CECOP calls for improvements to be made to European funding systems supporting cooperatives in their efforts to create and save enterprises and jobs

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The “Development of cooperatives: financial instruments for investing” workshop, which was jointly organised yesterday by CECOP together with the European Economic and Social Committee (EESC), analysed the current funding systems supporting cooperatives in European countries and shared the experiences of cooperative investment institutions from Italy, France, Spain and Belgium. Various speakers, including the President of CECOP, Giuseppe Guerini and the President of the Various Interests' Group of the EESC, Luca Jahier, agreed that the two funding systems, EuVECA (European Venture Capital Funds) and EuSEV (European Social Entrepreneurship Funds), which were launched in 2013, have not attained their expected results.

“Cooperative financial instruments need strong matching combinations with financial actors at the European and international level. We need to seek mechanisms whereby European funds have a strong multiplying effect. Whether this can be done through reformed EuVECA and EuSEV systems remains to be seen. Meanwhile our financial instruments will continue to strive to ensure that their own investment ‘multiplies the money’ as much as possible and creates and saves as many enterprises and jobs as possible”, said the Secretary General of CECOP, Bruno Roelants, in concluding the workshop.

Capitalization, repayment rate and cost-efficiency

The various financial organizations from the CECOP network presented a series of experiences which have a substantial level of capitalization, a high repayment rate and a high level of cost-efficiency, in particular regarding the investment needed for each job created or saved. They also proved to be focused on both economic and social sustainability in relation to enterprise long-term health and employment and, in some cases, also to environmental sustainability. These financial instruments, on the other hand, are totally not-for-profit and they do not seek profit for the investors, unlike most investing systems, even including social investment. They also focus on patient capital, with repayment rates of 7 to 10 years on average.

Aldo Soldi from Coopfond, the cooperative fund under Legacoop, one of the three Italian cooperative organisations, explained how they cooperate with other Italian cooperative funds like CFI, a cooperative investor created by the three Italian cooperative organisations, and how this reinforces their work. Alessandro Viola, responsible for investigation and development of CFI said this collaboration is critical specially for workers buyouts, "otherwise it is very difficult to success".

The experiences presented have shown themselves to be complementary to the banks, rather than being in competition with them. On the same subject, a representative from the French worker cooperatives movement explained how worker cooperatives are at the origin of the creation of the cooperative bank Credit Coopératif, which finances projects in the social economy.

These experiences serve to build a dynamic of alliances and combinations with other financial sources and first and foremost the workers themselves, who in most cases are the first ones to capitalize. “Our financial instruments then constitute a matching contribution to the workers’ own investments and this combination, in turn, provides a substantial leverage upon other funders, both banking and non-banking, resulting in a much higher level of leverage than the original one to one ratio”, commented Bruno Roelants, Secretary General of CECOP.

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Another specificity of cooperative financial instruments is that whilst their investment cycles are particularly long ("patient capital"), the decision-making process to initiate them is, on the other hand, particularly quick and agile. They are also autonomous from representative organizations of the cooperative movement, ensuring that the investment decisions are not influenced by institutional or political considerations.

Once the diagnosis and the investment decision has taken place, the investment provided is combined with advisory services for the beneficiary cooperatives. Both the diagnosis in the first instance and the advisory services later on provide a strong level of risk prevention which, to a large extent, explains the high level of success mentioned above. This was illustrated by Perfecto Alonso from the Fundacio Seira in Spain, a fund created to help worker cooperatives to prevent financial issues, which also offers advisory and training services.

Challenges

A series of challenges were identified. The main one is the need to attain a much higher scale in investment capacity, which in fact is the result of the high level of success: success attracts success, whereas the needs in society are much higher than what the cooperative system is able to cope with at this stage. "This can be addressed partly with new regulation and by new capitalization mechanisms like crowd-funding and savings within civil society. But even that is not sufficient and at the same time another challenge comes from the new banking regulations in the EU, making it increasingly difficult for banks to lend to enterprises, in particular SMEs", the President of CECOP concluded.

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***CECOP – CICOPA Europe** (European Confederation of Worker Cooperatives, Social Cooperatives and Social and Participative Enterprises) groups national organisations in 15 countries which in turn affiliate over 50.000 cooperative and participative enterprises in industry and services, the vast majority being SMEs, and employing 1.4 million workers across Europe. Most of them are characterised by the fact that the employees in their majority are members-owners, while some of them are second-degree enterprises for SMEs. Furthermore, around 4.000 of those enterprises are specialised in the reintegration of disadvantaged and marginalised workers (disabled, long-term unemployed, ex prisoners, addicts, etc).*