

March 2015

**Report of the discussions
of the**

Cooperative working group

**"Fostering cooperatives' potential to generate smart
growth & jobs"**

held between June 2013 to November 2014

containing ideas and proposals for action

Introduction

1. The economic and social role of cooperative enterprises in Europe is of significant importance. Cooperatives represent more than 160 000 enterprises across Europe, owned by 123 million individual members and providing jobs to 5.8 million citizens. During the financial & economic crisis since 2007, many cooperatives proved to be more resilient than other types of businesses; in the former EU15 countries cooperatives had an employment level in 2009/2010 that was 31.5% higher compared to 2002/2003¹.
2. 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 include a wide variety of enterprises, such as individual businesses, SMEs as well as large companies and groups, which contribute to the economic and social dynamism and diversity of the European Union. They are competitive players in many economic sectors.
3. Thanks to their member-owned and business model cooperatives contribute to smart growth by providing innovative responses to needs that are often not met by other types of enterprises. Cooperatives play an important role in many sectors of the economy such as banking, agriculture, insurance, retail commerce, housing, social services, health, education, or in promoting green energy. Yet, it should be noted that the presence of cooperatives and their recognition varies greatly among Member States: while in most EU countries cooperatives are present in almost all sectors of the economy, they are lagging behind in some, lacking the necessary recognition and support.

¹ Cooperatives are part of the daily life of millions of citizens in Europe. One out of five citizens in Europe is member of a cooperative. In Finland, for instance, 75% of the population are members of a cooperative enterprise. In Belgium, when you enter a pharmacy, there is a 1 in 10 chance that you are in a cooperative. In Poland, 1 out of 3 people live in houses owned by cooperatives. In France, cooperative enterprises provide more than 1 million jobs, representing 4.5% of total employment in the country. In Germany, cooperative banks have more than 16 million members. In Italy the consumer and retail cooperatives have a market share of 33% in the food distribution sector, about 7 million people are served by social cooperatives and the contribution of all cooperatives to GDP is 7,3%. In the EU, some 38.000 agri-food cooperatives are managing more than 40% of the turnover generated in European agribusiness (Statistics provided by Cooperatives Europe asbl)

4. Recognising the considerable potential of cooperatives, Antonio Tajani, as Vice-President of the EU Commission in charge of Industry and Entrepreneurship, set up a joint cooperative working group that met four times between July 2013 to November 2014. The objective was to assess the specific needs of cooperative enterprises with regard to a wide variety of issues such as the appropriate EU regulatory framework, the identification of barriers at national level, the internationalization of cooperatives, financial and business support mechanisms, entrepreneurship education and the general promotion of the cooperative model among young people as well as the potential of business transfers into cooperatives to avoid business close downs.
5. The working group is steered by the presidents of all EU national cooperative federations as well as European sectorial organisations together with the EU Commission officials from DG Enterprise and composed of representatives/experts for the selected working topics. The members discussed in depth the above-mentioned issues, provided examples of good practice and focused on horizontal aspects affecting cooperatives of all sectors.
6. The group identified a first set of key subjects as particularly important for the sector: i) entrepreneurial education, ii) financing, and iii) development of specific business support services for cooperatives.
7. On the basis of these discussions, a working group of six experts coordinated by “Cooperatives Europe” association worked with the input of the national and European sectorial cooperative movements to propose solutions on the above.
8. The recommended actions provided in this Report are policy measures to be translated into concrete actions undertaken by the European Commission as well as by national governments and stakeholder organisations, in order to increase the commercial capabilities of cooperatives.

Cooperative entrepreneurship and education

9. To support productivity, innovation and quality-focused growth in Europe, it is essential to invest into education and training. Therefore, entrepreneurial education and training to support business growth and creation is one of the three key areas identified for immediate intervention by the European Commission's Entrepreneurship 2020 Action Plan.
10. However, curricula for general entrepreneurship education and management training tend to be based on the predominant business model of the traditional limited liability company with share capital.
11. The few initiatives that are put in place to promote the cooperative business model in national educational systems are isolated and thereby not fully exploited; it is not surprising therefore that young people wishing to set up a new business do not even take into consideration the cooperative option, even if the cooperative business model would be the best fit for their project. Therefore one action focus should be on how to educate young people about co-operatives, also by better communicating the benefits that the cooperative model offers to entrepreneurs amongst the young generations..

12. Furthermore the management of a co-operative requires additional skills and capacities specific to this model, in order to deal with the particular control and ownership structure of a co-operative. For example the participatory and democratic structure of co-operatives requires specific competences to assume board responsibility, in order to ensure effective governance; yet the elected officials to the board of directors often lack the required training and skills.
13. Some of the national initiatives in educational systems to promote the cooperative business model were presented during the second cooperative working group meeting (see minutes on the website of the Commission²). There are examples of specific modules for co-operative management training (including distance learning) and even of dedicated Master courses for co-operative entrepreneurs in a number of MS.

Recommended actions

14. In order to support the plurality of enterprises forms in Europe as a strong competitive argument, the group is recommending a mapping study to identify national programmes as well as good examples with regard to cooperative and social economy learning and practice at all educational levels.
15. This mapping study should include a benchmarking exercise of schools offering training for cooperative members, employees and managers as well as with regard to similar organisations across Members States. The results of this study should be discussed with the national Ministries of Education, in order to support the above developed recommendations.
16. As far as EU training programmes are concerned, the EU Commission will ensure that the programme "Erasmus for young entrepreneurs" is better promoted to cooperatives, in order to better benefit from it. The cooperative working group will also be informed about similar EU programmes and participate in the design of future programme opportunities.
17. Stakeholders should start awareness raising initiatives about the various EU programmes via conferences, workshops or seminars with the active participation of the Commission services.
18. The Commission's and stakeholders' intervention is essential so that all MS' governments include cooperatives in business education as part of their national curricula for schools and tertiary education; that way young people will be able to make a more informed choice when aiming to start a business. Furthermore it will ensure a healthy diversity of businesses in the European Union as a key factor for development.
19. It is also important that governments take action, in order to support the teaching of cooperative management in tertiary education; this will allow a greater number of currently isolated initiatives for master's studies to be connected at national and

² http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/co-operatives/index_en.htm

European level. A better support for the required cooperative research will be made easier that way with support from the public sector or European funds.

Financing of Cooperatives

20. As a result of the financial crisis, banks are following stricter rules to finance enterprises. This is especially true for SMEs, who were the first ones affected by the risk-averse strategies of commercial banks. On top of that cooperatives are often confronted with poor knowledge about their business model by private investors further limiting their access to capital.
21. Cooperatives have no or limited access to venture capital on the capital markets. They primarily depend on their own member capital as well as member and bank loan finance, in order to satisfy the specific member needs. This structural difference, which is reflected in specific accounting provisions, combined with strict governance rules make them less attractive to financial investors resulting in greater difficulties to access capital.
22. Cooperative banks are key actors with regard to financing of cooperatives; they are particularly adapted to providing services to cooperatives at start-up or development stage due to their local nature and understanding of the model.
23. There is a need for cooperatives to explore alternative forms of financing such as crowd-funding or the set-up of specific capital funds, in order to provide financing for cooperatives. This has been successfully developed in some EU countries like France or Italy. These funds have a leverage function with regard to bank loans and equity finance.
24. The European initiatives that provide capital, guarantees, loans, etc. were presented during the working group meeting. The EU does not provide any support or action linked to a specific business model like cooperatives or mutual societies or partnerships.
25. The information portal "access2eufinance" provides an overview of how to access EU financing in all countries. This is an interactive tool where businesses can select financing depending on their needs and contact local financial institutions to apply for EU financing. More information about the programmes which offer loans, microfinance, guarantees and venture capital was presented during the third workshop (see respective minutes).

Recommended actions

26. As part of the continuous dialogue between cooperatives and the Commission the latter shall update European and national cooperative organisations about the various existing and forthcoming enterprise financing programmes and tools. The Commission will ensure that cooperatives get access to all EU-level financing mechanisms and programmes. Better information about the cooperative enterprise model should be provided by stakeholders and the EU Commission to the financial intermediaries

implementing those EU programmes, so cooperatives can better exploit these opportunities.

27. The European Investment Bank (EIB) and the European Investment Fund (EIF) should encourage local cooperative banks to play an increasing role as financial intermediaries for EU programmes. Ensuring the plurality of business forms should become a key criterion in awarding support in those programmes.
28. The Group believes that reforms to national cooperative legislation are needed in order to allow non-banking financial institutions for the development of cooperatives; in addition such reforms should encourage the capitalization of cooperatives through matching contributions in cooperatives, without or with limited voting rights, while ensuring the specific cooperative governance system.
29. All national cooperative organisations should be able to create national cooperative development funds like in France, Italy or Spain, where every cooperative enterprise has to transfer a percentage of their net benefits. These funds may also be used to support the development of cooperatives and support training courses specifically designed for professionals, who can support cooperative enterprise financing.

Business development support

30. The particular nature of cooperatives calls for tailored business support services. Such advice and action is an invaluable tool for cooperative development in Europe.
31. Since 2001 the European Commission has initiated several actions for small businesses, in order to develop business support services that are easy to access and relevant to their needs. Any entrepreneur should find the advice and instructions he needs. However, a cooperative entrepreneur is not always able to find the specific support services for starting and running a cooperative project.
32. The Enterprise Europe Network (EEN) offers support and advice to entrepreneurs across Europe offering a wide range of services. However, the network has no specific approach regarding the different forms of businesses; the EEN aims mostly at dealing with practical challenges when a project is going cross-border.
33. During the third meeting of the cooperative working group, the European Commission presented the current and future actions regarding business development support at European level.

Recommended actions

34. Inter-cooperative EU business networks such as the ones that already exist in Europe for SMEs should be encouraged, as those networks considerably reinforce the sustainability of micro and small enterprises operating under the cooperative form.
35. The EU Commission with the help of stakeholders should identify national practices in the area of business support services that are giving advice to cooperatives in general and disseminate the information to stakeholders. In the same context the Commission should examine how best to support EU inter-cooperative business networks.

36. Concerning policies dealing with the transfer of businesses the EU Commission should gather information on schemes promoting the potential of co-operative buyouts to avoid company close downs, in particular with regard to succession problems. This initiative may include actions of gathering information about specific cooperative education measures and best practices to create more awareness about cooperatives or an information campaign about the transfer of a business to a cooperative.
37. It should be examined how best the European Enterprise Network EEN can include a cooperative dimension, in order to respond to cooperative business needs like providing information on relevant contacts and or/services across borders.
38. Acting in collaboration with local authorities stakeholders organisations are invited to enhance local/regional support services for cooperatives. Chambers of commerce and employers federations should be encouraged to provide relevant services to cooperatives. Where demand for these services is not sufficient to justify specialised agencies, a referral system established by stakeholder organisations may be more appropriate.

Conclusion

39. The selected topics are a starting point for developing a more proactive EU cooperative agenda. For this reason both the Commission services and the cooperative associations envisage this form of dialogue via a targeted working group to become a permanent one in order to address new points of concern to cooperatives.
40. In addition it will be examined how best to integrate cooperatives in the work of various groups and committees run by the Commission like the SME Assembly to get the cooperative voice heard. Further issues such as the general regulatory framework, youth, gender, cooperative statistics, worker buy-outs, state aid, public procurement rules, etc. are important topics of relevance to cooperatives that need to be addressed in the on-going dialogue with the EU Commission.
41. This Report provides guidance to the EU Commission and stakeholders at EU and national level in implementing concrete actions for more cooperative development in the EU through specific EU policies and programmes.
42. Based on these recommendations the working group will work with cooperative experts to implement those actions in close collaboration with the relevant EU Commission Services.