

4. Multi-stakeholder co-operatives and their legal framework

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1. Introduction

Central issues discussed among economists and research workers of social science are:

- mass unemployment;
- exclusion of under-qualified and disadvantaged persons;
- an aging society;
- local effects of a globalized economy;
- a new perception of the role of the state in times of democratization and decentralization;
- increasingly unaffordable systems of social security.

In these discussions a new term becomes more and more important: multi-stakeholder organisation (MSO) or multi-stakeholder co-operative (MSC), i.e. MSO with co-operative features.

According to Borzaga and Mittone, this new type of organisation is a combination of association and co-operative (Borzaga and Mittone, 1997, 12).

Interest in this new form of co-operative society has led the promulgation of new laws or the amendment of existing co-operative laws in Italy (1988, 1991), Canada (1997), Portugal (1998) and France (2001). In other countries, MSCs are established under current co-operative law (Germany), under special laws for community benefit organisations (UK), non profit associations, societies with social objectives (Belgium) or under general law (Denmark).

In the following the MSC will be presented as a form of organisation and as a legal pattern.

The MSC is not a totally new concept. It corresponds to the original mission of co-operatives to render services in all aspects of life, in order

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to cope with the consequences of rapid social, economic and technological change. In so far they differ from large modern co-operatives aiming mainly at providing economic services to members and often also to non-members.

By using MSC, problems of exclusion, unemployment and provision of social, medical and other services can be solved better than by conventional organisations:

- mobilisation of local resources for local development;
- activation of self-help potentials;
- enhancement of the inclination to cooperate and to practice mutual aid among all interested persons.

MSCs can bring about better results than public employment programmes, measures to provide work places for individuals or commercial service providers (Münkner, 1998; 2001b).

Public programs with attempts to identify job opportunities by officials must fail, if there are no vacancies. It is known from experience that paying for training programs for unemployed persons often results in teaching participants of such programs skills, which are not in demand on the labour market (Münkner, 2001b, 69 f).

MSCs can be an alternative to expensive bureaucracies for the administration of unemployment, seeking to integrate the excluded by promoting self-help and organised co-operation at local level.

From this point of view, MSC are a positive approach in line with international co-operative principles and should be supported by the established co-operative federations as one way of creating new and attractive forms of co-operation in times where the numbers of registered co-operatives are steadily shrinking as a result of mergers.

2. Description of the phenomenon MSC

As the name indicates, MSC is a co-operative society with a heterogeneous membership.

It is a *voluntary association* of natural and legal persons, i.e. a private self-help organisation (SHO), which does not exclude external assistance in setting up such society, public promotion and the right to participate in public tender and to take over the execution of tasks on behalf of the

community against a fee. MSC is *locally rooted*, it does not only promote the interests of its members but also works for the well-being of the community in which it operates. Accordingly, in the United Kingdom the name for such societies is “community co-operative” (Snaith, 1984, 188).

It is difficult to classify this new form of organisation in the conventional system of economic structures and legal patterns.

MSCs are:

- *organisations with economic activities, pursuing social objectives*, which brings the MSC close to non-profit associations with supplementary economic purposes. However, it is also working like an enterprise in competition with commercial firms, it has to make efficient use of scarce resources and needs professional management;
- *organisations with a special attitude towards capital and profit*. Whether MSC can be seen as non-profit organisations (NPOs) depends on the interpretation of this term. Like co-operatives, MSCs do not practice total distribution constraint, but offer limited return on share capital and may distribute part of the surplus among members in proportion to business done (patronage refund), if the by-laws so provide and the members so decide.

Borzaga and Mittone classify MSC as not-for-profit organisations with limited distribution constraint (Borzaga and Mittone, 1997, 14).

When carrying out economic activities not only as a supplementary object, provisions regarding transparency of management, accounting, reporting and audit, are not only desirable but indispensable, like in the case of co-operatives. In Germany, such organisations would be seen as economic associations without a view to profit for the organisation itself (Wirtschaftsverein).

The appropriate legal pattern for MSC can be either that of an association (e.g. in Belgium: Asbl) or of a co-operative (Italy, Canada, France).

Other special features of the MSC, like meeting conditions to qualify for participation in public promotion schemes or for participating in bidding for public tender are not matters of organisation law, but rather a matter of tax law and of regulations governing public support programs and should be better regulated there (Münkner, 2001b, 83 f).

3. Difference between MSC and conventional co-operative society

MSCs have *heterogeneous membership* unlike co-operatives, which usually have only one group of stakeholders. However, in savings and credit co-operatives there are also two groups of members with opposing interests: the savers/depositors, who expect high return on their savings and the borrowers, who are interested to pay the lowest possible interest on their loans. The same applies to building societies. In savings and credit co-operatives as well as in building societies, interest harmonisation between savers and borrowers is facilitated by the fact that in the course of time, most members turn from depositors to borrowers and vice versa.

In large and open (i.e. consumer based) societies, employees of the co-operative enterprise are often also members and users. This results in double representation of employees with membership in governing bodies as workers' representatives and members' representatives, giving employees/members a dominating role with the danger of turning the member-dominated co-operative enterprise into an employees' enterprise.

In MSCs members are not only of the typically co-operative users-owners-employees type, but also investor-members and promoting-members, contributing capital and knowledge, without the intention to use the services of the co-operative, representatives of enterprises, training centres, NGOs, public corporations and municipalities. Harmonisation of interests of these different stakeholders and resolution of conflicts between the different groups of stakeholders require special regulations, which allow for instance a reasonable and accepted distribution of voting rights, representation on the governing bodies and power.

Special problems may arise out of *public-private-partnership*.

When considering public authorities and private organisations as different and opposing structures, conflicts of interest appear to be unavoidable. However, in times of decentralisation, de-officialisation and growth of civil society, a trend towards partnership between citizens' organisations and the state can be observed and co-operation on equal terms based on agreements between citizens' organisations and the state have become possible, as a result of a new perception of state and community

and of a distribution of tasks between public and private organisations.

How new are MSCs?

The answer to this question depends on how two aspects are seen in the respective country.

The scope of solidarity and of the mandate of co-operatives:

- *narrow or wide range of solidarity*, i.e. solidarity only among members or solidarity beyond the membership group;
- *narrow or wide mandate of co-operatives*, promoting only or mainly the economic interests of their members or also the social and cultural interests of their members and of the community as a whole.

Perception of the relationship between state and co-operatives.

Where thinking is based on a clear separation of public and private law, with *public law* based on hierarchy and inequality of state and citizen being subject to the state and *private law* based on equality of persons, communities are part of public law and public administration and co-operatives with their principle of equality of rights (one member - one vote) belong without any doubt to the sphere of private law.

However, when seeing communities like co-operatives as *real socio-economic powers*, locally rooted and carrying out their tasks for the benefit of all citizens in the community (like Otto von Gierke in the 19th century), partnership of communities and co-operatives on the basis of equality becomes possible. In this case, for financial and other reasons, communities are looking for active participation of citizens and other stakeholders with their own resources in solving current problems of the community, which also effect the citizens. This is especially important in times where the state withdraws from economic and social tasks and leaves them to private enterprises or organised self-help of persons directly concerned. Seen from this perspective, there are no insurmountable obstacles in the way of partnership between communities (the state) and co-operatives.

Communities can resort to organised self-help in efforts to motivate citizens for active participation in solving community problems and to mobilise all locally available resources for local development, either:

- in form of establishing local development agencies or local coalitions for local development or
- in form of MSCs or community co-operatives.

4. Reasons for the development of MSC

Rapid economic, social and technological change has modified:

- economic structures;
- working conditions;
- social structures of family, school and community and the role of the state.

New technologies devalue conventional knowledge and skills in agriculture, crafts, trade, industry and administration, calling for life-long learning (Münkner, 1998, 2 f.).

Those not reacting to these challenges are left behind, loose out and join the masses of the unemployed and excluded. They are seen as useless and superfluous by those judging everything from a purely economic point of view.

When looking for ways and means to (re)integrate the excluded, NPOs not characterised by egoistic individualism but rather by solidarity could be seen as a solution, especially when in the long run solidarity is perceived as self-interested solidarity (strong individuals realising that they will depend on solidarity of others when they become weak), also referred to as *co-operative individualism* (Klemen et al., 2000).

Globalised economy has led to an almost unlimited mobility of capital, labour and knowledge. A revolution of knowledge, communication and transport technologies has initiated the transformation of industrial society into knowledge society, profoundly changing the lives of locally rooted people still working in industrial society.

Multinational firms and global players restructure their enterprises in search of best conditions for profit making, irrespective of negative side effects for others (workers, consumers, citizens), leaving the inhabitants of villages and small towns without employment and basic services (shops, banks, schools, public transport), turning workers settlements into settlements of unemployed.

These are the conditions in which MSCs become of interest, taking over the task of improving living conditions in such places, developing opportunities for reasonable occupation and employment for common benefit and aiming at integration of the excluded into social and economic life. In this context, a new concept of “work” becomes important, according

to which life-long employment in one firm and life-long work in one profession learned at the beginning of one's working-life, after leaving school, are the exception rather than the rule and part-time employment, changing employers and life-long learning in search of qualification for new fields of occupation and voluntary work during spare time become the rule.

Organisations (service providers) in which the interests of the users of services, the employees, trainees and apprentices of the enterprise offering such services, voluntary workers, local NGOs and communities can be combined are best suited to implement this new concept of work (Borzaga and Santuari, 1998).

In Canada in 1996, co-operative federations took the initiative to apply the co-operative concept to such circumstances. In discussions with government on "Economy and Work" a program for MSC was devised and a special legal framework for MSCs provided by amending the current legislation (Girard, 2001a; 2001b).

Demographic changes

Demographic development in European industrialised countries is characterised by low birth-rates and extended life-expectancy. Combined with medical progress, this leads to an aging society, turning the population pyramid into a population mushroom. This development is accompanied by growing individualism, loosening of family structures, single households of young professionals, abandoning traditional patterns of family care for the handicapped and for the elderly, relying more and more on the public social security system. However, this system comes to its limits when more and older citizens have to be supported by fewer active contributors (Münkner, 2001b, 12 f).

Women, especially single mothers, are faced with problems of combining family and work.

Changing role of the state

After decades of prosperity in an industrial society with full employment and sufficient funds to finance a comprehensive package of social security services, economic decline and reduced tax revenue coincides with increased claims of the aging society in terms of social and medical care. Such situations, where neither the state more the market offer suitable solutions, are the classical case in which solutions are sought by co-

operative activities of the people concerned. In Italy, already in article 45 of the constitution reference is made to the social role of co-operatives and to the obligation of the state to support and guide co-operatives in their work. There are special provisions, which declare collaboration between communities and co-operatives or NPOs in the field of social services to be desirable.

For instance article 44 of the community regulations of the Autonomous Region of Trentino Alto-Adige (Regional law n° 1 of January 1993) provides that:

3. "Communities may carry out their public services in the following forms:

(a) ...

(b) by using the services of third parties if this is justified for technical, economic or social reasons, provided that in case of equal conditions, co-operatives and associations, which have a legal mandate to represent the disabled, the handicapped and the disadvantaged, as well as organisations of volunteers and NPOs shall be preferred."

5. MSC as a model of organisation

In a very basic manner, MSCs can be defined as associations of natural and legal persons for the pursuit of common interests, irrespective of their legal form.

The *special objects* of MSCs are to improve the quality of life of the members, of beneficiaries and of the community as a whole. This goal is achieved by mobilising self-help, mutual aid, solidarity and external assistance for the promotion of self-help.

Depending on the emphasis placed on economic or social objectives, the MSC can be classified as predominantly social or predominantly economic. This classification influences the choice of the appropriate legal pattern:

- in case of predominantly social objectives, the adequate legal form is that of association;
- in case of predominantly economic objectives, the adequate legal form is that of co-operative society.

The importance of objectives can change over time so that a MSO may start as an association and later turn into a co-operative society.

During the first phase of development of a MSC, emphasis should be on:

- planning and interest representation;
- recruitment of members;
- creation of member-consciousness, wee-feeling and readiness to cooperate;
- acquisition of knowledge how to form and run a MSC, what are the rights and obligations of members.

All these are non-economic activities.

Composition of membership

The most obvious difference between MSCs and conventional co-operatives is its heterogeneous membership, essential for reaching its special objectives.

Potential members belong to the following groups:

- *the excluded* (i.e. people with low or no professional qualification, the unemployed, the disabled, the aged, former drug addicts, ex-convicts) as the direct beneficiaries of MSC;
- *volunteers*, e.g. parents and relatives of people needing care, persons in part-time employment, pensioners (“young” old);
- *employees* of the MSC and partner organisations;
- *corporate citizens*, e.g. representatives of enterprises, NGOs and other corporations;
- *representatives of public institutions* e.g. the community, local government, administrations of promotion programs.

Some or all of these groups can form or join MSCs. According to new French legislation (art. 19septies of the general co-operative law of 1947 with amendments up to 2001) at least members of three groups (the excluded, the employees of MSCs and representatives of the community) are needed for official recognition as MSC (*société coopérative d'intérêt collectif*, SCIC). According to Italian legislation at least 30 percent of members must belong to the category of the excluded (art. 2 n. 4, Regional Law n. 24, dated October 22, 1988, governing co-operatives for social solidarity).

Harmonisation of interests

One of the central problems of MSC is to focus the interests of the different members on the common objective and to avoid that one group of members dominates the organisation. The usually applied rule of “one

member - one vote” is not applicable, because it would give the most numerous group a dominating position. The solution is to give each category of members an equal number of votes, or votes in proportion to their group size, economic weight, contributions or geographical area, provided that there is a ceiling for the number of votes, which each category of members may have and a minimum number of votes securing that each group is in fact represented.

Categories of members may also consist of user-members, investor members, promoting members and corporate members.

Each category of members forms an electoral college and elects among themselves the delegates representing the interests of the category of members in the meeting of delegates of the MSC.

Fundraising

To secure a solid financial basis for MSC, neither the typical form of fundraising of associations (by annual membership dues), nor the typical form of financing co-operatives (by shares) are sufficient. The value of shares is usually determined by the financial capacity of the weakest members and therefore remains trivial, while attracting investor-members means to abandon the co-operative principle of identity of owners and users of the co-operative enterprise.

Furthermore, there is the question of distributing powers in proportion to financial contributions, which is ruled out by co-operative principles, thereby limiting the incentives for investors to gain access to power by contributing capital. The co-operative rules of limited return on capital and accumulation of surplus in indivisible reserves have the same effects on investors, but are seen as essential to qualify for participation in government support programs and to enjoy tax advantages.

Qualification for public subsidies, tax advantages and public promotion programs

To concentrate the limited public resources on promoting only genuine MSCs and to avoid sponsoring false self-help organisations (known in development aid as “self-help organisations for the acquisition of external aid”), criteria are set, which an organisation has to meet to be eligible for public support.

The German criteria are as follows (Münkner, 2001b, 84 f.):

- incorporation by registration under a law (as association, co-operative society or limited liability company);

- objects of general interest (in fields of activity listed in an annex to the law governing the official recognition as general interest organisation);
- services not only limited to the group of members but to an open group of beneficiaries;
- work at least in part with honorary office-bearers and employees with salaries not above the market rate;
- distribution constraint, i.e. no distribution of economic results or reserves among members and employees;
- being subject to internal and external audit with obligation to keep books of accounts and to issue annual reports.

Similar criteria apply in other countries.

An escape route from these strict requirements may be the establishment of daughter societies.

From this list of criteria for official recognition as organisations working in the interest of the public two reasons can be identified, why co-operatives are usually not recognised as public benefit organisations:

- their *member-orientation*, according to which transactions with non-members should be the exception rather than the rule;
- their rules regarding distribution of economic results among their members in terms of limited interest on share capital and patronage refund in proportion to business done with the co-operative enterprise, if any.

In MSCs both aspects could be regulated in their by-laws in such a way, that business with non-members could be allowed and distribution of surplus or of the reserves could be excluded.

Governance and management

In addition to the ordinary tasks of board members and managers of co-operatives, the leaders of MSCs have the tasks to keep the heterogeneous membership group together, to activate the members and to orient them towards the common objectives.

Special institutional safeguards are required to avoid that the social objectives are neglected or abandoned in the constant struggle to maintain economic viability and to cover cost and against the common trends of concentration, economisation and demutualization.

Apart from the co-operative-specific emphasis on member-relationship

management, special arrangements are needed for planning, reporting and auditing.

Advisory boards and subcommittees are needed to provide venues for meaningful active participation of users, beneficiaries and employees. A special governance structure could be introduced by setting up a management council and a social council within the co-operative society (as done in community co-operatives in the United Kingdom, where the law only provides for a board of directors or management committee and legally the social council is construed as a subcommittee of the board) (Münkner, 1995, 146).

Special precautions have to be taken to avoid that the MSC becomes dependent on powerful partners or turns into an agency of the public administration. In this regard, the co-operative principle of the ICA on autonomy and independence gives the necessary guidelines (4th ICA Co-operative 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.

Assessment of results

To measure the success of MSC in achieving their objectives, it is not sufficient to use the instruments developed to audit investor-oriented enterprises, although institutional efficiency is also important for MSC. Like in all co-operatives, member-oriented effectiveness will have to be measured and for this the instruments of promotion plan and promotion report (Patera, 1981) could be used together with methods developed to investigate the degree of member satisfaction. In addition, development-oriented effectiveness also has to be determined and for this a new instrument developed by the French national federation of agricultural co-operatives could be used, the “bilan sociétal” (Confédération Française de la Coopération Agricole, 2001; Centre des Jeunes Dirigeants de l’Economie Sociale, 2002), which measures among other things the number of work places created, the attraction of the co-operative society as an employer, measures taken to enhance co-operative consciousness at all levels, measures taken by management to assess the quality of work, the reward system for good performance of employees and evaluation of

the effects of the co-operative society's work on the well-being of the community.

Summary of this part

As a form of organisation, MSCs are association-type groups of persons without a view to profit and insofar NPOs with total or limited distribution constraint.

They are characterised by their social and economic objectives, their holistic approach to development and their complex membership and decision-making structures. The disadvantage of increased cost of interest harmonisation and decision-making (democracy cost) is matched by a number of advantages:

- *better quality of services*, because the services correspond to the needs of the users and are controlled by them;
- *reduced transaction cost* due to trust in the system and in persons running the system, resulting from knowledge of local conditions and from integration of all stakeholders in planning, decision-making and control processes;
- *possibilities of mobilising human and financial resources* (voluntary work, honorary service of office-bearers, fundraising in form of donations, subsidies, tax advantages, etc., participation in public promotion programs) (Münkner, 2001a).

In an environment characterised by increasing mobility, growing individualism and progressive exclusion of disadvantaged from mainstream economic and social life, MSCs - because of their local roots in communities, towns and regions - are specially suited to establish reliable local coalitions for employment, local development programs and locally bound services close to members and users (services de proximité) on the basis of organised self-help, mutual aid and solidarity.

6. MSCs as a legal pattern

During the past 20 years, the lawmakers have reacted to the growing interest in MSC, first in Italy (Regional Law n. 24 of 22 October, 1988, Autonomous Region of Trentino Alto-Adige governing co-operatives of social solidarity and national law n. 381 of 8 November, 1991), later in Canada (Co-operative Societies Act of Quebec of 5 June, 1997, Titel II 1,

articles 226.1 - 226.14 governing co-operatives of solidarity), in Portugal (Legislative decree n. 7 of 15 January 1998, governing co-operatives of social solidarity) and in France (law 2001-624 of July 2001, article 36-I amending the provisions of the general co-operative law of 1947 by adding articles 19quinquies - 19quindicies governing general interest co-operatives, sociétés coopératives d'intérêt collectif, SCIC).

New legislation for MSCs was the result of initiatives taken by representatives of co-operative federations and organisations of social economy, which were interested in facilitating the dissemination of the MSC model by giving it a special legal framework and thereby official recognition.

When analysing the new provisions for MSCs included in the co-operative legislation of Italy, Canada, Portugal and France, the following matters for special regulation can be identified:

- broadening the objects by admitting social objectives as the primary objective;
- broadening the criteria for membership by admitting not only user-members but also worker-members, voluntary members, non-using members, investor-members, promoting members and corporate members;
- allowing extension of services to non-members;
- making special provisions for the organisation of the heterogeneous membership group and the distribution of voting rights and representation on decision-making bodies;
- regulation of governance, management and control, taking the need for harmonisation of diverging interests and for safeguarding social orientation into consideration;
- regulation of eligibility of office-bearers and application of labour law to employed office-bearers;
- regulation of fundraising, accumulation of reserves and disposal of surplus according to the special co-operative perception of capital and profit;
- periodical audit of performance of management and the financial situation, including accountability for and control of success in achieving social objectives;
- regulations safeguarding independence of MSCs in case of participation of public institutions as partners.

Additional matters for regulation in tax law and programs for public promotion of MSCs, which would be best regulated outside the organisation law (because they are more frequently subject to changes than organisation law, which by nature needs to be stable) are:

- criteria for official recognition of co-operative societies including MSCs as public benefit organisations and conditions to be met, verification of compliance with these conditions regarding non-profit and public benefit orientation;
- rules regarding the participation in bidding for public tender and participation in support programs.

Arguments against special legal provisions for MSC derived from the legal framework applied in the United Kingdom, Belgium and Denmark. Whenever new models of organisations are developed in order to cope with new challenges, policy-makers, usually acting on the initiative of lobby groups, standardise such models according to criteria of best practice and lawmakers cast them into legal norms. This is how the Prussian co-operative law of 1867 was made, by using much of the by-laws of co-operatives established by Raiffeisen und Schulze-Delitzsch as direct models for legal provisions.

In the United Kingdom, Belgium and Denmark the lawmakers have reacted differently.

In the *United Kingdom* there is no special co-operative law (but efforts are under way to have such a law). Many co-operatives are registered under the Industrial and Provident Societies Act (IPSA) of 1862 with few amendments, governing bone fide (genuine) co-operatives as a type of economic association as well as associations for the benefit of the community (Bencom). Compliance with the criteria for registration as a bona fide co-operative society or as a “Bencom” are verified by a Registrar. A wide range of autonomy to make by-laws allows to accommodate MSCs in the legal framework offered by IPSA (Snaith, 2002).

In *Belgium*, a law on non-profit associations (associations sans but lucrative, asbl) of 1921 exists side by side with the coordinated laws governing business organisations in which co-operative law is contained (with amendments by a law of 20 July, 1991) and special provisions governing societies with social objectives, loi “de reparation” dated 4 April, 1995, introducing articles 164bis - 164quater governing societies with social

objectives (SFS) into the coordinated laws of business organisations, not as a new type of society but rather as a possibility to modify existing types of societies, allowing co-operatives to be officially recognised as NPOs.

Denmark is one of the typical examples of a country with a strong co-operative movement but without a special co-operative legislation, using the general law, freedom of association and co-operative principles. Even without a special legal framework, SMCs have developed. Partnership of communities and co-operatives is allowed under the Social Assistance Act of 1983.

The examples of the United Kingdom, Belgium and Denmark show that where there is a genuine need for this type of organisation, MSCs can develop without legislation specially designed for them.

However, governments can support the development of MSCs by providing a tailor-made legal framework, but also by removing administrative obstacles and by offering incentives. The case of Denmark shows that with independent citizens and a strong civil society, freedom of association and autonomy of self-regulation may be sufficient for this purpose.

What is most important is:

- a convincing and consistent concept;
- readiness of the persons concerned to co-operate, to practice self-help, mutual aid and solidarity.

A special legal framework can encourage the formation of MSCs and guide people so as to avoid making mistakes. Yet learning by making mistakes is a widely appreciated and effective method of learning.

7. Conclusions

From a German perspective, social goals and general interest orientation of co-operatives are difficult to implement in view of the clear contents of section 1 of the German Co-operative Societies Act, which contains the following definition:

“Societies with a variable number of members, with the object of promoting their members’ income generating and economic activities by means of a jointly owned enterprise”...

The world wide development of MSCs as a form of organisation and a legal pattern shows that conventional rules of cooperation along co-operative lines have to be reconsidered in the light of new economic, social and technological challenges, in order to maintain organised self-help as a relevant answer to current problems in times of rapid change.

New approaches developed in Belgium, Denmark, France, Portugal, the United Kingdom, Italy and Canada should cause others, e.g. the Germans, to take a fresh look at conventional patterns as far as:

- the self-help character of co-operative societies;
- the concept of work, occupation and leisure time;
- the role of the state and communities in local development;
- the responsibilities of citizens in a democratic and decentralised system of public administration, becoming increasingly dependent on private initiatives are concerned.

The SMC as a model of self-help organisation for the mobilisation of as many local forces as possible for local development is not a magic formula for the solution of the tremendous problems of mass unemployment, exclusion, undersupply of regions after withdrawal of the state and of commercial enterprises from small and mid-sized towns and of the deficiencies of social and medical services for an aging population.

While large bureaucracies such as the German labour administration obviously fail to find ways and means to deal with the problems of unemployment and exclusion, MSCs offer citizens a viable alternative to contribute their part to the resolution of local problems by organised cooperation and private initiative in communities willing to adopt innovative approaches.

Problems that will occur and will have to be solved when putting the MSC model into practice have to be openly discussed. It is known from experience that the establishment of co-operatives by persons who themselves depend on external aid and who - left on their own - are unable to help themselves, will not succeed.

Disadvantaged persons, excluded from working life, will not have chances to achieve reintegration into mainstream economic and social life, unless they work together with stronger persons, who are ready to contribute their strengths and their resources. Therefore, the heterogeneous membership group, typical for MSCs, is a precondition for success

of this model. A second success criterion is to develop a workable mechanism of interest harmonisation, in order to motivate the different partners and different contributors continuously to work together for the common goal.

It is known from development co-operation that mobilisation of self-help by external aid is a difficult task. The margin between over-promotion and under-promotion is extremely thin. Aided self-help will only succeed if certain conditions are met.

There has to be:

- a workable, consistent and convincing concept;
- informed and motivated promoters;
- self-interest of all persons concerned;
- mutual respect;
- investment in information and practice-oriented (functional) education;
- a central organisation providing the necessary services, guidance and support (Müller, 1976, 75f.).

Only when accepted in the MSC as full members with equal rights, can discouraged and frustrated persons having been excluded for some time turn into self-confident and motivated members contributing as much as they can to the improvement of their own conditions.

As shown by many examples, the community can be a crystallisation point for local development projects and local coalitions for employment. This is at the same time an old and new concept.

The concept of the co-operative society as a purely economic undertaking, which exclusively works for the benefit of its members, differs in many ways from the original co-operative idea. Co-operative goals are not exclusively of economic nature. Co-operatives aim at building people. Co-operative goals include improvement of living conditions of their members by education and training, by offering access to new skills and technologies, which make it more easy to survive in times of rapid change. Co-operatives are oriented towards member-promotion, however, by the open door principle they are ready to accept all, who are willing to take over the obligations of membership in order to qualify for membership rights and advantages.

According to their tradition, co-operative societies also show concern for

the community in which they operate. They and their members depend on the well-being of this community. This is a worldwide recognised co-operative principle.

Also legal persons like communities can take self-help action, when there is no other way to fulfil their tasks. If communities see themselves as social and economic organisations, which work for the benefit of all their inhabitants, SMCs offer an appropriate organisational and legal pattern for mobilising all local forces for long-term improvement of the living conditions of the citizens in the community. The inhabitants of the community have to realise that, in the long run, for their well-being they all depend on each other

SMCs can only succeed if - in the self-interest of each individual - egoistic individualism of the persons concerned turns into co-operative individualism (Klemen et al., 2000).

The development of MSCs does not depend essentially on an appropriate legal framework, but rather on a convincing concept, readiness of all concerned to co-operate and favourable framework conditions.

But an appropriate legal framework can help to trigger off development and to avoid mistakes. Neither the law of associations nor the law of business organisations meet the requirements of MSCs. The conventional co-operative laws as well need to be adjusted.

Co-operative federations have to decide whether to accept MSCs in their family and to support their development or whether to keep a distance from this at the same time old and new form of organised self-help.

If accepted, the MSC can develop into a future-oriented model and can open new fields of activities for co-operative self-help (Münkner, 1995, 133f.).

To conclude, four good reasons can be quoted, why services of public interest should be entrusted to MSCs or co-operatives for social solidarity:

- the members are responsible for their co-operative, they contribute the capital of their co-operative and are in charge of managing the co-operative. Those working in the co-operative are not simple employees but persons directly responsible for the continued existence of the co-operative society;
- the co-operative is part of the community. It does not consist of anonymous shareholders. The co-operative is, therefore, integrated

into the area in which the members live and work and thereby becomes an ideal partner for local organisations and for the inhabitants of the neighbourhood;

- the co-operative is not for sale. It guarantees continuity and responsibility. Shares are not transferable and the reserves are indivisible during the existence of the co-operative and even after its dissolution;
- the co-operative is subject to the same control as other enterprises and in addition to audit by a co-operative federation or by the regional administration (Infocoop, 2002, 4).

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