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**THE CO-OPERATIVE MOVEMENT IN BELGIUM:
PERSPECTIVES AND PROSPECTS**

**Editions LUC PIRE
Brussels
2002**

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GENERAL INTRODUCTION

These early years of the twenty-first century marked by relentless globalisation appear to be a good time to take stock of the co-operative movement. This movement constitutes a social and economic phenomenon that has not stopped growing for over 150 years, and is a unique manifestation of utopian ideas practised the world over. However, the aim of this work is not to demonstrate the international scope of the co-operative experience, but rather to up-date what we know about Belgian co-operatives by examining their traditional as well as their innovative forms¹. On the one hand, this will involve providing a snapshot of contemporary Belgian co-operatives, while on the other hand examining the most important recent developments in co-operatives – in particular those of the last two decades – since these have been affected by profound changes in particular industries.

The co-operative is firmly embedded in the contemporary economic landscape. However, the co-operative idea is by no means new². Its origins go back to the first half of the nineteenth century. In the multiplication of utopian ideas that marked this period, which was characterised by a rather brutish form of liberalism, there was an upsurge in experiments designed to translate social ideas into action. One of these experiments constituted a milestone, and is still considered the takeoff point for the co-operative movement. This was the creation in 1844 of the Rochdale Society of Equitable Pioneers by a group of English weavers. The success of their experiment ensured the spread of the co-operative idea. The statutes of the Rochdale Society, which established the main principles of co-operation, have endured through the years. The distinguishing features of these principles are that: profits are returned to members in proportion to the number of transactions that each carries out with the co-operative; capital is paid out only in the form of limited interest; the principle of "one member, one vote" is employed in decision-making structures; the co-operative is managed independently; and membership and resignation are voluntary. The International Co-operative Alliance (ICA), which unites co-operative movements the world over, has reformulated these principles regularly, though the kernel of co-operative thinking has ultimately remained close to the original principles³. The International Labour Office, too, recognized the co-operative ideal, defining in 1966 the co-operative as "an association of persons who have voluntarily

¹ For a general survey in English of the co-operative movement at the global level, see for example BIRCHALL, J. (1997); for a survey in French see DEFOURNY, J. (ed.) (1988a).

² On the co-operative society, see DEBOECK, K. and NICAISE, P. (1995), pp. 9-16; JANSSEN, A. and POLLÉNU, J. -P. (1997), pp. 10, 11, 49, 50; MATHIS, A. and MATTHEUWS, C. (1995), pp. 37-42, 49-51.

³ The latest formulation of co-operative principles, decided by the ICA in 1995, can be found in Appendix 2.

joined together to attain a common goal, through creating a democratically run company, by providing an equitable share of the capital required and by accepting a fair share of the risks and benefits of the company, in whose operations members participate actively"⁴.

Due to the growth of co-operatives, Belgium found it necessary to provide them with a legal framework, and a law on co-operatives was adopted in 1873. However, in contrast to what happened in most other European countries, the fundamental principles of co-operation were forgotten during the creation of the legal system for co-operatives or, more exactly, compliance with them was simply considered optional. A dominant characteristic of this new form of commercial company was the flexibility of its constitution, structure and operation. The simplified and inexpensive co-operative legal form attracted entrepreneurs to whom the co-operative ideal was theretofore foreign. From this point forward, there would be two kinds of co-operatives within the highly flexible system of co-operatives. They would co-exist, and both would be called co-operatives. On the one hand, there were co-operatives that implemented the co-operative principles inherited from the Rochdale Society of Equitable Pioneers. On the other hand, there were co-operatives that did not share the co-operative ideal, but rather appropriated the co-operative status simply because it was convenient. Thus, it is possible to speak of "real" and "fake" co-operatives, at least when they are examined in the light of co-operative ideals and principles. In order to allow "real" co-operatives (by far in the minority) to distinguish themselves and establish their identity, a National Council for Co-operation was formed in 1955. This Council is responsible for granting a seal of approval to co-operatives that genuinely accept co-operative principles and also for promoting co-operative ideals.

In the 1980s, there was literally an explosion of new co-operatives. The principal explanation for their emergence continued to be the flexibility in the legal definition of the co-operative, while other forms of commercial enterprise, for example, limited companies and private companies with limited liability, saw their rules grow more rigid. The upshot was a weakening in the image of co-operatives, which were henceforth perceived as vehicles for sidestepping certain constraints that other types of companies had to face. In 1991, lawmakers reacted to this state of affairs by passing a law that re-structured the co-operative system. Two types of co-operatives then emerged, viz. the "co-operative society with limited liability", and the "co-operative society with unlimited joint and several liability". While the co-operatives kept the traditional features (such as variability in social capital and in the number of partners)

⁴ Beyond this fundamental common identity, one can distinguish various categories of co-operative, as shown by

that harked back to the 1873 law, they now had new responsibilities and restrictions, modelled on those of the limited company form. In addition, co-operatives wishing to pursue the co-operative ideal could seek recognition as "participatory co-operatives". In 1995, a law was adopted to redress certain shortcomings of the 1991 law. This new law also introduced the "social purpose company" certification, thereby rendering the "participatory co-operative" classification obsolete. The "social purpose company" designation, which we will discuss again later, is used primarily by co-operatives.

Chronologically, there were two main stages in the creation of co-operatives in Belgium⁵. The first co-operatives, described today as "traditional", appeared towards the end of the nineteenth and early twentieth century. They arose primarily in the consumer sector and in the savings and credit, insurance, pharmaceutical distribution, agriculture and print media sectors. These traditional co-operatives organized themselves into large networks within the "pillars"⁶ that characterise Belgian society. On the one hand, there was the socialist co-operative movement, that formed the Belgian Federation of Co-operatives (Febecoop). On the other hand, there were co-operatives linked to the Christian Workers' Movement (*Mouvement Ouvrier Chrétien* – MOC / *Algemeen Christelijk Werknemersverbond* – ACW), that formed what is today called the "ARCO group" (formerly the National Federation of Christian Co-operatives). A third large network, which arose among the Flemish agricultural class, grouped together all co-operatives associated with the Boerendond, the Flemish agricultural movement. Meanwhile, in Wallonia, several networks of more modest size coexisted for a long time. Co-operative pharmacies were grouped together within an organization called the Office of Belgian Co-operative Pharmacies, though its members often belonged to other networks as well. A movement for co-operatives that were independent of political organizations, and were affiliated with the SC Fédérale de Belgique, was formed in 1891. This movement has now disappeared, though there are still, of course, co-operatives that are independent of the "pillars" mentioned above.

Beginning in the late 1970s, there was a veritable revival of the co-operative movement. Against the backdrop of economic crisis, a wave of new co-operatives arose both in Belgium and in most other industrialized countries. Striving to create and preserve jobs, their numbers

the typologies in Appendix 3.

⁵ A complete historical analysis would identify more stages of development. The somewhat simplified outline that we have presented here is based on the most widely used contemporary framework, and is appropriate for the structure of the present work.

⁶ "Pillarisation" is the process by which groups of citizens organise themselves along religious and political lines.

increased not only in the traditional sectors, but also in new sectors where co-operatives were not yet established. Following on the heels of these workers' co-operatives – or created at the same time as them – other types of organizations surfaced. They shared many of the ideals of the co-operative movement, and heralded the arrival of what would be called the "new social economy". Most of them took the form of non-profit organizations (NPOs), often focusing on social and professional integration of disadvantaged persons through work, or on the development of new activities, for example in fields linked to environmental protection or proximity services.

Compared to traditional co-operatives, those of the new social economy seem thus far to have played a rather modest role. Nonetheless, this role is very interesting since it casts these co-operatives in an innovative and topical light and when the co-operative model is employed to address socially relevant issues, such as the environment, or work-integration of poorly qualified people, it is in fact dealing with very modern challenges. At the same time, this role attests to a revitalization of the co-operative form insofar as co-operation is no longer built on homogeneous membership, or concerned exclusively with providing services to members. It is, rather, built on heterogeneous membership, and oriented towards people, for example the unemployed, persons with disabilities, and even members of the community as a whole, who may or may not be members of the co-operative. It is this feature, the fact that it fixes its sights on contemporary problems, that differentiates it from the somewhat antiquated image usually associated with co-operatives. Within the new social economy, many organizations – among, for example, work-integration enterprises and social purpose companies (a type of certification created especially for the social economy) – are in fact co-operatives. *Solidarité des Alternatives Wallonnes* (SAW) and various other networks of social economy organizations represent these co-operatives that have been generated by the "new co-operative" movement or by the new social economy of the 1990s.

In this volume the contemporary panorama of Belgian co-operatives will be presented in two main parts corresponding with the two chronological stages identified above. In Part One, we examine "traditional" co-operatives, whose origins go back to the late nineteenth and early twentieth century. After discussing, by way of introduction, the evolution of traditional co-operatives in the era of globalisation, we turn our attention, in Chapter I, to co-operatives in the financial sector, that have been particularly affected by the economic transformations of recent years. In Chapter II, we introduce the traditional co-operatives active in the other sectors, such as consumer co-operatives, pharmaceutical distribution co-operatives and

agricultural co-operatives. Part One concludes with a chapter devoted to the National Council for Co-operation.

In Part Two, co-operatives and other organizations that make up the new social economy are examined. Chapter IV is dedicated to the co-operative renewal of the 1970s and 1980s, and to the emergence of the concept of the "new social economy", which progressively supplanted that of the "new co-operatives". In Chapter V, we examine the support and the representative structures of the social economy. Finally, in Chapter VI, we conclude that we are witnessing today the emergence of a new co-operative wave. The ways through which this renewal expresses itself are varied, and include social purpose companies, co-operatives active in the field of work-integration or in sectors where they play a pioneering role, and "activities co-operatives".

PART ONE: TRADITIONAL CO-OPERATIVES

What remains of the "traditional co-operatives", that is, those that arose in the late nineteenth or early twentieth century? In their early days, these co-operatives were found primarily in a few leading industries in the primary and tertiary sectors, such as distribution of current consumption goods (food and non-food), savings and credit, insurance, pharmaceutical distribution and agriculture. They aimed to address individual needs directly, in the areas of consumption, savings, insurance and health care. Today, some of these co-operatives have disappeared completely, some have changed outwardly, while others have grown and keep expanding.

The evolution of traditional co-operatives must be understood in terms of the global social and economic environment, whose profound transformation over the last few decades has, not surprisingly, had a major impact on co-operatives. This context is primarily characterized by the contemporary phenomenon of economic globalisation, which has been sustained by rapid technical advances in the areas of information and communication; by the opening up of markets and increased liberalization in the circulation of goods, services and capital; by consolidation of large, integrated economic zones, and by the decline of the State as an economic producer and regulator. Globalisation has resulted in the rapid growth of competition, and in very high concentration of companies and capital.

Co-operatives have been unable to avoid these global economic trends. They too, have been affected by competitive pressures and the drift toward greater concentration. Given these challenging circumstances, co-operatives have had to take a hard look at their ability to cope with the competition. They have examined the relevance of the co-operative form in dealing with pressures induced by economic and technological transformations. The need to survive and to meet future challenges has led co-operatives to question themselves, sometimes thoroughly, and various strategic decisions have been implemented⁷.

In addition to changes in the competitive environment, other factors have influenced the evolution of co-operatives. In a general way, co-operatives – or at least the larger, traditional co-operatives – have experienced great difficulty in maintaining the spirit of co-operation. When a large organization has an enrolment of several thousand members, the implementation of democratic practices can prove to be difficult. In addition, while all

⁷ DRAPERI, J.-F. (2000), p. 129 ; CÔTÉ, D. (2000), pp. 150, 151 ; CÔTÉ, D. (2001), pp. 8, 22.

members of a co-operative gain from its activities, very few get involved in ensuring that their co-operative runs smoothly. Most members simply reap the benefits without helping to bear the costs. Very weak education in the principles and in the practice of co-operation has combined with the dominant economic ideologies to obscure the specific character of co-operatives. Members, when conducting business with their co-operative, do not really recognize the nature of their relationship with it. Admittedly, since co-operative areas of activity appear to be indistinguishable from those of their competitors, it is difficult for co-operatives to demonstrate their values, or to point out how they can make a difference. Co-operatives have been forced increasingly to confront capitalist competition on its own terms, while values such as democracy, solidarity and loyalty – the foundation of the co-operative movement – have gradually been eroded.

In the past, members of co-operatives found it easy to differentiate between their associations and conventional enterprises, because co-operative goods and services were different, and because members were treated as individuals. Nowadays, such differences are barely discernible, and co-operative practices are no longer a distinguishing characteristic. Furthermore, to the extent that management is based on abilities that are practically identical to those required by conventional enterprises, managers – hired primarily for their skills in specific areas, and not for their co-operative spirit – adopt methods that are lacking in the qualities that once made co-operatives so unique⁸.

In conclusion, traditional co-operatives are now obliged to face an increasingly competitive environment, while the application of co-operative rules grows weaker. Over the last decade, some co-operatives have undergone major changes, influenced by a number of factors, prominent among which are their mergers with enterprises that were not co-operatives. A survey of Belgian co-operatives must nevertheless begin with these enterprises, most of which have existed throughout the twentieth century.

⁸ CÔTÉ, D. (2000), pp. 152-154 ; CÔTÉ, D. (2001), pp. 8, 22, 385-402.

Chapter I: Financial sector co-operatives

Changes in the financial sector provide a clear illustration of the new economic environment with which co-operatives must contend. On a global level, this sector too has experienced a wave of liberalization, de-regulation and privatisation since the early 1980s. These trends have been amplified over the last ten years by accelerated internationalisation and concentration of the financial system, heightened competition, and intensification of technological progress in the fields of information and communication. New international players combined with only slight differences among financial products and services have heightened competition. As a corollary, there have been price adjustments that have reduced profit margins and obliged financial institutions to optimise their productive efficiency. As the twentieth century ended, these changes accelerated the restructuring and globalisation of the financial sector at the international level. The Belgian landscape, too, has known deep changes. In order to better understand the evolution of the large Belgian co-operatives in the financial sector, we thus have to first examine these changes.

Transformation of the international and Belgian financial landscapes

Various strategies characterize the changing face of the banking sector. One of these, implemented over the last decade, has consisted in establishing a complementarity between banking and insurance in order to diversify their services and create synergy among their commercial networks. This was achieved, on the one hand, through the "insuro-finance" approach, in which insurance companies offered financial products and, on the other hand, through the "banco-insurance" approach, in which banks offered insurance products. In addition, banks and insurance companies concluded numerous partnership agreements, and sometimes these agreements ended up as joint ventures.

Another strategy introduced by financial institutions was the extension of their markets beyond the domestic scene, either by acquiring networks abroad, or by establishing transnational commercial relationships. Yet another strategy employed was concentration, both in banking and in insurance. The last years of the century were striking in this regard insofar as numerous mergers and acquisitions took place, and increasingly powerful financial holding companies were created in Europe and elsewhere. This increase in concentration is

still underway. Through concentration and restructuring, financial holding companies aimed to attain the dimensions that would optimise their market positions⁹.

In Belgium, it is easy to see the extent to which the financial environment has been changed. The banks have replaced nearly all of their logos, which had existed for decades, and now that banking and insurance are linked, many insurance companies have replaced their logos as well. A quick review of the principal mergers and take-overs that have taken place in the Belgian banking industry over the last few years will allow us to more fully appreciate the changes that have occurred, and the new dynamic into which co-operative banks and co-operative insurance companies have been thrust.

There have been numerous take-overs. In 1996, Crédit communal concluded a co-operation agreement with Crédit local de France. In late 1999, it absorbed the latter organization, and in 2000, changed its name to Dexia Banque Belgique. In 1997, the BACOB bank, which in the previous year had invested capital in the privatised Crédit agricole group, became the majority shareholder in Paribas Belgique, which in 1998 was renamed Banque Artesia. In 1999, a restructuring of the ARCO group (Christian co-operative movement) gave rise to the Artesia Banking Corporation (to which we will return later). In 2000, BACOB absorbed Gesbanque and Banque Drèze. In late 1997, the Dutch company ING took control of the Belgian bank, BBL. In 1998, BBL took over Caisse privée de banque. Also noteworthy in the area of acquisitions were the following: Banque Dewaay, taken over by Crédit commercial de France, which in turn was absorbed by HSBC in 1997; the takeover of Europabank by Achmea, a Dutch banking and insurance group including CB Direct in 1998; the takeover of the Bank van Limburg and of the Bankunie by the Dutch insurance group, Nuts Ohra in 1998; the takeover of Crédit Lyonnais Belgium by Deutsche Bank, whose name was adopted for the new company in 1998; the merger involving Anhyp and Ippa – both of which already belonged to the French insurance company, AXA – to form AXA Banque Belgique in 2000; the takeover of Crédit professionnel by Crédit mutuel du Nord in 2000; and the takeover of Nagelmackers by the Dutch group, Delta Lloyd in 2001.

Apart from these acquisitions, there were three major mergers involving Belgian banks. The first, in 1998, involving Kredietbank, Banque CERA and the insurance company, ABB, gave rise to KBC Bankverzekeringsholding NV, a banking and insurance group. This holding company owns all of KBC Insurance NV (ABB and Fidelitas) and of KBC Bank (a merger of Kredietbank and Banque CERA), which in turn owns CBC Banque (a merger of Crédit

⁹ PARODI, M. (2000), pp. 35, 40-43; PALOMO, R. and CARRASCO, I. (2001), pp. 140-142.

général and the French-speaking section of CERA). We will return to this merger, since Banque CERA, like BACOB, was an important co-operative bank. In 1999, a second amalgamation occurred in which CGER and Générale de Banque, both of which had been taken over in 1998 by Fortis (a Dutch-Belgian group), merged to create Fortis Banque. But the transformation of the Belgian financial landscape was not yet complete, because in 2001 two financial groups, Dexia and Artesia Banking Corporation, decided to carry out Belgium's third major bank merger. Once this merger is completed, the BACOB bank emblem, owned outright by Artesia BC, should disappear and be replaced by the Dexia emblem. We will look at this merger again since it involves the co-operative group, ARCO, owner of Artesia BC. The union of Dexia and Artesia – which are, respectively, the third and fourth largest Belgian financial groups – affects the ranking of the country's leading financial organizations, since the new group becomes the second largest financial institution in Belgium, behind Fortis Banque but ahead of KBC. Thus, in less than five years, the Belgian financial scene has been completely transformed.

Financial co-operatives in an evolving environment

Co-operative banks could not avoid confronting globalisation of the economy in general and of the financial industry in particular. They have had to resign themselves to following the international trend toward concentration and financial globalisation. This implied that, to a certain extent, they were relinquishing their identity, whose central features included delivery of proximity services and the acknowledgement of local community characteristics. Stated differently, co-operative banks were drawn into the same merger and acquisition game as typical capitalist financial institutions¹⁰.

Before examining the impact of globalisation on co-operative banks, let us look at their situation worldwide at the end of the twentieth century. The overall importance of co-operative banks was very substantial. In 1996¹¹, the assets they administered worldwide accounted for nearly 20 percent of the total assets of the thousand largest banks in the world. The thirty largest co-operative banks – nineteen of which were European – managed assets totalling over 5,500 billion dollars. There were over one million co-operative bank members (co-operators) in eight European countries¹².

¹⁰ PARODI, M. (2000), pp. 35, 36.

¹¹ Since 1996, some co-operative banks are no longer in operation, or have changed their legal status.

¹² CÔTÉ, D., VÉZINA, M. and TREMBLAY, B. (2000), pp. 18, 20.

The co-operatives working in the savings, credit and insurance sectors changed significantly¹³. The strategic choices that co-operative financial institutions made over the final quarter of the twentieth century resulted in an expanded geographic and client base, a greater number of occupations and skills associated with the financial sector, and a greater range of goods and services. They became multi-purpose banks. To deal with the double challenge of the expansion of their client base and providing a greater range of goods and services, the various co-operative structures developed a vast network of branches. For example, by opening up their membership base, and by expanding their range of goods and services, co-operative movements of the Raiffeisen type (such as the Banque CERA, which we will discuss later), whose origins were in agriculture, now became generalist financial institutions. Co-operative banks, such as BACOB, whose goal was to finance the co-operative movement itself, followed the same path. Also, the volume of business they conducted with those who were not members of their co-operative grew significantly as a result of greater openness towards new types of clients. Due to this greater openness, the concept of "client" took precedence over the concept of "member". Branches controlled by co-operative groups, but that were ordinary limited companies, also appeared.

In recent years, the changes in financial markets created such pressures that the relevance of the co-operative form of banking has been questioned. Financial co-operatives, driven by the necessity to survive and to face up to future challenges, have questioned themselves, and have made various choices. Some co-operatives have maintained their legal status; some have chosen to abandon this particular legal form and become limited companies instead; some have chosen to restructure or to participate in mergers; and others have simply disappeared. In order to survive, financial co-operatives have had to adopt many practices of their competitors. This has alienated them from their co-operative identity. Thus, the central concerns of co-operative banks came to include issues such as growing financial concentration; integration with other groups that were not co-operatives; the creation of divisions over which members had very little control; diversification; constant increases in productivity, profitability and the ability to compete; improvement in goods and services; and international expansion. This entirely changed context raises questions about the future of the co-operative model. When a financial co-operative group buys out a conventional bank or creates a branch in the form of a limited company, it may run the risk of corrupting the co-operative spirit. When a bank is bought out, are there methods that can be employed to ensure

¹³ For the transformation of co-operative banks, see CÔTÉ, D., VÉZINA, M. and TREMBLAY, B. (2000), pp. 30-33;

its integration into an organizational culture of the co-operative type involving democratic management and the primacy of people over capital? When co-operatives grow through acquisition, or merge with conventional groups, there is a risk of eclipsing the co-operative approach in the sense of erasing its distinctive characteristics. The situation in Belgium and other European countries reveals that co-operative banks are inevitably swayed by the ethos of conventional financial institutions.

The co-operative banks could not allow themselves to fall behind while Belgian financial institutions were undergoing major change. In 1996, of the world's thirty largest co-operative banks, BACOB ranked seventeenth and CERA nineteenth. Five years later, the former had become a limited company, and was involved in a new merger venture with Dexia, while the latter had integrated its banking activities within the KBC group. Thus, Belgian co-operative banks did not lag behind in the transformation of the financial landscape. In fact, in Belgium today there is not a single banking institution remaining with the legal status of co-operative. However, there are still banks that – directly or indirectly – are partially controlled by co-operative shareholders.

That said, we may be witnessing the beginnings of a co-operative revival. While the classic forms of co-operative banking in Belgium are experiencing a sharp decline, we are also seeing the emergence of co-operatives that practice alternative financing methods. We will explore this trend in the Part Two. However, we should emphasise that the impact of these alternative co-operative banks cannot possibly be compared with that of the older, more established type of co-operative bank.

To more fully comprehend the impact of these developments in Belgium, we will now examine, in turn, each of the three leading co-operative financial institutions: CERA, which no longer exists as a banking institution, but still operates as a co-operative, with fundamentally renewed activities; the ARCO group, with Artesia Banking Corporation (recently merged with Dexia); and the P&V group, with the Nagelmackers bank (recently bought out by Delta Lloyd).

From savings and loans guilds to Cera Holding¹⁴

From its beginnings, the CERA co-operative bank maintained close ties with the Belgian Boerenbond, an organisation created in 1890 in Flemish Catholic circles to organise the agricultural population, and provide it with support. The first savings and loans guild was

PARODI, M. (2000), pp. 45-48; PALOMO, R. and CARRASCO, I. (2001).

¹⁴ Cera Holding, Rapports annuels 1998, 1999 and 2000. For a study on the former Banque CERA, see LISEIN NORMAN, M. (1995).

founded in 1892. Supported by the Boerenbond, the guilds grew rapidly. The Banque CERA developed from these many independent local (co-operative) banks, on a model propagated in Europe by a German, F.W. Raiffeisen. These local co-operatives made available to the group the share capital provided by their individual members. In the 1930s, the guilds became "Rural Co-operative Banks", a designation that was replaced in 1986 by "CERA"¹⁵.

In the late 1980s, CERA, following in the footsteps of Raiffeisen-type co-operative movements, decided to become a fully-fledged bank, targeting a broader public, including enterprises. From then, CERA opened its doors to clients from all social strata, and widened its range of products and services, though farmers and horticulturists always remained its priority target groups.

By the early 1990s, the CERA co-operative bank was the fourth largest bank in Belgium in terms of equity capital. It accounted for more than four thousand jobs, and had more than one thousand branches, 400,000 members and 1.3 million clients. Aside from the head office in Leuven, there were 396 local co-operatives in 1990, and these in turn had branch offices. Many of these local co-operatives were amalgamated as a cost-cutting measure, so that the number of co-operatives was reduced; there were 208 of them (including the head office) by 1998.

The birth of the Cera Holding co-operative

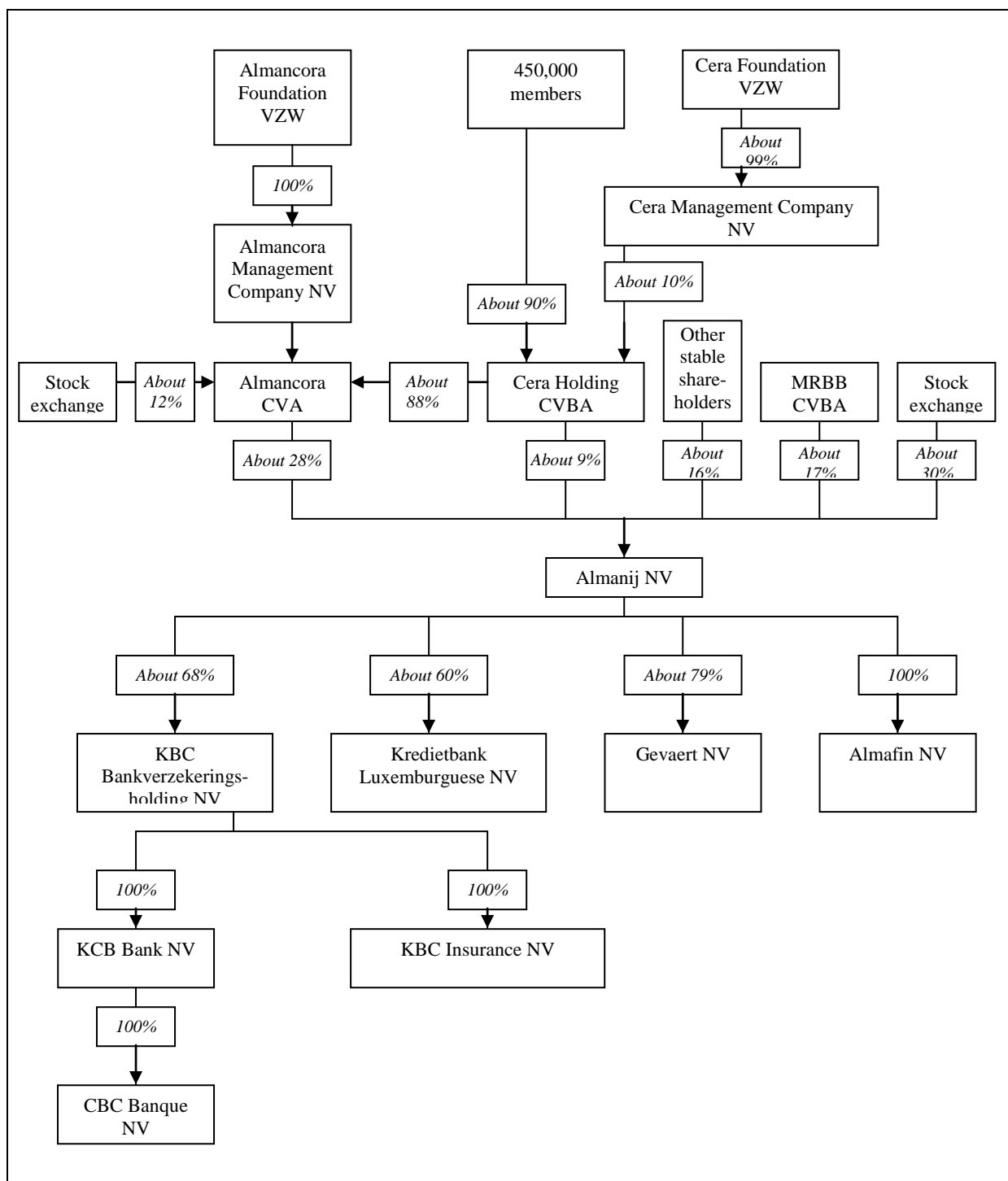
The year 1998 was a turning point for the CERA group. In order to cope with the changing European financial markets and to remain in a position to meet future challenges, the CERA group decided to merge with ABB-assurances and the Almanij-Kredietbank group. This merger gave rise to the major banking and insurance group Almanij/KBC-CBC. The resulting holding company (KBC Bankverzekeringsholding NV) owns all of KBC Insurance (ABB and Fidelitas) and KBC Bank (a merger between the Kredietbank and Banque CERA), which in turn controls CBC Banque (a merger between Crédit Général and the francophone section of Banque CERA). In 1997, CERA had taken control of Banque Indosuez Belgique, and in 1999, KBC acquired a controlling interest in Antwerpse Diamantbank (ADB).

What happened to the CERA **group** co-operatives during the merger process? The 207 local co-operatives merged with the CERA head office to form a new co-operative that, by transferring its banking activities to KBC Bank, became a *de facto* holding company. This new co-operative is called Cera Holding, and consolidates the shares of members of the former Banque CERA. The asset base of Cera Holding consists largely of a major interest in

¹⁵ For a detailed history of the CERA group, see SERWY, V. (1942 to 1952) and VAN DER WEE (2002).

Almanij NV, the holding company ("fund of funds") for the entire group (see Diagram 1). In 2001, its subsidiary Cera Ancora became "Almancora", a publicly traded company. Thanks to Cera Holding's contribution of supplementary Almanij shares, Almancora now owns about 28 percent of Almanij.

Diagram 1 : Cera Holding within the Almanij/KBC-CBC Group Structure



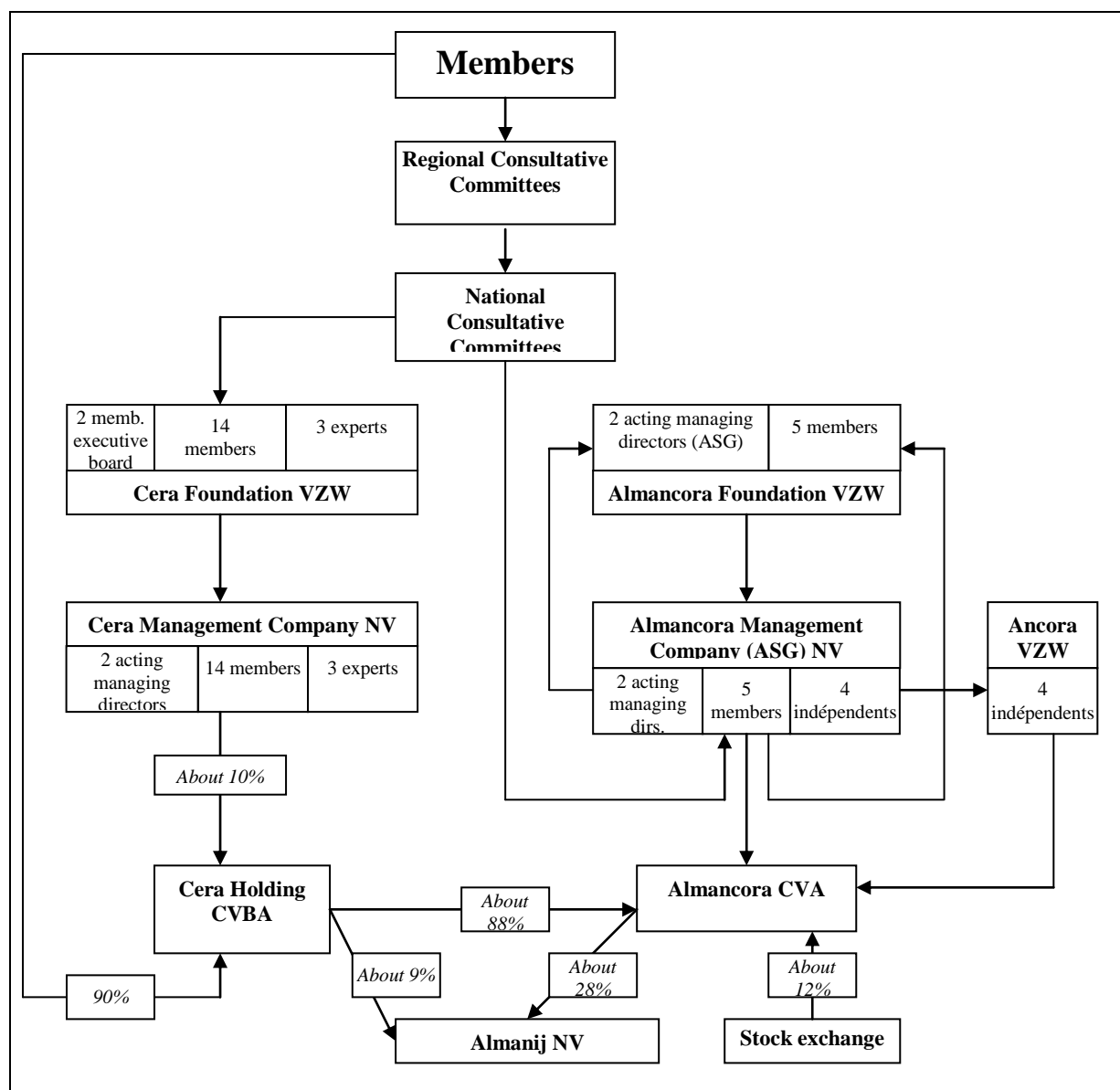
A social and financial mission

When Cera Holding was created, it was called upon to carry out dual missions – one financial, the other social. The first mission consists in managing the financial wealth generated by the transfer of Banque CERA's banking activities to KBC. This wealth consists principally of Cera Holding's major interest in Almanij SA, the holding (fund of funds) of the banking and insurance group, KBC. The objective is to play, thanks to this interest, an important role within Almanij SA, and thus to ensure the stability and continuity of KBC Bancassurance Holding. The active participation of Cera Holding in the strategy and management of the group involves, amongst other things, administrative mandates within the various companies. On the other hand, Cera Holding is striving to revive the co-operative ideal by drawing on its historical legacy, and by devising new and concrete ways to convey co-operative values. For example, members receive (besides dividends from their capital shares and other economic benefits) a "social dividend" or a social contribution from their co-operative through projects that the co-operative supports by way of the Cera Foundation. Under the name "Cera Foundation", Cera Holding has developed an important patronage program whereby the co-operative donates almost 5 million euro annually to projects in five major areas. The projects are selected on the basis of their potential to meet the real needs of people and society. They involve the medico-social sector; poverty; agriculture, horticulture and the environment; education, training and entrepreneurship; and art and culture. Cera Holding also supports projects of the Belgian Raiffeisenstichting (BRS) – a non-profit organisation whose goal is to promote, in co-operation with NGOs, development assistance based on co-operative principles – particularly in the fields of savings, credit and insurance.

Thus, the vast financial resources that Cera Holding "socialises" and the number and variety of projects that it supports through partnership agreements make it one of the leading private patrons in the country. Also, the structure of the former local co-operatives belonging to the CERA group, which was traditionally decentralised and participatory, was maintained in a new and original way, insofar as all members have the right to review Cera's support for these projects, and may even actively partake, through their representatives, in these new vehicles of co-operative solidarity (see Diagram 2). The representative structure is as follows: the Regional Consultative Committees represent co-operative members at the regional level in forty-five "regions"; committee members meet three times a year to discuss the activities of Cera Holding, evaluate regional projects or introduce new projects. Four representatives from each Regional Consultative Committee serve on the National Consultative Committee, which

in turn elects fourteen members to the Board of Directors of Cera Management Company (the administrator of Cera Holding and its social component, the Cera Foundation). Lastly, the chair of the Board of Directors is chosen from these membership representatives. Through these representation mechanisms, Cera Holding seeks to strengthen the role played by the membership, and to maintain strong contacts at all levels, from the grassroots to the top.

Diagram 2 : Participatory Mechanisms of Cera Holding Members



From FNCC to the ARCO group¹⁶

The National Federation of Christian Co-operatives (FNCC), a co-operative society created in 1935, represented the co-operatives of the Christian workers' movement until the late 1980s¹⁷. The FNCC was a founding member of the Christian Workers' Movement – as was the National Alliance of Christian Mutual Societies (*Alliance Nationale des Mutualités Chrésiennes* – ANMC / *Landsbond der Christelijke Mutualiteiten* - LCM) and the Confederation of Christian Trade Unions (*Confédération des Syndicats Chrétiens* – CSC / *Algemeen Christelijk Vakverbond* - ACV). In 1989, it confederated twenty-eight regional co-operatives, representing 430,000 members. Wherever socialist institutions controlled the PS group (and later the P&V) *in fine*, a vast number of private individuals (*qua* members) formed – and continue to form – the foundation of the Christian co-operative movement. The capital formed by the shares of all co-operators in the twenty-eight regional co-operatives was itself invested, via the FNCC, in the various co-operatives of the movement. In the case of savings and credit, by the end of the 1980s FNCC owned 26 percent of the COB-BAC (Belgian Workers' Co-operation) bank. In the insurance sector, FNCC owned 82 percent of Les Assurances Populaires / De Volksverzekering (LAP-DVV).

In 1990 and 1991, the FNCC was completely restructured and became the "ARCO group", a name designating a body made up, on the one hand, of finance companies in charge of raising capital and, on the other hand, of holding companies. There were two main objectives underlying this major reorganisation: (1) resolving problems linked to the highly dispersed ownership of equity, and (2) making the group more attractive in order to mobilise new funds and to meet the growing capital requirements of its subsidiaries. As a first step, the twenty-eight regional co-operatives merged, giving rise to a new finance co-operative named Arcopar. The second step involved establishing a clear distinction between financial and other types of services. This was achieved through the creation of two holdings. Thus, investments in COB-BAC and LAP-DVV were redirected toward the co-operative, Arcofin, while the investments in other commercial or service concerns (in particular EPC, a company active in the pharmaceutical distribution sector) were consolidated in the limited company, Auxipar.

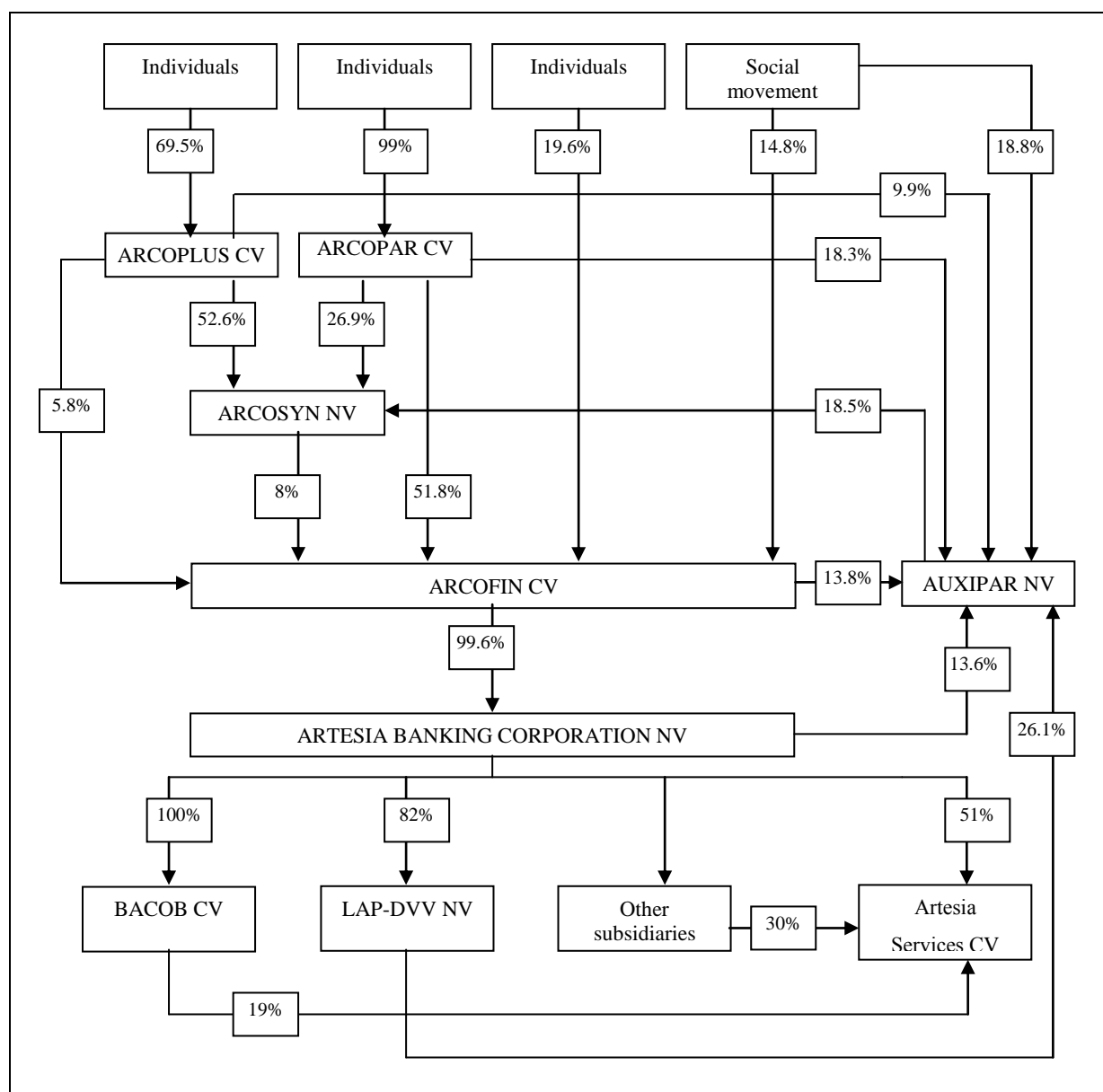
Restructuring: the late 1990s

¹⁶ The ARCO group, Annual Reports 1998-1999 and 1999-2000; information provided by the ARCO group. For an overview of the Christian co-operative movement in the late 1980s, see ANSION, G. and MARTOU, F. (1988), pp. 133-138; SAIVE, M.-A. and TROISFONTAINE, C. (1987), pp. 4-10.

¹⁷ For a detailed history of Christian co-operatives, see SERWY, V. (1942 to 1952) and KWANTEN, G. (1987).

During the wave of change that hit the world of banking in the late 1990s, the ARCO group was transformed. In 1997, BACOB (COB-BAC's new name) acquired Paribas Belgique, which was transformed into Banque Artesia the following year. In 1999, the ARCO group organisations formed Artesia Banking Corporation, a limited company that was completely integrated in terms of financial services. Artesia Banking Corporation included BACOB (a retail bank), LAP-DVV, Artesia (a patrimonial, merchant bank), and support services and specialised subsidiaries (see Diagram 3). Thus, Artesia BC presented itself as a financial services group, represented in numerous countries through its subsidiaries and interests. On 31 December 2000, it had some 7,500 employees; its balance sheet totalled 75.478 billion euro, and its consolidated earnings were 224.643 million euro.

Diagram 3 : The ARCO Group Structure – Year-End 1999



On 1 January 2001, the BACOB bank, a co-operative formed in 1925, became a limited company wholly controlled by Artesia BC. It now has responsibility for the retail banking and social sector activities. At the end of the year 2000, it had about 2,400 employees and operated through seventy-eight regional branches, 479 local branches and a network of specialised representatives¹⁸. For a long time, BACOB has been very active as a banking partner for businesses in the non-market sector (hospitals, convalescent homes, schools, institutions for persons with disabilities, social housing organisations, and social and cultural organisations). A more recent yet equally noteworthy development demonstrates BACOB's social awareness: it is the clear leader in the Belgian market for ethical funds¹⁹.

By early 2000, Artesia BC had an 82 per cent equity interest in **LAP-DVV**²⁰. The insurance company, which was formed in 1929 (at a time when limited company status was compulsory for insurance companies), developed a strategy based on using a variety of channels to distribute its products. Its main channel of distribution is now its group of special advisors, dispersed among its four hundred branches. In addition, since 1995, LAP-DVV has been developing a bank/insurance component in collaboration with BACOB. Moreover, the company has a synergistic relationship with other related banks. LAP-DVV is also active in direct insurance through its subsidiary, the limited company, Corona. Lastly, following the buying of Belstar and Luxstar, LAP-DVV started up a fourth channel of distribution, namely, brokerage. By the end of the year 2000, LAP-DVV had 980 employees, in addition to around four hundred independent agents and about one hundred personnel at Corona, Belstar and Luxstar.

Arcofin, the ARCO group's holding company specialising in financial services, was practically the only shareholder in Artesia Banking Corporation, the fourth largest financial group in Belgium. After its merger in late 1999 with BACOB Holding, Arcofin held a 99.6 percent interest in Artesia Banking Corporation and a 13.8 percent interest in Auxipar (the ARCO group's holding company specialising in market activities). Arcofin's businesses were divided into three categories: Artesia BC and the banking sector subsidiaries; LAP-DVV and the insurance sector subsidiaries; and Auxipar, together with its subsidiaries in the market sector and public utility sector, made up of water, energy and the environment.

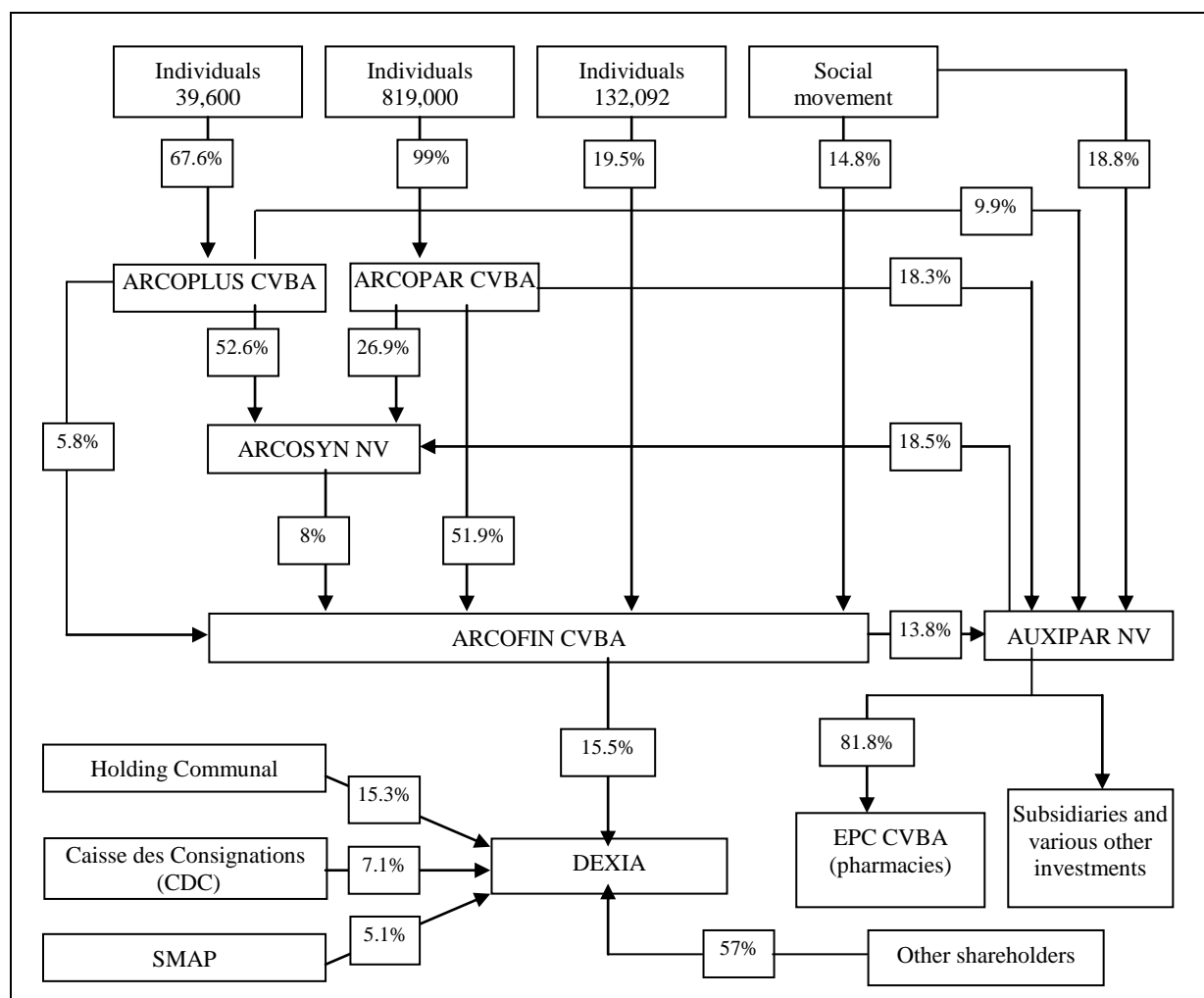
¹⁸ On 31 December 2000, the BACOB's balance sheet total was 11.5374 billion euro.

¹⁹ By the end of the year 2000, the bank was managing 625 million euro in ethical funds.

The merger with Dexia

In 2001, the ARCO group underwent another important change, insofar as Artesia Banking Corporation merged with the Franco-Belgian group Dexia. Dexia bought Arcofin's share in Artesia BC for 3.3 billion euro. To finance this acquisition, Dexia issued 178.9 million new shares, all of which went to Arcofin, thereby allowing it to obtain a 15.5 percent interest in Dexia, and to secure a position similar to that of Holding Communal (see Diagram 4).

Diagram 4 : The ARCO Group Structure - 2002



With a common market capitalisation of 18 billion euro, the new group became not only the second largest financial group in Belgium, but also figures among the top 20 European bank/insurance groups. Collaboration between the two groups should lead to their total integration within five years. Restructuring of the network of branches is expected to begin in

²⁰ In 2000, AP's collection of premiums amounted to 1.2696 billion euro. The balance sheet total on 31 December 2000 was 4.3 billion euro and the earnings amounted to 33.9 million euro.

2002, and will be based on a study of the optimal level of concentration. Upon completion, the Dexia and BACOB networks will be fully integrated, with the Dexia logo replacing that of BACOB.

Co-operative identity and socialisation of benefits

During the 1990s, the number of Arcopar members practically doubled to a figure of over 800,000 today²¹. To sign up new co-operators and encourage existing ones to stay, Arcopar has developed a strategy of "stimulating co-operative vitality". In concrete terms, this means that co-operators' shares yield an attractive return, linked, *inter alia*, to the fact that Arcopar is an accredited co-operative, and accreditation by the National Council for Co-operation provides an advantageous fiscal framework. In addition, the companies in the group (BACOB, LAP-DVV) provide those who hold a "share account" with an array of co-operative, commercial and financial benefits, and benefits in the area of tourism. With regard to the network of EPC pharmacy co-operatives in which Auxipar is the main shareholder, the co-operative spirit has always been expressed through the return of part of the earnings to the members, prorated on the basis of their transactions with the co-operative rather (than on the basis of the amount of their capital shares).

But there is an even more concrete expression of the spirit of co-operation in the ARCO group through the significant socialisation of benefits. Firstly, the ARCO group is highly involved in financing the Christian Workers' Movement and its numerous activities. Since the creation of this vast federative structure, it has paid the MOC and the ACW the equivalent of several hundreds of thousands of euro every year. Secondly, as we will see further on, the group supports the non-market sector and the new social economy by way of two NPOs – Syneco (in the francophone part of the country) and Procura (in the Flemish part) – which are developing consulting and promotional activities. Finally, since 1998 it has maintained a special sponsorship policy for the social sector: every year, ARCO and BACOB, with the collaboration of Arcopar co-operators, donate 500,000 euro to ten associations active in a pre-selected sector. For the year 2000, the beneficiaries of this support were associations that re-integrated very needy individuals into the community.

²¹ In 2000, the balance sheet total for Arcopar amounted to 1.028 billion euro.

From the PS group to the P&V group²²

The socialist co-operative movement is involved in the financial world through a group which, for a long time, was named after its leading enterprise, the *Prévoyance sociale* (PS), a co-operative created in 1907. In contrast to the two other major co-operative groups discussed above, the socialist co-operative group is more prevalent in the country's French-speaking region than in its Flemish-speaking part²³. In its insurance activities, the PS group brought together a variety of companies, including PS Assurances, a co-operative which handled all types of insurance and whose capital was owned by a large number of institutions of the socialist movement, such as trade unions, mutual societies, and co-operatives. The PS group also controlled Codep, the socialist movement co-operative savings bank, providing an array of classical banking services²⁴.

In 1993, the PS changed its name to P&V (*Prévoyance & Voorzorg*). The P&V group then comprised three main interests: insurance, banking (Codep) and pharmaceuticals (the pharmaceutical group Multipharma, to which we will return later).

Recent changes and the current structure

In its banking activities, the P&V group expanded externally by buying out Banque Nagelmackers in 1994. Banque Nagelmackers then merged with Codep, the group's co-operative bank, and in so doing created an organisation accounting for over 650 jobs. The new group created by way of this merger, Banque Nagelmackers 1747, then became a limited company. Strictly speaking, it thus no longer belonged to the co-operative banking sector, though two thirds of its capital was controlled by the P&V group. In 2001, Delta Lloyd, a financial holding group of Dutch origin, and a wholly owned subsidiary of the British insurance company, CGNU, bought out Nagelmackers. (CGNU was the product of the merging of Commercial Union, General Accident and Norwich Union). Consequently, the P&V group is no longer operating in the banking sector.

In its insurance activities, the P&V group was significantly restructured twice during the 1990s in order that it might provide better client services, through the decentralisation of its

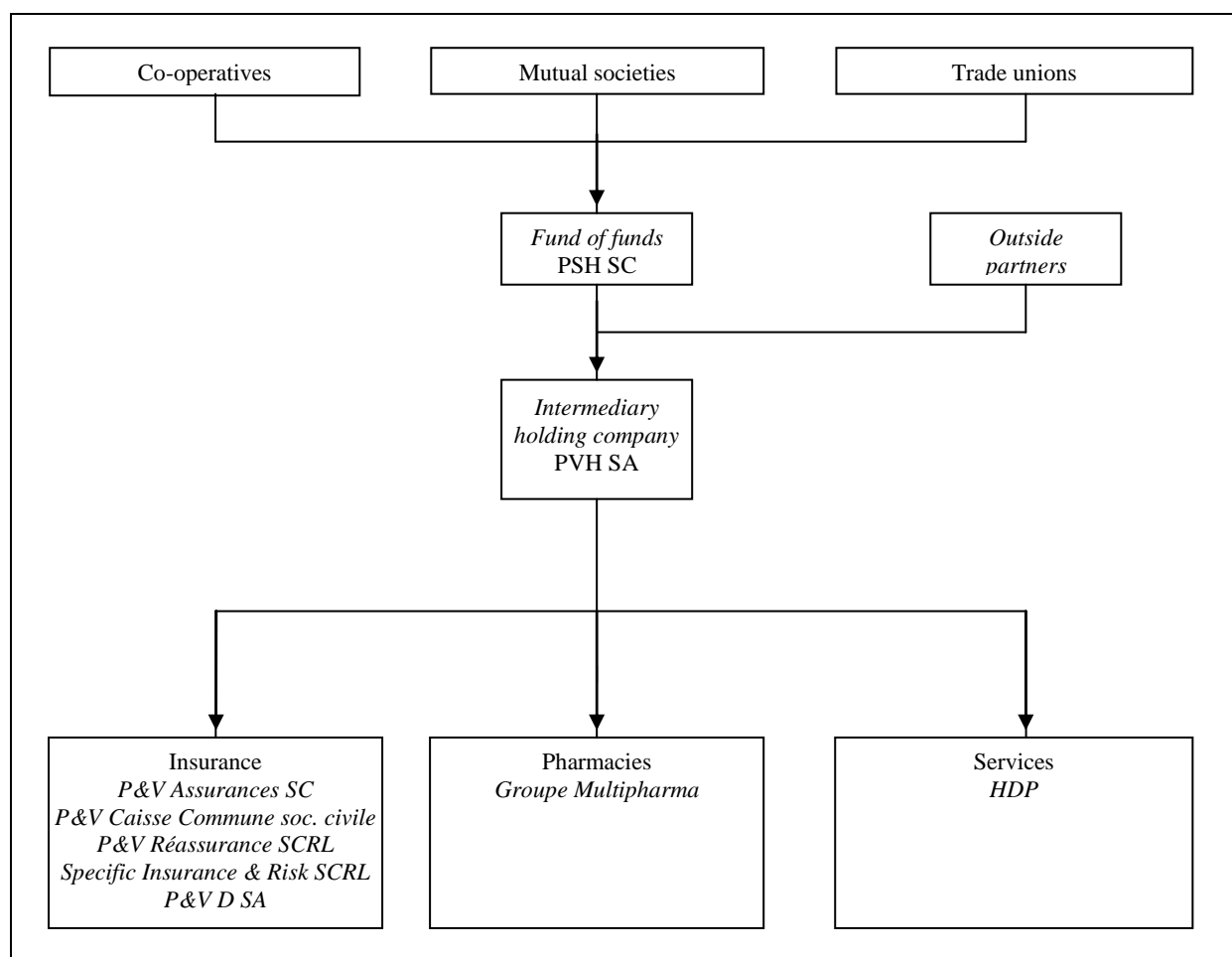
²² CIRIEC (2000), pp. 25, 26; P&V Assurances, Annual Reports 1999 and 2000. For an overview of the socialist co-operative movement in the late 1980s, see ANSION, G. and MARTOU, F. (1988), pp. 124, 138-140; SAIVE, M.-A. and TROISFONTAINE, C. (1987), pp. 3-9.

²³ This explains why we have chosen to use the acronyms for the French legal forms in the diagram about the P&V group, while we used the acronyms for the Dutch legal forms in the diagrams about the two other groups. However, it has to be underlined that the three groups are present both in the French-speaking and in the Flemish-speaking part of the country.

²⁴ For a detailed history of the socialist co-operative movement, see SERWY, V. (1942 to 1952); WITTE, E. and DE PRETER, R. (1989).

operations. Today, insurance constitutes the P&V group's principal area of activity (see Diagram 5). It provides these services through: (1) an insurance company that serves private individuals and businesses (P&V Assurances SC); (2) a mutual association covering work accidents (P&V Caisse commune); and (3) a reinsurance company (P&V Réassurance SCRL). It also has a co-operative broking firm, Specific Insurance & Risk, that was created to exploit the portfolio potential of the P&V group, and of certain types of insurance not handled by P&V.

Diagram 5 : The P&V Group Structure



On 31 December 2000, the insurance branches of the P&V group as a whole, had a staff of almost 1,100. About 560 of these employees worked at the head office (P&V Assurances, P&V Caisse commune and Specific Insurance & Risk), and nearly 430 worked at P&V D. Its insurance products are sold primarily through a network of ninety-two outlets (eighty-one local agencies and eleven dependent sub-branches of these agencies), operating under a single

distribution **limited** company, P&V D. In addition to this "general public" network, the distribution of P&V products also relies on exclusive independent agents, brokers, and specific distribution channels. These channels are intended for public authorities and various institutions (the "P&V Institutions" department), and for SMEs and SMIs (the "P&V Business" department). For the fiscal year 2000, the premiums issued by P&V Assurances amounted to some 250 million euro, with net earnings of slightly more than 20 million euro.

Partnerships

In the current context of the globalisation of markets, and faced with the mergers and acquisitions that have affected the insurance sector in recent years, it became difficult for P&V Assurances to maintain its independence and defend its co-operative identity as long as it remained isolated. To address this problem, P&V Assurances decided to expand its collaborative and synergistic activities. In this regard, several important initiatives were launched in 2000. Thus, in addition to collaboration with a major vehicle importer (Etablissements D'Ieteren), it formed an alliance with Les Assurances Populaires / De Volksverzekering (LAP-DVV), an insurer associated with the Christian co-operative movement. This co-operation has two components: firstly, a economic interest grouping named Rainbow ICT Service, a data processing centre used by both insurers; and secondly, a co-operative, SEPIA, managed jointly by P&V Assurances and LAP-DVV, and whose mandate is to manage sectoral non-compulsory pension schemes.

In Europe, P&V Assurances is part of Euresa, an organisation created in 1991 that includes seven major co-operative insurance companies and mutual societies from six European countries (Belgium, France, Italy, Germany, Denmark and Sweden). Euresa's goal is to strengthen the co-operative and mutual insurance sector. The seven member companies are involved in all areas of insurance, service more than 20 million policyholders and have about 24,000 employees. Their cumulative receipts amount to over 18 billion euro.

The socialisation of earnings and Fondation P&V

Previously, a significant proportion of the PS group profits came back to the community through social initiatives. However, in the early 1990s, the company decided that it no longer wished to manage these enterprises, such as spa centres and social institutions for youth, which accounted for over one thousand jobs. The need to focus on restructuring the group, as well as the cost of managing the social initiatives, and the fact that they had an operating deficit, led to a gradual transfer of management responsibility for these enterprises. Yet, the group wanted to maintain its policy of socialisation of profits. Consequently, while one part of

the operating surplus is employed to guarantee agreements made with policyholders, to assure the future of the company and to develop new products and services, a second part is distributed to "life insurance" and "work accident" policyholders in the form of profit-sharing, and a third part is devoted to social and humanitarian activities and to supporting initiatives in the public interest. Thus, as a co-operative, P&V develops a policy of partnership or patronage to support initiatives that are in line with its own values. It gets involved in this way in various fields such as support for campaigns on health, road safety, and environmental protection, as well as educational projects, the financing of medical research, and aid to developing countries.

In addition, in 1997, P&V created a fund in association with the King Baudouin Foundation. Until 2000, this fund sponsored various projects to combat the exclusion of youth, such as the creation of a "Youth Parliament". In 2000, with the results of these experiments showing promise, P&V decided to rethink its strategy – this time within a more European perspective. Its collaboration with the King Baudouin Foundation gave way to an independent foundation, the Fondation P&V, which became part of the European Centre of Social Economy Foundations. Other foundations participate in this entity, namely Fondazione Cesar (Italy), Fondation Macif (France) and Fundació Agrupació Mútua (Spain). Fondation P&V, which was created as an NPO, has an annual budget of around 250,000 euro. The P&V group is also a structural partner in two NGOs that it supports financially. These are Fonds de coopération au développement (FCD) in the French-speaking part of the country, and Fonds Ontwikkelingssamenwerking (FOS) in the Flemish-speaking part. It is also involved in developing the social economy, insofar as it has shares in co-operatives such as Euclides, Carolidaire, Kanaal 127, De Werkhoek and Trividend, and it supports organisations such as the Cogep co-operative in Seraing and the association Sociale Economie Oostende.

Lastly, as a major component of the socialist co-operative movement, the P&V group contributes significantly to funding the NPO, Febecoop, which represents the entire movement.

Convergence

Large Belgian co-operatives active for nearly a century in the banking and insurance sectors were obliged to face the rapid internationalisation and concentration that was occurring in their industries, and they adopted similar strategies. They introduced major structural changes, adopted cascading structures that grew broader and more complex in order to increase the financial leverage associated with the capital inflow from other partners, forged new business

alliances, created new subsidiaries and even merged with other companies. Of course, such changes meant that the structures and operating methods of these co-operatives grew to resemble those of other types of businesses. Consequently, maintaining co-operative identity became an issue, either explicitly or implicitly. For decades, the increasing size of the co-operatives, and the intensifying technicality of their activities, had already made it difficult to imbue them with the co-operative spirit, especially when it came to involving their members in real decision making. The new structural changes simply accentuated the difficult challenge ahead. In particular, the multiplication of non-co-operative companies within groups that have become extremely heterogeneous now represents an ongoing issue, and the danger that the co-operative sector could lose its distinctive characteristics is always present.

When we compare the adaptations of the three major groups we have just examined, the similarities are quite striking in this regard as well. Firstly, members no longer get involved, except at the level of holding co-operative societies, and these holding co-operatives now only partially and indirectly control the commercial companies engaged in the productive activities in the strict sense. In other words, the objective that had driven the creation of co-operatives – in the present case, the introduction of banking and insurance services intended for, and controlled by members – has largely disappeared, giving way to a new relationship between members and the co-operative. The co-operative now serves as an intermediary for co-operators' capital investments. It also collects and partially redistributes to co-operators returns on investment in their group.

Since this type of service, at least in its common form, can obviously be provided by any kind of investment company, it follows that the potential attachment of members to their co-operatives and to specific practices must depend on other factors. In addition to an attractive return, co-operatives try to provide their members with related benefits that reinforce their ties with the co-operative. However, it is also possible for companies that are not co-operatives to provide their most loyal clients with these kinds of benefits. That being the case, the distinctiveness of co-operatives is increasingly found, rather, in the socialisation of part of the earnings. This socialisation was always present in one form or another. Nowadays, however, it takes a distinctive form, especially through sponsorship activities organised by new institutions, such as foundations, or via the establishment of organisations serving the social economy or the non-market sector. These practices remain very close to essential elements of the co-operative ideal which, although it does not dispute the need to show surpluses, aims for non-capitalist appropriation of these surpluses. Of course, today there is a growing number of large private groups with sponsorship funds or foundations that are supposed to convey their

sense of "social responsibility". However, it is difficult to deny the essentially instrumental nature of these foundations, which form an integral part of communication strategies designed to maximise return on capital. Image concerns are not totally absent in co-operatives either, but the resolve to limit the privileges of capital, combined with a more socially useful employment of profits, has always been central to co-operative thinking.

Lastly, even though principles such as "one member, one vote" no longer have much relevance to co-operatives with hundreds of thousands of members, the idea of involving at least part of the membership in a co-operative's overall plan is still relevant. To many co-operators in the ARCO group or the PS group, their co-operative – and their personal affiliation with it – are inseparable from the social movement to which they belong and for which their co-operative serves as one of the principle financial bases. Similarly, participation by Cera Holding members in the entire support policy developed for social projects, constitutes a renewed form of member involvement. Mobilising members around a project with collective utility – and frequently a local focus – gives it a significance that had gradually been lost due to the size of the co-operative or to the growing specialisation in skills required to manage co-operative activities. In this respect, there can be no doubt that co-operatives continue to follow one path, among many, in their long search for economic democracy.

Chapter II: Traditional co-operatives in other sectors

Besides the banking and insurance sectors, the traditional co-operative movements maintained a very significant presence in two main fields of activity, viz. pharmaceutical distribution and agriculture. In this chapter, we will focus mainly on these two sectors, although we will also mention a series of rather diversified activities which take place around the "kernels" of the co-operative movements. But we will start by briefly evoking consumer co-operatives, which no longer exist but have, for several decades, constituted one of the most successful branches of co-operation and one of its most familiar facets.

Consumer co-operatives

Immediately following the First World War, co-operatives in the field of consumer goods distribution made remarkable progress. However, the crisis of the 1930s led to a decline in their fortunes. Beginning in 1945, there was an increase in consumer purchasing power, and this allowed the sector to recover, but consumer co-operatives were unable to resist the rise in the late 1950s of mass retailing (supermarkets), which in fact proved to be unstoppable. Today, consumer co-operatives – a flourishing movement and a seminal influence in co-operative thinking for nearly a century (1850-1950) – have virtually vanished from the Belgian economic landscape. Among the many reasons for their disappearance were: the lack of capital; the lack of a policy vision on the part of the leadership; too many small local establishments; an unwieldy form of democratic management; and member dividends that placed a strain on co-operatives' financial resources. In general, consumer co-operatives have been unable to compete with capitalistic mass retailing. The year 1983 witnessed the end of Coop-Sud, which grouped the last of the socialist co-operative stores. Then, in 1985 and 1986, the Christian co-operative movement closed Bien-Être, the central supplier for Christian consumer co-operatives, whose food department was bought by Louis Delhaize. In 1964, consumer co-operatives formed a network of almost three thousand outlets, but by the end of the 1980s there were only slightly more than three hundred left. These were all under the control of the Économie populaire de Ciney (Epece), which belonged to the Christian co-operative movement. In the early 1990s, these last consumer co-operatives disappeared as well²⁵.

²⁵ JANSSEN, A. and POLLÉNU, J.-P. (1997), pp. 15-17; ANSION, G. and MARTOU, F. (1988); SAIVE, M.-A. and TROISFONTAINE, C. (1987), p. 12.

Among traditional co-operatives, there were very few "production" (as opposed to consumer or user) types, and those that did emerge were linked to consumer co-operatives. As we will see later, production co-operatives experienced more growth during the "new co-operative" wave of the 1970s and 1980s.

Pharmaceutical distribution co-operatives

Co-operative pharmacies emerged toward the end of the nineteenth century. Although in the beginning they were all socio-politically neutral, these "people's pharmacies" later established links with the traditional "pillars" of Belgian society – socialist, Christian and neutral. In 1946, in addition to associating with traditional co-operative movements, co-operative pharmacies formed their own professional union, the OPHACO (Office of Belgian Co-operative Pharmacies). The OPHACO represents its members on various relevant bodies dealing with medicinal products and health issues. While consumer co-operatives have disappeared, and savings, credit and insurance co-operatives have undergone major changes, co-operative pharmacies have continued to grow. Today, their economic importance in Belgian society is significant.

The OPHACO²⁶ represents over six hundred dispensaries (pharmacies), belonging to twenty–seven distinct corporate entities (twenty–two co-operatives certified by the National Council for Co-operation and five NPOs). Also affiliated to the OPHACO are six optical firms (comprising fifteen stores), ten services for establishing price scales and ten wholesaler-distributors. These are all certified co-operatives that, with three exceptions, figure among the twenty–seven pharmaceutical affiliates listed in Table 1. In all, co-operative pharmacies affiliated with the OPHACO, account for nearly 20 percent of pharmaceutical distribution in Belgium. They account for over 11 percent of Belgium's 5,300 pharmacies, and serve 22 percent (2.2 million people) of the Belgian population. In 1985, there were 501 co-operative pharmacies, with 2,300 employees. Today, there are 605 co-operative pharmacies, with three thousand employees. Thus, the sector continues to show vigorous growth. Almost 10 percent of pharmacists in Belgium work for co-operative pharmacies.

In its capacity as a body representing professionals, the OPHACO serves on advisory committees and technical committees dealing with public health, economic matters, work, employment and social affairs. At the international level, the OPHACO is a member of the European Union of the Social Pharmacies, which was created in 1961 to promote social pharmacies and preserve their identity within the European institutional framework. The

Union and its members uphold the principles of social economy. Created by and for users, social pharmacies defend the interests of drug consumers. Their primary objective is to facilitate access to medicinal products at the lowest possible price. In addition, social pharmacies are attempting to implement the concept of comprehensive health service. This includes not only the provision of medicinal products, but also providing customers with personal service, advice and information, and suggesting preventive measures. Social pharmacies are intended to serve as "health care outlets" playing an essential role in the health care chain.

Table 1: OPHACO Affiliates In Year 2000^a

Member type ^b	
Affiliated organisations	27
<i>Of which</i>	
– <i>Certified co-operatives</i>	22
– <i>NPOs</i>	5
Affiliated optical firms	6
Services for establishing price scales	10
Affiliated wholesaler-distributors	10

a Source: OPHACO.

b The optical firms, services for establishing price scales and wholesaler-distributors are certified co-operatives, nearly all of which already figure among the affiliated organisations.

The growth of social pharmacies in Europe has been uneven, because in some countries there are legal obstacles to their existence. Consequently, comparisons between countries are not always possible. That said, social pharmacies are a much more important phenomenon in Belgium than in the other European countries where they have developed. Thus, in Belgium they serve 21.8 percent of the population, compared to 4.4 percent in France, 3.3 percent in the Netherlands and 5.0 percent in the United Kingdom. In Belgium, 11.5 percent of all pharmacies are social pharmacies, compared to 0.6 percent in France, 3.1 percent in the Netherlands and 1.9 percent in the United Kingdom. In Belgium, France, the Netherlands and the United Kingdom, their market share is 19.1 percent, 1.5 percent, 2.3 percent and 3.3 percent respectively.

Although large pharmaceutical co-operatives are members of the OPHACO, they also belong to federations of traditional co-operatives (see Table 2). Thus, six co-operatives (comprised of 337 dispensaries and accounting for almost 1,800 jobs) are affiliated with Febecoop. They include the Multipharma group, Pharmacies populaires liégeoises, De Voorzorg in Mechelen,

²⁶ Source: OPHACO. For additional information on social pharmacies, see Web site: www.eurosocialpharma.org.

De Voorzorg in Hasselt, Pharmacies populaires La Sauvegarde in Soumagne and Pharmacies du peuple in Seraing. Of these certified co-operatives, the largest is Multipharma, which has 177 dispensaries and almost 1,000 employees. The Pharmacies populaires liégeoises have seventy-three dispensaries, and Pharmacies du peuple in Seraing have thirty-nine²⁷.

There are also Christian pharmaceutical co-operatives. EPC SCRL's ²⁸ principal shareholder is Auxipar, the primary holding company for the commercial activities of the ARCO group (discussed above). EPC has wholesale and retail interests in pharmaceutical products in Wallonia and Brussels, including a central depot and ninety-five dispensaries, all of which belong to the company or to its affiliates. About 140 pharmacists and 250 assistants, all of whom are salaried employees, conduct business under the EPC or Familia banner. A staff of ninety, based in Ciney, provides logistical and administrative support. In total, EPC has over five hundred employees (accounting for the equivalent of about four hundred full-time jobs) and more than 350,000 clients.

The Pharmacies populaires de Verviers is the largest co-operative functioning under the aegis of the OPHACO only. In the year 2000, it had forty-four dispensaries (compared to thirty-three in 1985)²⁹.

Table 2: Dispensaries and stores of co-operative pharmacies^a

Dispensaries and stores	1985 ^b	2000
Dispensaries belonging to the affiliated organisations	501	605
<i>Of which:</i>		
– <i>dispensaries affiliated with the Febecoop federation</i>	309	337
– <i>dispensaries affiliated with the EPC federation</i>	72	95
– <i>dispensaries affiliated with the Pharmacies populaires de Verviers</i>	33	44
Stores belonging to optical firms	21	15
Total dispensaries and stores	522	620

a Source: OPHACO.

b SAIVE, M.-A. and TROISFONTAINE, C. (1987), p. 10.

The co-operative movement and the agricultural sector

The agricultural sector of the co-operative movement is expanding rapidly. It currently accounts for 337 (or 58.9 percent) of the 572 co-operatives that the National Council for Co-

²⁷ Source: OPHACO and Multipharma; see also SAIVE, M.-A. and TROISFONTAINE, C. (1987), p. 10.

²⁸ The ARCO group, Annual Report 1999-2000, pp. 77, 86, 87 and Report of the Board of Directors of the OPHACO, 2000.

operation had certified by 2001. In the chapter on the National Council for Co-operation, we will see that the overall increase in certified co-operatives is due to the explosion in the number of agricultural co-operatives during the 1990s. As the data in Table 3 indicate, between 1990 and 1995 their number increased from 126 to 188, and by 2001 had reached 337.

Table 3: Agricultural co-operatives certified by the National Council for Co-operation^a (1970-2001)

1970	1974	1978	1982	1987	1990	1991	1993	1995	1999	2000	2001
203	143	127	114	102	126	142	143	188	301	318	337

^a Source: National Council for Co-operation.

In Belgium, the agricultural sector is represented by various networks. The largest is the Boerenbond, which is found primarily in Northern Belgium. The Fédération nationale des Unions professionnelles agricoles (National Federation of Professional Agricultural Unions) and the Alliance agricole belge (Belgian Agricultural Alliance) represent farmers' interests in Wallonia. In January 2001, these two organisations merged, giving rise to the Fédération wallonne de l'agriculture (Walloon Federation of Agriculture).

Within the National Council for Co-operation, all agricultural co-operatives are grouped together in a Committee. The largest group in terms of the number of certified co-operatives is the Fédération coopérative de l'Alliance agricole belge (Fecopal, Co-operative Federation of the Belgian Agricultural Alliance), an NPO which, with slightly more than 200 co-operatives at the beginning of 2001, accounted for nearly two-thirds of the certified agricultural co-operatives. As we will see later, these are mainly machinery sharing co-operatives (CUMAs). The Unions professionnelles agricoles – Études-Information (UPA – Études-Information, Union of Agricultural Professionals – Studies-Information), another NPO, has twelve certified co-operatives. Given that the destinies of the Fecopal and the UPA – Études-Information are now linked, it is likely that that these two groups will not continue to exist in their present form. All co-operatives that previously belonged to either of these two organisations must now be considered as belonging to a single structure. After Fecopal, the largest group in terms of numbers is the Algemeen verbond der coöperatieve zuivelfabrieken (General Federation of Dairy Co-operatives), which has twenty-three co-operatives, of which twenty are Flemish. The Verbond van belgische tuinbouwveilingen (Federation of Belgian

²⁹ Source: OPHACO.

Horticultural Auctions) serves the needs of the horticultural sector specifically. It has eleven certified co-operatives, all of which are Flemish. Finally, eight certified co-operatives, all of which are Flemish except for one (a co-operative from the Hesbaye region), belong to the Boerenbond. In addition to these co-operatives that belong to federative groups, the National Council for Co-operation has certified almost sixty independent co-operatives.

There is one main explanation for the strong growth of co-operatives in the agriculture sector, where the number of certified co-operatives has more than doubled in the past decade. This is the increase in the number of CUMAs (*coopératives d'utilisation de matériel agricoles*)³⁰ – the co-operative societies whose objective, as we have mentioned above, is to share agricultural machinery. Most CUMAs belong to the Fecopal, though some are certified as independent co-operatives.

The CUMAs' objective is to purchase and operate agricultural machinery – primarily for their members – in the fields of agriculture, horticulture and breeding. The CUMAs must meet three requirements: 1) the majority of their members must be either a farmer, a horticulturist or a breeder; 2) every member must have at least one vote in the general assembly, with the number of votes per member limited to one fifth of the votes represented in the assembly; and 3) the annual dividend may not exceed the rate fixed by the National Council for Co-operation.

CUMAs have obvious benefits. For example, they significantly reduce the costs borne by individuals when they purchase machines for joint use. Also, they are in a position to purchase better quality equipment, with a better productivity and lower operating costs, since there are no middlemen. CUMA members enjoy other benefits. For example, invoices for work done are tax deductible; they have access to better planning under the Agricultural Investment Fund for investments in machinery; certified groups can apply for start-up assistance; members may legally work for a third party as a secondary activity; and if a CUMA transaction involves only moveable assets, it does not require the services of a lawyer. In addition, members receive a co-operative dividend, insofar as part of the CUMA's earnings are returned to the members, pro-rated on the basis of the volume of their transactions with the CUMA. Also, if the co-operative is certified, it is taxed at the reduced corporate rate. Before 1997, a CUMA could only take advantage of special-purpose aid intended for equipment investments. However, this aid was later extended to real estate investment (i.e. non-moveable assets). This aid consists of an interest subsidy of not more than 5 percent (the

³⁰ For information on the CUMA, see: Fecopal (s.d.); Cera-Fecopal (1998).

interest rate for which the beneficiary is responsible cannot be less than 3 percent) and a government guarantee for the loans involved. In addition, the Agricultural Investment Fund provides start-up grants to groups meeting defined criteria, and CUMAs are eligible to apply. This grant aid helps to cover management costs during the first five years following the initiation of a group. The advantages that derive from forming a CUMA, combined with the other forms of assistance for which CUMAs may be eligible, account for the success of this form of resource pooling. It is a classic example of the essence of co-operation.

Recent public concern over food quality and the crisis in the agricultural sector also help to explain the rapid increase over the last few years in the number of agricultural co-operatives. In fact, data from various sources show that there are many certified agricultural co-operatives growing organic produce or that have cottage industries. Similarly, some co-operatives of this type, such as Coprosain SC in Ath (food distribution) and Les Trois Petits Fours SC in Noville-les-Bois (pastry and organic catering products), are currently experiencing remarkable growth. However, to the extent that many of them focus primarily on their ecological identity, rather than on a co-operative identity recognised through certification by the National Council for Co-operation, it is not easy to examine them in detail. Consequently, it remains difficult to assess their economic significance³¹.

Other sectors

Other than in the financial, pharmaceutical distribution and agriculture sectors, in which industrial sectors are traditional co-operatives still present? Among Christian co-operatives³², Auxipar, a commercial holding company belonging to the ARCO group, owns 40 percent of Sofadi, a limited company that specialises in printing and "pre-press" services and that has 155 employees. Auxipar totally controls Accent, a firm of advertising consultants reorganised in 1997 as a finance company. The ARCO group maintains (in the form of a loan) a capital investment in the co-operative, Ultra Montes, a chain of travel agencies that has been completely incorporated into the international group, TUI. As part of its policy of diversifying ARCO assets, Auxipar concentrates on investments in sectors that are socially useful, such as water, energy and the environment. For example, Auxipar holds an 11.6 percent interest in Vlaamse Energie Holding CV, a company involved in the gas and electricity sectors. It has a 5.25 percent interest in Aquafin NV, whose mission is to ensure the planning, construction,

³¹ The reader can nevertheless get an idea of which agricultural or food distribution co-operatives are active in the "organic" movement by consulting (among other sources) *Préférences* (2002), the directory of the social economy in Wallonia and Brussels.

financing and operation of sewage treatment facilities in Flanders. ARCO's commercial holding company also holds a minority interest in Aquaplus NV, a corporation that was established to realise the value of Aquafin's expertise at the global level. Recently, the Auxipar holding company, having decided to further diversify in sectors with social utility, helped form the Société belge d'édition SA. It also acquired an interest in the SPGE (*Société publique de gestion des eaux*), a specialised subsidiary of the regional investment company of Wallonia (*Société régionale d'investissement de Wallonie*, or SRIW) whose mission consists in protecting surface waters in Wallonia.

The ARCO group also provides a wide range of services. For example, a management contract links ARCO to eleven holiday centres and three camping grounds designed to make tourism more accessible to a broad strata of the population. ARCO also manages Sofato, an NPO specialising in social and family tourism. Sofato owns two holiday centres, at Spa and at Blankenberge, which have over one hundred employees. In addition, ARCO provides free legal assistance to Arcopar shareholders. This is one of the "social dividends" provided to shareholders. Finally, although the ARCO group is a so-called traditional co-operative, it is also involved in the new social economy through two service providing NPOs, viz. Procura and Syneco. Syneco is a social economy consulting agency. Its mission consists in improving the professionalism of non-market and/or social economy organisations in the French-speaking part of the country. For example, it provides assistance in the area of organisational management, organises seminars, publishes books and journals (including the journal, *Non Marchand*) and co-ordinates a network of five regional social economy consulting agencies. Procura's mission is quite similar to that of Syneco, but it covers Flanders. The ARCO group initiated the creation of these two NPOs, and it provides much of their funding, even though they also receive some subsidies and have their own revenues. BACOB provides them with office space at no charge. The founders of these two NPOs include, among others, ARCO, the Christian Workers' Movement, the Confederation of Christian Trade Unions, Christian mutual societies, BACOB and the LAP-DVV. Syneco is also a vehicle for BACOB's contacts with the non-market sector, where it has a strong presence. Procura and Syneco administer a prize, the "ARCO Award", which was set up in the late 1990s to promote scientific research on the non-market and social economy.

On the socialist side, Febecoop, an NPO promoting co-operation and, more broadly, the social economy as a whole, links together many co-operatives and associations, and defends their

³² The ARCO group, Annual Reports 1998-1999 and 1999-2000. Also, additional information provided by the

interests. The activities of this body, which federates social economy enterprises from the socialist movement, are organised along three lines. Firstly, in its capacity as a federation, it represents the co-operative movement on various Belgian and European bodies, keeps its members informed about co-operative matters, and acts as an intermediary with political sphere. Secondly, it provides services, including training, information and consultation. For example, in its capacity as a consulting agency in Flanders and Wallonia, Febecoop provides consulting and related services for the purposes of creating or expanding social economy projects. Thirdly, as a supporter of co-operation and the social economy, it organises conferences, conducts studies and publishes various documents designed to promote co-operative ideas and the values of the social economy.

We have stated already that Febecoop members were active primarily in the insurance sector (P&V group), and in pharmaceutical distribution (six co-operatives). However, they are also active in other sectors. For example, two affiliate structures provide services to large companies, while about ten affiliates, including several consulting agencies, provide services to, and promote the development of, small and medium sized enterprises (SMEs) active in the social economy. There are also Febecoop members in agricultural production and distribution (Coprosain, La Fermière de Méan), architecture (Cooparch), the audio-visual sector, construction, culture and recreation, book distribution, property management (five co-operatives), housing, new technologies, recycling, health, services to SMEs, and services to individuals and communities. Lastly, through the CAIPS (*Concertation des ateliers d'insertion professionnelle et sociale*), Febecoop represents nearly sixty organisations or enterprises working in the areas of socio-occupational integration, on-the-job training and labour market re-entry.

Finally, even though Cera Holding does not aim to federate or represent the numerous projects that it supports, its importance still extends well beyond its influence within the Almanij/KBC-CBC group. Indeed, the diversity and number of companies that it supports mean that the name "Cera Foundation" is showing up in a growing segment of Belgian co-operatives and social economy. This group – the third largest co-operative group in the financial sector - is linked to a broad network of multi-sectorial initiatives. We will content ourselves here with noting a few examples that have a well established co-operative component. Thus, the Cera Foundation supports Kanaal 127, whose objective is to promote economic activities that involve vulnerable population groups in a sustainable way. In

collaboration with the NPO, Fécopal, it also helps to train co-operative managers. In the field of communication and information dissemination, the Cera Foundation makes an important contribution to the publication of the magazine, *Traverses*. It has helped to organise a new round of "Social Economy Mornings" (focused seminars devoted to topical issues and events in the social economy). It has also helped to produce a film, *Le bonheur économique* ("Economic Happiness"), which aims to raise awareness among a broad spectrum of the public about entrepreneurship and social economy values. The Cera Foundation also has a strong presence in sustainable development projects. In the francophone part of the country, for example, it provides the Réseau RESsources (a network of initiatives in the field of waste and recycling) with support for its promotional campaign on the formalisation of its ethical label, SOLID'R. Thanks to the Cera Foundation, *kringloopcentra* (recycling centres or depots for used items) in the Flemish community were able to hire a communication expert to develop a clear and coherent image of the depots beyond their diversity and rapid growth (between 1995 and 2000, the number of customers of used goods stores increased ten-fold). Through the Cera Foundation Award, Cera Holding seeks to promote "technologies that serve society". The objective of this initiative, launched in 2000 in collaboration with several Flemish institutes of higher education and with the Flemish Institute of Engineers, is to invite students in the final year of industrial engineering to devote their main research paper to solving technical problems encountered by non-market organisations. The Cera Foundation also supports research in the field of co-operatives, especially within the framework of a partnership with the Centre d'Economie Sociale at the University of Liège.

Chapter III: The National Council for Co-operation

As we saw in the general introduction to this volume, not all co-operatives are motivated by the co-operative ideal. In 1955, the National Council for Co-operation³³ (*Conseil National de la Coopération / Nationale Raad voor de Coöperatie*) was established to allow "real" co-operatives (those that shared the co-operative ideal) to differentiate themselves from other co-operatives, and to affirm their identity. The National Council for Co-operation, an advisory body to the Ministry of Economic Affairs, has a director, twenty staff members and twenty alternate members. It is responsible for granting quality certification to co-operatives that uphold co-operative principles, and for promoting all measures likely to spread the co-operative ideal. A co-operative must meet a number of conditions, laid down in 1962, if they wish to become a member of the National Council for Co-operation. These conditions, inspired by the leading co-operative principles of the nineteenth century, include:

- free and voluntary membership (anyone can become a member of a co-operative, but no one can be forced to be a member);
- democratic management (based on the principle of "one member, one vote");
- appointment of the members of the co-operative's Board of Directors and College of Commissioners by the General Assembly;
- a modest rate of return on capital (there is currently a ceiling of 6%);
- members receive dividends (the distribution of surplus is pro-rated according to the member's transactions with the co-operative).

Co-operatives meeting these conditions for accreditation receive special fiscal and economic treatment, whose scope is nevertheless limited. One advantage of accreditation is an exemption, for members, from withholding tax on movable property for the first instalment of 148.74 euro (previously 6,000 Belgian francs) of income from capital invested in an accredited co-operative. Other advantages include the fact that certain types of interest paid to members are not considered as dividends, a slightly reduced rate of corporate income tax, and the right to bypass authorisation by the Commission of Banks when these organisations publicly invite savings through selling equity shares. Overall, the benefits are only really significant for certain categories of co-operatives, in particular those that are active in the field of savings and credit. In addition, accredited co-operatives can also partake in one of the four

³³ For further information on the National Council for Co-operation, see: Conseil national de la coopération (s.d.); DEFOURNY, J. (1988b); JANSSEN, A. and POLLENUS, J.-P. (1997), pp. 49, 50 ; MATHIS, A. and MATTHEEUWS, C. (1995), pp. 41, 42, 49-53.

commissions, representing the various sectors of activity that were established when the National Council for Co-operation was created. The seats on these commissions are divided among accredited co-operatives according to their turnover for the last three financial years. In practice, only co-operatives with significant turnover obtain seats. The commissions prepare recommendations on all questions of interest to the co-operatives, and the National Council for Co-operation officially forwards these recommendations to the Ministry of Economic Affairs when this department requests them.

By the end of the year 2001 there were 28,933 co-operatives of different types in Belgium (Table 4).

Table 4: Types of co-operatives in Belgium (end of 2001)^a

Type	Number
Co-operatives – pre-1991 type ^b	14,109
Co-operative societies with unlimited joint and several liability	4,761
<i>Of which:</i>	
- Participatory co-operative societies with unlimited joint and several liability ^c	5
- Social purpose co-operative societies with unlimited joint and several liability	5
Co-operative societies with limited liability	10,063
<i>Of which:</i>	
- Participatory co-operative societies with limited liability ^c	60
- Social purpose co-operative societies with limited liability	135
TOTAL	29,933
Co-operatives (out of the above total) that have been certified by the National Council for Co-operation	572

a National register – Statistics on corporate entities, Home Office.

b These co-operatives have kept the status that was in effect before the 1991 law.

c The "participatory co-operative" status came into being with the 1991 law; it disappeared with the arrival of the social purpose company in 1996. However, some co-operatives kept this form.

Of the two legal types that co-operatives have been allowed to adopt since 1991, the most popular is the co-operative society with limited liability (*société coopérative à responsabilité limitée* – SCRL / *coöperatieve vennootschap met beperkte aansprakelijkheid* - CVBA), with 10,063 enterprises, while there are 4,761 co-operative societies with unlimited joint and several liability (*société coopérative à responsabilité illimitée et solidaire* – SCRIS / *coöperatieve vennootschap met onbeperkte hoofdelijke aansprakelijkheid* - CVOHA). Slightly less than half of all co-operatives are of the pre-1991 type. There are still sixty-five

participatory co-operatives, whose status has become obsolete since the emergence of the "social purpose company" (*société à finalité sociale* - SFS / *vennootschap met sociaal oogmerk* – VSO) legal qualification in 1996. By the end of 2001, there were 140 social purpose co-operatives. Though this figure is low, it represents a significant increase, considering that there were only eighty-four at the end of 1999. Their number thus increased by 66.7 percent in two years. Moreover, out of the 167 business corporations that had adopted the social purpose company status by the end of 2001, 83.8 percent were co-operatives.

The proportion of co-operatives that have obtained certification from the National Council for Co-operation is very low. At the end of 2001, only 572 out of 28,933 co-operatives (less than 2 percent) were certified. However, since the early 1980s the number of certified co-operatives has been constantly growing (see sub-total, Table 5), and although the overall totals in Table 5 indicate a decrease in the number of certified co-operatives, it should be pointed out that until recently these totals included all the local "Rural Co-operative Banks" of the CERA group, whose evolution should be analysed separately.

Table 5: The evolution of co-operatives certified by the National Council for Co-operation, by sector committee

Sector Committee	1970	1974	1978	1982	1987	1990	1991	1993	1995	1999	2000	2001
Consumer co-operatives	156	134	122	110	75	71	71	64	62	56	59	59
Agricultural co-operatives	203	143	127	114	102	126	142	143	188	301	318	337
Production and marketing co-operatives	42	34	27	27	34	48	47	28	29	23	26	32
Services co-operatives	37	30	37	40	105	129	129	122	127	137	140	144
SUB-TOTAL	438	341	313	291	316	374	389	357	406	517	543	572
CERA group co-operatives	805	468	449	409	392	396	396	393	223	/	/	/
TOTAL	1243	809	762	700	708	770	785	750	629	517	543	572

a Source: National Council for Co-operation.

As a matter of fact, we previously noted that CERA had adopted a strategy of reducing the number of its affiliated local co-operatives, which fell from 468 in 1974 to 396 in 1991 and to 208 in 1998. Then, the integration of CERA with the KBC group, in 1998, resulted in the disappearance of all of these local co-operatives, which had enjoyed significant autonomy in the past. These changes had a major effect on the total number of certified co-operatives. That being the case, it is interesting to consider the evolution of certified co-operatives if we leave out the CERA group. We then observe a decrease that lasts until the beginning of the 1980s, followed by an increase associated with the emergence of the new co-operatives during the 1980s, and then an explosion in the number of service co-operatives, which increased from forty in 1982 to 105 in 1987. There followed an almost continuous (and even dramatic) increase that has lasted until today. Between 1987 and 2001, the number of certified co-operatives (CERA branches aside) rose from 316 to 572 – an increase of 81 percent.

In order to chart the expansion in the number of certified co-operatives, an analysis by type of co-operative is relevant. Since 1955, the certified co-operatives of the National Council for Co-operation have been divided into four sector committees, as follows:

- the agricultural co-operatives committee;
- the consumer co-operatives committee;
- the production and marketing co-operatives committee; and
- the services co-operatives committee.

How is the evolution in numbers of certified co-operatives reflected in these sector committees? We see in Table 5 that the number of consumer co-operatives (which includes co-operative pharmacies) has been in continuous decline, with the main collapse occurring during the 1970s and 1980s; this phenomenon has already been explained. These co-operatives account for 10.3 percent of the number of certified co-operatives. In the wake of the new co-operative movement, towards the end of the 1980s, production and marketing co-operatives increased in number. However, since the early 1990s they have experienced a sharp decline, before starting to make up lost ground in the very recent years. These co-operatives – active in fields such as construction and carpentry – are the least numerous. In 2001, there were thirty-two of them, accounting for 5.6 percent of the total. Services co-operatives showed strong growth, particularly in the 1980s. They include: co-operatives such as Arcopar and Arcoplus (financial subsidiaries of Arcofin), the Maison des Syndicats, linked to Febecoop; co-operatives affiliated with the Fédération des caisses du Crédit agricole; research and consulting agencies affiliated with the Boerenbond or with the Unions

professionnelles agricoles; Cera Holding; and Crédal and Hefboom, alternative lending institutions that we will discuss later. The 144 service co-operatives account for 25.2 percent of the total number of co-operatives certified by the National Council for Co-operation. In general, the increase in certified co-operatives can be attributed mainly to the explosion in the number of agricultural co-operatives, which had, however, decreased in number between 1970 and the late 1980s. They increased from 102 in 1987 to 188 in 1995, and to 337 in 2001. Thus, in a single decade they more than doubled in number, increasing by nearly 80 percent over the last six years. We have already mentioned the increase in agricultural co-operatives, which stemmed primarily from the increase in CUMAs. More than half of the co-operatives certified by the National Council for Co-operation are now agricultural co-operatives.

In terms of regional distribution, the majority of certified co-operatives – about 60 percent – are located in Wallonia (Table 6). This may be attributed, on the one hand, to more rapid growth of the CUMAs in the southern part of the country, and on the other hand, to the different type of development associated with the "new social economy", which we will discuss further on.

Table 6: Co-operatives certified by the National Council for Co-operation, by region (2001)^a

Region	Number
Flanders	167
Wallonia (German-speaking region excluded)	349
German-speaking region	5
Brussels	51
<i>Of which:</i>	
- Dutch speaking	13
- French speaking	38
TOTAL	572

a Source: National Council for Co-operation.

PART II: THE CO-OPERATIVES OF THE NEW SOCIAL ECONOMY

Changes in the international economic environment, globalisation, and the often impressive growth of traditional co-operatives are among the many challenges confronting and sometimes transforming the co-operative identity. At the same time, recent decades have seen the advent of a co-operative revival. We examine this revival in Part II of this volume.

Starting in the mid-1970s – and especially in the 1980s – there was an increase in the number of "new co-operatives". In a context of economic crisis, these co-operatives placed emphasis on preserving or creating employment, while maintaining a certain economic democracy. These new co-operatives are the focus of Chapter IV. In this chapter, we also examine how the revitalisation of the co-operative spirit has given a second lease of life to the "social economy", a concept that is already well-established.

During the 1990s, the "social economy" concept even replaced the "new co-operative" concept to a considerable extent. Organisations of the new social economy adopted the co-operative form (in the strict sense of the term) less often than they adopted the NPO form. Nevertheless, they remained close to the co-operative ideal in many respects, and in recent years a number of them have rediscovered the co-operative legal form. For this reason, we feel that the new social economy of the last two decades fully merits the attention we have given it in Part II. However, we will not itemise the extremely varied forms of the new social economy. Rather, we will discuss it principally through the organisations and instruments that it gradually adopted to support its projects (Chapter V). These various forms of support, including that of a legal nature, largely explain the current renewal of interest in the co-operative formula, whose principal manifestations will be examined in Chapter VI.

Chapter IV: From the "new co-operatives" of the 1970s and 1980s to the social economy

For a growing number of individuals, the end of the post Second World War boom period, in the mid-1970s, entailed a fear that had not been felt since the war, namely, of losing a job and not being able to find another. Faced with an ever-deepening economic recession, some of these individuals looked for ways to save their jobs, or to create their own employment. Their determination was evident in the efforts of small groups of individuals who, driven by employment insecurity, also attempted to turn this challenge into an opportunity to create alternative forms of enterprises. They formed organisations that undertook not only to create or preserve jobs but also to experiment with self-management and economic democracy. These organisations also sought to meet real needs, promote greater respect for the environment, take part in local development, etc. Thus was born the "new co-operative movement", which at the time was also referred to as the "alternative enterprise" movement. (The organisation that federated many of these enterprises still bears the name "Solidarité des alternatives wallonnes").

The co-operative revival

How do we distinguish new co-operatives from traditional co-operatives?³⁴ The first difference is related to the context in which they arose. The new co-operatives sought to create jobs or to protect jobs threatened by the crisis, whereas the old co-operatives, created towards the end of the nineteenth and the beginning of the twentieth century, sought above all to improve the living standards of the workers and peasants. Differences existed not only with regard to their objectives, but also concerning their fundamental nature. The new co-operatives were launched and managed by their workers, who thereby created their own employment. By contrast, the model exemplified by traditional co-operatives was one in which users created their own co-operative in order to avail themselves of the goods and services that it provided³⁵. Differences in the objectives and nature of their respective organisations gave rise to different operating methods. To distinguish themselves from the classic forms of private enterprise, traditional co-operatives emphasised placing limits on the rate of return on capital, and using some of the profits in different ways. New co-operatives,

³⁴ DEFOURNY J. (1988c).

by contrast, emphasised the principle of giving "primacy to work" and the advancement of genuine democratic management.

In practice, how were these new co-operatives created? They emerged in different ways. Beginning in the mid-1970s, an initial form emerged when workers trying to save their jobs, acquired small and medium-sized enterprises threatened with closure. Examples include Textiles d'Ere, Sablières de Wauthier-Braine, Balai libéré (a building cleaning and janitor service at the Catholic University of Louvain) in Louvain-la-Neuve, Socomef (burners) in Theux, Résimobil (trailers) in Marloie, Martin-Frères (textiles) in Verviers, and Galeries Anspach (supermarket) in Namur. Most of the time, these acquisitions by workers were supported by trade union personnel, especially those belonging to the Confederation of Christian Trade Unions, which, following the example of the CFDT in France, had included self-management in its program³⁵. In the socialist union (FGTB), it was rather isolated staff members, working at the local level, who usually provided this kind of support, though experience has shown that their support, which was more rooted in local movements, lasted longer, especially in Verviers (around FOSODER SC) and in Liège (with the Fondation André Renard). Other types of new co-operatives were created from scratch in traditional sectors. As the 1970s became the 1980s, countless small enterprises of this type were created in the space of a few years. Most took the co-operative form, and all were initiated by just a few individuals. The most common sectors involved were construction, agriculture, printing, carpentry/woodwork, and the hotel, restaurant and cafe sector. Lastly, new co-operatives arose in the tertiary sector, where they provided specialised services. Medical Houses³⁷ were the most numerous in this category, but there were also enterprises active in accounting, management, business services, architecture, data processing and renewable energy. In the early 1980s, in Wallonia and Brussels, there were about thirty Medical Houses - today, there are over forty, all NPOs - and twenty other new co-operatives in highly specialised service activities.

The new co-operative landscape appeared different in the northern part of the country than in the south. In fact, the co-operative revival took hold primarily in French-speaking Belgium. A

³⁵ We are referring here to the main trends. Just as a handful of worker co-operatives emerged in the nineteenth century, so a few user co-operatives, such as CIACO SC and CIDESC SC in Louvain-la-Neuve, emerged during the revival of the 1970s and 1980s.

³⁶ On the history of labour union attitudes toward worker co-operatives, as well as toward the social economy as a whole, readers may refer to the excellent historical analysis by MAYNÉ, E. (1999).

³⁷ While in strictly legal terms, most of the original Medical Houses had the status of NPO, or even that of unincorporated association, they were, nevertheless, highly motivated by the co-operative spirit, which is why they are referred to as new co-operatives.

likely reason for this was the more serious economic crisis in Wallonia. At the time, the number of new co-operatives was, very roughly, between two hundred and 250 units, accounting for at most two thousand jobs in French-speaking Belgium. In the northern part of the country, there were only about fifty enterprises, and these were very small. New co-operatives in Wallonia were established primarily in traditional sectors, whereas Flemish alternative enterprises got involved principally in organic farming or "soft" technologies.

Following the example of the traditional co-operatives, which had grouped together reflecting the traditional division of Belgian society into "pillars", the new co-operatives, too, grouped together within a variety of different structures. In the southern part of the country, there were three networks that saw themselves as the representatives of the new form of co-operation. The Fondation André Oleffe comprised initiatives associated with the Christian Workers Movement. Among these initiatives, there were some larger enterprises that workers had acquired, including Textiles d'Ere, which thereby saved over 150 jobs. By contrast, Solidarité des alternatives wallonnes (SAW) and Les nouvelles coopératives were networks of small co-operatives, which were mainly newly created. SAW was the main driving force behind the new co-operative revival in Wallonia, particularly through its journal, Alternatives wallonnes, which was created in 1982 and later became Traverses. Les nouvelles coopératives was an association whose primary purpose was to promote solidarity among enterprises through the creation of networks, but it disappeared after a few years. In Flanders, there was no organisation to co-ordinate the alternative movement. However, there were associations that provided support to the various projects.

The co-operative revival generated considerable interest. Yet, this interest was based much more on the social experimentation epitomised by the revival, and on its symbolic power, than on its quantitative importance. In order to grow further, the revival would have needed, among other things, to be based on a set of legal, fiscal and technical frameworks that barely existed at that time. As Defourny noted at the time,

We need only observe what is happening abroad to realise that worker co-operatives have transcended the threshold of marginality only in cases where they have been able to count on well-established support structures to provide the needed management tools and the technical, accounting, legal and commercial assistance. The co-operative *consorzi* in Italy and the *Caja Laboral Popular* of the Mondragón co-operative system

in Spain are without question the most noteworthy cases in point; yet, it is the model provided by the Co-operative Development Agencies that is more within our grasp³⁸.

In Wallonia, a few associations, including the three already cited, operate according to this perspective. "Generally, however, they provide only insecure employment. Consequently, they have difficulty undertaking initiatives with the requisite efficiency and continuity."³⁹

The social economy as a link

Towards the end of the 1980s, the growth of new co-operatives somewhat levelled off. Some experiments ended in failure, often as a result of managerial shortcomings. On the whole, however, the co-operative revival has a string of resounding successes to its credit; numerous initiatives have continued to experience remarkable growth right up to the present day. Examples include – aside from Coprosain SC and Trois Petits Fours SC (already cited) – Copalgaume (in Virton) and Cherbai (in Harsin) in construction, Tricoop (in Andrimont) and the "Wallonia" project of the Terre group in recycled clothing, the De Kriker garage (in Antwerp), and the projects supported by FOSODER SC (in Verviers). To its great credit, the revival also brought the co-operative ideal back into the limelight and played a decisive role in reviving the long-standing concept of "social economy" – a concept highly influenced, in turn, by co-operative principles⁴⁰. Beginning in the late 1970s, French co-operative movements had established closer ties with mutual society federations and associative structures, with whom they had rediscovered a kinship that had in fact existed ever since the days of the nineteenth century worker and peasant associations⁴¹. Of course, Belgium's new co-operatives, especially on the francophone side, followed this trend, particularly since the spirit of the co-operative revival, as we have seen, was also concretised in organisations adopting the association legal form. Thus, the term "new social economy" gradually spread. It simultaneously signified continuity with, and cleavage from, the past. It signified continuity, because its relation with the traditional social economy materialised through an attachment to principles they shared; but simultaneously, it insisted on keeping its distance from what it perceived as the excessive institutionalisation of the Christian and socialist social economy organisations.

³⁸ DEFOURNY, J. (1988c), p. 201.

³⁹ *Ibid.*

⁴⁰ On this topic, see, MARÉE, M. and SAIVE, M.-A. (1983).

⁴¹ For example (and as frequently noted in recent years), the 1900 Paris World Fair had a social economy pavilion, which Charles Gide described as a "cathedral". He wrote: "I would place all the forms of free association which are intended to help the working class free itself through its own resources, in the large aisle..." (quoted by GUESLIN, A., 1987, p. 5).

Before discussing the co-operatives generated by the new social economy, it may be helpful to specify what this term includes. We therefore begin with a brief conceptual clarification concerning the Belgian context. In 1990, the Walloon Council for the Social Economy (*Conseil wallon de l'économie sociale*, or CWES), established two years previously, formulated a definition of the social economy. Today, this definition constitutes a frame of reference that cannot be ignored, and one that has also inspired other countries:

The social economy comprises the economic activities carried out by co-operatives and related enterprises, mutual societies and associations whose ethical stance is represented by the following principles:

- the aim of serving members or the community, rather than generating profit;
- an independent management;
- a democratic decision making process; and
- the primacy of people and labour over capital in the distribution of income.

This definition thus alludes to the three major components of the social economy - co-operatives, mutual societies, and associations. These three legal forms are the ones more likely to convey the common ethics expressed through the four principles. With the first principle – the aim of serving members or the community, rather than generating profit – emphasis is placed on the fact that the aim of the social economy resides in the activities of the enterprises themselves, not in the profit or the power that the enterprises procure. The goal of a social economy enterprise is to conduct its activities in the service of its members, or of the community. The resulting financial profit, if any, is only a means to this end. The "independence of management" aims principally to differentiate the social economy from the production of goods and services by public authorities, since the latter do not generally benefit from the wide-ranging management independence that provides an essential impetus in voluntary initiatives. "Democratic decision making" underscores the fact that what defines membership and involvement in the bodies holding the ultimate decision-making power is not primarily a function of the amount of capital a member holds. The social economy introduces the principle of "one person, one vote" - or at least the principle of strictly limiting the number of votes per member - to replace the rule of "one share, one vote". Lastly, the principle of "the primacy of people and labour over capital in the distribution of income" covers extremely varied practices. For example, it can mean keeping the return on capital below a specified interest rate, distributing any surplus amongst workers or members in the form of bonuses, or

introducing any other form of socialisation of profits. Thus, the principle does not repudiate the requirement of allowing capital to generate an adequate return, especially when social enterprises need to develop equity capital.

In Flanders, an extremely restrictive conception of the social economy appeared to emerge at first. As a matter of fact, until the mid-1990s, the expression *sociale economie* had been used primarily in projects whose objective was on-the-job integration of disadvantaged individuals. Specifically, the social economy in Flanders seemed to revolve around organisations like social workshops (*sociale werkplaatsen*), integration enterprises (*invoegbedrijven*), on-the-job training enterprises (*leerwerkbedrijven*), and even protected workshops (*beschutte werkplaatsen*, for professional integration of persons with disabilities).

However, an opposite trend has emerged in recent years. On the one hand, integration initiatives of the type just noted are increasingly designated by the much more appropriate term, "*sociale tewerkstelling*" (social employment)⁴². This is reminiscent of the expression, "*économie sociale d'insertion*" (integration social economy), which is the name given in French to the segment of the social economy involved in "integration" projects. On the other hand, in 1997 about thirty representatives of very diverse organisations – such as Triodos, Febecoop, Hefboom, Procura, and Oxfam – launched the Flemish Consortium on the Social Economy (*Vlaams Overleg Sociale Economie*, or VOSEC). VOSEC members did not provide a definition of the social economy in the strict meaning of the term (i.e. a set of criteria which would encompass the entire social economy and the social economy alone, as had been done in the French-speaking part of the country). Rather, they described their principal common denominators, in terms of objectives, methods of functioning and dynamics. Nevertheless, given the diversity and importance of the signatories, the protocol of collaboration that was signed in October 1997 constitutes a crucial reference document and a major step towards defining the social economy in Flanders in broader terms⁴³. The VOSEC protocol stipulates that "the social economy brings together a series of enterprises and initiatives whose objectives include producing social profits and respecting the following basic principles: giving priority to labour over capital, maintaining democratic decision making, upholding service to the community as their ultimate purpose, and fostering transparency, quality and sustainability." In addition, the protocol states that "particular attention will be paid to the

⁴² On this topic, see the research carried out by the I. Nicaise team at the KULeuven.

⁴³ MERTENS, S. and SIMON, M. (1997).

quality of internal and external relations. Social economy projects reinforce their objectives of continuity and profitability by placing goods and services on the market."⁴⁴

It is clear that the first part of the VOSEC protocol has a great deal in common with the Walloon definition of the social economy. Nonetheless, three slight differences merit attention. Firstly, it does not associate the social economy with any particular legal form. However, the VOSEC membership list by the end of 2001 revealed that nearly all of the member organisations were either non-profit organisations (about thirty) or co-operatives (about twenty). Secondly, VOSEC also includes the principles of transparency, quality and sustainability, all of which are the expression of concerns that are gaining widespread acceptance. Lastly, and perhaps above all, it emphasises producing social profits (*maatschappelijke meerwaarden*) as a social economy objective. This concept most aptly reflects the distinctiveness of the Flemish approach to the social economy, to the point that VOSEC itself now presents itself as "*Vlaams Overlegplatform Sociale Economie en Meerwaardeneconomie*". This emphasis on the production of social profits certainly confirms that, while professional integration of marginalised individuals is still an important area of the social economy, it now forms part of a much broader societal perspective.

Of the second part of the VOSEC protocol, what must be retained in particular is the concern for economic efficiency and the requirement to seek market-based resources. However, the way this concern is formulated does not exclude participation in the social economy by numerous associations that blend - in highly variable proportions - both non-market resources (such as subsidies, donations, volunteer work), and resources stemming from the sale of goods and services.

Conditions for the emergence and growth of the social economy

To fully understand the current relevance of co-operatives and the social economy, we need to analyse them in the light of historical developments within the latter. This allows us to identify some of the social economy's enduring features, in particular two prerequisites or conditions for its emergence that seem to have been encountered in most periods of growth⁴⁵. The first condition, of a socio-economic nature, may be called the "condition of necessity". The social economy developed in the nineteenth century among workers and peasants struggling to improve their living conditions, which were very precarious. It responded to major unmet needs. This is a prominent explanation for the appearance of the social economy,

⁴⁴ VOSEC (1997), p. 2.

insofar as it arises or grows in response to the shortcomings of the dominant economy, notably, needs that have not been met by the market. For example, consumer co-operatives involved collective efforts to obtain food, clothing or other products at the best possible price. Producer co-operatives constituted a response by virtue of which workers who were exploited by their employer, and/or whose jobs were threatened by the transformation of capitalism, created their own enterprises; while co-operative credit banks (also known as credit unions) arose to allow small farmers to own their work tools, yet avoid having to borrow at usurious rates. Similarly, fraternal societies, the precursors of mutual societies, arose because there was no social welfare or health system, even though the risk of work accidents and sickness was very high. They helped families create – through modest but regular contributions – community chests that would provide them with assistance in the event of sickness or mishap. Yet, by itself, the condition of necessity is not sufficient to explain the emergence of social economy initiatives. To the condition of necessity we must add a second factor, of a sociocultural nature, namely, the "condition of collective identity", that is, membership in a social group whose members feel that they share a common destiny. For example, over one hundred years ago, small Flemish farmers in Belgium established a co-operative movement built on a strong sociocultural identity – that of a people who spoke only Flemish confronting a bourgeoisie that was imposing French. Similarly, Quebec co-operatives arose out of necessity, but also to defend the francophone and Catholic identity from anglophone and Protestant domination. In Spain, affirmation of Basque identity in the face of Castilian hegemony played an important role in the evolution of the Mondragón co-operative complex, and this identity combined with the necessity for post-war reconstruction following the Spanish Civil War. In conclusion, the social economy is the result of necessity but also of collective identity or shared destiny.

These two factors, which help to explain the rise of the social economy in the nineteenth century, continue to provide a valid explanation for the existence of the social economy today. Economic crises, the decline of the welfare state, government withdrawal from certain fields and mass unemployment, all bring the condition of necessity into play with renewed intensity. To be sure, today there are new needs and social demands that cannot be met adequately by market or government action. Consequently, new needs are opening up new areas of intervention for the social economy. Collective identity is now more difficult to discern than in the past. Indeed, there are numerous factors that militate against it, including pervasive

⁴⁵ These two conditions, introduced initially by DEFOURNY, J. (1995), were also discussed by DEFOURNY, J. and

individualism, increasing marginalisation, a weakening of the traditional social bonds associated with religion, trade unionism, and moral standards. Indeed, contemporary co-operative practices are no longer a vehicle for entrenched collective identities. However, they are still rooted in "partial collective awareness", such as the widespread awareness of the need to promote social justice, protect the environment, promote social and professional integration of disadvantaged individuals, and develop new relationships with the nations of the southern hemisphere. Communities are being formed, whose sense of a common destiny is only partial but nevertheless profound. What they share is a common wish to take up some challenges, such as those just cited, and these communities are serving as the basis for initiatives in the current social economy.

Chapter V: The support and representative organisations of the new social economy

The transition from the "new co-operatives" of the 1970s and 1980s to a "new social economy" does not simply reflect a theoretical shift, from one concept to another. In the field too, increasingly diversified initiatives have emerged, gradually changing the face of the "third sector"⁴⁶. Like most of the new co-operatives, many organisations of the recent social economy have employment-related objectives. But where the new co-operatives strove to create or preserve employment for their protagonists, the social economy organisations of the last decade are often led by people working for the socio-occupational integration of disadvantaged persons. This marked a shift away from organisations whose beneficiaries were their members (mutual interest organisations) toward organisations with external beneficiaries (general interest organisations). This movement was characterised by various elements: it targeted marginalised persons; opposed the dualisation of society; was environmentally friendly; promoted waste recycling; affirmed economic ethics; experimented with economic democracy; and was committed to revitalising citizenship.

Since co-operatives are our primary focus, we will not present the numerous and diversified expressions of the new social economy. As a matter of fact, the social economy arises in a great many sectors of activity where non-market modes of financing, such as subsidies, donations, and volunteering dominate, and where non-profit organisation status is generally the most appropriate, for example in healthcare, culture, social action, education, recreation, sports, development co-operation, and rights advocacy. Nonetheless, we will refrain from accentuating the distinction between the most market-oriented areas of the social economy, where co-operatives are concentrated, and parts of the social economy which are rather non-market, and where most non-profit organisations (NPOs) are found. On the one hand, a slightly more refined analysis of the social economy shows that a large and growing part of this economy combines market and non-market resources. On the other hand, the shifting boundaries of the fields occupied, respectively, by co-operatives and NPOs, depend greatly on national legislative frameworks. Thus, a multitude of initiatives which would take the form of

⁴⁶ While the expression "social economy" is employed increasingly throughout the world, the concept that is most widely accepted by the international research community is most probably that of "third sector". The concept makes it possible to present private enterprises and organisations that do not give priority to profit as constituting a group that is distinct from the two main traditional sectors, namely, the private for-profit sector and the public sector.

NPOs in Belgium, are more readily developing with a co-operative status in other European countries, such as Italy, Spain, and Sweden.

In this chapter, we will remain faithful to a unitary vision of the social economy, and we will review the main support and representative organisations established over the past twenty years to nurture the development of the social economy. These organisations are often intended to support both co-operatives and NPOs. They have gradually built a solid foundation and a framework that provides ever greater support for all social economy initiatives. The maturity, expertise and vigour with which they exercise their representation skills largely account for the renewed interest in the co-operative formula.

Federative Organisations

The organisations of the new social economy, like traditional co-operatives and new co-operatives in their time, gradually adopted representative structures. In this regard, the intersectorial federations, with their very broad mission, can be distinguished from the more sector-based networks, which group together organisations (co-operatives or others) according to their fields of activity, such as integration, recycling, sustainable development, and new technologies.

The intersectorial federations

The biggest federative grouping in the French-speaking social economy is Solidarité des alternatives wallonnes (SAW), which was already in existence during the "new co-operative period". Founded in 1981, SAW is a pluralist organisation representing all types of social enterprises, including co-operatives, on-the-job training enterprises, work-integration enterprises, social purpose companies, medical centres, and alternative financing institutions. Directly, or through its member federations, it encompasses some three hundred enterprises in Wallonia and in Brussels. SAW has four types of activities. Firstly, its pluralism and wide range of members allow it to act as liaison between public authorities, social partners, the State and actors in the field. SAW receives requests from the field and relays them to its political contacts. The organisation is often consulted to convey the sector's opinion on political proposals concerning the social economy. Secondly, it has taken on the task of increasing public awareness of the values espoused by social economy enterprises. In particular, it promotes social economy goods and services through print and audiovisual media, such as "Traverses" (a magazine on the social economy and associative activities), and the "Répertoire des biens et services solidaires". The latter is a directory of social economy goods and services republished in 2002 under the title "Préférences", in collaboration with the

King Baudouin Foundation, Syneco and Febecoop. Thirdly, through offers of services, such as communications, market studies, and feasibility studies, which are adapted to the needs of social economy project promoters, it engenders professionalism in the sector. Finally, it supports the social economy's development by establishing partnerships at regional, national and international levels. The name SAW may soon be changed in order to reflect the presence of the Brussels Region.

SAW is not the only organisation representing the social economy. Febecoop, which represents the socialist co-operative movement, federates about fifty social enterprises. As far as the ARCO group is concerned, Syneco - whose counterpart in Flanders is Procura - is an umbrella organisation for social economy organisations in the Christian community. The three federations - SAW, Febecoop and Syneco - also unite various networks (each of which has its own specific characteristics), and provide them with support. They represent their members on essentially political issues. Finally, we should note that in the Francophone part of the country, SAW, Febecoop and Syneco usually have a joint action platform representative of the entire social economy.

Until recently, SAW had no real equivalent in Flanders. Of course, as we saw in the previous chapter, VOSEC (*Vlaams Overleg Sociale Economie*, or Flemish Consortium on the Social Economy), a coordinating platform, was created in 1997 by thirty Flemish associations. However, initially VOSEC had developed few activities of its own, except for distributing a newsletter. Things have evolved considerably over the past two years. In the first place, the number of member organisations has grown to sixty, including federations (which in turn group together numerous initiatives), making VOSEC very broadly representative⁴⁷. Second, the federal government now has a Deputy Prime Minister (Flemish) in charge of the social economy and a regional policy now demonstrating a real will to actively promote this sector. These factors have strongly encouraged the social economy in Flanders to form coalitions well beyond the already well-structured sector-based networks. The impetus given by the federal government has been conveyed with particular force in the Workshops on the Social Economy, especially through the first Federal Forum on the Social Economy in November 2000 and the establishment of a Social Economy Cell and an Interdepartmental Task Force on the Social Economy within the Federal Administration.

These new dynamics have contributed to the consolidation of a broad vision of the social economy in Flanders, as has the organisation of a European Conference (in Ghent, in

November 2001) which focused on the outlook for the social economy in a sustainable development context. At present, VOSEC, the expanded and renamed "Vlaams Overlegplatform Sociale Economie & Meerwaardeneconomie", appears to be a more important and much more active body. This is demonstrated by its role in setting up the Trividend fund and consultancy firms for the social economy, to which we will return later.

We can also note the importance of the inter-sector dynamics conveyed by the formation of "social economy sites", like the "Monceau-FontaiNES" site (NES for "*nouvelle économie sociale*", or new social economy), where a dozen social economy enterprises are grouped on the site of a former colliery. Another example is the "Site des Steppes", a 5,000 m² space owned by the City of Liège which had been abandoned for 25 years, but today serves as the premises for a dozen leaseholding social economy organisations. There is also a social economy enterprise centre in Brussels, known as "Euclides".

Sector-based networks

There are also sector-based networks, which group together organisations by field of activity. Work-integration enterprises are particularly well represented here. Work-integration enterprises⁴⁸ have their own networks. In Flanders, the Hefboom co-operative and Febecoop support work-integration enterprises within the framework of SSE (*Samenwerkingsverband Sociale Economie*). SSE will eventually be replaced by a *doorlichtingsteam* (audit committee) formed by Hefboom, Febecoop and Vitamine W. In Wallonia, the Réseau entreprises sociales (RES, or social enterprises network) is a pluralist network of social enterprises formed for the purpose of creating permanent jobs for disadvantaged workers. The RES network primarily includes work-integration enterprises. The NPO known as CAIPS (*Concertation des ateliers d'insertion professionnelle et sociale*) is a federation with a socialist orientation, and encompasses on-the-job training and work-integration enterprises.

Enterprises offering adapted work to persons with disabilities also have their networks. Walloon initiatives (formerly known as "sheltered workshops" or *ateliers protégés*, and now called "adapted-work enterprises" or *entreprises de travail adapté*) are grouped under the EWETA (*Entente wallonne des entreprises de travail adapté*). Brussels-based initiatives fall under FEBRAP (*Fédération bruxelloise des ateliers protégés*) while Flemish enterprises are part of VLAB (*Vlaams Federatie van Beschutte Werkplaatsen*).

⁴⁷ VOSEC also has about fifteen individual members, who are respected figures from universities, unions, economic and other fields.

⁴⁸ When discussing work-integration enterprises, we can refer to two kinds of enterprises (depending on the part of the country referred to): *invoegbedrijven* in Flanders, and *entreprises d'insertion* in the French-speaking part.

In the Francophone territory, four networks bring together on-the-job training enterprises (*entreprises de formation par le travail*, or EFT). These are CAIPS (as already noted), ACFI, AID, and ALEAP. ACFI (*Action coordonnée de formation et d'insertion socioprofessionnelle*) coordinates training and socio-occupational integration initiatives for disadvantaged youth. ACFI manages the paperwork associated with its members' subsidies, gives technical and legal advice and ensures representation in dealing with public authorities. The AID network (*Actions intégrées de développement*) depends on the Christian Workers Movement. Finally, ALEAP (*Association libre d'entreprises d'apprentissage professionnel*) is a pluralist federation of on-the-job training enterprises. Together, these networks of on-the-job training enterprises form an interfederation (*Interfédération des EFT*).

In the Flemish territory, SSW (*Samenwerkingsverband Sociale Werkplaatsen*) was formed in 1988 to obtain accreditation for, and to support the development of social workshops (*sociale werkplaatsen*). Currently, the vast majority of social workshops and work-care centres (*arbeidzorgcentra*) are part of SST (*Samenwerkingsverband Sociale Tewerkstelling*), which replaced SSW and promotes all social employment in Flanders. SST is recognised as an employer association in the "equal representation committee 327", where negotiations are conducted, at the sectoral level, between employers and employees of adapted-work enterprises and social workshops.

Enterprises active in the waste management sector also have their own networks. In the French-speaking part of Belgium, RESsources, a pluralist network, encompasses over forty social economy initiatives active in waste prevention, reuse and materials reclamation in Brussels and Wallonia. These organisations have a thousand employees and manage about 20 percent of household waste recycling. In Flanders, all of the recycling and reuse centres (*kringloopcentra*) joined together in 1994 under an umbrella organisation, KVK (*Koepel van Vlaamse Kringloopcentra*) to co-ordinate their activities. This organisation centralises the contacts with OVAM (*Openbare Vlaamse Afvalstoffenmaatschappij*), the Flemish office in charge of waste management, and sets up training programs in collaboration with the NPO Hefboom, the operator of this training program. The KVK also provides assistance when a new centre is created⁴⁹. We will return to the RESsources network and the recycling and reuse centres in a later section.

Regarding sector-based networks, we should also note the following examples in the sustainable development field. Econetwerk, a group of NPOs and social economy enterprises

⁴⁹ Centre d'économie sociale (2001).

promoting respect for people and the environment, advocates more effective conservation of nature, a better quality environment, ecotourism and sustainable regional development. The "Memo-gids" (*Groene Mens- en Milieuvriendelijk Ondernemen gids*, or Green Directory of People-friendly and Environmentally-friendly Enterprises), constitutes an indispensable reference for responsible consumers. It aims at raising business and public awareness of ethical and sustainable business practices and provides a list of some 3,200 people-friendly and environmentally-friendly enterprises in Flanders. Since 1976, Nature et Progrès has supported the development of organic agriculture, as part of a decidedly contemporary approach that seeks to reconcile quantity and quality and preserve the environment, health and natural resources.

In the field of new information and communications technologies (NICT), RES-e-NET Belgique was established in December 2000 by fifteen partners (networks of NPOs and enterprises, scientists, actors in the field,...) from the social economy community. It aims to strengthen the social economy's many initiatives in order to close what is known as "the digital divide", or the gulf in today's "knowledge economy" that separates people who have mastered digital technology from people who have no access to it. RES-e-NET pursues three strategic objectives: 1) to support the development of the social and solidarity-based economy, particularly by encouraging enterprises in the social and solidarity-based economy to be more active in the NICT field and by urging participants in civil society to make better use of NICT; 2) to propose responses to the digital divide; and 3) to support the "free software" movement, by promoting open source products to stakeholders in civil society. An added step was taken in November 2001, with the founding of RES-e-NET Europe.

Regarding NICT, we should also note in passing that ICANN (Internet Corporation for Assigned Names and Numbers), the international body responsible for this field, recently approved ".coop" as a domain name. This project was promoted by the National Co-operative Business Association (a North-American association of co-operatives), and by Poptel, a British co-operative active in the telecommunications field. The proposal was also supported by the International Co-operative Alliance (ICA). Available since 30 January 2002, this domain name, specifically reserved for co-operative enterprises, should provide better visibility for web-surfing consumers. The earnings generated by this operation will provide a fund to finance the fight against the digital divide in developing countries.

Support organisations without a representative mission

While networks and federations often have a technical support function, organisations also exist for which this is the only role, and which therefore have no representative function. This holds for social economy consultancy agencies in the Francophone territory, and for regional social economy incubators and social economy consultancy firms in Flanders.

The social economy consultancy agencies of the Walloon Region⁵⁰

Social economy consultancy agencies (*agences-conseil en économie sociale*) emerged in the late 1980s when the Walloon Region sought to organise support for social economy projects by technicians and consultants who shared the appropriate values and objectives. The mission and status of "consultancy agency" was given to a dozen existing organisations that already worked in this perspective. The first stage of implementation was thus pragmatic. However, the implementation was also incomplete, insofar as the operating framework of these consultancy agencies was limited to an annual ministerial decree, the resources allocated were insufficient for a sector that was unlikely to contribute financially to coaching costs, and no accreditation, monitoring or evaluation procedures were planned. The tasks entrusted to the consultancy agencies were very broad and poorly defined. They included traditional coaching for fledgling projects, consultancy for existing enterprises on every possible level, and general promotion of all types of activity in the sector.

In 1995, the Walloon Region, convinced that the consultancy agencies also had a role to play in local development, encouraged the multiplication of these agencies throughout the Region and - intent on avoiding a scattering of their energies - the creation of networks among the various organisations. Three networks were formed, which assured the system's pluralism. One was the Racines network (*Réseau d'agences-conseil indépendantes pour la nouvelle économie sociale*, or network of independent consultancy agencies for the new social economy), which emerged from the development of the new social economy and brought together consultancy agencies established outside the traditional movements⁵¹. The others were a Socialist-oriented network (Febecoop) and a network linked to the Christian workers' movement (Syneco)⁵². There was an influx of new operators proclaiming themselves to be

⁵⁰ On social economy consultancy agencies in the Walloon Region, see especially POLLENUS, J.-P. (2000), DELESPESE, J. (2000b) and COUTELIER, J.-F. (1997).

⁵¹ The Racines network groups together the following consultancy agencies: ACES (*Accompagnement et création d'entreprises sociales*), AGES (*Administration et gestion pour l'économie sociale*), Boutique de Gestion, Crédal and SAW (*Solidarité des alternatives wallonnes*).

⁵² Among the other consultancy agencies, we should also mention the special case of the NPO, Archipel (in Monceau-sur-Sambre), which derives from a partnership between the socialist trade union (FGTB) and the Christian trade union (CSC).

"consultancy agencies". However, the resources available proved to be insufficient and the Walloon Region recognised only a few of these.

The situation then stabilised, with three networks and about ten other consultancy agencies covering the Walloon Region almost completely. However, the problem of funding was not resolved. Some agencies disappeared due to insufficient resources, while others chose to diversify to generate financial returns and ensure their survival. In addition, the Walloon Region imposed a new criterion on the consultancy agencies: they could work only in the "market social economy" (i.e. enterprises deriving at least half their resources from the sale of goods or services). Year after year, accreditation remained tied to ministerial decree.

Compelled to operate in uncertainty, the consultancy agencies in all of the networks called for the adoption of measures to remedy the imperfections of the initial operating framework. In particular, they sought an expansion of the field of activities (and more specifically the lifting of the restriction to the "market" social economy), the adoption of a multi-year operating framework (which would be less precarious than annual decrees), a clearer definition of the consultancy agencies' missions, the establishment of a framework that better suited their financial needs, and the drafting of a clear evaluation procedure.

In response to these demands, a proposed "decree respecting the accreditation and subsidisation of consultancy agencies in the market social economy" was tabled in the Walloon Parliament in July 2001⁵³. It specifically proposed a clarified accreditation procedure and increased subsidies for the consultancy agencies. However, it did not propose lifting the restriction limiting their field of action to the market social economy.

Also in 2001, a Consultancy Agencies Task Force was instituted within the Walloon council for the market social economy (*Conseil wallon de l'économie sociale marchande*, or CWESMa), with the objectives of establishing a status report on the existing agencies and formulating recommendations for a normative framework. The status report showed that, in 2000, there were twenty-two consultancy agencies recognised by the competent authorities of the Ministry of the Walloon Region and subsidised by the Region⁵⁴. The range of enterprises benefiting from the consultancy agencies' services is very heterogeneous. It includes construction, building renovation, carpentry, cleaning, printing, food sector, proximity

⁵³ Proposed decree respecting the accreditation and subsidisation of consultancy agencies in the market social economy, tabled by MM. P. Furlan and P. Ficheroulle, 19 July 2001, Walloon Parliament. In mid-2002, this proposed decree was still being examined.

⁵⁴ At year end 2001, of the twenty-two consultancy agencies, two had been shelved and one was in receivership.

services, information technology, waste sorting and reclamation, sewing, NICT, call centres, and tourism.

The services provided by social economy consultancy agencies cover a broad field of activities, with regard to promoting the social economy, creating new enterprises and monitoring existing enterprises. They offer legal support services, such as drafting of articles of incorporation, registrations, and government accreditation, as well as financial services which include feasibility studies, market studies, financial arrangements, granting of alternative credit, loan evaluation, equity and venture capital. The consultancy agencies also offer services or skills in fields as varied as information technology, social law, NPO and social purpose company law, accounting, project evaluation, auditing, social effectiveness analysis, networking and establishment of partnerships, personnel management, training and communications.

The regional social economy incubators and social economy consultancy firms in the Flemish Region

Until recently, the Walloon consultancy agencies really had no equivalent in Flanders. The organisation bearing the closest resemblance was the Hefboom NPO, already mentioned several times in this work. As a matter of fact, this organisation has supported social economy initiatives for many years and on several levels, particularly by granting "alternative" credit, such as loans, capital investments, and bridging finance, and by co-ordinating training.

However, in September 2000, the Flemish Government adopted a decree⁵⁵ to significantly promote "the plural economy". In particular, this decree defines the criteria and procedures for accreditation of "regional social economy incubators" (*regionale incubatiecentra voor de sociale economie*) and "social economy consultancy firms" (*adviesbureaus in de sociale economie*) – two types of organisations with missions closely akin to those of the Walloon consultancy agencies⁵⁶.

The regional social economy incubator is a company whose objective is to promote the integration of target groups by setting up projects and starting up social economy enterprises. Structurally, the regional incubator brings together several partners, including *inter alia* local authorities, social partners and entrepreneurs. While each incubator is granted a maximum annual budget of 123,946 euro to cover its salaries and operating expenses, it also needs start-

⁵⁵ Flemish Government decree of 8 September 2000, regarding a program to support and give an impetus to the plural economy.

⁵⁶ Thanks to this decree, Hefboom saw its support role for the social economy officially recognised, since it was now one of the "social economy consultancy firms" accredited by the Flemish Region.

up capital, at least half of which is derived from private sector inputs. This measure reflects a desire to anchor the incubators in a market perspective and in the existing economic fabric.

The social economy incubator must adopt an approach combining three functions, namely:

- the development of social economy enterprises, particularly by actively stimulating the development of new, highly labour-intensive enterprises, which also represent value added for the local market, meet the market's requirements and create lasting employment;
- the development of a social economy enterprise centre, which provides – among other services – workshops, offices, a common infrastructure and secretarial services;
- the provision of substantial support to management during the start-up years, such as the carrying out of administrative mandates, weekly discussion of basic figures, human resources management, marketing actions, and participation in key negotiations.

Eventually, there should be thirteen regional incubators, one per sub-region in the Flemish Region. In spring 2002, the first social economy incubators had been active for six months. There were five such entities (Kanaal 127 in Kortrijk, De Punt in Ghent, De Werkhoek in Ostend and De Kempische Brug and De Wolkammerij in Antwerp). Between them they had already launched twenty-five social economy projects, involved in integrating disadvantaged persons. For the most part, these projects involved the creation of new enterprises, active in sectors as diverse as building renovation and cleaning, household appliance repair and maintenance, bicycle rental and maintenance, and car washing for garages and businesses.

Social economy consultancy firms are legal entities. Their objective is to advise and guide social economy initiatives and they must be organised professionally. These firms are not only involved in conventional fields of business management, such as business plans, feasibility studies, financial and accounting management, communications and marketing management. They also handle a wide range of other matters, including: human resources management and internal organisation oriented to target groups, the operation of participatory structures and the management of diversity; guidance in implementing a management strategy that pursues both social and economic objectives; conducting a social audit or a multi-stakeholder approach; analysing costs and social benefits; fine-tuning and following up a mission statement; and guidance in developing initiatives in the new service economy.

Work-integration enterprises and social workshops can benefit, free of charge, from the basic follow-up offered by a social economy consultancy firm. They are offered this basic follow-

up once a year. This service is available to work-integration enterprises, for up to one year following the period in which the enterprise benefits from subsidies, and to social workshops, for the first four years following accreditation. All social economy enterprises can also obtain financial support for an *ad hoc* consultancy with a recognised social economy consultancy firm. This financial support may be granted twice in a five-year period. Fledgling social economy enterprises can benefit from financial support for a feasibility study conducted by a recognised social economy consultancy firm.

As of 1 January 2002, three recognised consultancy firms exist in Flanders, all three in the form of NPOs. These are: Hefboom, Febecoop Adviesbureau Vlaanderen and SEC Adviesbureau Vitamine W⁵⁷.

Financing structures

Compared to conventional enterprises, co-operatives and social enterprises in general usually have features that make it more difficult for them to adapt to the frameworks and analytical criteria of traditional financial organisations. The banks themselves do not always possess adequate know-how to monitor such enterprises. In addition, it is often difficult for the promoters of solidarity-based projects to provide the banks with security in the forms they usually require. This is why alternative financing structures, conscious of the "social value-added" of projects, have emerged and developed over the past two decades. Many social enterprises, including co-operatives, now apply to these organisations – which are often co-operatives themselves. For these two reasons, we must accord special recognition to the sphere of alternative finance and to the organisations established to support enterprises or projects that put social or environmental issues at the centre of their concerns.

But alternative financing could not exist without the backing of a great many depositors who support investments that respect these same concerns. This is why we will begin with a discussion of the gradual development of the phenomena now known as solidarity-based savings accounts or ethical investment.

Ethical investment and solidarity-based savings accounts

Most banks today offer so-called "ethical" open-end funds or other "ethical" investments. In Belgium, ethical savings accounts were first embodied by two networks: "Netwerk Vlaanderen", in the north, and "Réseau Financement alternatif" in the Francophone part of the country. Both originated in the movement to boycott banking investments in apartheid South

⁵⁷ VOSEC (2002).

Africa. These networks have continued to develop their activities ever since. Their objectives are: to raise public awareness about financial ethics; to finance the NPO sector and; in partnership with the banking and financial community, to contemplate developing alternative financial tools, such as solidarity-based savings accounts and ethical investment.

The initial mechanism was set up by Netwerk Vlaanderen in the early 1980s, and imitated in 1987 by Réseau Financement alternatif. Within the context of a partnership with CGER (now Fortis), these two alternative financing networks decided to encourage their members and sympathisers to open ethical savings accounts, called "Krekelsparen" in Flanders and "Cigale" in the Francophone territory. The bank offers two types of benefits in addition to those related to a traditional bank account. First, it pays the network a commission or bonus (usually 1 percent), a large portion of which is redistributed to the network's member organisations or the organisations with which an agreement has been passed, according to the depositor's choice. Second, the bank guarantees that it will not use these funds for ethically questionable investments⁵⁸.

In the Francophone territory, Réseau Financement alternatif was formed by seven small associations that wanted to develop "proximity savings". Among them were the Le Pivot NPO (in Dison), a true pioneer in this field, and Crédal, to which we will return later. Today, Réseau Financement alternatif publishes a "Mémento des produits financiers, éthiques et solidaires", the leading reference source on ethical and solidarity-based financial products.

Réseau Financement alternatif is a shareholder in Alterfin, a co-operative active in the development of local financial networks in the South. Lastly, following in the footsteps of the NPO known as "Jeunes entreprises", which encourages high school students to create and manage a miniature business, Réseau Financement alternatif has extended the initiative to miniature social purpose enterprises. It finances an investment fund intended for these miniature social purpose enterprises, and awards a prize to the best among them.

Netwerk Vlaanderen co-operates with 400 alternative organisations, and plays an intermediary role to encourage them to share their experiences. Organisations that want to use their money transparently and democratically, can call on Netwerk Vlaanderen, which advises and coaches them. In terms of project financing, the assistance provided by Netwerk can take the form of donations (for start-up organisations, expenses related to social action, or bringing in outside expertise) or loans (covering everything needed to achieve the social objectives of socio-ecological organisations). Among its various partnerships, Netwerk Vlaanderen has a

synergistic relationship with the International Association of Investors in the Social Economy (INAISE), which brings together fifty alternative financier members from twenty-one countries and five continents.

In late 1998, Netwerk Vlaanderen and Réseau Financement alternatif, in partnership with Fortis and the HBK bank, launched an ethical and solidarity-based mutual fund, known as "AlterVision Balance Europe". This fund bears the label Ethibel, which prescribes that the investments are made only in equities and bonds whose characteristics have been scrutinised by Ethibel. This means that the enterprises have met a set of positive criteria.

Since the 1990s, there has also been a bank involved in sustainable development and financing initiatives emphasising environmental, social and cultural factors, human dignity and quality of life. This is the Triodos bank, of Dutch origin but also established in Belgium and the United Kingdom. Triodos' objective is to renew banking by considering money as a "powerful and effective resource for the personal growth of human beings and their active participation in the development of society and the quality of communal life". It finances projects in the sectors of renewable energy (solar and wind), organic agriculture, art, culture, environmental protection and in development co-operation. Over the past few years, Triodos' growth has been quite remarkable. Since 2001, in collaboration with Réseau Financement alternatif, it has developed a line of savings products (Dynamo savings) with the aim of financing social and environmental projects.

Alternative credit

In ethical or solidarity-based savings, the primary emphasis is on the behaviour of depositors, who pursue objectives other than a mere return on their capital. However, there are savings that are influenced by ethical concerns – such as a concern for sustainable development – without investing in the social economy. Another way to approach this type of issue is to assess the financial needs of the social economy, and then seek to meet these needs, either through private savings or public financing. This is a form of "alternative credit" in that it is specifically oriented to financing the social economy, but can also be linked to ethical savings. Crédal, a co-operative created in 1984, is an alternative credit co-operative and a social economy consultancy agency. Crédal grants low-interest credit, helping to strengthen the self-sufficiency, dynamism and financial structure of social enterprises. The credit can take the form of long, medium or short-term investment, loans for working capital, cash credit, or bridging finance. The latter is very useful for maintaining activities while waiting for

⁵⁸ This system is still in force, though the two networks and Fortis bank periodically renegotiate it. Today, it

subsidies to arrive. In addition, Crédal makes "solidarity-based capital" available to social enterprises during the start-up or major development phases. The projects supported, benefit from customised coaching. But to be accepted, they must meet various conditions, particularly the social economy criteria adopted by the Walloon council for the social economy (*Conseil wallon de l'économie sociale*) in 1990. Nearly six hundred members seeking to obtain a social rather than financial return on their savings provide Crédal with the means to implement its policy.

In Flanders, the equivalent of Crédal is the Hefboom co-operative, created in 1985. Hefboom seeks to promote the concept of a fair economy (i.e. that equitably serves the interests of all the stakeholders affected by an enterprise's operations), and provides lasting employment, shows respect for the environment and is based on co-operation. Hefboom develops this approach through various initiatives, such as the Solidarity-based Enterprise Award every two years, but also, and especially, by providing various types of coaching and support, already referred to in the previous sections.

With regard to financing, Hefboom supports solidarity-based enterprises in Flanders and Brussels through: investment credit; equity investments for enterprises faced with a venture capital deficit; bridging finance for enterprises or organisations awaiting subsidies; or "custom" financing, to meet specific needs.

To accumulate the capital and resources necessary to achieve its objectives, Hefboom has set up a series of financial products that respect certain ethical criteria, and which offer depositors and investors an opportunity to invest directly or indirectly in solidarity-based enterprises. Thus, it is possible to acquire shares in Hefboom. The shareholders know that their money is managed equitably and responsibly, and that it is loaned to solidarity-based enterprises on favourable terms. These shares have a low financial yield but a high social return. The shareholder also has a say in Hefboom's management. Hefboom also collaborates with the BACOB bank, the HBK savings bank and the VDK savings bank. These institutions offer their customers ethical savings and investment formulas that have certain financial benefits for Hefboom. They pay Hefboom a commission, based on the total funds raised. Depositors and investors also have the opportunity to assign all or part of the return on their investments to Hefboom. The funds raised are invested according to ethical criteria, determined in conjunction with Hefboom and verified by Ethibel.

While the Crédal and Hefboom co-operatives have played a pioneering role and still occupy a central place in alternative credit, other social economy financing organisations have emerged, involving the public sector and/or the traditional private sector as well. These are, principally, SOWECSOM in Wallonia and Trividend in Flanders.

In 1995, at the request of the Walloon Government, the Regional investment company of Wallonia (*Société régionale d'investissement de Wallonie*, or SRIW), the holding company for government industrial policy, created a subsidiary designed to promote the development of the market social economy in the Walloon Region, namely, the *Société wallonne d'économie sociale marchande* (SOWECSOM).

Co-operatives are particularly well represented among the enterprises supported by SOWECSOM. At the end of 2001, out of the about fifty enterprises that had benefited from an intervention, there were no less than thirty-three co-operative societies with limited liability, including seventeen social purpose co-operative societies with limited liability, ten of which were work-integration enterprises.

The assistance is granted on the basis of size and ethical criteria. The enterprises benefiting from support cannot exceed a certain size, be it in sales, number of workers employed, or balance sheet totals. The purpose must be to serve their members or the community, rather than to make profit, while there are limits on the ownership of shares, voting rights and dividends. In addition, a criterion states that the activity must be essentially market-oriented. In reality, this criterion more often involves an emphasis on the creation of good quality jobs than on the strict application of rules limiting subsidies to enterprises. Nonetheless, the projects funded up to now have invariably been market oriented, while always paying special attention to the ethical criteria of the social economy.

SOWECSOM has 2.5 million euro in share capital; SRIW holds 51 percent of this capital, and the Walloon Region 49 percent. It also has loans amounting to 8.65 million euro (6.15 million euro come from SRIW and 2.5 million euro from the Walloon Region). In all, the resources at SOWECSOM's disposal amount to over 11 million euro, making it a major player as regards financial support to the social economy. Three types of assistance can be granted: loan, capital investment, or guarantee. The loans which have been granted must be repaid, and when the support granted takes the form of capital investment, the organisation supported must eventually buy back these shares.

At the end of 2001, eighty applications had been formally presented to SOWECSOM's decision-making bodies. A similar number of applications had been submitted without leading

to a formal presentation. Among the eighty applications presented, sixty-seven, involving about fifty enterprises, had received a favourable response. The amount made available to them totalled 8.1 million euro, including 76 percent in loans, 22 percent in capital and 2 percent in guarantees. The enterprises supported employed about 600 people (on-the-job training enterprises trainees included) and their total turnover was nearly 25 million euro.

The Trividend co-operative, Flanders Social Economy Investment Fund, was created in December 2001. Its purpose is to provide venture capital to existing or future enterprises or NPOs through guaranteed financing and temporary minority investments.

Trividend is the result of a joint effort by public authorities, the traditional private sector and social economy stakeholders. Contributing to its creation, in addition to the Flemish public authorities (which provide an annual subsidy to cover the salary and operating expenses, as well as contributing a maximum investment of 669,312 euro), were the co-operative society Hefboom, the NPOs Netwerk Vlaanderen and VKW Antwerpen, the co-operative societies with limited liability Triodos Invest, Kanaal 127, De Wolkammerij and BACOB, the limited companies Gevaert and KBC Bank and P&V Assurances. Trividend's share capital is 1,500,500 euro⁵⁹.

⁵⁹ BOSMANS, P. (2002).

Chapter VI: A New Wave of Co-operation

The emergence of a new social economy in the late 1980s, and especially in the 1990s, allowed many to (re)discover the economic relevance of numerous activities performed by non-profit organisations. Until then, these activities had often been given second-class status - that of a socio-cultural sector operating primarily with government subsidies, and which was not part of the "real" economy. Thus, one could say that the last decade was one of economic "accreditation" of the associative reality⁶⁰.

Consequently, the kinship that had always existed between NPOs and co-operatives, forged in the worker and peasant movement of the nineteenth century, reappeared in an entirely new light. This was reinforced by the fact that throughout Europe, similar initiatives were developing, sometimes within the framework of NPO status, sometimes in the legal form of co-operatives, depending on the legislative contexts and specificities of the "markets" (in the broadest sense) involved.

Naturally enough, the co-operatives, which had been the focus of attention twenty years earlier, are in turn revitalised, and benefit from all the frameworks gradually put in place to support the social economy as a whole. This is not unrelated to the budget restrictions increasingly imposed by governments, which give social economy projects an incentive to seek the maximum market resources. Likewise, the growth in certain fields of activity, such as organic agriculture or waste recycling, provided social economy enterprises with greater prospects for financial self-sufficiency.

All of these factors combined, have thus contributed, over the past few years, to the emergence of a new wave of co-operatives which, while still modest, is being expressed in novel ways. This chapter will review the main trends in the current co-operative impetus.

Social purpose companies⁶¹

In 1995, a newcomer appeared in Belgian legislation governing business corporations, namely, the social purpose company (in French, *société à finalité sociale* or SFS; in Dutch, *vennootschap met en sociaal oogmerk* or VSO), an instrument specially designed for the social economy, even though this new label can be adopted by any business corporation. The

⁶⁰ Research carried out internationally on the non-profit sector has also largely contributed to this accreditation. In particular, this research, which is co-ordinated by Johns Hopkins University (United States), has resulted in a "satellite account for associations" project linked to the National Accounts. This project is being piloted in several countries, including Belgium. See MERTENS, S. *et al.* (1999) and MERTENS, S. (2002).

social purpose company particularly interests us because most of the time it is combined with co-operative status. Even though not yet very numerous, some 83.8 percent of social purpose companies are in fact co-operatives. Moreover, to be able to claim the label of "social purpose company", an enterprise must demonstrate a philosophy that is close to the co-operative spirit. We will first examine the context in which the concept of social purpose company itself arose, and what the concept means⁶².

In general, initiatives pursuing a social goal that has an economic component, opt for the legal status – conceived in 1921 – of "non-profit organisation" (NPO), known in Belgium as an *association sans but lucratif* (ASBL) in French, and as a *vereniging zonder winstoogmerk* (VZW) in Dutch. Even though in early 2002, the NPO formula was reviewed by Parliament, which added some new requirements, it has always been very flexible and accommodating. Creating an NPO does not require any initial capital, and in administrative terms is less cumbersome than establishing a business corporation. Moreover, since "NPO" is the only legal status which can reflect the organisation's non-profit purpose, it is necessary in order to obtain different types of government subsidies intended for activities with a strong social component. Such subsidies are not available to the classic types of business corporations. Last but not least, the status allows NPOs to carry on complementary industrial or commercial activities without being subject to corporate income tax.

While it offers advantages, NPO status also involves disadvantages for initiatives that are clearly entrepreneurial. Thus, NPOs are sometimes harmed by an image that portrays them as amateurish organisations with a more socio-cultural than economic purpose. By contrast, classic business enterprises often enjoy greater credibility with their clients in competitive markets. NPOs must regularly fend off accusations of unfair competition with classic business corporations, which denounce the various government assistance from which the NPOs may benefit. Furthermore, even though they can obtain certain government subsidies, NPOs do not have access to some forms of assistance, such as those that come under "economic expansion" legislation, such as hiring and investment premiums. Nor, in principle, are NPOs entitled to business registration, and some of them may find it difficult to register as contractors. This can be a major handicap in the marketplace. For example, when an organisation is not registered as a building contractor, this prevents potential customers from taking advantage of various financial benefits such as reduced VAT, or housing restoration premiums. It also

⁶¹ The journal, *Non Marchand*, recently devoted an entire issue (COIPEL, M. (ed.), 2001) to social purpose companies, the issues that these enterprises raise, and their future prospects.

⁶² SIMON, M. (1998a), pp. 15-17.

closes the door to government contracts. To make matters worse, NPOs sometimes have a lot of difficulty obtaining bank loans. Since they have no share capital, they often have little security to offer, especially if they own no real estate.

On the other hand, the conventional business corporation legal status does not really reflect the specificity of enterprises primarily pursuing a social purpose. In fact, until the mid-1990s Belgian law stipulated that a corporation had to be for-profit. To overcome these obstacles, some enterprises with a social goal have set up "mixed" structures. They maintain an associative base in the form of an NPO, which guarantees their social agenda, but simultaneously adopt commercial structures to benefit from better economic positioning. The legal structure most widely used for this purpose is the co-operative. A social economy "group" then exists, bringing together several separate legal entities in the same overall project. This type of a setup allows enterprises to assert their economic and commercial mission while guaranteeing the primacy of their social agenda.

However, despite the possibility of combining NPOs and co-operatives, the situation continued to be a problem for organisations essentially developing commercial activities. It is, among other purposes, to meet the specific needs of such enterprises that a new "form" of corporation, resulting from the 1995 reform of Belgian corporate law, was adopted and has been usable since 1 July 1996. This is the "social purpose company", defined in the "reparative law", enacted on 13 April 1995⁶³. This law amends numerous provisions contained in the co-ordinated corporate legislation, and *inter alia* adds Article 164bis, which stipulates that the different forms of business corporations, such as co-operatives, limited companies or private companies with limited liability, can be called "social purpose companies" when they "are not dedicated to the enrichment of their members" and provided that their statutes meet a series of conditions.

The statutes of the social purpose company must, for example, stipulate that "the members seek little or no return on investment". They "specifically define the social purpose to which the activities contemplated in the company's aim are dedicated". They "do not establish the procurement of an indirect return on investment for the members as the primary purpose of the enterprise". When the enterprise procures a direct return on investment for the members, the earnings distributed to them may not exceed the interest rate – currently 6 percent – set by legislation. The articles must also define a "profit allocation policy in accordance with the enterprise's internal and external purposes". In the event of

⁶³ *Loi modifiant les lois sur les sociétés commerciales, coordonnées le 30 novembre 1935.*

liquidation, it must be stipulated that "after the discharge of all the liabilities and the repayment of their investment to the members, the liquidation surplus shall be allocated in a manner as close as possible to the entity's social purpose". If the enterprise abandons its legal status as a social purpose company, "the existing reserves may not be distributed in any form whatsoever". These last two prescriptions are intended to protect the enterprise from attempts to realise substantial capital gains.

The social purpose company also introduces a certain type of democracy into the organisation. Thus, its articles must provide for "procedures allowing each employee to acquire the capacity of member within one year after his/her hiring by the enterprise". Moreover, they stipulate that "at the general meeting, no one may cast a number of votes exceeding one tenth of the votes attached to the parts or shares represented. This percentage shall be reduced to one twentieth when one or more members are employees hired by the enterprise".

As can readily be seen, the conditions allowing the adoption of the label "social purpose company" clearly reflect the same spirit as the principles of co-operation, namely, limited return on capital, economic democracy, formation of undistributable reserves and, upon dissolution, the obligation to reinvest the assets in an enterprise sharing similar objectives. However, an examination of the conditions that must be met in order to become a social purpose company immediately reveals that these conditions are more demanding than those required by traditional forms of business corporations. This probably explains why this formula, which has been available since 1996, has achieved only limited success up to now. By year-end 2001, only 167 companies had this status (see Table 7). Among them, 140 (or 83.8 percent) were co-operatives – 135 with limited liability and five with unlimited joint and several liability.

Nonetheless, from December 1999 to December 2001, the number of social purpose companies rose significantly from one hundred to 167, an increase of 67 percent. However, this number appears to be especially low when compared with the legal status primarily employed by social economy organisations. Between three thousand and four thousand NPOs are created each year in Belgium and today there are over 100,000 legally registered NPOs⁶⁴.

⁶⁴ It should nevertheless be noted that only about 60 percent of NPOs listed in the national register of legal persons published by the Home Office are actually active. The others, if they have not disappeared from a legal standpoint, have suspended all activity. See DEFOURNY, J., DUBOIS, P. and PERRONE, B. (1997), pp. 20-22.

Table 7: Social purpose companies in Belgium (December 2001)^a

SOCIAL PURPOSE COMPANY TYPES	NUMBER
Co-operative societies with unlimited joint and several liability	5
Co-operative societies with limited liability	135
One-person private company with limited liability	1
Limited partnerships	3
General partnership	1
Limited companies	12
Private companies with limited liability	9
Economic interest grouping	1
TOTAL^b	167

a Registre national – Statistiques personnes morales, Ministère de l'Intérieur.

b As of 15 December 2001, 179 social purpose companies had been created since the Law of 13 April 1995 came into force in July 1996. Of these, six were declared closed (four co-operative societies with limited liability, 1 one-person private company with limited liability and one economic interest grouping) and six had been declared bankrupt (six co-operative societies with limited liability).

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Integration through work, and the co-operative sector

If there is one sector for which co-operatives seem tailor-made, it is the sector of integration through long-term work. This sector provides long-term employment in an essentially market-based activity to disadvantaged persons. In fact, nearly three quarters of social economy enterprises dedicated to offering such employment have adopted the co-operative form. Thus, in Belgium, the co-operative seems to be a particularly appropriate legal form whenever the social economy confronts one of the great contemporary challenges, namely, the socio-occupational integration of underskilled persons within the framework of a market activity.

⁶⁵ It should nevertheless be noted that only about 60 percent of NPOs listed in the national register of legal persons published by the Home Office are actually active. The others, if they have not disappeared from a legal standpoint, have suspended all activity. See DEFOURNY, J., DUBOIS, P. and PERRONE, B. (1997), pp. 20-22.

Work-integration enterprises (enterprises d'insertion) in Wallonia and Brussels⁶⁶

Starting in the 1960s, there was a proliferation of sustainable employment projects for the least skilled individuals, especially for persons with physical or mental disabilities. These are known as "adapted-work enterprises" (*entreprises de travail adapté*) - formerly "sheltered workshops", or *ateliers protégés* - in the Francophone territory and as "sheltered workshops" (*beschutte werkplaatsen*) in Flanders. These organisations, today, offer stable paid work to about 20,000 disabled people in Belgium, by having them participate in the production of goods and services sold on the market. Starting in the 1980s, the problem of the socio-occupational integration of disadvantaged individuals became a bigger issue, especially in Wallonia, because the economic crisis was swelling the ranks of the underskilled of all ages who were excluded from the job market. This was the context that gave rise to the "occupational learning enterprises" (*entreprises d'apprentissage professionnel*, or EAP), subsequently renamed "on-the-job training enterprises" (*entreprises de formation par le travail*, or EFT). On-the-job training enterprises instruct trainees by putting them in a work situation where they are coached by specialised trainers.

In the mid-1990s, it seemed imperative to look for innovative formulas with a view to providing stable employment, not only to the unemployed trainees coming out of on-the-job training enterprises, but also to other individuals experiencing serious difficulty on the job market. This need led to the "work-integration enterprise" (*entreprise d'insertion*), a social economy enterprise that developed essentially market activities for the integration of disadvantaged workers. Over the past few years, this type of enterprise has gradually made its presence felt in Belgium.

In Wallonia and Brussels, pilot projects for work-integration enterprises began in 1994. They were supported by the King Baudouin Foundation, the European Social Fund and the various Regions. They launched a process which, a few years later, led to the accreditation of work-integration enterprises by the regional governments. Yet, it was a royal decree by the Federal Government (on 30 March 1995) which first allowed the concept of work-integration enterprise to become part of the legal discourse. This decree defined work-integration enterprises' target clientele and granted a diminishing exemption over four years from employer social security contributions for integration programme workers. It then remained for the Regions to recognise the work-integration enterprise itself.

⁶⁶ DEFOURNY, J., VAN PACTERBEEKE, I. and SIMON, M. (1996), *passim*; SIMON, M. (1998a), *passim*; SIMON, M. (1999).

Since July 1998, Walloon work-integration enterprises have been governed by a decree regulating their accreditation and their public funding. Among the conditions of accreditation, some clearly define the distinguishing characteristics of the work-integration enterprise. The condition which characterises most precisely the work-integration enterprise is that, among the people it hires, at least 20 percent in the first year must be integration programme workers, 30 percent in the second year, 40 percent in the third year and 50 percent in subsequent years. Another requirement for a work-integration enterprise applying for accreditation is that it adopt the status of social purpose company. The decree also requires it to maintain "moderate salary tension", which cannot exceed a one-to-four ratio between the lowest and highest gross salary.

The challenge for work-integration enterprises is to develop economic activities while integrating underskilled workers whose productivity is limited. It would therefore be extremely difficult for these enterprises to operate without compensatory government subsidies. Public assistance functions at two levels. It first provides for a subsidy which is intended to support the start-up of the activity and which covers part of the manager's salary over three years, on a diminishing basis. The work-integration enterprise is granted a subsidy of 18,592 euro in the first year, 12,395 euro in the second and 6,197 euro in the third. In addition to this assistance, the work-integration enterprise receives a premium for each worker hired, who is considered to be a "particularly hard-to-place job seeker". This premium amounts to 4,958 euro for the first year of employment with the work-integration enterprise, and 3,718, 2,479 and 1,239 euro during the second, third and fourth years respectively. To be entitled to the premium, the work-integration enterprise is not allowed to lay off any staff.

The decree determining the fate of Brussels work-integration enterprises, adopted in 1999, shares the same philosophy as its Walloon counterpart, even though certain conditions are somewhat different. A work-integration enterprise located in Brussels must have 30 percent of its work force on integration programmes in the first year, 40 percent in the second, and 50 percent in the third. It must employ at least three workers within six months of accreditation. As in Wallonia, the social purpose company legal status is required, and the enterprise must maintain a maximum salary tension of one to four. Finally, the same two levels of government subsidies are available, but the amounts of subsidy are higher⁶⁷.

⁶⁷ Aid on a diminishing scale, intended as the project manager's salary, amounts to 30,987 euro in the first year, 24,789 euro in the second year, 18,592 euro in the third year and 12,395 euro in the fourth year. In addition, work-integration enterprises enjoy a subsidy on a diminishing scale over four years for each worker among the target population that should amount to 6,693 euro in the first year and 4,462 euro, 2,231 euro, and 1,116 euro respectively, during the three following years.

In Wallonia, thirty-five work-integration enterprises were accredited by the start of 2001. The success of the co-operative formula is manifest, since thirty-one of these enterprises have adopted co-operative status⁶⁸. In Brussels, despite the decree of 1999, work-integration enterprises have not yet been accredited and still operate in the form of pilot projects. As in Wallonia, the co-operative form is dominant, since, by late 2000, it had been adopted by six out of seven enterprises. Thus, whether in Wallonia or Brussels, the co-operative has proved itself to be the legal status most suitable for this type of work-integration initiative.

Nevertheless, due to the major requirements imposed on work-integration enterprises, it seems that this potential for co-operative development is not fully exploited. These constraints include: the obligation to adopt the status of a business corporation and, in addition, to become a social purpose company (which has its own difficulties); the obligation to hire a large proportion of disadvantaged persons (who have been unemployed for at least two years); and government financial assistance that is too low in relation to the reduced productivity resulting from the intrinsic characteristics of the integration programme participants. Only time will tell whether this type of enterprise will see its contours changed, thereby making it accessible to a wider clientele.

Work-integration enterprises (*invoegbedrijven*) in Flanders⁶⁹

In Flanders, the first "social workshops" (*sociale werkplaatsen*) appeared in the early 1980s, and especially during the 1980 – 1983 period. These organisations are intended for extremely disadvantaged people and provide them with permanent work. The workers have the opportunity to stay with the enterprise until they are ready to be integrated into the conventional job market. A social workshop cannot aspire to financial self-sufficiency, because the skills deficit of its target clientele makes it necessary to rely on considerable subsidies. However, towards the mid-1990s, an idea gradually gained credence that integration initiatives providing long-term work opportunities could survive by resorting essentially – or even exclusively – to market resources, provided of course that they targeted people who were less disadvantaged than those in the social workshops. Debate on this issue led to the creation of work-integration enterprises (*invoegbedrijven*).

To be recognised by the Flemish Ministry of Labour, a work-integration enterprise must have the legal status of a business corporation, and have existed for no more than three years. The objective is to create positions intended for job seekers who: 1) have been unemployed for at

⁶⁸ In addition to these thirty-one co-operatives, there were also two "social purpose private companies with limited liability" and two NPOs (accredited, as a special case here, as work-integration enterprises).

least twelve months, or who receive the guaranteed minimum income benefit, and 2) have, at most, a higher secondary school diploma. Qualified individuals join the work-integration enterprises after receiving guidance from VDAB, the Flanders agency responsible for employment and occupational training. Employment in the work-integration enterprise is for a long duration; it is not merely on-the-job training for reintegration into traditional economic environments.

The type of clientele targeted by the work-integration enterprise means that the organisation must receive government financial assistance. Following the period in which it receives the assistance, a work-integration enterprise must ensure its own viability, and be in a position to pay - without receiving any subsidies - the salaries of the integration programme participants. In other words, work-integration enterprises workers are expected to attain normal productivity, thereby allowing the enterprise to obtain a return equivalent to that of an ordinary company.

The Flanders experience with work-integration enterprises began in 1993. An experimental legal framework was put in place for a three-year period. In 1994, a Flemish Government decree permitted the implementation of this framework, specifying the conditions for work-integration enterprise accreditation, and the subsidies that were to cover part of the salaries of the integration programme workers. By the end of 1998, the Flemish Government decided to continue the experiment. From then on, to be accredited as a work-integration enterprise, the organisation had to meet several conditions, the most notable of which are the following: 1) it must be structured in the form of a business corporation; 2) the enterprise must give precedence to people and work over capital, and the organisational style must combine democratic decision-making with effective management; 3) its activities must not give rise to "negative social value", insofar as the goods and services produced must respect the environment, promote sustainable development and be socially useful; 4) by the end of the third year, the project must have hired at least three integration programme workers (counted in full-time equivalents), while the number of integration programme workers must represent at least 30 percent of the total personnel; and 5) the work-integration enterprise must demonstrate its potential viability. Its capacity to pay salaries without the benefit of subsidies is assessed on the basis of a financial plan.

The work-integration enterprise must employ a certain number of integration programme workers, which constrain it in comparison to other businesses. The legal framework of work-

⁶⁹ Ministerie van de Vlaamse Gemeenschap (1999); SIMON, M. (1998a), pp. 86, 87; Informations of Hefboom.

integration enterprises takes this into account by providing financial support through a salary subsidy. This is deemed to offset the integration costs and productivity loss the enterprise must bear due to the type of workers it employs. Thus, under the initial hiring plan, the salary costs of each position intended for an integration programme worker is subsidised at the rate of 80 percent in the first year, 60 percent in the second year, 40 percent in the third year and 20 percent in the fourth year. If additional workers are hired in the first seven years, these subsidies are reduced to 60 percent, 40 percent and 20 percent, respectively, and cover only three years. However, when the enterprise operates in activities related to waste recovery, recycling or the environment, the financial assistance can be topped up and extended over time. The subsidy is then set at 35 percent of the salary commencing in the fourth year, and continues for the duration of the accreditation period⁷⁰. In addition to this assistance, provided by the Flemish Region, Flemish work-integration enterprises benefit, as do their Francophone counterparts, from the federal measure of 1995. They receive a diminishing exemption, over four years, from employer social security contributions, linked to the hiring of "particularly hard-to-place job seekers".

The Flemish work-integration enterprises must be business corporations but, in contrast to the situation in the Francophone territory, they do not necessarily have the social purpose company status. The data in Table 8 reveal that two thirds of all work-integration enterprises are co-operatives (there are seventeen co-operatives among the twenty-six work-integration enterprises). The work-integration enterprises employ about 240 people, including 160 integration programme workers, and are active in sectors such as waste collection, sorting and recycling, horticulture, car washes and the hotel and restaurant industry.

Table 8: Work-integration enterprises in the Flemish Region (2001)^a

ENTERPRISE TYPES	NUMBER
Co-operative societies with limited liability	15
Social purpose co-operative societies with limited liability	2
Private companies with limited liability	5
Limited companies	3
Social purpose limited companies	1
TOTAL	26

a *Overzicht erkende invoegbedrijven*, 31/12/2001, Hefboom.

⁷⁰ Flemish Government decree of 7 December 2001 modifying the decree of 8 September 2000, which involved "a program that would support and give an impetus to the plural economy" (*meerwaardeneconomie*).

A pioneering role in new sectors

Enterprises in the new social economy of the 1990s represent a variety of sectors. What is especially interesting is that they got involved in innovative sectors very early, where they played a pioneering role. As we have already seen, they entered a high quality agriculture niche, producing and distributing organic and/or cottage industry products, without waiting for the crises, such as those arising from mad cow disease, dioxin and foot and mouth disease, that would affect agriculture and the agri-food sector at the turn of the millennium. The social economy enterprises that participated in these innovative activities were co-operatives or NPOs. NPO status was chosen mainly when the business outlook was still poor. Today, however, demand is growing steadily and the potential for new co-operative enterprises is greater than ever.

Similarly, there are good commercial prospects for the entire waste recovery and recycling sector, where the social economy has been active since the 1950s, well before these issues had become a permanent news item. Today, waste collection, sorting, reclamation and recycling are among the social economy's major sectors⁷¹. There are numerous subsectors of the waste field where many social enterprises are active. Some receive or recover products at the end of their life cycle for resale after sorting. Others dismantle and recycle materials for a fee. Some act as partners or subcontractors to communes, intermunicipal organisations or private companies. The recycling that is so fashionable today has been practiced for decades by social enterprises like Terre or Les Petits Riens. "Driven by both ecological and social motivations, these organisations have transformed things that nobody wanted anymore into means of achieving many social goals..."⁷² In this way, they have created jobs for disadvantaged persons, provided training and used the earnings to support development projects in the Third World, or made affordable goods available to low-income people. One of the motivations for the social economy interest in waste management is that this sector is highly labour-intensive, especially for unskilled workers. That said, social economy projects in this sector have always had to deal with many challenges, because the waste management trades are economically fragile, since price fluctuations keep their value-added at a low or unstable level. Because resale of recycled products is insufficient to maintain a balanced budget, donations, volunteering and subsidies are required as well.

⁷¹ SIMON, M. (1998b); DUBOIS, P. (1997).

⁷² DELESPESE, J. (1998a), p. 3.

Conventional industry had little interest in this sector, since demand was insufficient and the potential for profit almost non-existent. However, the market for waste has changed profoundly in the past few years. Aware of the need to reduce waste production and recycle wherever possible, stakeholders such as manufacturers, the public sector, political representatives and consumers have started to organise. Public authorities today are aware of the importance of waste management and the costs of incineration and dumping. This is why the collection, sorting and reclamation subsectors are now promoted, and increasing budgets have been allocated to recycling and recovery. Gradually this sector has become a flourishing niche, and the resulting activities and employment are generating economic development.

This situation has stirred the hopes of those who run the social economy, and "now that governments include all decontamination and environmental protection costs in the price of incineration and dumping, social economy enterprises hope their recovery work will be recognised as a service to society ... and compensated"⁷³. However, social economy enterprises also fear that the budgets henceforth allocated to waste recovery and recycling will be absorbed by major private operators or intercommunal organisations.

The RESsources network

In the Francophone territory, a series of social economy organisations have come together in a single network. This is in response both to the evolving waste market and to the Walloon "Horizon 2010" waste plan, which anticipates that there will be a place for the social economy in that market. By combining forces, they are trying to acquire more clout in a market increasingly coveted by major operators. The social enterprises active in the sector realised that their survival and further development required forming this kind of network, which would become a well organised negotiating partner, working with government and the sector's other operators. This led to the emergence, in April 1997, of the "Co-ordination of social economy enterprises active in recycling and re-use" (*Coordination des entreprises d'économie sociale actives dans le recyclage et le reemploy*, or CWESAR). Now known as "RESsources", this pluralist and voluntary network brings together social economy initiatives active in waste prevention, and in the re-use and reclamation of materials.

Segmented working groups have been created within RESsources to develop sub-sectors, and to co-ordinate the relations of social enterprises with governments and traditional companies. Three main sub-sectors have been targeted: 1) textiles; 2) paper and cardboard; and 3) household appliances, electronics and computers.

⁷³ *Ibid.*

Textiles are a particularly important sub-sector. RESsources members collect more than 95 percent of all textiles donated by households; the quantities salvaged in Brussels and Wallonia exceed 10,000 tonnes per year. The outlets for these textiles are diverse. They are re-sold in second-hand stores (10 percent), exported as second-hand clothes (50 percent), used in the manufacture of cleaning textiles (20 to 25 percent), and used as fuel for cement works or lime kilns. The residue that is not reclaimed represents less than 5 per cent, and this small proportion is dumped. The Walloon and Brussels Regions estimate that the quantity salvaged could increase by a factor of three to four. Another important sector is paper and cardboard, which are salvaged and then recycled. Initiatives involving electrical and electronic waste include recovery, repair and resale of household appliances or computers; and dismantling (for a fee) of household appliances and office automation equipment, while employing environmentally sound methods that are applied rigorously.

Recycling and re-use centres in Flanders

The Flemish social economy too has experienced spectacular growth in recycling and re-use. Since 1992, there has been a proliferation of projects known as *kringloopcentra*. These recycling and re-use centres collect, sort and resell discarded household items. Some of these projects have taken the form of co-operatives and/or work-integration enterprises. A wide variety of objects are salvaged by these centres, ranging from clothing to electrical appliances, toys and kitchen utensils. Everything that can be resold second-hand is recovered. Any object that cannot be re-used "as is", is dismantled to recover its components. Since the recycling and re-use centres aim at maximum self-financing, they try as much as possible to limit the dumping of items that cannot be resold, since this entails high costs. This means that some selection must often be exercised during pick-up.

However, recycling and re-use centres do more than give salvaged refuse a second life. In addition to this essentially environmental action, they implement measures to reduce poverty, and provide occupational training for the underskilled. In sum, recycling and re-use centres pursue a threefold objective: 1) salvaging and recycling discarded household items in order to reduce the mass of waste dumped or incinerated; 2) offering work and training to the underskilled; and 3) selling inexpensive items and encouraging the consumption of second-hand goods. Their inexpensiveness makes it possible for disadvantaged persons to buy goods at commonly affordable prices, though they also try to promote consumption of second-hand goods by people from all social strata.

As we mentioned in the section on the social economy's representative organisations, all Flemish recycling and re-use centres are grouped within the KVK (*Koepel van Vlaamse Kringloopcentra*).

Toward more partnerships with the private and public sectors

While social enterprises have been active in the recycling sector for a very long time, major private groups have also become interested in this niche ever since public authorities demonstrated their readiness to fund waste management. But these companies often limit their activities to coordinating the assembly and disposal of waste, while subdividing the actual process and hiring subcontractors. They do not necessarily handle every step in the collection, sorting and treatment themselves. Consequently, partnerships between social enterprises and traditional companies are possible, as long as the social economy can preserve its identity. There is also reason to believe that waste management companies might seek to improve their corporate image by showing an interest in partnerships with the social economy⁷⁴. Various experiments under way, prove that such partnerships are quite feasible. Undoubtedly the most impressive case is that of the partnerships formed between the social purpose co-operative society Recma, a work-integration enterprise located in Seraing, and various private and public sector operators. From 1997 to 2000, Recma first worked with the Groupe PAGE to dismantle electronic equipment, but PAGE later lost the contract. Recma then reoriented this activity to dismantling refrigerators under a subcontracting agreement with Recidel, a limited company created jointly by the van Gansewinkel group (in Mol), the Liège intercommunal organisation Intradel and Spaque (*Société Publique d'Aide à la Qualité de l'Environnement*, or Public Company to Help with Environmental Quality, a specialised company of the Walloon Region. In the meantime, Recma had made great strides by helping, in 1999, to set up the co-operative society Sitel (in Seraing), in collaboration with Intradel, the limited company Meusinvest, SOWECSOM and two public centres for social assistance (CPAS), with an NPO acting as an intermediary. In fact, the Sitel co-operative entrusted Recma with the collection and sorting of packaging and containers including plastic bottles, cans and cartons in the Liège region. In addition, Intradel subcontracts directly to Recma for the maintenance of the containers (and their surroundings) for the collection of reusable glass, and for sorting and crushing some of the household refuse intended for incineration.

Another example is the Groupe Terre, which recently set up a new social purpose limited company, Tri-Terre. This entity, operating in a new plant, sorts paper and cardboard collected

⁷⁴ THYANGE, G. (1998), p. 6.

by the Group and also by the Watco company (Welkenraedt). In addition to a guaranteed supply, which will allow the new entity to process 40,000 tonnes per year, Watco has granted it a large soft loan (similar to quasi-capital).

Finally, the social economy is also present in other types of waste reclamation, such as cars, tyres, plastics, corks, metals, construction waste, green waste and common industrial waste. Here again, there are prospects for expanding the development of commercial activities in the framework of co-operative-type enterprises.

Activity co-operatives⁷⁵

"Activity co-operatives" (known in French as *coopératives d'activités*) are among the most innovative developments in the co-operative field. This brand-new instrument is still embryonic in Belgium, but it seems promising. The activity co-operative encourages candidate entrepreneurs to become members of the co-operative, which then helps them start up and develop their businesses. This concept first emerged in France with the creation, in 1995, of "Cap Services" in Lyon.

The idea of starting new activities is gaining ground as a way to create jobs for the unemployed, especially if the individuals concerned have an entrepreneurial spirit. However, the newly created micro-enterprises have a very high failure rate due either to their lack of equity, lack of preparation or the difficulty in producing reliable market studies in advance. The entrepreneurs must be able to produce, manage, sell and survive while waiting for demand to respond to their supply. Unfortunately, they often do not control all of these parameters. This realisation led to the creation of Cap Services, whose objective is to enable potential business creators to test their activity's feasibility in a "real life" setting. In so doing, they learn to manage their activity and develop it. Cap Services has adopted a production co-operative status (*société coopérative de production*, or SCOP), which enables it to ensure transparent capital management, share profits and losses and make the reserves undistributable.

Those who participate in the co-operative's activities have the status of "employee-entrepreneurs". They assume all responsibility for creating and developing an activity, and do so entirely on their own. They are usually paid on a part-time basis, and their salary depends directly on their volume of business. On other hand, their status as employees allows them to avoid a whole series of problems and disadvantages in case of failure. Each candidate entrepreneur develops his/her own individual activities, but also participates in the

⁷⁵ BOST, E. and GIACOMETTI, D. (1998); Cap Services (s.d.); Cap Services (1999).

development of the organisation as a whole. Each candidate contributes 10 percent of his/her sales, excluding taxes, to the co-operative's operating expenses.

While they are developing their enterprises within the activity co-operative, the entrepreneurs benefit from individual coaching by practicing professionals. This coaching - in marketing, communications or management - is provided pragmatically and depends on the demand for it. There is no time limit on coaching.

In 2000, Cap Services had seventy employee-entrepreneurs (twenty-one full-time equivalents), as well as a six-person administrative structure. From 1995 to 2000, Cap Services accepted 750 people. Of these, 381 were received individually and 130 obtained employee status⁷⁶. A total of 116 left the co-operative. Of these, twenty-nine started a business, forty-seven found a salaried job, twelve dropped out, fourteen never reported back, and seven became co-operative members. Cap Services generates an annual turnover of about 1.5 million euro.

Since the end of 1997, Cap Services, together with other social enterprises, has been involved in a European project whose goal is to create and pool operational coaching methods. Today, Cap Services is no longer the only activity co-operative; six others have been created in France and one in Belgium. They have formed a network and adopted a charter entitled "Co-operation in entrepreneurship" (*Coopérer pour entreprendre*). This charter upholds four major principles:

- an entrepreneurial logic;
- the rejection of a logic of dependence on aid;
- integration into the local development approach; and
- an expanded legal framework that rejects precarious employment.

The first Belgian activity co-operative, the social purpose co-operative society with limited liability, Azimut, was established in November 1999. Most of its capital of 18,592 euro was provided by two entrepreneurs, each of whom developed their own activity within the co-operative. A social economy consultancy agency also acquired a share. The goal of Azimut's promoters was to remove certain obstacles to creating businesses, and to enable unemployed workers or other individuals to experiment with the activity in which they hoped to get involved, while minimizing business start-up risks. Azimut's target clients are candidate entrepreneurs with no relevant familial background (in the sense of family members able to be

⁷⁶ Not all the persons coached have employee status.

supportive), who have no networks of contacts and little financing; they are often jobless but possess some relevant know-how.

At the beginning, the status of the unemployed candidate entrepreneurs was a major obstacle hindering the development of this type of initiative. However, Azimut persuaded the Federal Minister of Employment and Labour to grant "try-out" status to unemployed participants in a recognised activity co-operative. This status allows candidate entrepreneurs to enter and exit the system of support for unemployed persons quickly, with a possibility of reverting to their initial status in case of failure. The innovation resides in the fact that, with the consent of Labour Inspection and the National Office for Employment, a kind of exemption has been obtained for job-seeking candidate entrepreneurs who join the activity co-operative. As in France, the entrepreneurs are part-time employees of the co-operative (but working a minimum of one-third time), though they maintain their unemployment benefits in inverse proportion to the earned income from their activities. However, the situation is more flexible in France, where even one-twentieth of work time is allowable. In Belgium, the duration of the "real life" experience is limited to one year. A comparable formula is also accepted for people receiving the guaranteed minimum income benefit.

Due to its highly innovative nature, the Azimut co-operative has, since its founding, received various kinds of financial support from the King Baudouin Foundation, the Cera Foundation, the European Social Fund, the Regional Ministry of the Economy and Small and Medium-sized Enterprises and, most recently, from the Federal Ministry of the Budget and Social Integration.

At the beginning of 2002, Azimut had, in addition to its two founders, five salaried entrepreneurs (half-time and one-third time) who were developing various service activities, such as graphic arts, communications, website creation, and express transport, while five other entrepreneurs were still in the preparation phase of their activity projects. There is a sign that the formula is generating interest, as various partnerships are preparing projects which should lead to the creation of activity co-operatives in Brussels, Libramont, Ghent and Ostend.

CONCLUSION: BELGIAN CO-OPERATIVES AND THEIR EUROPEAN COUNTERPARTS

What is the state of the Belgian co-operative movement in the early twenty-first century? In this volume we outlined how traditional co-operatives went through fundamental changes. Consumer co-operatives disappeared, while financial co-operatives - through their banking and insurance activities - reorganised, largely along the lines of their traditional competitors. Co-operative banks were even finally assimilated into large financial groups in which only part of the shareholding remains co-operative. Yet, these profound transformations also provided the opportunity to reformulate identities and activities in an explicitly co-operative vein, so that the socialisation of profits played a central role, both in the forms that it took and in the amounts involved. The continued success of co-operative pharmacies was striking, although we are obliged to admit that it occurred in an environment that was much more stable and rather well protected by strict regulation. Lastly, while many co-operative dairies have been integrated into major capitalist food processing groups, the number of agricultural co-operatives continues to grow. This indicates that there has been an ongoing search for collective responses to challenges in a sector that has had a rough ride over the last decade.

The new social economy, with co-operatives and associations driven by the spirit of co-operation, completes the panorama of co-operation in Belgium. The NPO is the most common legal form in the new social economy, primarily because legislation covering NPOs is extremely flexible. But the co-operative form is also found in the new economy; actually, it has arisen in waves. Following the "new co-operatives" of the 1970s and 1980s, we observed more recently a sharp increase in the number of initiatives choosing co-operative status, as a result of a combination of factors, including public policies promoting the market segment of the social economy, and the new status of social purpose companies.

In order to discover - beyond the developments within a small country - whether co-operatives really have a future, we clearly need to broaden our horizons and adopt an international perspective. On the basis of CECOP statistics⁷⁷, by the end of the 1990s the co-operative movement in the European Union comprised over 160,000 enterprises and almost 3.5 million salaried workers. Ten years earlier, Eurostat had indicated that it accounted for

⁷⁷ CECOP is the European Confederation of Workers' Co-operatives, Social Cooperatives and Participative Enterprises.

only slightly more than 100,000 enterprises and fewer than 2 million salaried workers. In sum, the increase over the decade was spectacular.

There have been both differences and similarities between the evolution of Belgian co-operatives and that of their counterparts in the various countries of the European Union. In particular, most European countries are witnessing, like Belgium, a growing differentiation between old and new co-operatives, or forms of the social economy sharing co-operative ideals. Without doubt, the leading experiment in this field is that of the Italian social co-operatives. These co-operative arose toward the end of the 1970s, were legally recognised in the beginning of the 1990s, and today have tens of thousands of workers. There were similar experiments in several other countries. Examples include: 1) the 350 to 400 new co-operatives providing guidance and supervision for the most disadvantaged sectors of the population, including the unemployed and people with disabilities, that were created in Sweden each year throughout the 1990s; 2) social co-operatives and community enterprises in the United Kingdom; 3) work-integration enterprises and neighbourhood councils (*régies de quartier*) in France; 4) social solidarity co-operatives in Portugal; and 5) social co-operatives in Greece. In certain cases, even co-operative law changed, as exemplified by the emergence of new kinds of legal status, such as the "social co-operative" in Portugal (in 1996), the "social co-operative with limited liability" in Greece (in 1999) or the "co-operative society of collective interest" in France (in 2001).

The development of co-operative or co-operative-type initiatives thus takes very diverse forms, and affects numerous sectors that otherwise had been ignored by traditional movements. This renewal of co-operative forms and fields extends well beyond Europe. It has emerged in practically every industrialised country as well⁷⁸. The phenomenon even calls for an updating or extension of traditional conceptual frameworks, as evidenced by the growing success of ideas such as "social enterprise", which covers many realities - both neo-co-operative and associative in form⁷⁹.

Another example of global convergence was provided by co-operative banks in European countries other than Belgium. These banks more or less followed the same trends as in Belgium, including concentration, integration with complex financial groups, growth in non-

⁷⁸ For a wider selection of examples, including some drawn from North America and Japan, see Appendix 4, *infra*. Incidentally, the co-operative formula, as well as the social economy generally, are experiencing an impressive revival in the developing countries. On this topic, see for example DEFOURNY, J., DEVELTERE, P. and FONTENEAU, B. (1999).

⁷⁹ For research on this topic, see the works of the European EMES Network (BORZAGA, C. and DEFOURNY, J., 2001).

co-operative subsidiaries, and an openness towards non-co-operators, who would then become the majority. Overall, we have witnessed the stretching of co-operatives rules and an alienation from the original co-operative values and model. Most co-operative banks now have a heterogeneous clientele, comprised both of members and non-members, for whom they provide the same services. Just about everywhere, there has been a decline in active, personal involvement on the part of the membership. It is growing increasingly difficult to distinguish between co-operative banks and commercial banks. In Germany and France, co-operative banks have a total of 30 million clients, of whom only 13 million are members. Italian co-operative banks have 16 million clients, but fewer than 2 million members, whereas Spain and the Netherlands have 7 million clients, but fewer than one million members⁸⁰.

While co-operative banks grew, and captured market share by paying the price of the aforementioned major restructuring, the same did not hold true for consumer co-operatives. In most countries, they were not able to adapt to competition from supermarkets, and sustained a relatively serious decline, mainly during the 1980s. In France, by the end of the 1980s their salaried workers had dwindled to a third of the number they had employed in the late 1970s. In Austria, the collapse in 1995 of Konsum Osterreich, which accounted for 95 percent of the country's consumer co-operatives, signalled the end of the movement there⁸¹. Nonetheless, in several European countries the influence of consumer co-operatives remains important. In Italy and Spain, they have, respectively, 3.6 million and 800,000 members. In Sweden, Denmark and Finland, they are on an equal footing with agricultural co-operatives as far as jobs are concerned, and have become much more numerous than credit co-operatives. In the United Kingdom, they still have over 9 million members (in spite of a drop in the 1980s), and nearly 70,000 salaried workers (six times more than the agricultural co-operatives).

Unlike consumer co-operatives, the evolution of agricultural co-operatives has been fairly similar in all European countries, where they have maintained their strong position, and in some cases even made remarkable progress (comparable to Belgium). In Germany, they have 140,000 salaried workers and 1.1 million members. In Greece, they represent over 70 percent of the entire co-operative membership. In Ireland, they employ more than 90 percent of the salaried workers in the co-operative sector. In France, as in Belgium, it is the machinery sharing rings (CUMA) that have become the most widespread form, with over 12,000 units.

International comparisons are more difficult in the case of co-operative pharmacies, since this form of co-operatives is not commonly found in certain European countries. However,

⁸⁰ CÔTÉ, D. (1998).

constructive comparisons are possible if we take into account all forms of social pharmacies, including mutual associations. Once we have included these other categories, we then observe that in fact Belgium has a particularly large number of co-operative pharmacies. The number of social pharmacies as a percentage of all pharmacies is only 0.6 percent in France, 3.1 percent in the Netherlands and 1.9 percent in the United Kingdom, compared to 11.5 percent in Belgium. The market share of social pharmacies is 19.1 percent in Belgium, 1.5 percent in France, 2.3 percent in the Netherlands and 3.3 percent in the United Kingdom. Only in Greece, where co-operative pharmacies have a market share of 43 percent, are they more consequential than in Belgium.

The final element to emerge out of this international comparison is the absence (or near absence) in Belgium of certain co-operative forms that play a major role in other European countries. These forms include workers' co-operatives in Spain, the United Kingdom, France, Italy and Finland; small trades and craft co-operatives in France, Germany and Greece; fisher co-operatives in Italy and France; housing co-operatives in Sweden, Germany and Italy; and education co-operatives in Spain and Portugal. This may have something to do with the fact that Belgium does not have a legal framework that is as suitable as that found in other European countries, where the various legal statuses attempt to take into account the specific characteristics of each type of co-operative. In Belgian law, only the National Council for Co-operation accreditation really takes into account the specific character of co-operatives, and even here, the characteristics are generic, that is, described in an identical way for all types of co-operatives.

Experience shows that legal frameworks, when they are well suited to the practical realities, are extremely important, not only for channelling but also for promoting entrepreneurial activity of the co-operative type. Now that the idea of a European co-operative status is gaining ground⁸², co-operative law in Belgium (where less than 2 percent of co-operatives are accredited, and most co-operatives are in reality limited companies or variable capital private companies with limited liability) seems all the more outdated and cause for concern.

Nonetheless, we do not wish to conclude on a pessimistic note. As the present exercise has demonstrated, whether it be in Belgium or elsewhere in Europe or around the world, the record of the co-operative movement and its future prospects are anything but gloomy. Since the middle of the nineteenth century, the co-operative has always provided a way for men and women from a wide variety of backgrounds to form partnerships in order to meet the

⁸¹ NILSSON, J. and SCHEDIWY, R. (1997).

challenges of their times. Today, as yesterday, many people are joining forces on the basis of a collective identity or the awareness of a "common destiny", and finding ways to meet their common needs.

The genius and strength of co-operation probably depend a great deal on the surprising combination of everyday realism and utopianism which has always marked co-operation. On the one hand, the co-operative is obliged to stay viable from day to day; on the other hand, it is the expression of a century-old quest for equality and solidarity in economic life. When we examine the paths that our societies have had to travel in order to attain, in the political sphere, a democracy that is still incomplete and constantly in need of revitalisation, and when we realise that for centuries even the principle of "one person, one vote" seemed unrealistic - or even unthinkable - we are obliged to acknowledge that the co-operative formula constitutes a demanding but fruitful path, among others, on the long road toward economic democracy.

⁸² Regarding the future status of European co-operatives, see Appendix 5, *infra*.

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APPENDICES

Appendix 1: Summary Table of Belgian Legal Forms

<i>French</i>	<i>Dutch</i>	<i>German</i>	<i>Translation used</i>
Association sans but lucratif (ASBL)	Vereniging zonder winstoogmerk (VZW)	Vereinigung ohne Erwerbszweck (VoE)	Non-profit organisation (NPO)
Société coopérative (SC)	Coöperatieve vennootschap (CV)	Genossenschaft (Gen.)	Co-operative society
Société coopérative à responsabilité illimitée et solidaire (SCRIS)	Coöperatieve vennootschap met onbeperkte hoofdelijke aansprakelijkheid (CVOHA)	Genossenschaft mit unbeschränkter gesamtschuldnerischer Haftpflicht (GenmugH)	Co-operative society with unlimited joint and several liability
Société coopérative à responsabilité limitée (SCRL)	Coöperatieve vennootschap met beperkte aansprakelijkheid (CVBA)	Genossenschaft mit beschränkter Haftpflicht (GenmbH)	Co-operative society with limited liability
Coopérative de participation (CP)	Coöperatieve vennootschap bij wijze van deelneming (CD)	Genossenschaft auf Beteiligung (GenaB)	Participatory co-operative
"...à finalité sociale" (...FS)	"...met sociaal oogmerk" (...met SO)	"...mit sozialem Zweck" (...mit sZ)	"Social purpose..."
Société anonyme (SA)	Naamloze vennootschap (NV)	Aktiengesellschaft (AG)	Limited company
Société en commandite par actions (SCA)	Commanditaire vennootschap op aandelen (CVA)	Kommanditgesellschaft auf Aktien (KGaA)	Limited partnership (with shares)
Société en commandite simple (SCS)	Gewone commanditaire vennootschap (GCV)	Kommanditgesellschaft (KG)	Limited partnership
Société en nom collectif (SNC)	Vennootschap onder firma (VOF)	Offene Handelsgesellschaft (oHG)	General partnership
Société privée à responsabilité limitée (SPRL)	Besloten vennootschap met beperkte aansprakelijkheid (BVBA)	Privatgesellschaft mit beschränkter Haftung (PGmbH)	Private company with limited liability
SPRL unipersonnelle (SPRLU)	Eenpersoons BVBA (EBVBA)	Einmann PGmbH	One-person private company with limited liability
Groupement d'intérêt économique (GIE)	Economisch samenwerkingsverband (ESV)	Wirtschaftliche Interessenvereinigung (WIV)	Economic interest grouping

Appendix 2: Co-operative identity according to the ICA⁸³

At the 1995 Convention of the International Co-operative Alliance, which marked its one-hundredth anniversary, the ICA adopted a new formulation of co-operative identity. This new formulation had three components: their definition of a co-operative, fundamental co-operative values, and principles guiding the implementation of these values in practice.

Definition

A co-operative 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.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

First Principle: Voluntary and Open Membership

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

Second Principle: Democratic Member Control

Co-operatives are democratic organisations 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 co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

Third Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited return, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible;

⁸³ This text is a document of the International Co-operative Alliance. It can be consulted on the following

benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Fourth Principle: Autonomy and Independence

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

Fifth Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

Sixth Principle: Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Seventh Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Appendix 3: Some typologies for classifying co-operatives⁸⁴

Co-operatives vary considerably in size, sector and type of membership. Moreover, the traditions of co-operatives vary considerably from one country to another. The benefits that members and other stakeholders achieve from their transactions with co-operatives also vary greatly. It is thus useful to refer to some specific criteria in order to differentiate co-operatives from one another.

Types of co-operators

It is especially useful to classify co-operatives according to the three categories that reflect the type of persons (legal or natural) who are the co-operative's owner-members:

- consumer co-operatives: the consumers of the services of the co-operative own the business;
- client (producers) co-operatives: producers of certain products or services own the co-operative for the purpose of marketing or further processing their products or services, or to make joint purchases of raw materials or means of production;
- employee owned co-operatives: the employees of the business own the co-operative.

It can be added that multi-stakeholder co-operatives⁸⁵ constitute an interesting recent development. These can accommodate wider interests than traditional co-operatives (which are oriented to members' interests) or capital companies (which are oriented towards investors' interests). These stakeholders may include employees, consumers, local authorities and local enterprises.

Benefits sought by co-operators

A co-operative can be active in almost any field where there is a group with reasonably homogeneous and common needs. For example:

- where the members are farmers, the benefits will include quality inputs at fair (equitable) prices and economies of scale in adding value to, marketing and distributing produce;
- where the members are consumers, the benefits will include the availability of quality goods at fair (equitable) prices;
- where the members are independent retailers, the benefits will include economies of scale in marketing and distribution, and greater common buying power;

⁸⁴ This text is taken essentially from the consultation paper of the European Commission entitled *Co-operatives in Enterprise Europe*, 7.12.2001, Brussels, pp. 6-7.

⁸⁵ For example Italian social co-operatives for insertion, or the recently adopted *Société Coopérative d'Intérêt Collectif* (SCIC) in France (June 2001).

- where the members are workers, the benefits will include participation in the management of their enterprise and a fair (equitable) reward for their labour;
- where the members are primary producers, the benefits will include access to markets for their produce and more control over the value added;
- where the members are savers or borrowers, the benefits will include a fair (equitable) return on their savings and access to credit at a fair (equitable) rate of interest.

"First tier" and "second tier" co-operatives

A further distinction can be made between "first tier" and "second tier" co-operatives, the former being constituted of individual (physical or legal) persons, the latter being a "co-operative of co-operatives". Second tier co-operatives are usually established to provide common services (buying, marketing, distribution, etc.) to member co-operatives. They are controlled by their member co-ops and their democratic structures are normally based on a board composed of persons elected by the boards of the member co-operatives.

Appendix 4: The forms taken by the co-operative revival in Europe, North America and Japan⁸⁶

Most industrialised countries are witnessing the emergence of new co-operative enterprises. These enterprises have been established particularly in the sectors of social and health care, local and regional development, education and housing as well as in services to businesses and knowledge-based services. They provide an important source of work and management experience for women⁸⁷. These new initiatives demonstrate many of the qualities of SME start-ups, but can also demonstrate particular advantages linked to their co-operative form, such as:

- their independence of external investment makes them a source of employment in declining industrial and urban areas and in sparsely populated regions as well as for persons under threat of exclusion;
- their membership base can make them innovative socially, economically and technologically;
- they promote entrepreneurial spirit amongst groups who might otherwise have limited access to managerial responsibility;
- their wider objectives provide welfare and prosperity benefits to varied stakeholders;
- their participative structures can mobilise latent local and regional potential through partnerships of varied stakeholders; and
- they contain a disproportionately high ratio of women entrepreneurs⁸⁸.

The diversity of co-operatives in the industrialised world

The following examples demonstrate the many and various forms that the co-operative revival can take:

- in Spain and Japan, education co-operatives manage many schools, enabling the members (either parents or teachers, or a combination of both) to directly influence their management;
- utilities co-operatives are long established in the USA where, for example, rural electric co-operatives provide electricity for 26 million members at rates based on cost

⁸⁶ This text comes essentially from the consultation paper of the European Commission entitled *Co-operatives in Enterprise Europe*, 7.12.2001, Brussels, pp. 10-12.

⁸⁷ See the European Parliament, Resolution on The Role of Women in Co-operatives and Local Employment Initiatives, OJ C 158, 26.6.1989, pp. 381-382.

⁸⁸ In the above resolution the European Parliament "considers that owing to their participatory mode of operation and their adaptability, co-operatives can both quantitatively and qualitatively create jobs for women in the service sector." PE 225.925/fin, p. 7.

and operate more than half of US electricity distribution lines. Such energy coops are now growing in Portugal. A successful phone co-op has recently been established in the UK buying "line-time" at advantageous rates and passing these benefits on to members in the form of low costs, or dividends based on their use of the service;

- social co-operatives in Italy (established under Law 381 of 1991) and in central Europe provide many jobs for members with disabilities, or for other excluded groups including ex-prisoners and drug-users;

- co-operatives of franchisees have developed in the USA and there are some cases in Europe, such as fast food franchisees in Finland. In some cases in the USA such franchisees have taken over their franchisers. Co-operatives of suppliers to the major car producers in Japan give such small subcontractors greater bargaining power and help avoid supply discontinuities;

- in the USA and Japan "campus co-ops" provide many important services to students such as low cost shops and accommodation, and counselling (one of the best known is the Harvard student co-op which is over 100 years old);

- in Quebec share-owner co-operatives have been encouraging employees to invest in their own companies and to pool their voting power;

- e-commerce co-operatives enable small craft enterprises and independent craftsmen in France and Italy to market and sell their products on the web;

- childcare co-operatives in Sweden enable working parents to mutually arrange childcare services under their own control. Childcare co-operatives and co-operatives providing care for the elderly provide possibilities for women to enter labour markets and provide paid labour directly;

- retailer-owned food and hardware co-operatives in the USA make it possible for hundreds of independent storeowners to successfully compete with large chains;

- buying groups pool the purchasing power of individuals or companies (e.g.: ACE Hardware and Dunkin Donuts in the USA) enabling small commercial operations to purchase at more competitive prices and to defend themselves from breaks in supply;

- co-operative health maintenance organisations (HMOs) provide health care services to nearly 1.4 million American families. They are also important in the Spanish healthcare sector;

- in many artistic and cultural fields, artists and performers have created co-operatives as a means of exhibiting their work. For example in France there are over 50 theatre co-

operatives including the internationally famous "Théâtre du Soleil". The co-operative form can ensure artistic freedom.

Throughout Europe, and in other advanced economies, the co-operative form of enterprise is being used in innovative ways that are worthy of being better known and which, in many cases, would deserve more encouragement.

Appendix 5: Towards a statute for a European co-operative society⁸⁹

In 1992 the Commission presented three proposals for Statutes for the creation of a European Co-operative, European Mutual Society and European Association⁹⁰. They were amended in 1993 in the light of opinions of the Parliament and Economic and Social Committee⁹¹. These texts, whilst taking into account the specific characteristics of co-operative, mutual and associative enterprises, closely paralleled that of the European Company (hereafter referred to as SE)⁹². The Statute for a European Company was adopted in October 2001.

The Legal Form of the European Co-operative Statute

When it is adopted (in principle, during the year 2002), the statute of the European co-operatives should consist of a Regulation (directly applicable in Member States) laying down the rules for the creation of a European Co-operative Society (SCE), and of a Directive (which will have to be implemented in national law in all Member States) concerning worker involvement in the major decisions of the enterprise through information, consultation and participation on the board.

The Purpose of the Statute

Nowadays, cross-border co-operation between co-operatives is hampered within the Community by legal and administrative difficulties, which should be eliminated in a market without frontiers. The objective of the Regulation (which is optional) is to provide co-operatives with adequate legal instruments to facilitate their cross-border and trans-national activities. This will ensure equal terms of competition with the SE, since the Statute for an SE, which is a capital-based undertaking, is not an instrument that is suited to the specific features of co-operatives.

The nature of the SCE

The SCE (like all co-operatives) is a legal company that allows undertakings to carry out certain activities in common, while at the same time preserving their independence. An SCE shall have as its principal object the satisfaction of its members' needs and/or the development of their economic and social activities, and not the remuneration of a capital investment.

⁸⁹ This text is taken essentially from a document produced by the Enterprise Directorate-General of the European Commission ("Small Enterprises, Crafts, Co-operatives and Mutuals" Unit).

⁹⁰ Original Proposal, OJ C 99, 21.4.1992.

⁹¹ Amended proposals, OJ C 236, 31.8.1993, pp. 1-56.

⁹² Amended proposal, OJ C 176, 8.7.1991, pp. 1-68.

The Special Characteristics of the SCE

According to the proposals, the activities of an SCE shall be undertaken for the mutual benefit of its members in such a way that each member benefits from the activities of the SCE in relation with his participation. Members of the SCE shall also be customers or suppliers and shall be directly and personally involved in the activities and the management of the SCE.

As far as membership is concerned, particular principles apply; these include the principles of voluntary and open membership and the primacy of the individual. The latter is reflected in the specific rule of "one person, one vote" although weighted voting may be allowed to reflect the amount of business done with the SCE.

The Main Provisions of the Regulation

In its current form, the regulation includes the following provisions:

- An SCE might be created:
 - *ab initio* (from scratch) by five or more natural persons, by five or more natural persons and legal entities, or by two or more legal entities;
 - by a merger of two or more existing co-operatives;
 - by conversion of an existing co-operative which has, for at least two years, had an establishment or subsidiary in another Member State;
 - in the first two cases at least two of the natural persons or legal entities should be from different Member States.
- The minimum capital requirement is 60,000 euro. The capital is variable.
- An SCE must be registered in the Member State where it has its head office. An SCE would be able to move its registered office from one Member State to another without having to wind-up and re-register.
- For tax purposes an SCE would be treated as any other multi-national company according to the national fiscal legislation applicable at company or branch level.
- The SCE must call a general meeting at least once per year. Decisions are taken by simple majority of those present or represented, except for changes to the internal statutes where a two-thirds majority is required. For changes to the statutes a quorum of one-half of all members is required.
- The internal statutes of the SCE must set out its management structure according to one of two possibilities: two-tier structure (management body and supervisory body) and one-tier structure (administrative body).

Outstanding issues

The draft text of the Regulation is still under discussion in the working groups of the Council of Ministers and will therefore be subject to further modifications. In particular, the following issues are still subject to particular debate:

- Acquisition of membership: in the current text, non-user (investor) members are permitted where the Member State legislation allows. The limits on the extent of multiple votes have yet to be agreed.
- Voting rights: the current text allows the statutes of an SCE to provide for multiple votes where the Member State legislation permits. Member States' delegations suggested maximum ceilings of between 20 and 33 percent of total votes.
- Shares conferring special advantages: the current text allows the statutes of the SCE (in any Member State) to provide for the issue of "priority shares" for cash which do not confer the status of member (and therefore do not confer voting rights). These may be purchased by members or non-members. No limits are stated, these being set by the statutes of the SCE.

It has been suggested that these provisions are contrary to the Co-operative Principles (democratic management, the primacy of the person, etc.) and should not therefore be permitted for a European Co-operative. But the opinion of the European co-operative representative organisations (via their co-ordinating committee, the CCACE) of these three provisions is generally favourable, on the condition that ceilings are fixed which would ensure that the co-operative nature of the enterprise (e.g.: member control) could not be jeopardised.