this year to the cooperative phenomenon highlights its growing significance.

In the US context, three US Senators are sponsoring legislation to promote, in part, small business loans to members of worker owned cooperatives wishing to purchase an existing company. And in 2009 the United Steelworkers and the Spanish Mondragon Cooperatives agreed to develop a “union co-op model”, promoting “unionized, worker-owned cooperatives as profitable and sustainable means to create jobs and

invest in our communities” (United Steel Workers Constitutional Convention, 2011).

This paper does not address the question of the current global prevalence of cooperatives. Suffice it to say that it is an important and growing phenomenon. Indeed, the International Co-operative Alliance puts current participation rates at surprisingly high levels: for example, 4 in 10 people in cooperatives in the US and Canada, and 1 in 3 in Norway. In the US one source lists a total of nearly 30,000 American cooperatives in the following categories: arts and crafts/entertainment; biofuels; corporate finance; credit unions; daycare; education; electric; farm credit; farm supply/marketing; grocery; healthcare; housing; media; mutual insurance; telephone; transportation; and water/waste [source].

This paper deals with several questions about US grocery cooperatives: what is the history and current prevalence of grocery cooperatives and is this form of consumer cooperative growing in the US? How does this form compare with other espousedly democratic organizational forms? What contributions does the grocery cooperative phenomenon make to members and communities through their management style, networks (see for example, *Manzani* and *Zamagni*, 2010) and related research centers, for educating citizens in the practice of democracy in work organizations?

This paper also highlights the historical development and the increasing scale of the US grocery cooperative phenomenon, as well as the impact on the development of democratic structures and practices in work organizations that cooperatives – both internationally and domestically – may provide in the 21st century.

2. A Brief History of Cooperatives

Writing about the history of cooperatives, members of the Democracy Collaborative at the University of Maryland suggest that “a mutual fire insurance company established by *Benjamin Franklin* in 1752 that continues to operate in Philadelphia to this day” might be one of the “first modern cooperatives” [source]. In the UK one of the earliest cooperatives was a flour mill founded in 1765 (*Thornley* 1981). The Co-operative Bank in the UK sees its founding as having been impacted by socially responsible self-help organizations such as The Ancient Order of Foresters founded in the 1840’s. Providing an early form of unemployment and health insurance, these organizations were “democratically organized and administered by their members” (Biography of The Co-operative Bank, p. 3).

As the factory production system developed in the late 1700's and early 1800's, the prevailing organization of work included a division between industrialists who owned land, buildings and machines, and those who were employed as workers, employees or wage laborers. Others began to propose alternatives to this organizational form. Early promoters of a cooperative business form included *Robert Owen* (1771-1858) and a group known as the *Rochdale Pioneers* (1850-1890). *Robert Owen* was an activist who spent his life exploring alternatives to what he called "the acquisitiveness of capitalism ... [that] encourages deception and the dehumanization of others" (Co-operative Bank, p. 4). Owen was also an early advocate for an international labor movement in response to factory conditions in the early 1800's. Among other things Owen proposed "villages of co-operation" and was involved in founding the American New Harmony community in Indiana in the 1820's.

The *Rochdale Society of Equitable Pioneers* was founded in the UK in 1844. In 1860 they published their "Principles". These nine points included, for example: "that capital be of their own providing and bear a fixed rate of interest"; "that profits should be divided pro rate upon the amount of purchases made by each member"; "that the principle of 'one member one vote' should obtain in government and the equality of sexes in membership"; and "that the management should be in the hands of officers and committees elected periodically" (The Co-operative Bank, p. 8).

Aldrich and *Stern* write that in the United States over 700 "producers' cooperatives" were formed between 1790 and 1940. Their study suggested that these cooperatives were founded in four distinct waves during the 1840's, 1860's, 1880's and 1920's-1930's, possibly in response to social movements of those times (1978).

Current research on the global phenomenon of cooperatives is extensive but also scattered, promoted because of a variety of interests, from governmental policy agendas in, for example, South American states and India, to political activism in the US and the UK.

Now, in the early part of the 21st century the number of cooperatives around the world is significant.

3. Grocery Cooperatives in the US

This section reviews the phenomenon of grocery cooperatives in the US and the changing organizational systems that have evolved over the past fifty years. Accurate data on prevalence and founding rates of cooperatives are in general quite difficult to obtain. Two examples

of research on foundings and current numbers of cooperatives in three countries – Canada, the UK and Italy – provide a snapshot of numbers of cooperatives and growth in numbers of cooperatives during the late 20th and early 21st centuries. All three studies suggest a trend of increasing numbers of cooperatives over the past 100 years. In Canada, from 1993-2003 research shows an 87% increase in the number of cooperatives in Quebec province, and a 25% increase in Canada as a whole [source]. *Cornforth et al (1988)* provide data on the number of UK cooperative founding, including information beginning in the late 1800's up until 1986. The most recent data show that from 11 cooperatives founded in 1975, the number increased to 317 cooperatives founded in 1986. *Menzani and Zamagni (2010)* provide data on the annual number of existing “co-operative enterprises” in Italy, ranging from 10,782 listed in 1951, and 53,393 in 2001. Using more up-to-date information from five co-operative umbrella organizations, the number of cooperatives in 2006 is estimated at 71,464 (p. 6). *Manzani and Zamagni* also point out that in 2008 co-operatives constituted 7% of Italian GNP, and 9% of the largest corporations (p. 7). In the two countries with the largest cooperatives sectors, cooperatives constitute 7% of GNP and 8% in Sweden (Norwalk).

As a type of consumer cooperative, US grocery cooperatives are a subset of this larger group of cooperative organizations. One source estimates a total of 26,800 organizations in the general category of “cooperatives” in 2006. For grocery cooperatives, another source lists numbers in each state, including for example 25 grocery cooperatives in New York, 39 in Wisconsin, 47 in California and 56 in Minnesota. A third source provides data on individual stores by state, including the largest grocery stores in Rochester, Syracuse, Binghamton, Ithaca, Albany and Park Slope, Brooklyn with memberships ranging from 1,100 to 11,900. (The Cooperative Grocer; University of Wisconsin Center for Cooperatives; National Cooperative Business Association).

Grocery cooperatives were founded in large numbers in the United States during the 1960's and 1970's. Many share similar histories. Communities and groups formed food buying clubs whose members intended to provide healthy foods at lower prices by avoiding typical supermarkets with middle-men selling to stores, who then sold to consumers. The founding stories of several large cooperatives begun during this era are briefly described below.

Many such groups, after some years of informally running their operations out of churches and other public spaces, decided to create “store fronts”, providing more traditional shopping venues. Eventually many cooperatives also addressed the issue of whether non-member shoppers would be allowed in their coop. Many of the large, long-lived and successful US grocery cooperatives now include both member and non-member shoppers.

4. American Grocery Cooperatives: Five Long-lived Examples

This section briefly reviews the history of five American grocery cooperatives. Each is unique in its particular development, but all share similarities of intention and evolution of management activities.

4.1 GreenStar Cooperative Market, Ithaca, New York

In the spring of 1971 – spurred by “counterculture themes: we can build and control our own institutions, to meet our own needs”...a desire for “natural foods [that were] hard to get...eliminate the middle man” and last but not least – “get[ting] the lowest price” – a small group founded the Ithaca Real Food Co-op. Like many such groups throughout the US in the 70’s, this was a pre-order food organization involving ordering and delivering food using available facilities in the community. Decisions were made at Membership Meetings, to which anyone was welcome.

By 1982 the group – having incorporated as GreenStar Cooperative Market (GCM) – had rented and then purchased a store location with coolers and other features of a grocery store; made agreements to hire employees for management; and elected a managing Council. Two years later by laws were approved including a strengthened Council and increased member input through referenda. In 1992 (twenty years after its founding) the membership voted to allow non-member shoppers.

4.2 Puget Consumers Co-op (PCC) Natural Markets, Seattle, Washington

The PCC Natural Market was founded in 1953 in Seattle Washington. It began as “a food-buying club of 15 families” who in 1961 incorporated as a cooperative. Its Membership is currently at approximately 45,000 members, along with 1,000’s of non-member shoppers. The PCC website claims they are the “largest consumer-owned natural food retail co-operative in the United States”. The history since incorporation includes several new store locations to meet growing demand from customer/members. PCC now operates 9 stores in the Puget Sound area.

4.3 Park Slope Food Coop, Brooklyn, New York

The Park Slope Food Coop (PSFC) was founded in 1973 in the Brooklyn, NY neighborhood of the same name. According to recent Wikipedia information it currently has over 15,000 members, with \$39.4 million in revenue and operates as a “New York state cooperative corporation” (Wikipedia 2011). The membership manual points out that “unlike most cooperatives in the United States” only coop members may shop at the store. The value of cooperation and the benefits that accrue to coop members are central to the organization. The manual describes the “satisfaction we receive from working together as a community to build something upon which we can all rely” (Membership Manual, 2012).

4.4 Davis Food Co-op, Davis, California

The Davis Food Co-op began “in a Davis living room” in 1972 (*Lanning, “Looking Back”*). A major impetus came from University of California/Davis students living in “student co-op houses”. Like many on campuses throughout the country, they decided to create a food buying club. They sought advice from house members with previous experience in food coops in Boston, Massachusetts and Antioch, Ohio. Some members suggested they call themselves the “People’s Conspiracy for Food”. Four years after its founding, the idea of a store front was proposed.

4.5 Brattleboro Food Co-op, Brattleboro, Vermont

The Brattleboro Food Coop was founded in 1975 as “a small buying club”. The store is now an 11,500 square foot natural foods market that is “community owned” (Brattleboro Food Co-op website). “Food for Thought”, the monthly publication of the store, during 2012 published a series entitled “My co-op story”, encouraging members to celebrate the UN International Year of the Cooperative – as well as the store’s move to a new building – by writing their own reminiscences of coops (Food for Thought, June 2012).

Since their founding each of these grocery stores has been transformed from a small, informal organizational system based on ideas about democracy and cooperation, into a large, complex company with practices, formal structures, by laws, employment guidelines, etc. All of these are publicly available through company websites. While the range and details of these forms is beyond the scope of this paper, they constitute an important source of data on the practical realities of an espousedly democratic firm. The sections below briefly discuss man-

agement issues, as well as the extent of current and continuing interest in cooperatives. Legislative action, research centers, and scholarly research continue to explore this type of business.

5. Managing a Democratic Grocery Store

The members of these coops, in their management systems, have made choices about how to implement the values of democracy in a work organization. *Dahl* (1989) has proposed that democracy consists of two aspects: democratic values and beliefs, and mechanisms and institutions through which we implement these. Some of the earliest recorded statements about democracy include the Magna Carta (Great Charter of Freedom) in 1215 and the American Declaration of Independence in 1776. The concepts involved in forming representative governing systems became prevalent in Europe in the 13th century when a “parliament” (from the French *parlement*, the action of *parler* (to speak): a *parlement*) was formed. An earlier type of representation in the United Kingdom had been the king’s “council”. Eventually a parliament came to mean specific forms of representation, legislation and civil controls.

These are some of the basic value statements of modern democracy.

5.1 Organizational Features of a Democratic Grocery Store

If we now ask what the core features of democracy are; as expressed in these claims, that a democratic grocery store must manage, consider the following:

The International Cooperative Association states:

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.

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

All over the world, cooperatives generally operate using these seven principles as guidelines by which they put their values into practice.

Principles:

Voluntary and open membership

Cooperatives are voluntary organizations, open to all persons who are 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 equally to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They 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 to 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

While focusing on member needs, cooperatives must work for the sustainable development of their communities through policies accepted by their members (ICA website).

Several main issues of implementing democratic intentions more specifically, through cooperative management systems are illustrated in the on-going experiences of members and managers in such grocery cooperatives. These include equality, freedom, rights and justice as well as unique features of cooperative management systems such as ownership forms, employer/employee relations, representational and decision-making mechanisms, management transparency (e.g. open book management), collective entrepreneurship, and community focus. Several of these are briefly discussed below.

Equality

Corporate organizational structure creates a system of inequality including prerogatives of owners and top managers, and subordination of all other productive members of an organizational system. This unequal organizational type has prevailed in a majority of companies throughout the past 150 years. Cooperative grocery stores explicitly state that their members are equal. Grocery coops also implement a commitment to equal representation – one person one vote – and representative mechanisms of management. For example, at PCC Natural Markets, members of the coop operate under established by laws and regularly elect a Board of Trustees (wikipedia). In a document entitled “How our co-op works” the store states that “PCC members...each own an equal part of the co-op”; “elect other members to serve on the [9 member] board...[these members] strive to make sure that PCC provides what you, the members want”; the board hires a CEO to manage the business”; “the CEO hires and oversees PCC staff (who are also members) to take care of the co-op for other members” (PCC website).

Freedom

“Freedom” for many Americans is related to the narrative of citizens in a free market competitive economy where success is based on individual efforts and being able to succeed by building a business and becoming wealthy. Core values in the Constitution represent these fundamental beliefs: an individual’s right to “life, liberty and the pursuit of happiness”.

Rights

Throughout the 20th century we have seen a proliferation of legal rights. In the area of management and labor relations the right to unionize and the various rights involved in this system in the US, and the laws governing co-determination in Germany are two major examples. American HR textbooks now regularly feature chapters on employee

and employer “rights and responsibilities”. Cooperatives extend this idea of rights to every member of the organization.

Collective Entrepreneurship

Successful individual entrepreneurial behavior has become a topic of great interest in management theory. Cooperatives tend to take a unique approach. Company documents describe a view of entrepreneurship in the context of a cooperative firm: “[the] entrepreneurial spirit is to be found in any individual or group of people who are prepared to risk their capital. In a cooperative there are many ‘entrepreneurs’—each shareholder is one”.

Novkovic and *Holm* point to co-operative networks and “a type of collective entrepreneurship” which leads to effective social coordination through economic activity. PCC’s description of how the coop operates states, “We use the members’ investment to remodel our stores, open new stores, support the community and bring products that our members want to market. We don’t use venture capital or IPOs. This is the essence of a community-owned business” (PCC website, 2012).

Community focus

21st century grocery coops are actively involved in social and political issues in their local communities. For example, the Park Slope Co-op held a vote in March 2012 on the issue of whether the store’s actions might have an impact on relations between Israel and Palestine. After a protracted debate a proposed boycott of Israeli products, the final vote was 635 for the boycott and 1,005 against (*Braiker*, 2012).

6. Legislating Cooperatives

Countries throughout the globe vary in the extent to which they promote legislation concerning cooperatives. In the US laws, government bodies and data collection about and for cooperatives is relatively underdeveloped. In contrast, in Italy, which most scholars point to as the nation with the most number of citizens involved in cooperatives, laws are extensive and complex.

In the US, legislation to support practices, structures and improvement of cooperative businesses have been recently proposed both at the federal level and in several states. During the past two years several US Senators have sponsored legislation promoting, in part, small business loans to members of worker owned cooperatives wishing to purchase an existing company. One bill entitled the “Worker Ownership Readiness and Knowledge Act” or “WORK Act” intends to “encourage

employee ownership and participation in business decision making throughout the United States”. Together with the “United States Employee Ownership Bank Act”, this legislation, proposed by *Bernie Sanders, Patrick Leahy and Sherrod Brown* (2009) suggests ESOPs and worker owned cooperatives have become of interest to political and local actors hoping to improve working conditions, prevent job loss, and create more effective businesses (United States Senate, 111th Congress, 2009).

Another bill recently introduced by *Chaka Fattah* (D-PA) is called the “National Cooperative Development Act” (H.R. 3677, Dec. 2011). The bill would create a National Cooperative Development Center providing funding for technical assistance, a loan fund, training, and the development of additional centers (CA Center for Cooperative Development and Office of Congressman *Chaka Fattah*).

7. Continuing Practitioner and Scholarly Interest in Cooperatives

In addition to the continuing activities of members of grocery cooperatives – and cooperatives in general – throughout the international economic community, as well as legislative action on the part of supporters, there has been a proliferation of research centers and conferences addressing many aspects of cooperative businesses.

University-based and practitioner-focused centers promote research on and consulting for cooperatives. There are hundreds of such centers throughout the world. Examples of such centers in the United States include the following: the Center for Cooperatives at the University of Wisconsin-Madison; the Vermont Employee Ownership Center; the California Center for Cooperative Development; and the Democracy Collaborative at the University of Maryland.

Examples of recent conferences include the following. The 2012 conference entitled “Upstate Cooperatives Summit: Building Our Economic Future” was held in Syracuse NY. Sponsored by the State University of New York in collaboration with the US Small Business Administration, the program included presentations on practical and theoretical problems of cooperatives. The International Cooperative Alliance 2012 Research Conference, “Cooperation for Change in the International Year of the Cooperative”, met in June, at the Université du Québec, Montreal; co-sponsors include CIRIEC Canada, Canadian Association for Studies in Co-operation, and the Association of Co-op-

erative Educators. The 2012 International Conference on Cooperative Studies, “Cooperatives in the Focus of a New Economic Policy” met at the University of Vienna in September, 2012. Sponsored in part by the United Nations 2012 International Year of Cooperatives, the program intended to examine various types of cooperatives in the agricultural, finance, housing and service sectors.

8. Scholarly Research on Management in Cooperatives

Since the 1960’s in the US, the idea of workplace democracy has been primarily discussed as a bottom-line topic – and without use of the term “democracy”: the point being, in a competitive, capitalist environment, to be able to argue that there is a useful (i.e. profitable) outcome to higher levels of worker “participation” in organizational systems, such that “employees” are able to experience increased control over the conditions of work. However, few have attempted to provide data measuring specific features of democratic practice and how successfully democracy itself thus is implemented in cooperatives in general, or grocery cooperatives in specific.

For example, social scientists, in the context of business schools since the 1940’s Human Relations school, have shown that the motivation of employees – and hence their productivity and profitability for the firm – will be positively affected by increased participation in managerial decisions about work processes and conditions (for example, pace of assembly line; schedule of work breaks; application of ideas for improved production processes).

Some have explored the question of cooperatives and management theory. Studies of cooperatives and democracy in the workplace have explored a link between participation in work organizations and the effective functioning of a democratic society. Still others document extensive networking behavior among Italian cooperatives, suggesting how this tendency to network among small firms and a range of support institutions can be a driver of innovative behavior (*Zamagni* and others, 2010, 2011).

At the same time, since the political activism in the US during the Depression and the development of labor relations models in the US context, labor-management interactions and systems have generally down-played the idea of democracy in the workplace, except to the extent that labor laws protecting work rights as against employers’

rights, were considered just and equitable. The goal of union take-over, or worker-ownership of a firm, has generally NOT been a part of this model. Indeed, the topics of participatory management and labor-management have generally been avoided.

Studies of cooperatives and democracy in the workplace have explored a link between participation in work organizations and the effective functioning of a democratic society. For example, *Pateman* writes that “the existence of representative institutions at [the] national level is not sufficient for democracy” and suggests that “socialization or ‘social training’ for democracy must take place in other spheres in order that the necessary *individual attitudes and psychological qualities* can be developed” (1970, 42, emphasis added).

Rothschild and *Whitte* subtitled their classic study on cooperatives “Potentials and dilemmas of organizational democracy and participation” (1986). Their project was to “construct a systematic, definitive model of the organizational properties of collectivist or cooperative organizations” (1986:1), as well as what they termed “the most essential characteristic of cooperatives: decision-making procedures based on participatory democracy” (2). They defined such organizations as “any enterprise in which *control rests ultimately and overwhelmingly with the member-employees-owners*, regardless of the particular legal framework through which this is achieved” (2, emphasis added).

Their study pointed to internal and external conditions facilitating “collectivist-democratic organizations”. Among these were internal characteristic of size, homogeneity, a support base, technology, diffusion of knowledge, and mutual and self-criticism. External conditions included oppositional services and values, supportive professional base, and social movement orientation.

Others have explored management ideologies and questions about participation. Discussing the detailed records of debates among “industrial democrat realists” and others during the 1930’s in US academic management circles, *O’Connor* (1999) suggests that “leaders in academe, industry, research and government sought solutions to management-labor conflicts that would not jeopardize management control”. *Frege* (2005) examined how “the national-specific discourses of democracy at work” shape institutions and practices of industrial democracy.

Recently, *Pendleton* examined participation and governance in firms in the UK with 50% Employee Stock Ownership Plans. He suggests that his sample represents four types of participation systems, each leading to specific impacts on organizational features and member behaviors:

1) representative: participation leads to “substantial advances in employee-owner governance”; 2) paternalist: “some innovations in shareholder representation” with little impact on governance; 3) risk-sharing: few developments in participation or governance; 4) technical: no innovations (2001, 17).

Pendleton concludes that the “capacity for employees to participate in decision-making has a critical influence on whether they feel like owners... [and also] the level of individual shareholdings also has an impact on employees’ sense of ownership” (*Ibid*).

9. Conclusion

US grocery cooperatives, many founded in the 1960’s and 1970’s with a shared aim of democratizing and improving local food markets continue to grow and maintain their impacts on local communities. From Park Slope, New York to Puget Sound in Seattle these espousedly democratic businesses prosper as self-described “alternative” economic institutions. These companies have been transformed from early, small and informal food-buying groups into large, complex companies with substantial membership and a proliferation of management practices that are intended to implement democratic principles.

But the questions of whether and how people’s experiences in democratically managed companies such as these might lead to a general shift towards democracy at the micro economic level in democratic nations remain to be answered. Many US grocery cooperatives have been in business for more than forty years, successfully competing in local markets, providing specialty health foods, and promoting their unique vision of a democratic work organization.

If we examine the larger population of all types of consumer cooperatives in the US, numbers of long-lived, successful firms may again be found from Florida to Washington State. For example, Florida Natural (founded in 1933) produces orange juice and a variety of other juices; Cabot Creamery Co-op in Vermont (founded in 1919) produces dairy products; Recreational Equipment Inc. (REI) sells sporting goods and outdoor gear (founded in 1938). New cooperatives are also being formed in a variety of industries including wineries (*Kenkel et al, 2008*).

This paper suggests that US grocery cooperatives constitute a long-lived and successful example of an espousedly democratic firm type. The numbers of participants and the continuing prevalence of cooperatives suggest the viability of these types of economic actors. Their

impact on our understanding of the potential for change and democratization of our economies is an important question for further research.

Selected Bibliography

- Aldrich, H. and R. Stern.* 1978. Social Structures and the Creation of Producers' Cooperatives. Paper presented at the Ninth World Congress of Sociology, Uppsala, Sweden, August.
- Arando, S. F. Freundlich, M. Gago, D.C. Jones and T. Kato.* 2010. Assessing Mondragon: Stability and Managed Change in the Face of Globalization. The William Davidson Institute, University of Michigan.
- Braiker, Brian.* 2012. The Guardian, Brooklyn cooperative... Biography of the Co-operative Bank. Management Case Study. The Co-operative Bank and the University of Lincoln.
- Blasi, J, D. Kruse, A Bernstein.* 2003. In the Company of Owners: The Turth About Stock Options. New York: Basic Books.
- Cabot Creamery.* Company website and wikipedia (2012).
- Carberry, E.J. (Ed.).* 2011. Employee Ownership and Shared Capitalism: New Directions in Research. LERA Series. Champagne, Ill.: University of Illinois.
- Cornforth, Chris, A. Thomas, R. Spear, J. Lewis.* 1988. Developing Successful Cooperatives. London: Sage Publications Ltd.
- Dahl, R. A.* 1989. Democracy and its Critics. New Haven: Yale University Press.
- Frege, C.* 2005. The Discourse of Industrial Democracy: Germany and the US Revisited. *Economic and Industrial Democracy*, Vol. 26, No. 1: 151-175.
- GreenStar Cooperative Market, "Policy" #20.2. 1/11/11. A Rough Outline of GreenStar Co-op's History.
- Johnson, P.* 2006. Whence Democracy? A Review and Critique of the Conceptual Dimensions and Implications of the Business Case for Organizational Democracy. *Organization*, Col 13:2: 245-274.
- Kenkel,*
- Kruse, D., R. Freeman, J. Blasi.* 2010. Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-Based Stock Options. Chicago: University of Chicago Press.
- Laning, Chris.* "Looking Back", Davis coop history.
- Mackin, Christopher.* 2008. Why Not Ownership? Mapping the Resistance. Paper presented at IAFEP, 2008.
- Menzani, T. and V. Zamagni.* 2010. Cooperative Networks in the Italian Economy. *Enterprise and Society*, Vol. 11, N. 1, March.
- Norwalk

- Novkovic, S. and W. Holm.* 2011. Co-operative Networks As a Source of Organizational Innovation. Paper presented at the ICA Global Research Conference.
- O'Connor, E.S.* 1999. The Politics of Management Thought: A Case Study of the Harvard Business School and the Human Relations School. *The Academy of Management Review*, Vol. 24, No. 1 (Jan.), pp. 117-131.
- Pendleton, A.* 2001. Employee Ownership Participation and Governance: A Study of ESOP's in the UK. London: Routledge.
- Rothschild, J. and J.A. Whitte.* 1986. *The Cooperative Workplace: Potentials and Dilemmas of Organizational Democracy and Participation.* Cambridge, UK: Cambridge University Press.
- Thornley, J.* 1981. *Workers' Co-operatives: Jobs and Dreams.* London: Heinemann.
- UN News Centre. Press Release, 31 October, 2011. UN Launches Year of Cooperatives with Spotlight on Development.
- United Steel Workers Constitutional Convention. 2011. Resolution No. 27. Workers' Capital, Industrial Democracy and Worker Ownership.
- Vanek, J.* 1971. *Self-Management: Economic Liberation of Man.* Baltimore: Penquin Books, Ltd.
- Viggiani, F.* 2011. Organization Development and Democratization of the Firm. *Business and Social Sciences Review*, Vol 1, No. 1, July.
- Viggiani, F.* 1997. Democratic Hierarchies in the Workplace. *Economic and Industrial Democracy*, Vol. 18, 231-260.
- Whyte, W. F. and K. K. Whyte.* 1988. *Making Mondragon: The Growth and Dynamics of the Worker Cooperatives Complex.* Ithaca, NY: ILR Press.
- Zwerdling, D.* 1978. *Workplace Democracy: A Guide to Workplace Ownership, Participation and Self-Management Experiments in the United States and Europe.* New York: Harper & Row.

Personenregister

- Altvater, E. 926
 Amann, A. 787
 Antonovsky, A. 785f.
 Arzt, K. 696
 Bänsch, A. 579
 Barros, H. 1296
 Becker, G.S. 845
 Bentham, J. 781
 Benvenuti, M. 715, 720
 Beyene, F. 699, 700
 Blanckenburg, Ch. von 888
 Blome-Drees, J. 743
 Bono, M. 744
 Bourdieu, P. 586
 Brazda, J. 1, 3
 Bulgarelli, W. 1475
 Chang, M.L. 1177
 Chaves, R. 70, 644
 Colletis, C. 1151
 Crouch, C. 936
 Dahrendorf, R. 847
 Davis, K. 640
 De Castro, M. 643
 Defourny, J. 138
 Dellinger, M. 977, 983
 Demoustier, D. 70
 Desjardins, A. 384
 Desroche, H. 1158
 DiMaggio, P.J. 72
 Draheim, G. 851
 Duttweiler, G. 139f.
 Eggers, J. 695
 Eisenhardt, K.M. 534
 Elsen, S. 786
 Engelhardt, W.W. 785, 849, 851, 1134
 Erhard, L. 858
 Eschenburg, R. 578
 Eucken, W. 779, 906ff.
 Evers, A. 139
 Fauquet, G. 1295
 Fehl, U. 787
 Filene, E. 384
 Fischler, F. 1
 Fisher, I. 857, 858
 Fraisse, L. 70
 Franklin, B. 1529
 Freeman, R.E. 641
 Freud, S. 847
 Friedman, M. 640
 Gasser, A. 135
 Gebhard, H. 533
 Gellenbeck, K. 15
 Gide, Ch. 851, 1295
 Göler von Ravensburg, N. 789
 Goethe, J.W. 914
 Greenspan, A. 821
 Greffe, X. 70
 Hagedorn, K. 1, 3
 Hakelius, K. 318, 325
 Hansmann, H. 70
 Hardin, G. 691
 Hettlage, R. 776
 Holmström, B. 530
 Hundie, B. 699
 Jäger, W. 852
 Jobs, S. 1253
 Julia, J.F. 71
 Jussila, I. 533
 Kanji, G.K. 530
 Kant, I. 782
 Kersting, W. 778
 Ki-moon, B. 18
 Kraft, H. 780
 Kramer, M.R. 641
 Krueger, A.B. 845, 853
 Kruse, D. 70
 Kuusterä, A. 533
 Kyriakopoulos, K. 319, 325
 Lambert, P. 1303
 Lavergne, B. 1303
 Leßmann, O. 784
 Levesque, B. 70
 Ludl, H. 588

- Malecková, J. 845, 853
Marshall, A. 849
Marx, K. 811
Ménard, C. 680
Merkel, A. 815
Monti, M. 1288
Monzon, J.L. 70
Münkner, H.-H. 61
Neurath, O. 777, 785
Nilsson, J. 527
Novy, K. 588, 593
Nowotny, H. 139
Nussbaum, M. 777, 782, 784
Nyssens, M. 138
Obama, B. 814
Olson, M. 713
Ostrom, E. 67, 199, 678, 685, 686, 691,
702, 1184
Owen, R. 1185
Paech, N. 780
Panetta, I.C. 708
Porter, M.E. 641
Powell, W.W. 72
Raiffeisen, F.W. 14, 384, 849f.
Rawls, J. 782
Renner, K. 851
Riccabona, J. von 14
Ringle, G. 742
Roca, R. 135
Rösner, H.J. 789
Röbl, D. 1, 3
Rüstow, A. 783
Sautier, D. 1389
Schediwy, R. 644
Schmoller, G. 849
Schulmeister, S. 845
Schulz-Nieswandt, F. 777, 785
Schulze-Delitzsch, H. 14, 384, 849,
1323
Schumpeter, J.A. 810, 812
Sen, A. 777, 783f.
Sérgio, A. 1296
Sombart, W. 812
Srigiri, S. 697, 698
Staszic, S. 1337
Stelzer, T. 1
Stiglitz, J.E. 66
Theesfeld, I. 693, 694
Theurl, T. 16, 652, 654, 661, 668
Theuvsen, L. 745
Troberg, E. 530
Valor, C. 529
Webers, M. 853
Weisbrod, B. 70
Weisser, G. 777, 785, 851
Weitzman, M. 70
Williamson, O.E. 688f., 848
Wood, D.J. 530
Wuzong, E. 1462
Xiaopeng, D. 1459
Yat-sen, S. 1462
Yunus, M. 139, 1129
Zedong, M. 1459
Zevi, A. 1267, 1272, 1276
Zypries, B. 1016

Sachregister

A

Abfindungsanspruch 118
 Agrarpolitik
 ökonomische Experimente 450
 Aktiengesellschaft
 börsenorientierte 30
 Vergütungssysteme 735
 Allmende 32, 135
 Altruismus 845
 Ambient Assisted Living 946
 Anpassungsfähigkeit 274
 Anstellungsvertrag 750

B

Bankaufsichtsrecht
 Verbund 164
 Banken
 Abwicklung 96
 Bankenregulierung 96
 Drei-Säulen-Struktur 383
 Eigenkapitalausstattung 94
 Käufer von Staatsanleihen 92
 USA 383
 Bankenaufsicht
 Eigenkapital
 Contingent Convertible
 Bonds 964
 Bankenaufsichtsrecht
 Eigenmittelunterlegungs-
 vorschriften 165
 Bankenverbund 262
 Bank of Portugal 1296
 Barzahlungsprinzip 850
 Basel III 108
 Eigenkapitalanforderungen 400
 Haftungsqualität 400
 Kapitalvorschriften
 GuV 402

Arbeit
 Familie 859
 Frauen 859
 Arbeiterwohnungsbau-
 genossenschaft 569
 Arbeitslosigkeit
 Genossenschaften
 Italien 1265
 Arbeitsmarkt
 Sozialgenossenschaften s.a.
 Sozialgenossenschaften
 Arbeitsmarktintegration
 1290
 Kreditqualität 408
 Steuerbelastung 410
 Verwaltungsauf-
 wendungen 406
 Zinsaufwendungen 402
 Zinserträge 404
 Polen
 s.a.(CRD/CRR) 1315
 Beratung 654
 Berliner Genossenschaftsforum 575
 Berliner Spar- und Bauverein 564
 Berufsförderungsgesellschaften
 Genossenschaft
 Rechtsanwälte 1033
 Bewohnergenossenschaften 569
 Bilanzierung
 Genossenschaften
 latente Steuern 1005
 Board of Directors 390
 Bürgerbeteiligung
 Energiegenossenschaften 925
 Bürgerläden 520
 Bürgerselbsthilfe 58
 BVR 370

C

Capability Approach 790
 Common Bond 384
 Contingent Convertible Bonds
 Kreditgenossenschaften 967
 Schweiz 964
 Cooperative Governance 746
 Corporate Credit Unions 393
 Corporate Governance 735, 736, 738,
 746, 747, 749
 genossenschaftliche 25, 31, 37
 Corporate Governance Codex des
 Österreichischen Genossenschafts-
 verbandes 1070
 Cournot Wettbewerb 455
 CRD/CRR s.a. Basel III
 Polen 1315, 1317
 CRD IV-Regulierungspaket 108
 Haftsummenzuschlag 127
 Stimmrecht 129
 CRD IV-Richtlinie 109
 CRD IV-Verordnung 109
 Credit Committee 390
 Credit Union National Association 392
 Credit Unions
 Aufsichtsrat 391

D

Dachmarke Genossenschaft 442, 444
 Delphi-Befragung 294
 Demographischer Wandel
 (Sozial-)Genossenschaften 1289
 soziale Unternehmen 1136
 Demokratieprinzip 49, 738

E

Egoismus 845
 Ehrenamt 737
 Eigenkapital 30
 Kernkapital 964
 Eigenkapitalausstattung
 Banken 110

Beratungsdienstleistungen 392
 Eigenkapital 394
 Einlagen 387
 Einlagen Sicherungsfonds 391
 Finanzkrise 395
 Förderleistungen 396
 Gründung 384
 Jahresabschlussprüfung 392
 Konkurse 392
 Kosten 394
 Marktanteile 389
 Mitgliederdichte 386
 Mitgliedschaft 386
 National Credit Union Act 384
 Organe 390
 Profitabilität 394
 Revision 391
 Steuerfreiheit 393
 US Navy 384
 Vorstand 390
 Zentralinstitute 393
 Customer Relationship
 Management(CRM)
 Kundenbeziehung 629

Demokratische Willensbildung 204
 Dividende auf Geschäftsanteile 656
 Doppelnatur 203, 851
 Dreisäulenmodell 345
 „Dritter Weg“ 26
 DZ BANK-Konzern 369

Eigenkapital(qualität)
 Geschäftsanteil 988
 Einkaufsgemeinschaften 317
 Ein-Mitglied-eine-Stimme-Prinzip
 1068
 Elektronische Beschlussfassung 1047

- Elektronische Stimmabgabe 1072
 E-Mobilität 951
 Empowerments 786
 Energiegenossenschaften 510, 515, 914
 Bestandsentwicklung 917
 Deutschland 932
 Neugründungen 922
 Finanzierung 933
 ländlicher Raum 931
 Typenbildung 929
 Zusammenarbeit mit
 Kommunen 939
 Energiegenossenschaften s.a.
 Elektrizitätsgenossenschaften 928
 Energieverbrauch
 Wohnungsgenossenschaften 898
 Energieversorgung
 Privatisierung 935
 Re-Kommunalisierung 934, 936
 Stadtwerke 935
 Energiewende
 Deutschland 909
 Energiegenossenschaften 925
 Erfolgsfaktoren 932
 Wohnungsgenossenschaften 897
 Energiewirtschaft
 Europäische Union 907
 Politik 907
 Erfolg 744, 745, 746
- F**
- Facebook 604
 Förderauftrag 203, 269, 379, 597, 630, 742
 Beteiligungen 53
 geschäftspolitische Vorgaben 52
 Naturalförderung 52
 Nichtmitgliedergeschäft 53
 Rücklagen 52
 Staatsaufsicht 57
 Verwendung des Jahresüberschusses 53
 Förderbericht 578
 Förderbilanz 578
 Fördererfolg 743, 745, 753
 Förderplan 578
 Förderung
 gemeinschaftlicher Geschäftsbetrieb 1001
 Förderziele 47
 Förderzweck 50
 kommunales Gemeinwohl 941
 Forschungsverein für Genossenschaftswesen 2
 Franchisesystem 367
 Erneuerbare Energie 909
 Energieversorgungsunternehmen
 vs. bürgerliche Selbstorganisation 913
 Erzeugerorganisationen 279, 280
 Genossenschaft 287
 Deutschland 282
 EU-(Agrar-) Recht 280, 290
 Frankreich 283
 Italien 283
 Österreich 284
 Polen 284
 Rechtsformen 279
 Slowenien 285
 Spanien 285
 Ethik 743
 EU s. Europäische Union
 EU-Agrarpolitik 316
 Europäische Genossenschaft (SCE) 1014
 Europäische Union (EU)
 Lissabon-Vertrag
 Wirtschafts- und Sozialmodell 16
 Reform 95
 Wohnbaugenossenschaften 212
 Wohnungskosten 211
 Experimentdesign 461
 Experiment, ökonomisches 452

Freiburger Management-Modell 133,
137

G

Garantiegenossenschaften

Italien 1291

Gebarungsprüfung 738, 739, 750, 754

Geld

Tauschmittel 855

Gemeinde 842

Mitglied einer Genossenschaft
840

Gemeinnützigkeit 1132

Gemeinwirtschaft 744

Gemeinwohl

Genossenschaften 1134

Gemeinwohlbindung des Eigentums 50

Generalversammlung

Beschlussfassung 1047, 1053

Entmachtung 1067

Mitgliederrechte 1049

Mitgliedsrechtsausübung 1046

Mitwirkungsrechte 1060

Teilnahmeberechtigung des
Verbandes 1055

Teilnahmechance 1052

Teilnahme des Aufsichts-
rates 1049

Teilnahmequote 1041
virtuelle

Folgen 1062

virtuelle 1041, 1044

Ausgestaltung und

Durchführung 1063

Demokratieprinzip

Gründung 1068

Einsparungspotential 1066

Genossenschaftsvertrag 1071

Mitgliederentscheidungen
1064

ökonomische Folgen 1065

Rechtsformvorteil 1086

Zulässigkeit 1046

Freiwilligkeit 738

Führung 743

Vollmachtserteilung 1051

Wahrung der Mitgliederrechte
1056

Genossenschaft

Erfolg 741

Erfolgsmodell 742

Organisationsform

Absatzentscheidungen 455

Investitionsentscheidungen
455

Rechtsform

Image 1133

Genossenschaften 914

Auslaufmodell 134

Befragung

Deutschland 133

Schweiz 133

Deutschland

Bestände 915

Eigenkapital

IAS 32 978

IFRS 973

Einordnung 26

experimentelle Analyse 450

Freiwilligkeit

Prinzipien 17

Rechtsanwälte 1030

Gesamtwirtschaft 269

Geschichte 13

Schweiz 135

gesellschaftliche Hoffnungs-
träger 59

Gewinnorientierung 1282

Herausforderungen 197

Kapitalinstrumente

Eigenmittelqualität 123

Geschäftsanteil 115

Kapitalmarkt 737

Klimaschutz 886

- kommunale Aufgaben 926
 kommunale Leistungen 1292
 Kulturgut 135
 Leitungsorgane 733
 Markt- und Staatsversagen 269
 Mengewettbewerb 449
 Mitglieder-/Vertreterversammlung
 Willensbildung 888
 Neugründungen s.a. Genossen-
 schaftsneugründungen
 Deutschland 195
 Italien 1015
 NPO 137
 Ordnungspolitik 778
 Prinzipien 14, 16, 48, 787, 910
 Prüfung(skosten) 1019
 Rechnungslegung 974
 Rechtsanwälte
 Revisionsverband 1037
 Rechtsform 47
 Regionalförderung
 PSeG, Vorarlberg/
 Österreich 840
 witus, Verarlberg/
 Österreich 837
 Rückstellungen 1008
 Schule der Nation 58
 Schweden 548, 549
 Schweiz
 Typen 136
 Skandinavien
 nordisches Modell 147
 sozialgeschichtlichen
 Verantwortung 59
 Steuerlatenzierung o. latente
 Steuern 1006
 Unternehmensführung 30
 Vergütungssystem 733
 (Verhältnis zum) Staat 780
 Volkswirtschaft
 Beschäftigung 149
 Wandlungsfähigkeit 197
 Wettbewerb der Rechtsformen
 1016
 Wirtschaftskrise 147
 Wirtschaftsmodell 15
 Zivilunternehmen 138
 genossenschaftliche Republik 851
 genossenschaftliche Zusammenarbeit
 s.a. Kooperation 27
 Genossenschaftsanteile 38
 IAS 32(.18)/Fremdkapital 980
 Kündbarkeit 980
 Genossenschaftsbanken s.a.
 Kreditgenossenschaften 1311
 Genossenschaftsgeist 58, 135
 Genossenschaftsgeschichte 849
 Genossenschaftsgesetz s.a.
 Genossenschaftsrecht
 Österreich
 Satzungsautonomie 1037
 Rahmengesetz 48
 Genossenschaftsgründungen
 Deutschland 264, 503, 507, 513,
 518
 Bestätigungsfelder 515
 Nahrversorgung 520
 Schlecker-Läden 521
 Schwerpunkte 508
 Ursachen 511
 Italien 513
 qualitative Fallstudie 488
 Schweden 513, 547
 staatliche Förderung 558
 Skandinavien 151f.
 staatliche Förderung 513
 Genossenschaftsidee 46
 Genossenschaftsmodell 509
 Genossenschaftsrecht s.a.
 Genossenschaftsgesetz
 europäisches 17
 Reform 17
 „Kleine“ Genossenschaft 1013,
 1017
 Rechtsvergleich 1022
 Genossenschaftsrechtreform
 Deutschland und Italien 1020
 Genossenschaftssparten

- Deutschland 517
 Genossenschaftsverbände
 Gründungsberatung 481
 Genossenschaftswesen
 Theorie 16
 Genossenschaftswissenschaft 850
 Genossenschaftswissenschaften
 Genossenschaftsforschung 884
 Interdisziplinarität 884
 Geschäftsanteil 116, 120, 126, 740
 Dividende 121
 Dividendenorientierung 126
 Eigenkapital
 IFRIC 2/Interpretation 982
 Eigenmittelqualität 123
 investierende Mitglieder 121, 126
 Kündigung 987
 Liquidationsüberschuss 120, 127
 Sockelbetrag 122
 Sockelbetragsgeschäftsanteile 127
 Substanzbeteiligung 120, 126
 Geschäftsanteilskapital
 Abgrenzung Eigen-/ Fremdkapital 985
 Geschäftsbeziehungsqualität 318
 Geschäftsguthabendividende s.a.
 Dividende 52
 Geschäftsmodell
 genossenschaftliches 42
 gesellschaftliche Verunsicherung 141
 Gewinnanteil 118
 Gewinnerzielungsabsicht
 Genossenschaft
- H**
 Harmoniethese 852
 Historische Schule der Nationalökonomie 849
- I**
 IAS 32
 Finanzinstrumente 979
 Reformvorschläge 989
- Italien 1024
 Gewinnmaximierung 39
 Golddeckung 856
 Governance s.a. Corporate Governance
 345, 431
 Vergütungssysteme 735
 Grameen Bank 1129
 Grenznutzenschule 849
 Gründerzufriedenheit 481
 Gründungsberatung
 Genossenschaftsverband 496, 505
 Zufriedenheit 493
 Genossenschaftsverbände
 Leistungen 490
 Schweden 550, 551, 554
 Finanzierung 553
 Ursachen 555
 Gründungsgutachten 484, 486, 506
 Gründungskosten 495
 Gründungsprozess 481
 Genossenschaftsverband 485
 Innova eG Beratung 487
 Zentralverband der Konsumgenossenschaften 487
 Gründungsprüfung 271, 482, 484, 486
 Gründung von Genossenschaften
 Neugründung s.a. Genossenschaftsgründung 40
- Güter
 Clubgüter 36
 Kollektivgüter 36
- Holding 370
 homo oeconomicus 846, 853
 homo sociologicus 847
- Identität 204
 Identitätsprinzip 49, 266, 738
 IFRS

Eigenkapital nach Bankwesengesetz 978
 Image von Genossenschaften 431
 induced-value-Theorie 453
 Informationsasymmetrien s.a. Prinzipal-Agenten-Beziehung 35, 39
 Informationsdefizit 436
 Infrastruktur
 Energiewirtschaft 908
 Infrastrukturgenossenschaften s.a. Energiegenossenschaften
 Deutschland 927
 Infrastruktur, kommunale
 Genossenschaftsgründungen 927
 Innovationspotenzial 143
 Institut für Kooperation in Entwicklungsländern in Marburg 62
 Interbankenmarkt 350
 International Co-operative Alliance (ICA) 212
 Internationale Rechnungslegungsstandards (IAS/IFRS)
 Genossenschaften 975
 Internationaler Genossenschaftsverbund

K

Kapital
 dienende Rolle 370
 Kapitalmarkt 39, 91
 (große) Genossenschaften 976
 Kapitalstimmrecht 49
 Kenntnisse zu Genossenschaften 434
 Kernkapital 111
 Klimaschutz
 kommunaler 885
 Genossenschaften 889, 890
 Klimawandel 216
 Kommune s. Gemeinde
 Kommunikation
 Strategie 41
 Wohnen 571
 Kommunikationspolitik 432

Prinzipien 17
 Internationales Jahr der Genossenschaften s.a. International Year of Cooperatives 199
 Internationalisierung
 Landwirtschaft
 Genossenschaften 302
 IPS
 Polen 1316
 Italien
 Genossenschaften
 Erdbeben 1293
 Freie Berufe 1291
 Mafia 1292
 Marcora Gesetz 1265
 Genossenschaften und Staat 1286
 innovative Genossenschaften 1285
 Krise 1288
 Genossenschaften 1289
 Neugründungen
 virtuelle Generalversammlung 1076

Konfliktthese 852
 Kontrolle des Managements 38
 Konzentrationsprozess 507
 Kooperation
 Chancen 196
 Erfolgsfaktoren 194
 Formen 191
 Probleme 193
 Rechtsformen 193
 Vorteile 192
 Kooperationsgesetz 47
 Kostendeckungsprinzip 206
 Kreditanstalt für Wiederaufbau 1129
 Kreditgenossenschaften 345, 755
 Bankenaufsicht 376
 Basel III 399

- Demokratieprinzip 372
 Deutschland 383, 651
 Krise 651
 Effizienz 351
 Eigenkapital
 Contingent Convertible
 Bonds 959
 Eigenkapitalanforderungen 399
 Eigenkapitalvorschriften 399
 Eigenmittel
 Eigenkapital 108
 Erfolgsermittlung 652
 Erfolgsfaktoren 665
 Förderzweck 996
 Fusion 385
 Geschäftsanteil 113
 Rückzahlungsbe-
 schränkungen 114
 Geschäftsmodell 346
 Geschichte 362
 Kernkapital 112
 Kreditentscheidung 1001
 Kreditvergabe 996
 Krisenfestigkeit 101
 Macht 361
 Machtstruktur 369
 Marktchancen 367
 Marktstellung 365
 Mitgliederorientierung
 Erhebung 658
 Nichtmitgliedergeschäft 996
 Polen
 Marktstellung 1313
 s.a. Polen
 Kreditgenossenschaften
 1311
 Produktangebot 377
 Rechenzentren 368
 Risiken 367
 Status Quo 365
 strategische Ausrichtung 664
 Struktur 361, 368
 Strukturentwicklung 362
 USA 383
 Verbände 368
 Verbund 367
 Erlösverteilung 371
 Minderheitenschutz 371
 Vergütungssysteme
 Berichterstattung 758
 Willensbildungsprozess 372
 Zentralinstitut 368, 375
 Zentralisierung 374, 375
 Zinsmarge 346
 Kreditinstitute-Verbund 263
 Kreditvergabe 350, 998
 Kreditvergabepolitik 347
 Krise 259, 261, 273
 Auswege 95
 Banken 84
 Deutschland
 Kreditgenossenschaften 264
 Euro 83, 85, 86
 Finanzmarkt 39, 41
 Genossenschaften 100, 260, 261
 Genossenschaftsbanken 140
 Genossenschaftsidee 133
 Gründung von Genossen-
 schaften 139
 Handwerk 14
 Landwirtschaft 13
 Österreich
 Wohnbaugenossen-
 schaften 265
 Sinnkrise 139
 soziale Unternehmen 1131
 Kundenbeiräte 372
 Kundenbeziehung 631
 Kundenbindung
 Mit. Einander 633
 Kundenclubs 633
 Kundenzufriedenheit 631
 Kundenzufriedenheits-Kundenloyali-
 tätsportfolio 635

L

- Ländliche Genossenschaften 279
- Landwirtschaft
 - Milchwirtschaft 293
- Landwirtschaftliche Genossenschaften
 - Bildung 188
 - Europa 179
 - EU 184
 - Finanzierung 188
 - Funktionen 189
 - Lebensmittelketten 187
 - Liberalisierung der Märkte 189
 - Österreich 182
 - Milchwirtschaft 183
 - Rahmenbedingungen 186
 - Selbst- und Fremdbild 421
 - Strukturwandel 187
 - vertikale Handels-
beziehungen 315
 - weltweit 185
- Lebenslage-Ansatz 790
- Legitimität 746
- Liquidationsquote 119
- Liquidität 356
- Lohnstückkosten 97
- lokale genossenschaftliche Entwick-
lungszentren 550

M

- Managementfehler 260
- Marcora Gesetz
 - EU- Wettbewerbsaufsicht 1269
- Marke 503, 506, 606
- Marke Genossenschaft 432, 436, 439,
444
 - Informationsfunktion 439
 - Vertrauensfunktion 439
- Markenhierarchie 432
- Marktorientierte Genossen-
schaften 136
- Marktorientierung 318
 - Landwirtschaft 316
- Marktwirtschaft 23
- Maximierungslogik 850
- Mehrstimmrechte 372
- Member Value 27, 30, 38, 39, 41, 138,
437, 579, 597, 607, 609, 651, 652,
744, 748
 - Erhebung 658, 659
 - Erklärungsmodell 658
 - Komponenten 41
 - Konkretisierung 665
 - konstituierende Elemente
 - mittelbar 653
 - nachhaltig 653
 - unmittelbar 653
 - mittelbar 656
 - nachhaltig 656
 - theoretisches Konzept 652
 - Umsetzung 666
 - unmittelbar 654
- Member Value-Management 664
- Member Value-Modell 654
- Member Value-Reporting 597, 667
- Menschen-Bilder 846
- Methodologischer Individualismus 847
- Migros 140
- Milchwirtschaft
 - Deutschland
 - Molkereiunternehmen 293
- Mitglied
 - Kündigung 987
 - Lebenslage 777
- Mitglieder
 - Kontrollrechte 737
 - Lebenslage 775
 - Partizipation 888
 - Vorzugskonditionen 54
- Mitgliederanzahl 363
- Mitgliederbefragung 372
- Mitgliederförderung 46

Mitgliederinteresse
 abgestuftes 217
 Mitgliederorientierung 652
 Mitgliedschaft 440
 bedingter Beitritt 969
 offene 17
 Mitgliedswert s.a. Member Value 29
 Mittelstand
 Genossenschaften 781

N

Nachhaltigkeit 16, 38
 National Credit Union Association 391
 National Credit Union Share Insurance
 Fund 391
 Neoklassik 846
 Netzwerk 143
 Rechtsanwaltskanzleien 1031
 Neue Institutionenökonomik 302
 Neugründung
 qualitative Fallstudie 488
 Neugründungen s. Genossenschafts-
 gründungen
 Neugründungsprozess 482, 483

O

Offenheit 738
 Ökonomismus 845
 Österreich
 virtuelle Generalversammlung
 1069
 Wohnbauförderung 210
 wohnungspolitisches System 210

P

Pflichtmitgliedschaft 485
 Photovoltaik-Genossenschaften 512
 Polen
 Kreditgenossenschaften
 Entwicklung 1315

Modigliani-Miller-Theorem 402, 405
 Molkereigenossenschaften s.a.
 Molkereiunternehmen 302
 Molkereiunternehmen
 Export 304
 Molkereiunternehmen s.a.
 Milchwirtschaft
 Export 299
 Monopol 36
 Münsteraner Schule 852

personenbezogene
 Einflussfaktoren 483
 unternehmensbezogene
 Einflussfaktoren 484
 Neuroeconomics 850
 Nicht geschlossene Mitgliederzahl 205
 Nichtmitgliedergeschäft
 Rechtfertigung 55
 Zulässigkeit 54
 Non Profit-Organisationen
 NGO 24
 NPO 133

Österreichischer Corporate
 Governance-Kodex 749
 Österreichischer Corporate Go-
 vernance-Kodex für Waren-,
 Dienstleistungs- und Produktiv-
 genossenschaften nach dem
 System Schulze-Delitzsch 749
 Österreichischer Verband gemein-
 nütziger Bauvereinigungen 208

Präsenzgeneralversammlung
 klassische 1045
 teilweise oder partielle 1045
 Prinzipal-Agenten-Beziehungen 28, 32
 Privateigentum

genossenschaftliches 199
Private-Public-Partnership 1290
Privatisierung
 kommunale Aufgaben 926

R

Raiffeisen-Märkte
 Image 426
 Imageprofil 421
 Kaufhäufigkeit 424
 Kundenstruktur 422
 Leistungsmerkmale 424
 Sortiment 428
 strategisches Profil 428
 Weiterempfehlung 428
 Werbemedien 425
Raiffeisen-Modell 139
Realwirtschaft 39
Rechtsanwälte s.a. Freie Berufe
 Genossenschaft 1030
Rechtsanwaltsordnung
 Österreich
 Rechtsformwahl 1032
Rechtsform
 Genossenschaft
 kommunale Leistungen 941
 soziale Unternehme 1132
 Stabilität 504
Rechtsformwettbewerb
 „kleine“ Genossenschaft 1022
 Rechtsanwälte 1029
Rechtsreform 143
Region
 Wirtschaft 40
Regionalbanken 345, 357
Regionalität 738
Regionalversammlung 372

S

Sanktionen 41
Satzungsfreiheit 48

Property-Rights-Theorie 317
Prüfungsbericht 56
Prüfungsverband 371, 484
Public Citizen Partnerships 937

Revision

Berichterstattung 225
Bestellungsvorgang 232
Ehrenamt 235
EU Grünbuch 227
EU-Richtlinien 239
Förderauftrag 56
formelle/materielle Prüfungs-
 handlung 240
Gebarungsprüfung 223, 237
Haftungsabsicherung 239
internes Kontrollsystem 224
Jahresabschlussprüferrichtlinie
 226
Kapitalgesellschaften 232
Organbestellung 243
Prüferhonorar 237
Prüfungsabwicklung 225
Prüfungsumfang 223, 237
Unabhängigkeit 231, 233, 236
Verbandszwang 229
Revisor
 Bestellungsvorgang 222
Risikokapital 991
Risikokapital-Beteiligungsgesellschaft
 1266
Robobankmodell 263
Rücklagen 370
 Besteuerung in Italien 1287
 Genossenschaften in Italien 1287
Rückvergütung 52, 1018

Schülergenossenschaften 795
 Partizipation und Verantwortung
 805
 Rolle der Lehrer 798

- Schweden 513
 Schweiz 135
 virtuelle Generalversammlung
 Genossenschaftsrecht 1080
 Selbsthilfe 14, 40
 soziale Funktion 58
 Selbsthilfe-Genossenschaften 136
 Selbstverwaltung 49, 738
 Seniorengenossenschaften 1293
 Shareholder Value 29, 30
 Sicherungseinrichtung 364
 Società cooperative s.p.a. 1077
 Società cooperative s.r.l. 1079
 Solidarhaftung 850
 Solidarität 315ff., 320, 323, 325f., 887
 Einstellung 322
 Untersuchungsmodell 319
 Solidaritätseinrichtungen 174
 Soziale Autoimmunreaktion 141
 Soziale Frage 139, 200, 218
 Soziale Ökonomie
 Deutschland 1127
 Europa s.a. Social Economy
 Europe 1135
 Forschungsbedarf 1135
 Genossenschaften 1134
 Neue...
 Deutschland 1129
 Soziale Unternehmen
 Rechtsformen 1132, 1134
 Sozialgenossenschaften 786, 1283
 Sozialkapital
 materielle 908
- T**
- Tante-Emma-Läden 520
 Tatchristentum 850
- U**
- Umgekehrte Wandelschuld-
 verschreibungen 967
- Sozialpolitik 143, 156
 Sozialpolitische Genossenschaften 136
 Sozialunternehmen 1128
 Sozialversicherung
 Kapitalisierung von
 Leistungen 1266
 Sozialwirtschaft 156
 Genossenschaften
 Skandinavien 157
 Sozialwirtschaft s.a. Soziale
 Ökonomie 1127
 Spar- und Bauverein Solingen eG 899
 Spieltheorie 853
 Staat 274
 Staatshaushalt 84, 85
 Staatsschulden 86, 88
 Staatsverschuldung 87
 Inflation 98
 Rückführung 90, 98
 Schuldenschnitt 91
 Staatsanleihen 87, 90
 Stakeholder
 genossenschaftliche 39
 Stiftungsfonds
 Genossenschaften als
 übergenerativer... 780
 Strategiepapier „Ein Markt,
 eine Bank“ 364
 Strukturpapier „Ein Verbund,
 eine Strategie“ 364
 Subsidiarität 374, 379
 Subsidiaritätsprinzip 40
 Systemvertrauen 58, 439
- Traditionelle Genossenschaft 569
 Transaktionskostenansatz 848
- UN-Jahr der Genossenschaften s.a.
 Internationales Jahr der Genos-
 senschaften 857
 Unternehmenskultur 57

Unternehmensstrategie 42

V

Veränderliches Kapital 205

Verantwortung

gesellschaftliche 41, 50

soziale 16

Umwelt- 18

unternehmerische 40

Verbände

Repräsentationsprinzip 372

Verbandsprüfung 273

Revision 221

Verbandszwang

relativer 222

Verbund

Aufsichtsrecht 162

Konzern 162

Rabobankmodell 165

Sicherungssystem 162, 167

Generalversammlungs-
kompetenz 171

Haftung der Organ-
mitglieder 174

Sorgfaltspflicht 170

Sorgfaltspflicht der Geschäfts-
leiter 175

Zentralinstituts-
beteiligung 168

Verbundsystem 379

Vergütungsanteile 740

W

Wachstum 142

Währungsunion 85

ESM 95

Euro 86

Eurobonds 90

Euroraumaustritt 96

Transferunion 95

Wandelschuldverschreibung 960

Vergütungselemente

variable 753

Vergütungssysteme 739, 746, 755, 766

Angemessenheit 751

Berichterstattung 747, 754

Finanzinstitute 756

Offenlegung 761

rechtliche Bestimmungen 750

rechtliche Rahmen-
bedingungen 749

Vermögensbindung 207

Vertrauen 326, 655, 746

Vertreterversammlung 1051

Volkswirtschaft

Geld 855

Vorarlberg

neue Genossenschaften 835

Vorstand

Abfindung 56

Bezüge 55

Genehmigung 55

Offenlegung 56

dienender Funktion 57

Leitungsmacht 51

Wahl 750

Bestellung durch den
Aufsichtsrat 51

Wandelschuldverschreibung,
umgekehrte s.a. Contingent
Convertible Bonds 959

Werte

gesellschaftliche 38, 40, 41

Wertfrage 141

Wertschöpfungsketten 40

Wettbewerb

Genossenschaften im 28

- Wettbewerbsfähigkeit
 von Staaten 92
 Wettbewerbsvorteil
 von Genossenschaften 39
 WGZ BANK 370
 Wiener Siedlerbewegung 201
 Windenergieprojekte 512
 Wirtschaftskrise
 Genossenschaften 147
 Wirtschaftspolitik
 Europa 2
 Genossenschaften 34, 37
 kommunale 842
 Markt(versagen) 23
 staatliche Eingriffe 34
 Staat(sversagen) 24
 Wohlfahrt 40
 Wohnbaugenossenschaften s.a.
 Wohnungsgenossenschaften
 Österreich
 Gemeinnützigkeit 206
 Geschichte 200
 Nationalsozialismus 201
 Perspektiven 215
 Revision 209
 Statistik 213
 Prinzipien 202
 Wohnen
 solidarisches Eigentum 199
 Wohnen mit Service 571
 Wohnnahe Dienstleistungen 946
 Wohnungsgemeinnützigkeit 206
- Z**
- Zahlungsbilanzdefizite 89
 Ziele
 Mitglieder
 Vorstand 57
 Zinskonditionen 347
- Wohnungsgenossenschaften s.a.
 Wohnbaugenossenschaften
 Akteursrolle 574
 Ambient Assisted Living 950
 Architektur 567
 barrierefreies Wohnen 945
 Berlin 569
 Bestandsgenossenschaften 570
 Demographie 572
 Demokratie 573
 Dritter Weg 564
 Energiegenossenschaft 896
 Förderauftrag 566, 578
 Förderleistung 579
 Förderleistungen 581
 Genossenschaftswissenschaft 562
 Identitätsprinzip 565
 Klimaschutz 889
 Kommunikationskanäle
 Internet 601
 Konsumentenvereinigung 564
 Mitgliederbefragung 598
 Mitgliederkommunikation 597,
 599
 Mitgliederrendite
 Sozialrendite 577
 Öffentlichkeit 575
 Stadtentwicklung 574
 Vorstandsbefragung 598
 Web 2.0-Anwendung 603
 Zielsetzung, ganzheitlich 566
 Wohnungsgenossenschaft
 Kommunikationsstrategie 606
- Zinsmarge 347, 349, 353, 356
 Zivilgesellschaft 141
 Zukunft 17

Subject Index

A

- agency approach 709
- agricultural cooperatives 10
 - financial structure 1233
 - market concentration 329
- agricultural market
 - asymmetric market power 329
 - concentration 330
 - measures 332
- agricultural marketing 1383, 1391
- agriculture 1325
- Amsterdam 1146
- analytical frameworks for institutional
 - analysis of natural resources 683
- antisocial punishment 254

B

- bankruptcy 1324
- Brazil 1471
- British credit unions 639
- Bulgaria 702

C

- Canada 809
- CASES – Cooperativa António Sérgio
 - para a Economia Social 1299, 1306
- case study approach 534, 646
- Christianism
 - China 1465
- CIRIEC 73
- collective private commissioning 1145
- common good versus self interest 247
- common pool resources (CPR) 681
- Communist Party of China (CPC) 1459
- concentration ratio 332
- conditional cooperation 252
 - corruption 252
 - tax evasion 252
 - welfare state 252
- conditionally cooperative behavior 251
- conflicts 679
- Confucianism 1463
- Constitution
 - Portugal 1296
- consumer cooperatives 1368, 1373
 - US 1532
- contested leader 1159
- controversy of the coop's project 1159
- cooperation
 - altruistic behavior 249
 - experiment 249
 - foundations 247
 - laboratory experiment 248
 - sanction 252
 - transaction-interdependence
 - cycle 691
 - voluntary sanctioning 253
- cooperative a mutualità
 - prevalente 1113
- cooperative auditing 1451
- cooperative banks
 - board of directors 714
 - crisis 540
 - Finland 533
 - Salon Osuuspankki 535
 - general assembly 712
 - local community 525, 532, 536
 - manager 715
 - members capturing 724
 - membership 712, 713
 - ownership rights 712

- structural change 527
- young people 526
- Cooperative Bank of Chania (CBC) 1184
- cooperative business 530
- cooperative class war 1158
- cooperative democracy 1353, 1439
- cooperative governance 1153, 1154, 1160, 1161
- cooperative housing
 - s. housing cooperatives
 - community-based 586
- cooperative law 1339, 1341, 1356
 - Czechia 1355
 - India 1423
 - Iran 1417
 - Poland 1351
 - Portugal 1296
- cooperative members
 - social capital 587
- cooperative natural resource management 693
 - Bulgaria 693
 - Ethiopia 699
 - Germany 695
 - India 696
- cooperative network 1141, 1142
- cooperative networking 1146
- cooperative principles 538, 1092, 1205, 1302
- cooperative register 1342
- cooperatives
 - aboriginal 818
 - artificial pools of human-made resources 682
 - crisis 809
 - economic crisis 78, 80
 - European
 - statistics 73
 - Fruit & Vegetables (F&V) cooperatives 1223
 - macroeconomic functions 70
 - mainstream 818
 - microeconomic foundations 69
 - natural disasters 822, 823
 - statute for a European Cooperative Society (SCE) 1105
- cooperative unions
 - Czechia 1357
- cooperative values
 - cooperative principles 530, 537
- cooperative watershed
 - management 703
- Co-op Fukushima s. Japan 833
- Co-op Kobe s. Japan 825, 826, 827, 828, 832
- cooperative institutional choice 683
- corporate governance 250, 1154
- Corporate Social Responsibility (CSR) 528, 529, 531
 - financial institutions 640
 - green book “promoting a European framework for corporate social responsibility“ 641
- corporation law
 - Spain 1257
- corporation tax 1096
- Côte nature bio 1168
- Court of Justice s. European Court of Justice 1108, 1114
- CPC 1459
- CPR 691
- creative destruction 811
- creative industries 1143
- credit cooperatives s.a. cooperative banks 10, 268
- credit unions 268, 1353, 1366
 - Corporate Social Responsibility (CSR) 643, 647
 - in the world 644
 - United Kingdom 639, 645
- crisis 1139, 1177, 1178, 1200
 - Canada 810
 - housing cooperatives 1144
- CSR s. Corporate Social Responsibility
- cultural and creative entrepreneur 1141

cultural and creative industries (CCIs)
1146

D

dairy cooperatives 1344
direct mechanisms of control
 incentive schemes 721
 limits on lending activities 720
 participation in the general
 assembly 719

E

economic crisis s. crisis 9, 66
 social economy 78
emotional capitalism 1177
energy policy
 local government 821
Estrategia Española de Ciencia 1256
ethical bank 79
ethical values of cooperation 526
Ethiopia 703
 Afar pastoralists 699
EU s. European Union
European Commission 1091, 1093,
 1096, 1098, 1107, 1109, 1110, 1111,
 1113

F

fair trade organic cotton 1169
fair value 1198
 accounting
 fair value measurement 1193
 approach 1195
 criterion 1194
 hierarchy 1198
 levels 1199
 measurement 1202
family-based
 cooperatives 1458

cultural and creative entrepreneur
1140

Division of Resource Economics at
 Humboldt University Berlin 693
Dutch
 Coop Model 1139
 Collective Private Commissioning
 concept 1145

European Conference on Social
 Economy
 3rd 1304
European Cooperative Society (SCE)
 1098, 1101f., 1107, 1110, 1118,
 1297
European Cooperative Statute 1307
European Court of Justice 1091, 1094,
 1098, 1099
European Economic and Social
 Committee (EESC) 1200
European Union (EU) 1106, 1327,
 1349, 1357
expectations management 252

farmer based organizations (FBOs)
 1383, 1391
federal credit unions 385
France
 Côté Nature Bio 1165
 Sociétés Coopératives et Participa-
 tives (SCOP) 1151
 political project 1155
free-market imperialism 812
Fukushima s.a. Japan
 Consumer Co-op Federation 833
 nuclear power plant 821

G

G20's Declaration on strengthening the financial system 1193

General Confederation of Agricultural Cooperatives in the European Union (COGECA) 1224

Germany 702

Ghana 1383

global financial crisis s. crisis

governance s.a. corporate

governance 10, 588

bank 708, 709

control 725

cooperative banks

conflict of governance 715

principal-agent problem 714

firm 707

governance structures 678

GRANO project 695

Greece 1177

culture 1178

group-thinking specter 723

H

HAN groups 828, 831

Herfindahl-Hirschman-Index 331, 334, 336

homo communicans 1177

homo oeconomicus 1189

housing cooperatives 1353

decision-making 592

financial reporting 1193

member based

governance 588

Vienna 586

human resources 1377

development 1401

I

ICA s. International Co-operative Alliance

ILO s. International Labour Organization

inclusive partnership approach 1185

India 703

participation by the poor 697

watershed committees 697

watershed management 697

Indian Ocean Tsunami 823

indirect mechanisms of control

peer monitoring 722

reputation 722

Inscoop 1305

insecurity of livelihoods 682

institutional analysis and development (IAD) framework 685

institutional analysis of social-ecological systems 677

institutional choice

regularising nature-related 689

institutional diversity governance

polycentric governance 678

institutional fit 683

institutionalised transactions 687

institutions of sustainability (IoS)

framework 683, 685

International Co-operative Alliance

(ICA) 1112, 1306

Blueprint for a Co-operative

Decade 820

Cooperative Identity Statement

basic values of

co-operatives 525

International Financial Reporting

Standards (IFRS) 1193, 1194

IFRS_13

fair value measurement
1193, 1195, 1196
International Labour Organization
(ILO) 1112, 1295
International Year of Cooperatives 9,
11, 816
investor-owned firms (IOF) 682
Iran
Central Chamber of
Cooperatives 1418

J

Japan
Consumer Co-operative Institute
of Japan (CCIJ) 834
Co-op Fukushima 830, 833
Great East Japan Earthquake 821
HAN groups 825
Iwate Co-op 830
Japan Civil Network for Disaster
Relief 832
Japanese Consumers Co-operative
Union (JCCU) 827
Japanese Health & Welfare Co-op
Federation 832
Kobe Earthquake 822

K

kalokagathia 1182
Keynesian stimulus measures 815

L

labour migration 1439
lack of cooperation 252
Law on Social Economy 67
Ley de la Ciencia, la Tecnología y la
Innovación (LCTI) 1256
Ley de Economía Sostenible
(LES) 1255

irrigation systems 693
Italy
agricultural market
concentration 331
cooperative bank
empirical evidence 718
Italian Credit Cooperative Banks
(CCBs) 707
Iwate Co-op 831

Co-op Kobe 824
Lessons from Kobe Earth-
quake 828
Mitsubishi Research Institute
(MRI) 833
Miyagi Co-op 830
Natural Disaster Victims Relief
Law 828
Nonprofit Activity Promotion Law
828
sanchoku 832
JCCU 828, 831, 833
joint ventures 1206, 1209

Kinship Cooperative 1461
Kobe Medical Co-op 827

Ley de Incompatibilidades del personal
al servicio de las Administraciones
públicas 1260
Ley de Sociedades Laborales 1258
Ley Orgánica de Universidades (LOU)
Spain 1254
liberalization 1454
local economy development 1165, 1170
local government 1326

M

membership 268
 microfinance 1121
 Miyagi Co-op 832
 moneylender 1323

N

NAFTA s. North American Free
 Trade Agreement
 natural resource management 679
 natural resource use
 GRANO project 695
 management 677, 679
 pool of resources 680f.
 nature-related transactions 684
 neo-liberal economic model 815
 Netherlands 1139
 network 1180
 identification 1178

O

Oikocredit 1121
 history 1121
 mission

P

paint graphos 1091
 paint graphos case 1114
 Pancretan Co-operative Bank 1186
 philotimo 1178, 1182ff.
 Plan Maroc Vert 1402
 Portugal 1296
 poverty 682

R

ratio analysis 1225
 regie cooperative 1303
 resilient communities 822
 risk management 1328
 Roanne

moral hazard 708
 idiosyncratic 709
 mutual cooperative model 1098, 1112
 mutual enterprise 1109

 indicators 1178
 metrics 1179
 neurobiology of prosocial behavior 255
 Nimes school 1295
 non-profit
 cooperatives
 regulatory framework 1205
 value added tax 1220
 enterprise 1108
 North American Free Trade Agreement
 (NAFTA) 1491

values 1122
 organisational fit 683

prevalently mutual cooperatives 1099
 Principal-Agent frame for Cooperative
 Banks 710
 privatisation 1353, 1454
 public companies 1209
 public good experiment 249
 purely mutual cooperative model 1098

Strategic map of textiles 1168
 Rochdale 1355
 rural cooperatives 1458, 1461, 1487
 rural development 1336, 1405

S

- scattering analysis 1239
- SCE s. European Cooperative Society
- services of general economic
 - interest 1097
- shareholder's supremacy 1159
- Sichuan earthquake 823
- small and medium enterprises 1139
- Small Business Act 1140
- social capital 586
 - bridging and bonding 589
 - cooperative housing 585
 - linking 589
- social economy 9, 67, 68, 1171, 1184
 - economic crisis 78
 - employment 74, 79
 - failures 72
 - public sector 80
 - Social Economy Charter of
 - principles 643
 - Social Economy Europe 643
 - statistics 73
- Social Economy National Council (CNES)
 - Portugal 1306
- social investing 1121
- social network 1177, 1187
- social performance
 - measuring 1123
- social values 66
- sociedades laborales 1258
- solidarity 831
- Spain 1223
 - agricultural cooperatives 1223
 - ratio analysis 1226
 - scattering analysis 1239
- corporation law 1257
- housing bubble 1201
- housing cooperatives 1200, 1201
 - Confederation of housing
 - cooperatives 1202
- mixed economy companies 1211
- non-profit cooperatives
 - taxation 1205
- public corporations 1210
- public services cooperatives 1209
- social initiative cooperatives 1208
- social integration
 - cooperatives 1208
- Spanish Cooperative Law (LCOOP)
 - non-profit cooperatives 1207
- state aid 1092, 1094
- Statement on the Co-operative Identity
 - s.a. International Co-operative Alliance 1112
- state-owned enterprise 1109
- Statute of the European Cooperative Society s. European Cooperative Society (SCE)
- supervisory council 391
- supervisory unions 1346
- sustainability 819, 1410, 1511, 1522
 - institutions of sustainability (IoS)
 - framework
 - institutional analysis and development (IAD)
 - framework 679
- sustainable urban development 1139
- sustainable value creation 1142
- synergisms 679

T

- tate chartered 385
- taxation
 - cooperatives 1091f., 1095
 - non-profit cooperative
 - taxation 1213
- tax system 1092
- tax treatment 1108, 1110, 1111

cooperatives 1091
 cooperative principles 1102
technology-based enterprise
 (TBE) 1253
Tecnología y de la Innovación 1256
theory of social classes 813
transaction-interdependence cycle 689
transformation 1353, 1453

U

UN s. United Nations
UNEP-FI (UN program on environ-
 mental issues) 642
United Kingdom
 credit unions
 corporate social responsibility
 (CSR) 639

V

value chain 1390
Val Venosta Cooperatives
 Association 331
voluntary sanctioning
 different cultures 254
wholesaling
 vertically integrated 329

Y

Youth Affairs-Department of the City of
 Salo 541

80 / 20 rule 338

transition 1367
Treaty on the Functioning of the
 European Union 1105
true cooperative model 1118
true Cooperatives 1115
trust 1177
types of cooperatives 1340

United Nations (UN) 1527
 development agenda 9
Urban Cooperative Bank (UCB) 1421,
 1424
urban development 586

worker-owned companies 1258
 law 1258
World Council of Credit Unions
 (WOCCU) 644
youth 10

Autoren

- Aguilar Rubio, Marina*: University of Almeria, Spain / Spanien
Alguacil Marí, María Pilar: University of Valencia, Spain / Spanien
Alińska, Agnieszka: Warsaw School of Economics
National Bank of Poland, Poland / Polen
Berg, Helmut: Oikocredit Austria, Austria / Österreich
Campos i Climent, Vanessa: University of València, Spain / Spanien
Cusa, Emanuele: Università di Milano-Bicocca, Italy / Italien
Daniłowska, Alina: Warsaw University of Life Sciences, Poland / Polen
Ehrlich, Kornelia: Leibniz-Institut für Länderkunde, Germany / Deutschland
Falcón-Pérez, C. Esther: Universidad las Palmas de Gran Canaria, Spain / Spanien
Fuentes-Perdomo, Juana: Universidad de Las Palmas de Gran Canaria, Spain / Spanien
Giorgi, Giuliana: Initiative Netzwerk Solidarische Ökonomie e.V., Germany / Deutschland
Glöckner, Rick: Leibniz-Institut für Länderkunde, Germany / Deutschland
Goujon, Daniel: Université Jean Monnet, Saint-Etienne, France / Frankreich
Grewer, Uwe: Graduated from Agrocampus Ouest, Italy / Italien
Hunčová, Magdalena: KSLP, Prague, Czech Republic / Tschechische Republik
Katerinakis, Theodoros A.: Drexel University, United States of America / USA
Khalil, Said: Université Ibnou Zohr, Agadir, Morocco / Marokko
Kiesswetter, Oscar: Oscar Kiesswetter K.G., Italy / Italien
Kooyman, Rene: ARS NOVA, Netherlands / Niederlande
Lainé, Annick: ERFI, ISEM, Université Montpellier 1, France / Frankreich
Lang, Thilo: Leibniz-Institut für Länderkunde, Germany / Deutschland
Leite, João Salazar: Cooperativa Antonio Sergio Para a Economia Social, Portugal / Portugal
Loureiro de Matos, Igor: Igor Loureiro de Matos - ME, Brazil / Brasilien
Mieszczak, Jean-Luc: Côté Nature Bio, France / Frankreich
Pakbin, Dariush: Islamic Republic of Iran Central Chamber of Co-operatives (ICC), Iran / Iran
Poisat, Jacques: Université Jean Monnet, Saint-Etienne, France / Frankreich
Rivera, Juan Manuel: University of Notre Dame, United States of America / USA
Sanchis-Palacio, Joan Ramon: University of València, Spain / Spanien
Sapovadia, Vrajlal K.: SBS Jaipur, India / Indien
Sauga, Ghenadie: Academy of Economic Sciences, Moldova / Moldawien
Sauga, Larisa: Trade Co-operative University of Moldova, Moldova / Moldawien

Autoren

Smit, Elselien: Brace, Netherlands / Niederlande

Suchoń, Aneta: Uniwersytet Przyrodniczy w Poznaniu, Poland / Polen

Surugiu, Tatiana: JAMK University, Finland / Finnland

Vargas Vasserot, Carlos: University of Almeria, Spain / Spanien

Vargas-Hernández, José G.: Universidad de Guadalajara, Mexico / Mexiko

Veerakumaran, Govindaraj: Kerala Agricultural University, India / Indien

Viggiani, Frances A.: Southern Connecticut State University, United States of America / USA

Wu, Xiliang: Henan Normal University of China, China / China

Teilbände:

- I – Hauptvorträge und Podiumsdiskussionen
- II – Bestandsaufnahme und Ausgangssituation
- III – Zukunftsperspektiven
- IV – Länderstudien (als E-Book)**

Bericht der XVII. Internationalen Genossenschaftswissenschaftlichen Tagung (IGT) 2012 in Wien

Als Folge der Finanzkrise stehen die Genossenschaften weltweit „im Fokus einer neuen Wirtschaftspolitik“. Sie stehen vor den Aufgaben, ihre Position neu zu bestimmen und Herausforderungen zu bewältigen. Der Tagungsband zur XVII. Internationalen Genossenschaftswissenschaftlichen Tagung (IGT) 2012 in Wien enthält zur Krisenbewältigung viele originelle Antworten und Anregungen aus rechtlicher und wirtschaftlicher Perspektive wie z. B. zum Reformbedarf im europäischen Genossenschaftsrecht, zur Verbundproblematik bei Kreditgenossenschaften, zu erfolgsbasierten Managementvergütungssystemen, der sozialen Funktion der Genossenschaften, zu Neugründungen in Deutschland, Österreich, Italien oder Schweden, zu Member Value und Corporate Social Responsibility bei kooperativen Finanzinstitutionen, zu neuen Aufgaben von Energie-, Umwelt- und Erzeugergenossenschaften oder zu Wohnbaugenossenschaften und Energiegewinnung. Er ist damit eine Fundgrube für viele offene Fragen.

LIT

www.lit-verlag.at

978-3-643-50515-6



9 783643 505156