
**ACROSS BOUNDARIES: EUROPEAN COOPERATIVE
SOCIETIES. STUDY CASES**

Superando fronteras: sociedades cooperativas. Análisis de caso

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ABSTRACT

The aim to achieve –in 2003– the single market also for the European cooperative societies was one of the major objectives of the EC Regulation concerning the status of the *Societas Cooperativa Europaeae* (SCE). Seven years later there seems to be little practical experiences. This paper is focused in the analysis of experiences in the Basque Country, especially on Ethical Banking and the Project developed known as Fiare, which would

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be the first European scope credit cooperative. The study of this case has just emerged some questions about the real difficulties for extending this kind of European collaboration: some of them with legal basis but others probably with cultural basis.

Key words: Single market, Societas Cooperativa Europeae, Ethical Banking, Credit cooperative.

RESUMEN

La necesidad de lograr el mercado único también para las Sociedades Cooperativas Europeas era el objetivo del Reglamento CE sobre el status de la Societas Cooperativa Europeae (SCE) de 2003. Siete años más tarde, parece que hay pocas experiencias prácticas. Este trabajo se centra en el análisis de las experiencias en el País Vasco, especialmente en Banca Ética y el proyecto que se ha desarrollado conocido como Fiare, que sería la primera cooperativa de crédito de alcance Europeo. El estudio de este caso lanza algunas preguntas acerca de las verdaderas dificultades para extender este tipo de colaboración en Europa: algunos de ellos con base legal, pero otros probablemente con base cultural.

Palabras clave: Mercado único, Sociedad Cooperativa Europea, Banca ética, Cooperativa de crédito.

INTRODUCTION

Achieving the Single Market at European Union level implies, on one hand, that obstacles that impede in any way trade between Member States are removed. On the other hand, implies that companies operating at Community dimension need to adapt their structures.

The existence of different regulatory frameworks hinders the consolidation between companies from different Member States. To avoid that situation, in 1985 the regulation governing the *Societas Europeae* (Regulation EEC No 2137/85) was issued. But as it failed to adapt to cooperative specificities, the EC Regulation No 1435/2003 concerning the status of the *Societas Cooperativa Europeae* was established in 2003.

This regulation allows establishing cooperatives with European dimension, between individuals and/or legal entities, from different Member States, and bestows to the new entity legal personality. It is considered as an instrument to facilitate trans-national relations in the field of cooperatives. Moreover, from the internal point of view of cooperatives, it should be a prime instrument for achieving one of the essential principles of cooperatives: Cooperation among cooperatives. In fact, the 6th Cooperative

principle states that “Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures”⁴.

Experiences at institutional level are well known, relevant and effective for example the International Cooperative Alliance itself, and at European level Coops Europe and the sectorial Cooperative Organizations. At national level, federations, organizations, unions.

Experiences of business cooperation at internal or national level are also widespread. We can point out the outstanding and well known experience within the Basque Country of Mondragon Cooperative Corporation (MCC). It could even be said that this economical cooperation is one of the keys of their success and evolution. But it is rare to find cooperative experiences in business cooperation at an international level. In fact, most of the times the formulae used is capitalist or is an international establishment on its own. So, the SCE would offer the legal instrument to foster this cross border cooperation between cooperatives.

After some years of the enactment of the EU regulation we considered interesting to know and to analyze the experiences. What we found out was the following, with the consequent consequences:

1. Only three experiences could be found using the internet.
2. The information achieved was scarce and not updated.

We found the first example in Italy in the field of social services. Under the name of *Escoop* the first European cooperative was set up, in July 2006, between Italian, Spanish and Finnish entities, legally addressed in Italy. Along those years, especially some few experiences are taking form in our regional area. For example, the Basque promoter housing VISESA announced in June 2006 its intention of being part of a European Cooperative for promoting public housing named LHEDCO - Housing, Habitat, Studies and Cooperative Development.

More recently, in September 2008 it's announced the creation of Euskal Herriko Ikastolak as a European Cooperative Society. This society will bring together Basque private schools that are operating under the model of 'ikastola'. They are currently located in territories of Navarra and Spanish and French Basque Country⁵.

4. Statement on the cooperative identity in www.coop.org, Official International Cooperative Alliance (ACI) site.

5. *Ikastola* is a Basque word that means school. But this word refers to the cooperative schools where the main language used is the Basque language. For more information: www.erkide.coop.

In Brussels, October 5th 2010, the final report of an important research project under the name of “SCE project”⁶ was presented. This research refers to the 30 countries from the European area and has detected only 17 existing European Cooperative Societies (dated on May 8th 2010), and this information shows us the limited application after 7 years of the Regulation 1435/2003 on the Statute for European Cooperative Society.

Chronologically, the first is ESCOOP SCE, located in 2006 in Italy and famous for being the first experience in European Cooperative Society. The next experiences began in 2008 located in Italy, Belgium, Hungary, Germany and Sweden. One year later, more initiatives in Italy, Belgium, and Hungary, but in Netherlands, Slovakia and Spain too. And this year 2010 in Slovakia and Liechtenstein.

About the activities, they are varied but principally services as communication and marketing, housing, health care, business consultancy, education and social services.

Despite of the relevant report, there is a lack of detailed information of the initiatives and especially of the nationality of the members as we can only know the nationality of the headquarters. Among those initiatives only one is based in Spain.

About its implantation in the practice in Spain, the necessary legal adaptation of this regulation to the Spanish law is delaying dangerously. After 7 years, we only have a draft version in parliamentary process for this adaptation and that situation could discourage interesting projects for the future, until the legal situation becomes clearer.

We have detected other inspiring experience in financing world: Proyecto Fiare may constitute, together with Banca Popolare Etica (Italy) and La Nef (France), the first European credit cooperative. We have focused this first stage of our research in this initiative, beginning with the short history of the Fiare Project, its basic pillars, general goals, characteristics, and -of course- its legal structure in cooperative format. It can help us to understand the interest of Fiare in a European collaboration under cooperative format again.

6 .The research has been led by a European Consortium formed by Cooperatives Europe, EKAI Center, and Euricse, under the name of “SCE project” with the aim: “a study on the implementation of the Regulation 1435/2003 on the Statute for European Cooperative Society (Societas Cooperativa Europaea - SCE) in all EU Member States and EEA countries (Norway, Iceland and Liechtenstein): rules applied to the SCE, national legislation on cooperatives and impact of the Statute on the national legislation and the promotion of cooperatives in EU countries; recommendations for future legislation”. Study on the implementation of the regulation 1435/2003 on the Statute for European Cooperative Society (SCE), (Euricse et al 2010).

The study of this case has just emerged some questions about the real difficulties for extending this kind of European collaboration: some of them with legal basis but others probably with cultural basis. Those hypothesis are the starting point of the next phases of our research.

Case Analysis: FIARE, partner of the first European Credit Cooperative⁷

In this section we will analyze the case of Fiare Project, which may establish, along with Banca Popolare Etica (Italy, www.bancaetica.com) and La Nef (France, www.lanef.com), the first European Credit Cooperative. The headquarters would be in Padua, as the Italian partner is the biggest. The chronology of the cooperative depends on the Opinion of Europe and the subsequent adaptation of the legislation by the states. Currently there is a strong legal ambiguity⁸ and central banks will not give its approval to the project until the legislation is developed.

Fiare Project was born in 2003 in a similar way to the creation of social initiative cooperatives, which involved the institutionalization of social movements. Fiare pursues: “A project of creation and consolidation of a ethic banking system which would become an eligible alternative by the public and would act significantly transforming the financial system, and building a dense network of individuals and organizations involved, from the various fields of Solidarity Economy” (Fiare, 2009b, p. 2). Fiare social network consists of seven regional partners (see Figure 1) that brings together more than 350 organizations of all types: Coordinators of NGOs, Cooperative Federations, Alternative and Solidarity Economy networks, etc.

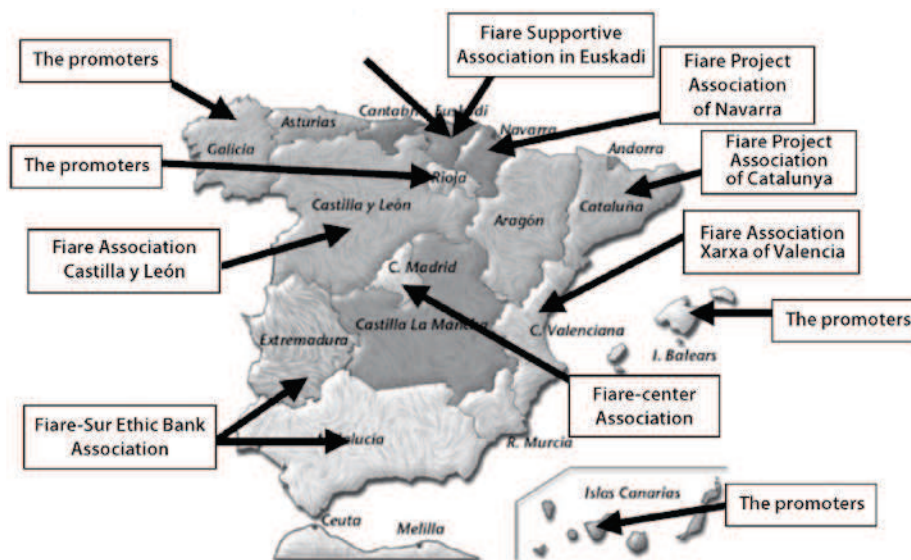
Fiare experience has confirmed that when the object pursued is clear and neatly transforming, it manages to bring together very different profile associations (Cáritas⁹, Bishoprics, NGOs, and even organizations that do not get along very well with each other). At the initial impetus, in The Basque Country there were many associations related to the Catholic Church, but with the establishments throughout the whole Spanish territory, and the setting-ups of other regional platforms, this influence has diluted, as many other individuals and associations joined the project, which is a success.

7. This case study is based primarily on the interview with Peru Sasía, Director of the Foundation Fiare, hold in 23 December 2009 and in the documentation he has provided.

8. Peru Sasía stated that when they began to think about the possibility of creating a European Cooperative Society, they were told from MCC that that this formula it was not a clear legal advantage compared to that of the cooperative corporation that already exists.

9. Cáritas is a non-governmental organization created by the Catholic Church for human promotion and integral development of individual dignity for people with scarcity of resources. More information in www.caritas.es.

Figure 1: Regional distribution



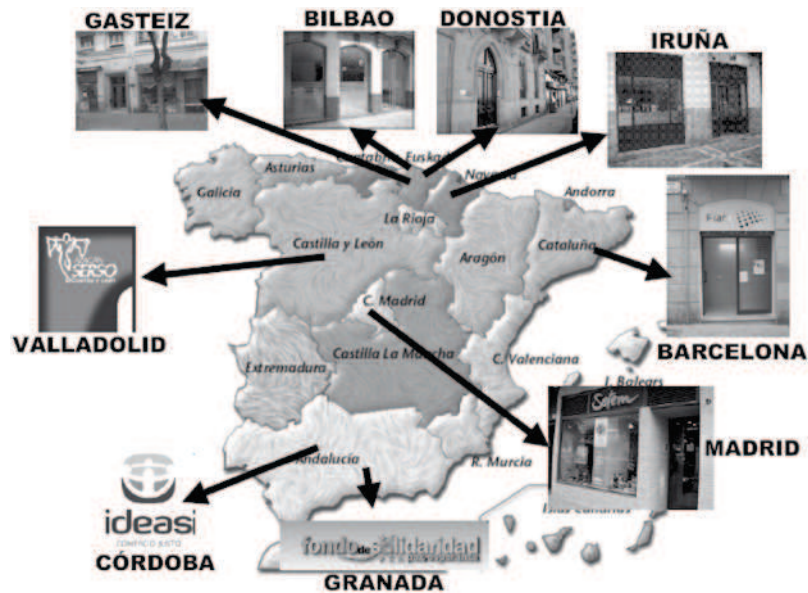
Source: Fiare (2009a, p. 2).

There are currently conducting a social capital raising campaign, specially aimed to individuals. The goal is to reach a social base of 10,000 members between individuals and social entities for 2011. In this way they seek to develop a fundamental pillar “to lay on the hands of citizens and entities the ethical banking project, so that they are not just customers, but the real owners of the project, based on a structure in which the social construction of the project runs parallel to its financial activity” (Fiare, 2009b, p. 23).

Fiare has permanent offices in Bilbao and Barcelona, while regular presence in Cordoba, Granada, Irun, Madrid, Pamplona, Valladolid, Vitoria and San Sebastian (see Figure 2).

Two are the pillars on which Fiare Project is based. On one hand *Transparency*: “The track of the money is completely transparent. All loans are on the web, with details on the project type, amount and the applicant. Wages, the composition of governing bodies and evaluation committees are public. Investments in cash can only be made in debt of certain countries or ethical funds” (Fiare, 2009b, p.11). On the other hand *Participation*: “The construction project is carried out assuming Fiare as an unavoidable challenge to promote the articulation of our social base. The territorial organization platforms and, within them, local groups with broad expertise in information, consultation and proposal complement the model of one person one vote in the meetings of the cooperative” (Fiare, 2009b, p.11).

Figure 2: Where is Fiare nowadays?



Source: Fiare (2009a, p. 3).

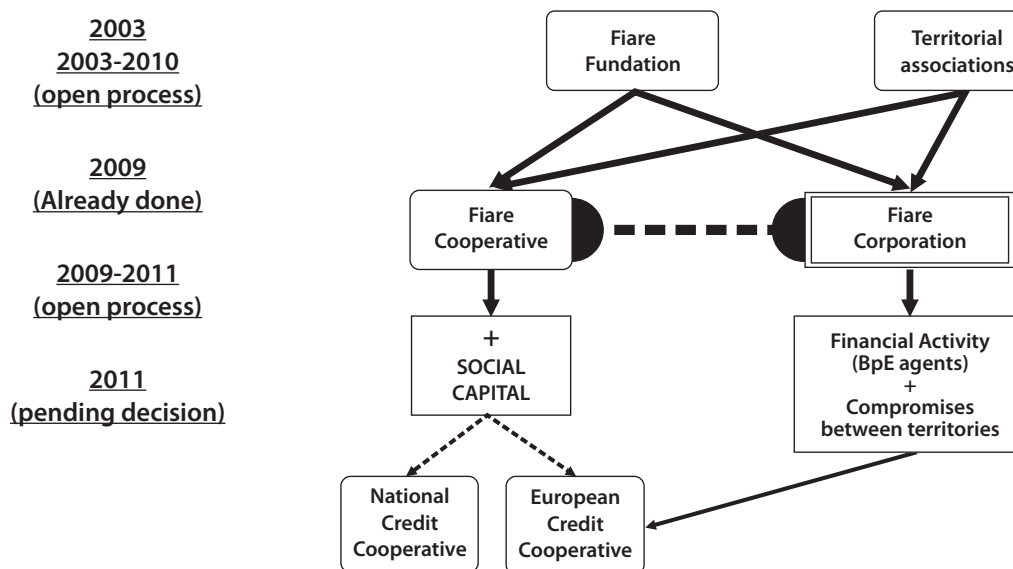
The general objectives of Fiare Project (Fiare, 2007, p. 4) are to finance economic activities involving a positive and transformative social impact and to provide saving and investment responsible instruments. The entire Project is based on these five inalienable principles (Fiare, 2007, p. 4):

1. Credit to the service of justice.
2. Financial intermediation from civic networks.
3. Responsible saving, participation and transparency.
4. Non-profit nature and common interest.
5. Collaboration with other networks in the territory.

In Figure 3 the structure of Fiare and its changes since its inception are shown. It emerged in 2003 with the legal form of foundation for monitoring the initial equity capital. Since its inception it was clear that the point of arrival would be a financial institution built as a credit cooperative¹⁰ with associations and individuals as members.

10. In Spain financial institutions can take the legal form of: Corporations, Savings and Credit Cooperatives. To the latter group currently belong Caja Laboral and Rural Cooperative banks. There are some cooperatives that have credit section, it is the case of some agricultural cooperatives, but they cannot render all financial services.

Figure 3: Fiare Legal Structure



Source: Fiare (2009a, p. 9)

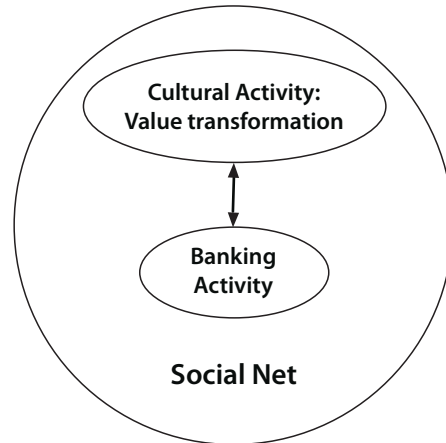
On the Project initial roadmap the creation of a nation-wide credit cooperative was pointed at¹¹. Currently the cooperative is already legally constituted but as it has not yet reached the capital, it coexists with the private limited liability company (called in Spanish *Sociedades Limitadas*), that is the one that renders the financial activity as an agent of Banca Popolare Etica.

It has to be decided yet whether it would be a nationwide or European credit cooperative. The choice of cooperative figure was present from the beginning because it reflected what they wanted to be and helps maintaining a non-profitability: "The cooperative structure, transparency, the type of organizations that builds the project, setting the salary payments scale of 1:3 or local groups of partners structure, are some elements that try to ensure the maintenance of non-profitability as the project grows" (Fiare, 2009b, p. 8).

At the point of arrival Fiare Foundation will be the one which deals with cultural, research and advocacy aspects. This is a requirement of Ethical Banking, and the challenge of Fiare, to consolidate the Ethical Banking System, which means that the social base is who should own the financial instrument and contribute to social transformation (see Figure 4).

11. Peru Sasía remembers that when the articles of associations were drawn up, a non-profit clause was included. This characteristic struck to some people, but it was included to reinforce the cooperative idea of non-capitalist use of the surplus.

Figure 4: Fiare challenge



Source: Fiare (2009a, p.26)

The potential European dimension answers to two fundamental reasons. On the one hand it is a political gamble: the mainstreaming of solidarity. Ethical Banking is built on other social movements that are its owners, and at the same time this type of Banking reinforces those movements. On the other hand, it helps to create a critical mass, which is a matter of scale dimension that banking regulation requires.

Simplifying the ideas, it can be said that there are two ideologies or experiences in relation to Ethical Banking in Europe:

1. *North-European*. It emerged in affluent societies where there was little poverty and exclusion. Focused mainly on cultural and environmental aspects. Participation is not an important element. An example would be Triodos Bank.
2. *Mediterranean*. Emerged in societies with higher rates of poverty and exclusion. The Ethical Banks became the financial tool for networks of exclusion. In this case participation is a key element. An example would be the Banca Popolare Ética. This is the model that inspired and tried to approach Fiare Project, which counts already at that moment with 25,000 members.

There are two institutions which Fiare Project has had great relationship with and has been collaborating actively with:

- FEBEA (Fédération Européenne des banques et Ethique Alternatives, www.febea.org). It was founded in 2001 with the participation of six

alternative financial institutions: Crédit Coopératif (France), Caisse Solidaire du Nord Pas-de-Calais (France); Credal (Belgium); Hefboom (Belgium), the Banca Etica (Italy) and TISE (Poland). Fiare is one of the 25 current members of the Federation. There are three other Spanish members: BBK Solidarioa, Caixa Pollenca and Caixa Catalunya Foundation. This Federation is the one that carries out the role of lobby.

- INAISE (International Association of Investors in the Social Economy, www.inaise.org). It is an international network of organizations whose aim is to finance social and environmental projects. It was created in Barcelona in 1989 by the initiative of 7 financial organizations belonging to the social economy. It has had a tremendous growth both in public presence, in Europe and elsewhere, as in visibility. There are two Spanish members: Fiare Foundation and the Spanish branch of Triodos Bank. In 2007, Fiare organized the annual meeting of Inaise in Donostia (Basque Country), bringing together more than two hundred delegates from around the world.

But this project of Ethical Banking also meets difficulties, and the principal ones are:

1. The *acquisition of social capital*. The ability for a financial institution to extend credit is limited by its equity capital, independently of the ability to attract savings.
2. Demonstrate to banking supervisors the explanation of their *cost structure*, in which an important part of staff and resources are devoted to the social area, to keep the social base alive and involved. Ethical and social assessment¹² and regional settlement groups committees are very important.
3. The *cash management*. One of the great dilemmas of ethical banking is what to do with the cash. They cannot use it in a speculative way; they cannot invest in any kind of product.

How does the current financial crisis affect Ethical Banking? Potentially it is affected in three ways:

12. "The social ethical evaluation committees: Fiare pays special attention to relationship and balance between the financial instrument which seeks to consolidate and the social network that developed it. Therefore, the assessment of the social value of the projects is done by independent commissions, selected by the territorial networks that Fiare consists of. They are the ones who know and can assess whether the specific project must be supported by Fiare, and its approval is compulsory for grant funding" (Fiare, 2009b, p. 4).

1. The savers could be affected by the crisis, but that has not happened. Their savers (associations, conscious savers, etc.) have been faithful even in a financial crisis time.
2. Funding applications are growing because traditional channels are restraining credit. In 2009 for example, it will be lent almost all of what they have collected.
3. Problems in the Financial Balance due to their obligation to non speculative treasury management. The cut in Euribor interest rate has affected them considerably.

Fiare Project is radically innovative, and they are aware of this fact, but, especially, they are interested in innovation as a mean of transformation. How do they attempt to communicate their difference outside?

1. They strongly emphasized that an Ethical Bank project must lead to a system in which one of the keys is participation. All credit should be designed to “cure “, to transform.
2. The traditional credit system is driven by profit, while any possible surplus is earmarked to correct some disorders. In times of crisis a paradox occurs: there is greater need but less social deed. They insist that supporting the vulnerable has a greater transformer potential.
3. They pretend to go beyond the “citizenship in pills” (De la Cruz and Sasía, 2007), and to banish the idea that a citizen becomes supportive merely by donating a small amount of money or by participating through internet in the decision of a bank surplus destination to social organizations, for example.

CONCLUSIONS

It is notable the scarce experiences of European cooperatives and also de lack of information concerning their performance. This leads us to four different set of thoughts:

1. It is really outstanding that it is only known by small number of experts after a deep research. It is not even known within the cooperative sector, so it is difficult for these experiences to become models and seed projects. More visibility is needed and the model of good practices could help to spread it; since, of course, they are not either known by general public. This is a situation that deepens the general social ignorance of cooperatives enterprises. This should be another objective for the cooperative representatives and in general for the cooperative movement.

2. Despite of the enactment of the EU Statute there is a problem of legislative coordination in relation to national member states cooperative regulation that in fact can be considered a practical obstacle. In some sectors, for example, banking and insurance, regulations and controls are even stricter, and restrict the cooperative European formulae.
3. What is more, it can be stated that cooperatives are rooted to the place where they are established. Also, at this cultural level, it can also be said that cooperatives are more used to cooperate at institutional levels and within national borders. These can be cultural hindrances that limit the European dimension of the projects.
4. The European Union has to continue reflecting about the future and expectancies of the Single Market, in particular about the chosen formulae of European societies. The experience for the Europeans companies has not been much better. The latest report (June, 2010) registers 595 European companies, where practical problems for this kind of organizations are also analyzed.

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FEBEA - Fédération Européenne des banques Ethiques et Alternatives	www.febea.org
INAISE - International Association of Investors in the Social Economy	www.inaise.org
La Nef (Francia)	www.lanef.com
Proyecto Fiare (España)	www.proyectofiare.com
Triodos Bank	www.triodos.es