

# WORKING PAPER

*Measuring the Economic Value of Cooperatives,  
Mutual Societies and Companies with social  
purposes in Belgium: A Satellite Account approach*

Fabienne FECHER & Wafa BEN SEDRINE-LEJEUNE



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*Measuring the Economic Value of Cooperatives,  
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A Satellite Account approach*

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**Working paper CIRIEC N° 2013/11**

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## **Abstract**

*The present paper summarizes a Belgian report, SATACBEL, (Ben Sedrine et al., 2011) on the establishment of keys indicators for satellite accounts in Belgium covering cooperatives and mutual societies for the year 2007. Several macroeconomic aggregates are assessed and examined with regard to the place that cooperatives and mutual companies occupy within the Belgian economy. To achieve this goal a close cooperation was necessary with the Belgian National Accounts Institute (NAI) within the Belgian National Bank (BNB). Thanks to this work, political decision-makers and interested parties have at their disposal strict methods and primary information and indicators allowing evaluation of this particular field of the social economy sector. Because the national contexts and realities behind cooperatives and mutual societies are very different from a country to the other, the results obtained should be compared internationally with caution.*

**Keywords:** national accounting, satellite accounts, mutuals, cooperatives.

# 1 Introduction

## 1.1 From a statistical need ...

The lack of visibility of cooperatives and mutuals in present-day societies contrast with the increasing importance of those organisations, which are firmly established in every sector and branch of economic activity. Given the activities that they carry out and the goals that they pursue, the cooperatives and mutual societies are two essential components of the social economy. Through their mission of combining objectives that are economic as well as social, they represent readily identifiable forms of enterprises in the social economy. For those organisations, the creation of an economic added value is more of a means of achieving their objectives and values rather than the be-all and end-all of their activities.

The EU has some 246.000 cooperative enterprises with some 144 million citizen members, employing some 4,8 million persons. Nearly 120 million Europeans are covered by a health mutual and the mutuals hold a significant share of the life insurance and non-life insurance markets. Mutual societies represent 25% of the European insurance market and 70% of the total number of insurance companies in Europe.

In Belgium, the social situation during the 1970s gave rise to new initiatives in the social economy to hammer out solutions to problems in the field of employment and the environment. Today, new cooperatives have come into being to provide mutual solutions to the economic and social problems of households, companies and social organisations. We thus see recent initiatives in fields such as sustainable energy production (for example, wind energy), alternative finance, integration through work and social and health care.

In the historico-institutional context of Belgium the mutual societies have existed for a long time. Even in the 19<sup>th</sup> century they were giving their members allowances in case of illness or death in return for membership fees. With the post-war years of full employment they gradually became integrated in the public social security system. The mutual societies are now closely linked to the management of health insurance. Beside those health mutuals, Belgium has insurance mutuals that set themselves apart from 'classical' insurers, by their primary purpose, which is to develop a relation of lasting confidence with their members with a view to covering their insurance needs and not to make profit in order to remunerate contributors of capital.

Barea and Monzon (2006) explained this paradoxical institutional invisibility of those enterprises of the social economy by two main reasons:

Firstly, the lack of a clear definition of the concept and scope of the social economy, of the shared characteristics of the different classes of companies and organisations that are part of it and the specific traits that enable them to be distinguished from the rest of the organisations

that move in the economic system makes it difficult to delimit the field of study accurately and to identify institutional units with shared characteristics and homogeneous economic behaviour at the international level irrespective of legal and administrative criteria, which are very diverse and mutually contradictory from one country to another.

Secondly, the system of national accounting, that is the United Nations' 1993 System of National Accounts - NAS 1993 and the European System of National Accounts - ESA 95 (Eurostat, 1996), has developed tools for collecting the major economic aggregates in a mixed economy context with a strong private capitalist sector and a complementary public sector. Logically, in a national accounts system which revolves around such a bipolar institutional situation there is little room for a third pole which is neither public nor capitalist, while the capitalist pole can be identified with practically the whole private sector. As a consequence the companies and organisations of the social economy disappear into the different institutional sectors established by the national accounts systems. Thus, cooperatives are considered as being commercial companies that share out their profits among their members and the mutual societies are treated as being financial institutions that belong to the sector of enterprise.

To improve the identification and quantification of the enterprises of the social economy, several efforts were undertaken at the national level and by the international institutions (for instance the European Economic and Social Committee) during the 1980s. At the Belgian level, an observatory system, called ConcertES, was set up in the Walloon Region and the Flemish Government called for the development of an observatory system for social integration companies. At the European level, the efforts culminated in 1997 in the publication by Eurostat of a report on the Cooperative, Mutualist and Associative Sector in the European Union (Eurostat, 1997).

## **1.2 ... To satellite accounts**

For completing and improving the statistics collected on social economy and considering the inability of the central framework of national accounts to measure certain specific areas of economic and social life, the satellite accounts show themselves to be a useful instrument.

“A satellite account is an evolutionary framework that brings together the data for a field of economic or social concern, offering more detailed and flexible information than that provided by the central framework of the national accounts to which it is linked, which constitutes its frame of reference” (Archambault, 2003). So, the satellite account has the vocation of prolonging and completing the conceptual framework of the national accounts. It constitutes a means of structuring the quantitative information relating to a particular area of study (here, the field of enterprises of the social economy) by offering a coherent

system of statistical information that may be used for the purposes of macroeconomic analysis by the managers in that field, public decision-makers, experts or any other interested party.

Convinced by the interest and the power of that tool, the United Nations has sponsored the development of a manual that establishes a satellite account for Nonprofit Institutions (NPIs), a group that covers both non-profit institutions serving households and all the private non-profit entities that are dispersed among the other institutional sectors. This group excludes cooperatives and mutual societies from the non-profit sector. The Handbook (United Nations, 2003) established the first officially sanctioned procedure for capturing the work of non-profit organisations in national economic statistics, totally structured and consistent with the national accountancy system ESA 95. Belgium was one of the three leading countries (with Italy and Australia) to publish, in early 2004, the first satellite account of non-profit-making institutions. Since the publication of the handbook in 2003, 16 countries have produced NPIs satellite accounts for at least one year. The implementation of the handbook is carried out by government statistical agencies. The main benefit of this approach is that the NPIs satellite accounts have the status of official statistics.

In order to prolong and complement this Handbook, the European Commission entrusted CIRIEC<sup>1</sup> with the task of writing a manual on the satellite accounts of cooperatives and mutual societies, which was published in 2006 (Barea and Monzon, 2006). Its first purpose was to establish a rigorous conceptual demarcation of the social economy companies to be studied in the satellite accounts. The proposed definition attained a wide consensus, both among the most prominent organisations that represent the social economy in Europe and in the sphere of the specialist literature in this field of economics. The second aim of the manual was to establish the guidelines and a methodology that will allow the satellite accounts for the cooperatives and mutual societies to be drawn up in accordance with the central national accounting framework established by the ESA 95. As a consequence, the satellite accounts for cooperatives and mutual societies are complementary of the NPIs' satellite accounts.

Funded by the Enterprise & Industry Directorate-General of the European Union, a large project was launched in 2010 with the aim of producing first satellite accounts for cooperatives and mutual societies by the Member States of the European Union. This project served the European Commission Competitiveness and Innovation Framework Programme and the Programme for Innovation and Spirit of Enterprise and arose from the observed fact of the lack of institutional visibility of the enterprises of the social economy. Five countries

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<sup>1</sup> International Centre of Research and Information on the Public, Social and Cooperative Economy.

were selected: Belgium, Bulgaria, the Republic of Macedonia, Serbia, and Spain<sup>2</sup>.

The present paper summarizes the Belgian report, SATACBEL, (Ben Sedrine et al., 2011) on the establishment of keys indicators for satellite accounts in Belgium covering cooperatives and mutual societies for the year 2007. Several macroeconomic aggregates are assessed and examined with regard to the place that cooperatives and mutual companies occupy within the Belgian economy. To achieve this goal a close cooperation was necessary with the Belgian National Accounts Institute (NAI) within the Belgian National Bank (BNB)<sup>3</sup>.

Thanks to this work, political decision-makers and interested parties have at their disposal strict methods and primary information and indicators allowing evaluation of this particular field of the social economy sector. Because the national contexts and realities behind cooperatives and mutual societies are very different from a country to the other, the results obtained should be compared internationally with caution.

Sections 2 and 3 define the populations under study on the basis of juridico-institutional criteria and behaviours (respect of several principles). The methodology is explained in Section 4. The results obtained are set out in Section 5 per group, sector and branch. The paper closes with a brief conclusion presented in Section 6.

## **2 Social economy in Belgium and the satellite account population**

### **2.1 From the Belgian definition of Social economy ...**

In Belgium the most generally accepted meaning of social economy is used that is, *the social economy consists of economic activities producing goods or services, conducted by societies, mainly cooperatives and/or companies with social purpose, associations, mutual societies or foundations, whose ethic finds expression in all of the following principles:*

1. objective of service in the group or general interest, or for the members, rather than mere pursuit of profit;
2. autonomy of management;
3. democratic decision-making process;
4. primacy of people and labour over capital in the distribution of income.

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<sup>2</sup> An international seminar to exchange experiences and good practices and to discuss about the results obtained in the five countries took place in Madrid in July 2011.

<sup>3</sup> We must offer our special thanks to Catherine Rigo and Marie Vander Donckt, who so ably helped and supported us throughout this research. However, the scientific content of the report remains the sole responsibility of the authors.

In particular, this definition was hallowed by the Walloon Region's Decree<sup>4</sup> of 20 November 2008. It draws inspiration from the definition adopted by the Walloon Council for Social Economy (*Conseil Wallon de l'Economie Sociale*) in 1990.

Let it be noted that this definition is not exactly congruent with that which used to prevail in Flanders. Indeed, the concept of social economy in the North of Belgium traditionally covered only training and socio-professional integration projects. Nevertheless, a broader understanding of the SE has been proposed by the Flemish platform VOSEC (*Vlaams Overleg Sociale Economie*) that now approximates more closely the French conception applied here.

We would point out that this definition has been accepted at federal level in the context of agreements towards cooperation with the regions. It also constitutes a reference framework that has inspired many countries and is totally congruent with the working definition of the cooperatives and mutual societies proposed by Barea and Monzon in their Manual (2006): "The set of private, formally-organised enterprises with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods or providing services, insurance or finance where decision-making and any distribution of profits or surplus among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote". Of course this definition applies to the part of the social economy which is made up of the market producers in the social economy, which are not covered by NPIs Handbook.

## **2.2 ... To a definition of target population**

The working definition proposed by Barea and Monzon (2006) remains the reference for the identification of enterprises to be taken into account for the construction of the satellite accounts. For the purposes of this project, three types of enterprise will be used for Belgium.

### ***2.2.1 The cooperatives accredited by the National Cooperation Council***

Under Belgian Law the cooperative society is governed by Commercial Law in the same way as any other commercial company. It may take the form either of the limited-liability cooperative society (*société coopérative à responsabilité limitée* - SCRL) or the unlimited-liability cooperative society (*société coopérative à responsabilité illimitée* - SCRI).

It is defined as being "made up of members the number of which and contributions from may vary" (*Commercial Law, Article 350*). This definition recognises nothing of the cooperative spirit other than the variable nature of members and contributions.

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<sup>4</sup> Moniteur belge, 31 December 2008.

The legislator has provided a system more flexible, less burdensome than that for other commercial companies; this soon attracted the attention of many entrepreneurs who saw in it, if anything, a way of eluding more restrictive rules without necessarily being moved by any cooperative ideal. These are known as the ‘false’ cooperatives.

Seeing the emergence of these cooperatives having chosen this status for no reason other than legal convenience, the legislator reacted, for example, by creating the National Cooperation Council (*Conseil National de Coopération - NCC*), providing the possibility for cooperatives respecting the principles of the social economy to set themselves apart as such by seeking accreditation from the NCC.

It was also to discourage certain abuses, giving it a suspect reputation, that the status of cooperative was revised during the 1990s (Law of 20 July 1991, revised in 1995). However, there are some who believe that this revision errs on the side of excessive caution, with a statute perceived as being overly restrictive.

It may be also noted that accreditation by the NCC allows the cooperative society to benefit from a favourable system - albeit of limited range - as regards taxation.

Finally it has to be said that accreditation by the NCC does not, however, allow a line of demarcation to be drawn between ‘true’ and ‘false’ cooperatives. In fact, while accreditation allows attestation of the fact that the cooperatives concerned fully adhere to the principles of the social economy, it does not allow the coverage of all the cooperative societies operating in that same spirit since,

- i) many cooperative societies chosen not for NCC accreditation but for the transversal status of ‘social purpose’
- ii) and we cannot exclude the existence of cooperative societies not having chosen NCC accreditation (nor even the ‘social purpose’) but still working in the spirit of the social economy by respecting the principles and ideal of cooperation.

### **2.2.2 *The mutuals***

#### **❖ *The mutual health societies***

In Belgium, the mutual societies are closely linked to the management of health insurance and act as interface between the National Institute of Health and Invalidity Insurance and the citizen. This part of their activities, falling within the obligatory area, may not therefore be considered as being of the social economy and must consequently be excluded from our field of study.

However, they also develop, and more autonomously, other activities in connection with free or complementary insurance and various social services. This strand of their activities is included in our field of study.

### ❖ *The mutual insurance societies*

Under Belgian Law a mutual health insurer may take the legal form of the *caisse commune* or the *société d'assurance mutuelle*. Like any other insurance company it is subject to accreditation from and control by the Banking, Finance and Insurance Commission (*Commission Bancaire Financière et des Assurances*).

A mutual insurance society is defined as an insurance company that is the collective property of its members and acts in the interests of its members.

The insurance mutuals thus set themselves apart from 'classical' insurers, first of all by their primary purpose, which is to develop a relation of lasting confidence with their members with a view to covering their insurance needs (and not to make profit in order to remunerate contributors of capital). The mutual insurance society does not have any shareholders to remunerate.

The characteristic of 'collective property of its members' derives from the fact that the member has the dual aspect of insured individual and collective insurer. This specificity finds expression in, among other things, an involvement of the members in company policy.

The insurance mutuals are therefore squarely situated in the field of the social economy and perfectly match the criteria for inclusion in our study population.

### **2.2.3 *The companies that pursue a social purpose***

The company with social purpose (CSP) was born of the will to bridge a certain legal gap allowing a combination of social purpose and commercial activity in a context of redeployment of the social economy. It was necessary, D'Hulstère and Pollénus point out "for this resurgent social economy to find a middle path between the status of commercial company (including that of the cooperative society), that supposes a profit motive, and the status of non-profit-making institution not allowed to pursue a commercial activity". (D'Hulstère and Pollénus, 2008, p. 26).

The status of CSP was introduced into Belgian law by the Law of 13 April 1995. The CSP is a commercial company governed by Commercial Law (*Articles 661 to 669*).

The CSP is not a new form of company but, rather, a variant that may be adopted by different commercial companies already in existence. In other words, it has no life of its own but grafts itself on to one or another of the classical legal forms for which provision is made under Commercial Law, namely the general partnership; the limited partnership with share capital; the limited-liability company; the limited-liability or unlimited-liability cooperative society; the public limited-liability company; the simple limited partnership; the economic interest grouping.

However, to claim the label ‘social purpose’, the Articles of Association of a company must embody the nine additional points<sup>5</sup> as provided for by Article 661, § 1 of the Code of Commercial Law (see Annex 1). So the great majority of companies to have adopted the status of social purpose had also attended the birth of the cooperative societies.

### **3 Demography of population and branches of activity**

#### **3.1 Demography of the population**

It is on the basis of a juridico-institutional referencing that this step will be accomplished before culminating in the actual composition of our population after the cleaning of the data (empty cells, repeats, reclassifications...). Our study thus ultimately covers a population of:

- 461 cooperatives accredited by the National Cooperation Council (*group 1: ‘NCC’ coop*).
- 421 companies with social purpose (*group 2: ‘CSP’*).
- 18 insurance mutuals and community chests (*group 3.1: IM & CC*) and
- 5 national unions of health mutuals (including all the mutualist entities that they cover, but excluding their activities classified as obligatory insurance) (*group 3.2*).

It should be pointed out that, at this stage, the cooperatives accredited by the NCC (and therefore entering our field of inclusion) represent only a minute fraction of companies legally constituted in the legal form of the cooperative (that is, only slightly more than 1% of the 40 000 Belgian cooperatives). Now, to recall, although the NCC accreditation allows *a priori* attestation that those companies adhere to the principles of the social economy, we cannot exclude the existence of cooperatives not having chosen in favour of ‘NCC’-accreditation, but working all the same in the spirit of the social economy. Indeed, as Van Opstal reminds us, “it would be too easy to conclude that the 39 500 others had nothing to do with cooperative ways of doing business. To be sure, we have found that many cooperatives without accreditation present marked similarities as regards activity, membership profile and functioning with certain of the accredited cooperatives” (Van Opstal et al., 2008, p. 152).

#### **3.2 Branches of activity in the population**

The study of the demography of the population allowed the segmentation by activity branches in accordance with the central framework of the national

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<sup>5</sup> The nine principles of the CSP, are completely in harmony with the spirit of the four principles inherent in the social economy and also honour the principles of the cooperative ideal.

accounts. The activity branches based on the 2-digit NACE divisions<sup>6</sup> present in our three groups of population under review (*NCC cooperatives*, *CSPs*, *mutuals*) are given in Table 3/1. Some of our results will be presented per branch in section 5.1.3.

**Table 3/1: Activity branches NACE reference A60 by group of population**

Activity branches present in the population		
Cooperatives (group 1)	CSP (group 2)	Mutuals (group 3)
01 ; 02	01 ; 02	
15 ; 22 ; 28 ; 29 ; 36 ; 40	15 ; 18 ; 20 ; 22 ; 26 ; 28 ; 29 ; 33 ; 36 ; 41	
	37	
45	45	
50 ; 51 ; 52	50 ; 51 ; 52	
55	55	
60 ; 61	60 ; 61 ; 63	
65 ; 66 ; 67	67	66
70 ; 71	70 ; 71	
72 ; 73	64 <sup>7</sup> ; 72 ; 73	
74	74	
	80	
85	85	
91 ; 92 ; 93	91 ; 92 ; 93	

<sup>6</sup> The complete 2-digit NACE A60 classification is given in Annex 2.

<sup>7</sup> Our sample counts 1 single unit from the branch NACE 64 (telecommunication) and active in the computer branch; this was integrated to the branch NACE 72-73 (computer and R&D services).

## 4 Construction of aggregates – Methodology

### 4.1 Reference framework

Our satellite account being founded on the conceptual framework proposed by Barea and Monzon (2006), the main methodological reference remains, first and foremost, the framework defined in the “*European System of National and Regional Accounts - ESA 95*”.

To recall, the ESA 95 is the European version of the *National Accounting System* (NAS 1993) established under the combined aegis of the United Nations, the International Monetary Fund, the World Bank, the Organisation for Economic Cooperation and Development and the European Community.

*The Belgian National Accounts Institute* has produced an operational document<sup>8</sup> that describes the methodology applied at Belgian level to determine the Gross Domestic Product (GDP) at current prices. It is, as it were, a practical guide for the application in Belgium of the ESA 95, account being taken of the relevant institutional, legislative and accounting context in Belgium. We derive the essentials of our lines, choices and methodological conventions from this manual, generally referred to by the experts at the Belgian National Bank as the ‘*Inventaire*’.

### 4.2 Aggregate calculation methods: general overview

This first attempt to draw up a satellite account for enterprises in the social economy in Belgium consists of covering all the variables of production and generation of income accounts as well as the gross fixed capital formation on the capital account.

The different estimated aggregates for this exercise are therefore:

*P1: Output*

*P2: Intermediate consumption*

*B1g: Gross value added*

*D1: Compensation of employees*

*D29: Other taxes on production*

*D39: Other subsidies on production*

*B2g: Gross operating surplus*

*P51: Gross fixed capital formation*

The reference year is 2007 (in the general framework of the national accounts as published on 31 September 2009).

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<sup>8</sup> Downloadable document on the following URL:

[http://www.nbb.be/doc/DQ/F\\_method/M\\_Inventaire\\_SEC1995\\_FR\\_def.pdf](http://www.nbb.be/doc/DQ/F_method/M_Inventaire_SEC1995_FR_def.pdf), consulted in March 2010.

The estimation of aggregates of production and generation of income accounts generally proceeds in two main phases.

#### 4.2.1 Administrative concepts

A first evaluation of aggregates on the basis of administrative and microeconomic data according to administrative concepts is realized. The calculation is made starting out from individual accounting data aggregated by branches of activity and by institutional sector.

*Direct* calculatory methods (based on accounts headings<sup>9</sup>) or *indirect* calculatory methods (referring to supplementary/alternative data sources<sup>10</sup> for the purpose of *ad hoc* extrapolation) were applied for each institutional sector and by branches of activity. Several categories of enterprises were thus mapped out according to the degree of precision and availability of accounting data. These are the enterprise categories A1, A2, B1, B2, B3, C1 and C2.

- A1 → large enterprises with "complete" annual accounts
- A2 → large enterprises without (usable) annual accounts
- B1 → small and medium-sized enterprises (SMEs) with an abbreviated lay-out including the turnover and purchases, with a gross margin > 0
- B2 → SMEs with an abbreviated lay-out without turnover or purchases, with a gross margin > 0
- B3 → SMEs without (usable) annual accounts
- C1 → SMEs with an abbreviated lay-out including the turnover and purchase, with a gross margin < 0
- C2 → SMEs with an abbreviated lay-out without turnover or purchases, with gross margin < 0

The methods applied therefore differ according not only to institutional sector and branch of activity, but also category of enterprise.

#### 4.2.2 Conversion to ESA 95 concepts

This essential step concerned making corrections to the administrative aggregates so as to bring them into line with the standards of the ESA 95.

For institutional sector S11<sup>11</sup> (non-financial corporations), the different types of correction recommended by the experts in the NAI are described in the *Inventaire* (pgs. 80 to 99). They are based on information taken from annual accounts or, again, structure inquiry.

For institutional sector S12 (financial corporations) the necessary corrections vary according to the institutional subsector under review (S122, S123, S124 or

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<sup>9</sup> Company annual accounts (submitted to the BNB Balance Sheet Centre) and/or exhaustive annual reports (in the case of financial companies).

<sup>10</sup> Mainly National Social Security (NSS) salary data and data from Value Added Tax (VAT) declarations.

<sup>11</sup> Annex 3 presents the classification of institutional sectors.

S125). These have been processed by the experts at the BNB who sent us the variables adapted directly into ESA 95 concepts.

### 4.3 Aggregate calculation methods – Non-financial corporations (S11)

The calculations were made separately for each of our groups in population 1 (cooperatives) and 2 (CSPs) classified in institutional sector S11. To recall, Group 3 (mutual societies) falls exclusively within institutional sector S12. The method for calculating the aggregates for NACE branches agriculture and forestry departs from the general method.

#### 4.3.1 Establishment of administrative aggregates (S11)

❖ *A direct calculatory method for enterprises in Category A1*

The large enterprises of Category A1 are those that submit their annual accounts to the Balance Sheet Centre according to the complete balance sheet lay-out. All the relevant variables for the calculation of “administrative” microeconomic aggregates are therefore available, namely:

*Operating products*

<u>Code</u>	<u>Description</u>
70	Turnover
71	Variation of stocks and goods produced
72	Internal production of fixed capital
74	Other operating products
740	Operating subsidies
741/9	Other miscellaneous operating products <sup>12</sup>

*Operating costs*

<u>Code</u>	<u>Description</u>
60	Supplies and merchandise
600/8	Purchase of merchandise, raw materials and goods <sup>13</sup>
609	Variation of stocks and goods
61	Purchases of miscellaneous goods and services (not entered in 600/8)
62	Remunerations, social contributions and pensions
64	Other operating costs
640	Fiscal operating costs
641/8	Other miscellaneous operating costs <sup>14</sup>

<sup>12</sup> 741/9 indicates the sum of the accounts from 741 to 749.

<sup>13</sup> 600/8 indicates the sum of the accounts from 600 to 608.

<sup>14</sup> 641/8 indicates the sum of the accounts from 641 to 648.

Setting out from this data we may deduce the following administrative microeconomic aggregates:

<u>Administrative aggregate</u>	<u>Accounting code</u>
<b>(1) Output</b>	<b>70 + 71 + 72 + 74 - 740</b>
<b>(2) Intermediate consumption</b>	<b>60 + 61 + 641/8</b>
<b>(3) Personnel costs</b>	<b>62</b>
<b>(4) Net fiscal operating costs</b>	<b>640 - 740</b>

And, on balance, we obtain the value added and the gross operating surplus (in “administrative” concepts):

<u>Administrative balance</u>	<u>Accounting code</u>
<b>(5) Gross value added</b>	<b>70 + 71 + 72 + 74 - 740 - 60 - 61 - 641/8</b>
<b>= [(1)-(2)]</b>	
<b>(6) Gross operating surplus</b>	<b>70 + 71 + 72 + 74 - 60 - 61 - 62 - 640/8</b>
<b>= [(5)-(3)-(4)]</b>	

❖ *An indirect calculatory method for enterprises in categories A2 to C2*

The methods used to estimate the administrative aggregates for categories A2, B1, B2, B3, C1 and C2 resort, in complement if not by default of (complete and usable) annual accounts data, to data taken from VAT declarations or from salary data from the National Social Security Office (NSSO).

#### **4.3.2 Conversion to ESA 95 concepts (S11)**

The next step in the construction of the satellite account consists of converting the microeconomic administrative aggregate into ESA 95 concepts.

To do so we must proceed by group of branches to corrections/reclassifications made in the relevant accountancy headings to recast them in ESA 95 concepts:

Microeconomic aggregates	Corrections / reclassifications	ESA 95 aggregates
70 + 71 + 72 + 74 - 740	=====>	P.1 Output
600/8 + 609 + 61 + 641/8	=====>	P.2 Intermediate consumption
62	=====>	D.1 Compensation of employees
640	=====>	D.29 Other taxes on production
740	=====>	D.39 Other subsidies on production

The gross value added (B.1g) and the gross operating surplus (B.2g) in ESA 95 concepts are obtained from the balance.

In order to obtain ESA 95 aggregates, different corrections/reclassifications must be applied as recommended in the *Inventaire* (cf. Annex 4).

#### **4.3.3 The particular case of enterprises of NACE branches agriculture and forestry**

It should be emphasized that the general method described above does not apply to the branches NACE 01 (agriculture) and 02 (forestry). Estimation of the aggregates of these branches is in fact a matter of specific methods based on data relating to prices and to quantities. An *ad hoc* extrapolation method allowed estimation of the aggregates of our target population setting out from the aggregates of the whole of sector S11 for the branches concerned.

For agricultural activities the basic data on prices and produced quantities come from the *Directorate General Statistics and Economic Information (DGSEI)*<sup>15</sup>, which also draws up the economic accounts for agriculture for Eurostat. Production (P.1) must be estimated at basic price. Moving from the producer price to the basic price allows account to be taken of the large subsidies from which the sector benefits; it is necessary to add to production (valorised at producer price) the amount of subsidies on net products of taxes on products. Estimation of intermediate consumption (P.2) is likewise determined by DGSEI.

Concerning forestry activities the data on the quantities produced come from the Walloon Region and are extrapolated for the whole of the national territory. The sale prices by species of wood and by quality of wood are available from

<sup>15</sup> DGSEI is one of the directorates of the *Public Service Federal Economy, S.M.E., Middle Classes and Energy*.

the regions. In the absence of more precise information, the intermediate consumption is estimated in proportion with production.

#### **4.4 Aggregate calculation methods – Financial corporations (S12)**

The methods of evaluation of the aggregates of financial corporations differ according to the branch of activity to which they belong and according to institutional subsector under review.

The financial corporations of our population are for the most part spread between groups 3.1 (*insurance mutuals*) and 3.2 (*health mutuals*), both falling to be classified in institutional sector S125 and NACE branch 66.

##### **4.4.1 Mutual insurances and community chests (Group 3.1)**

The evaluation of aggregates of production and generation of income accounts for the *mutual insurance societies* and *insurance community chests under private law* (Group 3.1) was set out from:

- the structure of aggregates of companies in institutional subsector S125 and
- variable D.1 (compensation of employees) of our population, provided the experts of the BNB in ESA 95 concept.

Aggregates P.1, P.2, B.1g, B.2g, D.29 and D.39 were in fact extrapolated from the structure of the aggregates of companies in institutional subsector S125 (which is extracted from the national accounts for the year 2007).

##### **4.4.2 Health mutuals (Group 3.2)**

To recall, the health mutuals in Belgium are integrated in the national social security system and are closely associated with the management of compulsory health insurance. This field of their activities does not answer to the principle of autonomy of management so dear to the social economy and should be excluded from it. However, they develop - in parallel and autonomously - complementary insurances and various social services that integrate perfectly in our field of analysis.

So, with a view to evaluation of aggregates of production and operation accounts of our population of health mutuals, we now have to isolate the sole activities linked to optional complementary insurance or other social services (excluding any activity of a compulsory nature).

The evaluation of aggregates is based on exhaustive data taken from the 2008 Annual Report of the *Office de contrôle des mutualités et des unions nationales des mutualités*<sup>16</sup> (OCM). The financial statements for the 2007 financial year are used.

More precisely, the basic data is taken from the *compte de résultats général de l'assurance libre et complémentaire et de l'épargne prénuptiale - situation*

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<sup>16</sup> Annual Report 2008, *l'Office de contrôle des mutualités et des unions nationales des mutualités*, Brussels, 2008, p. 162.

*globalisée des entités mutualistes* - (cf. OCM Report, p. 114). From this globalised account we then deduce:

- one, the data for *Health Care Insurance*, compulsory in the Flemish Region<sup>17</sup>; this insurance is designed to defray the costs of non-medical aid and services for persons affected by prolonged reduction of their autonomy (cf. OCM Report, p. 99);
- and, two, the data for the *Fonds spécial de réserve complémentaire*<sup>18</sup>, legal reserve introduced in the framework of compulsory insurance.

#### **4.5 Calculation of Gross fixed capital formation (P51)**

Estimation of aggregate P51, in accordance with the conceptual framework of national accounts, is in the main based on data taken from annual accounts (Balance Sheet Centre) or, failing that, from VAT declarations. Data from the structural inquiry is also used sometimes.

For our population it was possible to use an *ad hoc* method based on an adjustment coefficient for the administrative aggregates proper to each group of activity; and, by default (where the data is unsuitable for this), we used an extrapolation ratio based on compensation of employees (D1).

### **5 Results**

This section presents the results of the first drawing up of the satellite account of enterprises in the social economy in Belgium. For the year 2007 this covers the sequence of aggregates of production and generation of income accounts (Section 5.1) and the aggregate P51 (gross fixed capital formation) of the capital account (Section 5.2).

#### **5.1 Aggregates of production and generation of income account by population group, by institutional sector and by branch**

##### **5.1.1 Results per group of population**

As shown in Table 5/1, the enterprises of our population account for a **total production** of **4.149 million euros**. Nearly 59% of that production (2.435 million euros) comes from the group of accredited cooperatives, 20% from the mutual insurance societies and community chests (IM & CC), 16% from the CSPs and, finally, 5% from the mutual health societies (non-compulsory activities).

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<sup>17</sup> Insurance introduced by the Flemish Community Decree of 30 March 1999.

<sup>18</sup> Art. 199 of the coordinated law relating to compulsory insurance of 14 July 1994, introducing the obligation to charge a fee with a view to building up the reserve funds in 1995 and 1996. Starting in the 1997 financial year the insurance organisations have continued to charge this fee as a prudential measure.

However, although the group of accredited cooperatives is largely in the lead in terms of production, it cedes its first place to the IM & CC group in terms of value added and, again, to the CSPs in terms of gross operating surplus (under the crushing weight of operating costs, as we shall emphasize later).

So, with a **gross value added** exceeding 326 million euros out of a total of **942 million euros** for the whole of our population, the IM & CC group alone realised nearly 35% of the total value added. The ‘NCC’ cooperatives contribute at the rate of 26%, the CSPs 25% and, finally, the health mutuals 14%.

The **operating costs** (not including fixed capital consumption) of our productive units totalled 3.661 million euros, of which 3.207 million euros (88%) in intermediate consumptions of goods and services, 617 million euros (17%) in compensation of employees and -163 million euros (-4%) in other net taxes on subsidies.

This concise analysis of the composition of operating costs thus reveals that it is the intermediate purchases of goods and services that weigh hardest on the enterprises of our population. This is quite particularly true for the ‘NCC’ cooperatives of our population, alone carrying 68% of the total amount of intermediate consumptions in the population (for a value of 2.187 million euros), the mutuals and CSPs carrying respectively 16% and 14% of the item in question.

Salaries and wages for all the groups taken together represent 617 million euros, respectively divided 42%, 22% and 37% between the accredited cooperatives, the CSPs and the mutual.

The other net taxes on subsidies are globally negative. This situation results from aid received by the sector globally, and more particularly from subsidies entered into accounts under the assets of health mutuals (non-compulsory activities) for which a zero amount is attributed to ‘other taxes on production’.

### ***5.1.2 Results per institutional sector***

It should first be pointed out that institutional sector S11 (non-financial corporations) covers almost all our ‘NCC’ cooperatives and CSPs (groups 1 and 2), whereas the financial corporations sector (S12) is made up almost exclusively of our mutuals classified within groups 3.1 and 3.2; these latter are superposed on each other in subsector S125 (insurance societies and pension funds). The results presented per institutional sector therefore remain very similar to the findings shown previously in the per population group analysis.

Presentation per institutional sector nevertheless sheds more light on size: it allows replacement of the satellite account of enterprises of the social economy in the framework of national accounts by direct comparison of the results for our population against those for corresponding institutional sectors, and this at national level.

Table 5/2 present those results. We may say that, all in all, the companies of our target population contribute 0.7% to the production of all the companies taken as a whole nationwide (S11 and S12) and make a 0.5% contribution to the gross value added of all the companies of the country (S11 et S12).

The contribution from enterprises of the social economy that falls to be classified in institutional sector S125 is especially striking. In fact, these enterprises alone realise more than 12% of the production of sector S125 at national level and generate **14.5% of the value added** of sector S125 of the nation.

For more details, the distribution of our population groups within each institutional sector (S11 and S12) is presented in Annex 5.

### ***5.1.3 Results per branch***

The majority of enterprises of the social economy are present in the tertiary sector (Code 3 of NACE classification A3). This is good for up to 92% of the total value added produced by our population; 78% of total production; 91% of compensations of employees.

In the tertiary sector, i.e., Branch 5 (NACE Classification A6) grouping financial and real estate activities and services to businesses are to the fore, followed by Branch 4 (commerce, repair of motor vehicles, hotels and restaurants, transport and communication).

It should be noted that the secondary sector (Code 2, Classification A3) and primary sector (Code 1, A3) represent respectively nearly 7% and 0.6% of the total wealth created by our population in terms of value added.

Among these secondary-sector activities, the manufacturing industry and energy branch (Code 2 of Classification A6) contributes 6.5% to the total value added of our population, whereas the construction sector (Code 3, A6) contributes 0.7%.

**Table 5/1: Production and generation of income accounts by population group and in total, estimations at current prices, 2007 (thousands euros)**

	P1	P2	B1g	D1	D29	D39	B2g
<b>Group 1: 'NCC' Cooperatives'</b>	<b>2.435.428</b>	<b>2.187.043</b>	<b>248.385</b>	<b>258.053</b>	<b>4.811</b>	<b>62.454</b>	<b>47.975</b>
<b>Group 2: CSP</b>	<b>678.027</b>	<b>442.466</b>	<b>235.561</b>	<b>133.581</b>	<b>6.111</b>	<b>57.382</b>	<b>153.252</b>
<b>Subtotal groups 1&amp;2</b>	<b>3.113.455</b>	<b>2.629.509</b>	<b>483.946</b>	<b>391.634</b>	<b>10.922</b>	<b>119.836</b>	<b>201.227</b>
<b>Group 3.1 IM and CC</b>	<b>841.208</b>	<b>514.761</b>	<b>326.447</b>	<b>188.666</b>	<b>5.448</b>	<b>0</b>	<b>132.333</b>
<b>Group 3.2 Health mutuals (non-compulsory activities)</b>	<b>194.283</b>	<b>63.171</b>	<b>131.112</b>	<b>37.049</b>	<b>0</b>	<b>60.260</b>	<b>154.323</b>
<b>Subtotal Mutuals (groups 3.1 et 3.2)</b>	<b>1.035.491</b>	<b>577.932</b>	<b>457.559</b>	<b>225.715</b>	<b>5.448</b>	<b>60.260</b>	<b>286.656</b>
<b>Overall total</b>	<b>4.148.946</b>	<b>3.207.441</b>	<b>941.505</b>	<b>617.349</b>	<b>16.369</b>	<b>180.096</b>	<b>487.883</b>

Note: As a reminder, the codes of the ESA 1995 headings mean:

- P1: Output*
- P2: Intermediate consumption*
- B1g: Gross value added*
- D1: Compensation of employees*
- D29: Other taxes on production*
- D39: Other subsidies on production*
- B2g: Gross operating surplus*

**Table 5/2: Production and generation of income accounts by institutional sector and in total, estimations at current prices, 2007 (thousands euros, %)**

	P1	P2	B1g	D1	D29	D39	B2g
<b>S11</b>	<b>3.027.382</b>	<b>2.546.076</b>	<b>481.307</b>	<b>360.906</b>	<b>10.484</b>	<b>119.805</b>	<b>229.722</b>
in % S11 nation	0,5%	0,7%	0,3%	0,3%	0,5%	2,9%	0,3%
<b>S12</b>	<b>1.121.564</b>	<b>661.365</b>	<b>460.199</b>	<b>256.443</b>	<b>5.886</b>	<b>60.292</b>	<b>258.162</b>
among which S125	1.035.491	577.932	457.559	225.715	5.448	60.260	286.656
in % total S125 nation	12,5%	11,4%	14,2%	12,1%	10,1%	99,9%	21,0%
in % total S12 nation	3,2%	3,5%	2,9%	2,8%	1,5%	82,4%	4,0%
<b>Overall total</b>	<b>4.148.946</b>	<b>3.207.441</b>	<b>941.505</b>	<b>617.349</b>	<b>16.369</b>	<b>180.096</b>	<b>487.883</b>
<i>in % total nation (S11+S12)</i>	<b>0,7%</b>	<b>0,8%</b>	<b>0,5%</b>	<b>0,5%</b>	<b>0,6%</b>	<b>4,3%</b>	<b>0,6%</b>

Note: As reminder, according to ESA 1995 classification of the institutional sectors, following codes mean:

- S11: non-financial corporations,
- S12: financial corporations,
- S125: insurance corporations and pension funds.

**Table 5/3: Production and generation of income accounts by activity branch (A3 and A6), estimations at current prices, 2007 (thousands euros)**

A3	P1	P2	B1g	D1	D29	D39	B2g
A6							
1	15.684	9.755	5.930	4.715	25	1.122	2.312
1	15.684	9.755	5.930	4.715	25	1.122	2.312
2	760.990	693.054	67.936	46.913	939	614	20.697
2	736.027	674.931	61.096	43.762	790	449	16.993
3	24.963	18.123	6.840	3.151	149	165	3.705
3	3.372.272	2.504.632	867.640	565.721	15.406	178.3606	464.873
4	683.935	500.478	183.457	145.365	2.021	7.676	43.747
5	2.387.829	1.750.954	636.876	362.946	13.033	135.3428	396.239
6	300.507	253.200	47.307	57.410	352	35.342	24.887
<b>Overall total</b>	<b>4.148.946</b>	<b>3.207.441</b>	<b>941.505</b>	<b>617.349</b>	<b>16.369</b>	<b>180.096</b>	<b>487.883</b>

Note: the description of NACE A3 and A6 is to be found in Annex 2.

## 5.2 Aggregate P51 - Results by population group, by institutional sector and by branch

Tables 5/4 and 5/5 show the distribution of the Gross Fixed Capital Formation (GFCF) respectively by population group and by institutional sector.

**Table 5/4: Distribution of gross fixed capital formation by population group and in total, estimations at current prices, 2007 (thousands euros, %)**

	P51	%
Group 1: 'NCC' Cooperatives	82.989	35
Group 2: SFS	97.842	42
<i>Subtotal groups 1&amp;2</i>	<i>180.831</i>	<i>77</i>
Group 3.1: IM and CC	45.663	19
Group 3.2: Health mutuals (non mandatory activities)	8.166	3
<i>Subtotal Mutuals (groups 3.1 et 3.2)</i>	<i>53.829</i>	<i>23</i>
<b>Overall total</b>	<b>234.661</b>	<b>100</b>

**Table 5/5: Distribution of gross fixed capital formation by institutional sector and in total, estimations at current prices, 2007 (thousands euros, %)**

	P51
<b>S.11</b>	<b>178.759</b>
<i>in % S11 nation</i>	<i>0,4%</i>
<b>S.12</b>	<b>55.902</b>
<i>among which S.125</i>	<i>53.829</i>
<b><i>in % total S125 nation</i></b>	<b><i>15,4%</i></b>
<i>in % total S12 nation</i>	<i>2,1%</i>
<b>Overall total</b>	<b>234.661</b>
<i>in % total nation (S11+S12)</i>	<i>0,5%</i>

Sources: ICN 2010, own calculations.

The GFCF of our productive units taken as a whole is estimated at nearly 235 million euros. As Table 5/4 shows, 42% of that sum comes from the CSPs, 35% from the cooperatives and 22% from the mutual.

The distribution by institutional sector, as shown in Table 5/5, reveals among other things the predominance of investments from the non-financial corporations (S11) compared with the financial corporations (S12): 73% of the total GFCF is realised by S11 as against 24% by S12.

This presentation of the GFCF by institutional sector also allows replacement of the indicator in question in the conceptual framework of national accounts. We may also note that the companies of the social economy as a whole contribute 0.5% to the investments by companies nationwide. More particularly again, we call attention to the considerable contribution from companies in sector S125: these contribute 15% to the formation of fixed capital for the whole subsector at national level.

The results given above are perfectly consistent with the production indicators and, more particularly, with aggregates P1 and B1g as, incidentally, was only to be expected.

The detail of the distribution of investments of our productive units per branch of activity is presented in Table 5/6 at different levels of aggregation (NACE A3 and A6).

**Table 5/6: Distribution of gross fixed capital formation by activity branch (A3 and A6), estimations at current prices, 2007 (thousands euros, %)**

A3	A6	P51	%
<b>1</b>		<b>31.329</b>	<b>13,4</b>
	<b>1</b>	<b>31.329</b>	<b>13,4</b>
<b>2</b>		<b>10.008</b>	<b>4,3</b>
	<b>2</b>	<b>3.498</b>	<b>1,5</b>
	<b>3</b>	<b>6.511</b>	<b>2,8</b>
<b>3</b>		<b>193.324</b>	<b>82,4</b>
	<b>4</b>	<b>24.444</b>	<b>10,4</b>
	<b>5</b>	<b>151.774</b>	<b>64,7</b>
	<b>6</b>	<b>17.105</b>	<b>7,3</b>
<b>Overall total</b>		<b>234.661</b>	<b>100</b>

Note: the description of NACE A3 et A6 codes can be found in Annex 2.

First of all we confirm the predominance of the tertiary sector, with 82% of the total of investments by the whole of the enterprises in our population; this again matches the previous findings for aggregate P1, production; (to recall, 78% of the total production came from the tertiary sector). However, there is a marked division of the remainder between primary and secondary sector: in fact, whereas the primary sector contributes 0.6% of the total in terms of production, it bags more than 13% of the total in terms of GFCF. This result is not unrelated to the actual structure of production of agricultural enterprises (and, more particularly, with the presence of farming cooperatives akin to the cooperatives for the common use of agricultural equipment, *coopératives d'utilisation en commun de matériel agricole* - CUMA).

Among the secondary activities here it is the activities of the Construction branch (Code 3 Classification A6) that predominate; this is readily explained by the very nature of the activity.

Finally, among the tertiary activities, the financial, real estate, renting and business activities (Code 5 Classification A6) form the majority, representing 64.7% of investments.

## 6 Conclusion

The SATACBEL project presented in this paper has allowed a first experience in Belgium with the satellite account.

### 6.1 A juridico-institutional referencing

We used a juridico-institutional referencing to delimit our population.

The concept of the social economy has been the subject of many a debate between experts and scientists throughout the world. The statistical contours of the social economy will thus depend on preferred conception. In its widest and its most generally accepted meaning, *the social economy consists of economic activities producing goods or services, conducted by societies, mainly cooperatives and/or companies with social purpose, associations, mutual societies or foundations, whose ethic finds expression in four principles (objective of service in the group or general interest, or for the members, rather than mere pursuit of profit; autonomy of management; democratic decision-making process; primacy of people and labour over capital in the distribution of income).*

It is this definition that has been chosen as the basis for delimitation of the field of the present study and that guided our choice for inclusion or exclusion whilst drawing a demarcation line between the public sector and the for-profit commercial private sector.

In Belgium, four main types of organisations devote themselves to the principles of definition of the social economy. These are the:

- associations (non-profit institutions, foundations, unincorporated associations),
- cooperative societies pursuing a genuine cooperative plan,
- societies adopting the form of a company with social purpose, and
- the mutual societies.

Since our satellite account has the objective of evaluating the economic weight of the mutuals and cooperatives and/or societies with a social purpose whilst avoiding any useless reduplication with the satellite account of the NPIs - already the subject of regular calculations - the associations are excluded from our population.

This leads us to take as target population the three other organisational components, provided, of course, that they remain faithful to the four basic principles of the social economy. In Belgium different status and laws have been introduced over time. Thus seeing the emergence of cooperatives having chosen this status for no reason other than legal convenience, the legislator reacted by creating the National Cooperation Council (NCC), the accreditation from the NCC attesting that the principles of the social economy are truly respected. More recently the label of social purpose (that may be adopted by different

commercial companies already in existence) was born of the will to bridge a certain legal gap, allowing a combination of social purpose and commercial activity.

Taking into account those juridico-institutional specificities, the next step has consisted in drawing up lists of companies making up our target population based on our juridico-institutional system. After cleaning those individual data (repeats, reclassification, ...), our study ultimately covered a population of: 461 cooperatives accredited by the National Cooperation Council (*Group 1: 'NCC' coop*, 421 companies with social purpose (*Group 2: 'CSP'*), 18 mutual insurance societies and community chests (*Group 3.1: IM & CC*) and 5 national unions of health mutuals (including all the mutualist entities that they cover, but excluding their compulsory-insurance activities) (*Group: 3.2*).

## **6.2 Methodological contribution**

This work must be conceived, if anything, as an important methodological advance since, up to now, no homogeneous method has ever been implemented at Belgian national and European level to analyse this particular field of the social economy.

To guarantee coherence with the central framework of national accounts and with the methodology used for the drawing up of satellite accounts for the NPIs in Belgium, it was important to be very close to the methodology of the National Accounts Institute (NAI) within the Belgian National Bank (BNB). For this reason, the project was conducted in close cooperation with the experts of the NAI and the BNB.

Bearing in mind the timeline for the project and the complexity of construction of accounts, it became apparent that - for macroeconomic analysis purposes - only the more significant indicators could be calculated (production, intermediate consumption, value added, compensation of employees, gross operating surplus and gross fixed capital formation).

The SATACBEL project also offers a significant statistical aid, giving the first sets of figures in Belgium for the key macroeconomic variables by type of enterprise (cooperatives, mutuals and CSPs), by institutional sector and by branch. However, the data thus obtained must be used with the utmost caution in terms of international comparison, since the demography of the studied populations varies greatly from country to country.

Despite the methodological and statistical limitations, this satellite account allows greater visibility and recognition of the field of the social economy and constitutes a valuable tool for use by political decision-makers, the managers in the field and the specialists who study the field. Its replication in time and its extension to other aggregates should allow not only the systematic count of these enterprises and the evaluation - through various indicators - of their real

economic weight, but also the cartography of the branches of activity in which they operate.

The continued development and extension of this statistical tool should contribute significantly to the sustained efforts of the organisations of the social economy, not only Belgian but also European, coupled with those of the Belgian public authorities and European institutions, to give greater institutional visibility to the sector of the social economy. National and European policies would thus benefit from new light shed on a series of questions. Mention may be made here, for instance, of the evaluation of the necessity of a European status for mutual societies, of the model of the European cooperatives status; the best taking into account of the cooperative and mutualist models as forms of doing business, having to answer to the same conditions as any other enterprise of the rules of competition; the recognition of the active role of the cooperatives and the mutual societies in the European policy of social cohesion.

## **Annexes**

### **Annex 1. The nine principles of the companies that pursue a social purpose (CSPs)**

*“Companies with the legal personalities mentioned in Article 2, § 2, exception being made in respect of the Societas Europea (European Company) and of the European Cooperative Society, are referred to as companies with social purpose if they are not driven by the enrichment of their members and where their Articles of Association:*

*1° stipulate that members shall seek only a limited patrimonial profit or no patrimonial profit at all;*

*2° define precisely the ends to which the activities referred to in their social purpose shall be dedicated and not take as principal objective of the company the creation of indirect profits on assets for members;*

*3° define the policy of allocation of profits in accordance with the internal and external objectives of the company, in accordance with the hierarchy established in the Articles of Association of the said society, and the policy of building up of reserves;*

*4° stipulate that no-one may take part in the vote on the general assembly for a number of votes exceeding one tenth of the votes attached to represented shares; this percentage is reduced to one twentieth when one or more members are acting in the capacity of member of personnel engaged by the company;*

*5° stipulate, where the society creates a direct limited profit for its members, that the profit distributed to them may not exceed the interest rate set by the His Majesty the King in execution of the Law of 20 July 1955, establishing a National Cooperation Council applied to the amount actually released in ‘parts sociales’ and shares;*

*6° provide that, each year, the administrators or managers shall submit a special report on the way in which the society sought to achieve the objective that it has set for itself in accordance with point 2°; this report shall establish, inter alia, that the expenditure concerning investments, operating costs and remunerations is conceived in such a way as to favour the achievement of the objective of the company;*

*7° make provision for special rules and procedures allowing each member of the personnel to acquire, not later than one year after engagement by the company, the status of associate; this provision does not apply to members of the personnel who do not enjoy full civil capacity;*

*8° make provision for special rules and procedures whereby members of personnel no longer bound to the company by an employment contract shall lose the status of associate not later than one year of termination of such contractual bond;*

*9° stipulate that, after settlement of any liabilities and the reimbursement of their presentation to the members, the surplus from liquidation shall receive an allocation that most nearly approximates the social purpose of the company.”*

## Annex 2. Classifications of activity branches (NACE 2003)

### Classification A3 – (NACE reference)

<i>Code</i>	<i>Description of branch</i>	<i>NACE reference Rev. 1</i>
1	AGRICULTURE, HUNTING, FORESTRY and LOGGING; FISHING; and AQUACULTURE	A + B
2	INDUSTRY, INCLUDING ENERGY and CONSTRUCTION	C + D + E + F
3	SERVICES ACTIVITIES	G to P

### Classification A6 – (NACE reference)

<i>Code</i>	<i>Description of branch</i>	<i>NACE reference Rev. 1</i>
1	AGRICULTURE, HUNTING, FORESTRY and LOGGING; FISHING; and AQUACULTURE	A + B
2	INDUSTRY, INCLUDING ENERGY	C + D + E
3	CONSTRUCTION	F
4	WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES, MOTORCYCLES AND PERSONAL AND HOUSEHOLD GOODS; HOTELS AND RESTAURANTS; TRANSPORT, STORAGE AND COMMUNICATIONS	G + H + I
5	FINANCIAL, REAL ESTATE, RENTING AND BUSINESS ACTIVITIES	J + K
6	OTHER SERVICES ACTIVITIES	L to P

## Classification A60 – (NACE reference)

Code_Value	Code_Description
C01	Products of agriculture, hunting and related services
C02	Products of forestry, logging and related services
C05	Fish and other fishing products, services incidental to fishing
C10	Coal and lignite; peat
C11	Crude petroleum and natural gas; services incidental to oil and gas extraction excluding surveying
C12	Uranium and thorium ores
C13	Metal ores
C14	Other mining and quarrying products
C15	Food products and beverages
C16	Tobacco products
C17	Textiles
C18	Wearing apparel; furs
C19	Leather and leather products
C20	Wood and products of wood and cork (except furniture), articles of straw and plaiting materials
C21	Pulp, paper and paper products
C22	Printed matter and recorded media
C23	Coke, refined petroleum products and nuclear fuel
C24	Chemicals; chemical products and man-made fibres
C25	Rubber and plastic products
C26	Other non-metallic mineral products
C27	Basic metals
C28	Fabricated metal products, except machinery and equipment
C29	Machinery and equipment n.e.c.
C30	Office machinery and computers
C31	Electrical machinery and apparatus n.e.c.
C32	Radio, television and communication equipment and apparatus
C33	Medical, precision and optical instruments, watches and clocks
C34	Motor vehicles, trailers and semi-trailers
C35	Other transport equipment
C36	Furniture, other manufactured goods n.e.c.
C37	Recovered secondary raw materials
C40	Electrical energy, gas, steam and hot water

C41	Collected and purified water, distribution services of water
C45	Construction work
C50	Trade, maintenance and repair services of motor vehicles and motorcycles; retail trade services of automotive fuel
C51	Wholesale trade and commission trade services, except of motor vehicles and motorcycles
C52	Retail trade services, except of motor vehicles and motorcycles; repair services of personal and household goods
C55	Hotel and restaurant services
C60	Land transport and transport via pipeline services
C61	Water transport services
C62	Air transport services
C63	Supporting and auxiliary transport services; travel agency services
C64	Post and telecommunication services
C65	Financial intermediation services, except insurance and pension funding services
C66	Insurance and pension funding services, except compulsory social security services
C67	Services auxiliary to financial intermediation
C70	Real estate services
C71	Renting services of machinery and equipment without operator and of personal and household goods
C72	Computer and related services
C73	Research and development services
C74	Other business services
C75	Public administration and defence services; compulsory social security services
C80	Education services
C85	Health and social work services
C90	Sewage and refuse disposal services, sanitation and similar services
C91	Membership organization services n.e.c.
C92	Recreational, cultural and sporting services
C93	Other services
C95	Private households with employed persons
C99	Services provided by extra-territorial organizations and bodies

### **Annex 3. Classification of institutional sectors (ESA 1995)**

- S.1 Total Economy***
- S.11 Non-Financial Corporations*
- S.12 Financial Corporations*
  - S.121 The Central Bank
  - S.122 Other monetary financial institutions
  - S.123 Other financial intermediaries, except insurance corporations and pension funds
  - S.124 Financial auxiliaries
  - S.125 Insurance corporations and pension funds
- S.13 General Government*
- S.14 Households*
- S.15 Non-Profit Institutions Serving Households*
- S.2 Rest of the world***

## Annex 4. Corrections for conversion to ESA 1995 concepts

Type of correction	Heading on the basis of which the correction coefficient is calculated
(a) Removal of taxes on products and non-deductible VAT from "fiscal operating costs"	640
(b) Alignment of salaries of annual accounts with the salary mass of ESA 95	62
(c) Transfer of rebates for cash payment of profit or loss on turnover and purchases	70
(d) Removal of purchased products from turnover and purchases	70
(e) Removal or current capital gains or losses from other products and operating costs	74-740
(f) Removal of rents collected and paid from areas turnover and purchases	74-740
(g) Removal of R&D developed internally from P.1 and transfer of investments in purchased R&D to P.2	72
(h) Removal of donations from purchases	600/8+61
(i) Activation of software packages purchased or developed internally	72
(j) Transfer of formation expenses entered under assets to intermediate consumption	600/8+61
(k) Transfer of certain bank charges from financial costs to purchases of services	600/8+61
(l) Removal of the part of transfer of damage insurance premiums paid on purchases	600/8+61
(m) Removal of damage insurance compensation received from other operating products	74-740
(n) Transfer of subsidies of interests received from financial products to operating subsidies	740
(o1) Removal of excises on purchases, fiscal operating costs and turnover	70
(o2) Removal of turnover tax, fiscal operating costs and turnover in the pharmaceuticals industry	N/A
(o3) Removal of other taxes on production entered under turnover	740
(o4) Transfer to turnover of taxes on products entered under fiscal operating costs	740
(p1) Salaries in natura produced internally (increase of turnover)	62

(p2)	Purchased salaries in natura (removal of purchases)	62
(q)	Recording of gratuities paid in turnover and salaries	70
(r)	Transfer of shares paid out from profits to be distributed in purchases of services	600/8 61
(s)	Removal of purchased immovable assets intended for sale from turnover and purchases	70
(t)	Transfer of variations of stocks and investment assets produced internally to turnover	70
(v)	Removal of value added produced in a foreign country	N/A
(w)	Removal of stock evaluation differences	C_C (value added)
(x)	Additions (hospitals, original works, housing services, own accommodation, home services staff)	N/A
(y)	Increased charge for undeclared employment	C_C (value added)
(z)	Corrections in purchases and turnover beyond goods (public sales, games of chance, energy)	C_C
(aa)	Removal of difference between D.29/D.39 paid and received and insurance premiums	640
(ab)	Redistribution of protected workshops	N/A
(ac)	Grossing-up of outsourcing	N/A
(ad)	Intermediation between perspective of production and perspective of expenditure	640
SIFIM	Reallocation of intermediate consumption from FISIM to FISIM activity branches	C_B (intermediate consumption)

NOTES:

- N/A: correction not adopted for the study population;
- FISIM: Financial Intermediation Services Indirectly Measured;
- C\_C: gross value added in administrative concept (as described in Table 4/1);
- C\_B: intermediate consumption in administrative concept (as described in Table 4/1).

**Annex 5. Production and generation of income accounts by institutional sector and in total - Distribution by group of population, estimations at current prices, 2007 (thousands euros, %)**

	P1	P2	B1g	D1	D29	D39	B2g
<b>S11</b>	<b>3.027.382</b>	<b>2.546.076</b>	<b>481.307</b>	<b>360.906</b>	<b>10.484</b>	<b>119.805</b>	<b>229.722</b>
Group 1 'NCC' cooperatives	2.349.355	2.103.610	245.745	227.325	4.373	62.422	76.470
% population S11	78%	83%	51%	63%	42%	52%	33%
Group 2 CSP	678.027	442.466	235.561	133.581	6.111	57.382	153.252
% population S11	22%	17%	49%	37%	58%	48%	67%
Total S11 (%)	100%	100%	100%	100%	100%	100%	100%
<b>S12</b>	<b>1.121.564</b>	<b>661.365</b>	<b>460.199</b>	<b>256.443</b>	<b>5.886</b>	<b>60.292</b>	<b>258.162</b>
Group 3.1 mutual insurances	841.208	514.761	326.447	188.666	5.448	0	132.333
% population S12	75%	78%	71%	74%	93%	0%	51%
Group 3.2 health mutuals	194.283	63.171	131.112	37.049	0	60.260	154.323
% population S12	17%	10%	28%	14%	0%	100%	60%
Group 1 'NCC' cooperatives	86.073	83.433	2.640	30.728	438	32	-28.495
% population S12	8%	13%	1%	12%	7%	0%	-11%
Total S12 (%)	100%	100%	100%	100%	100%	100%	100%
<b>Overall total</b>	<b>4.148.946</b>	<b>3.207.441</b>	<b>941.505</b>	<b>617.349</b>	<b>16.369</b>	<b>180.096</b>	<b>487.883</b>

Notes: Only 2 CSP belong to sector S12; they were globalised with 'NCC' cooperatives of group 1.

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