A Global but not Spontaneous Firm: Co-operatives and the Solidarity Funds in Italy

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Abstract
Cooperatives are increasingly being recognized as important contributors to inclusive, sustainable and fair development. However, the cooperative movement faces a multitude of challenges, including lack of access to credit. The Italian cooperative sector features an important financing tool: the solidarity funds (Fondi Mutualistici in Italian). In 1992, Law 59 established these financial institutions that are owned by the cooperative associations. By law, all co-operatives have to transfer to the mutual funds (or to the Government if they do not belong to any co-operative association) 3% of their profits. In the past 25 years, the solidarity funds have been allocating large resources creating a financial virtuous cycle that could be inspiring for other nations. The solidarity funds promote innovative and inclusive cooperative practices as well as training and university education. Examples of similar initiatives can be found in other countries, mostly where the cooperation culture is more established. In this paper we look at Canada, France and the United Kingdom to further explore the nature and relevance of mutualistic finance.

Keywords: Non-bank financial institutions; Venture capital; Co-operatives; Labour managed firms; Employee ownership; mutual funds

JEL Codes: G23; G34; J54; L24; L31; N24; O16; P13
1. Introduction

Co-operative behaviours are spontaneous in human beings (Axelrod, 1984; Sigmund, Hilbe, 2011). Informal cooperation was also rather spontaneous, even frequent in many primitive, ancient and early modern societies (Boyd and Richerson, 2009; Douglas, 1986, Bowles and Gintis, 2013). At village or town level, the maintenance of waterways, the erection of public infrastructures, the harvests were often managed collectively on the basis of a principle of reciprocity and solidarity. In this paper we refer to the modern co-operative movement and to the management of co-operative firms.

Since Rochdale, the idea of running firms as a collective of workers or consumers spread across the globe including tiny island nations in the middle of the Pacific Ocean. But national and local co-operative movements rarely appeared spontaneously; the cooperative business model travelled across borders thanks to intellectuals, missionaries, politicians, philanthropists or books. The British Empire contributed to this diffusion among its dominions (Hilson, Neunsinger, Patmore, 2017; Birchall, 2011).

By the beginning of 1900 virtually in every nation the first cooperative and cooperative associations had been established. This was the case in the early experiences thanks to utopian Socialists like Owen, Fourier, Proudhon or Saint-Simon (Holyoake, 1875). Later, Communist, Socialist, Liberal and Cristian-democrat politicians or community leaders contributed to empower workers and consumers by suggesting them to organize around a cooperative business. Similarly, it was thanks to Cristian priests that the cooperative idea was disseminated. At times, when politics or religion were not involved, it was the owner of the firm itself to recommend workers to adopt a form of collective ownership; this was the case of John Lewis and many Italian firms that were donated to the workers on the condition of organizing them in the form of a cooperative (Paranque and Willmott, 2016; Cori et al., 2021a).

We argue that although cooperatives are spread virtually all over the world, they were not the result of a spontaneous emergence. On the contrary, cooperative firms spread and developed with the support of radical initiatives and an adequate institutional environment. Cooperatives have been flourishing the most in areas where they were supported by a so-called ‘enabling environment’: appropriate legislation, cooperative associations, targeted funding opportunities from members, cooperative banks, local, national and supranational institutions (Cori et al., 2021b). In this paper, we focus on Italy and, specifically, on one institutional ingredient: the presence of solidarity funds. They are a mutualistic financial institution devoted to the support of the cooperative
movement. They are funded by voluntary or compulsory contributions from cooperative firms.

There are national varieties and differences, but mutual solidarity funds usually operate with financial tools (loans, mortgages, equity participations) to support start-up or established cooperatives (Berranger et al., 2020). In some cases, they also support the cooperative movement more broadly by funding trainings, university programmes and research. While the solidarity funds were established to accumulate resources and to use them especially in periods of growth, their role is becoming increasingly important during crisis such as the 2007 financial crisis and the more recent recession triggered by the Covid-19 pandemic.

In section 2 we present the Italian case. In section 3 we briefly mention cases from Canada, France, the United Kingdom. In section 4 we offer policy recommendations.

2. **The Italian Solidarity funds: an experience of promotion and development of the cooperative movement**

The solidarity funds (*Fondi mutualistici* in Italian) have been introduced in Italy on January 31st, 1992, by the Law 59. They were born as institutions for the promotion and the development of the cooperative movement: on one side they were conceived to consolidate the cooperative sector in opposition to the escalating wave of privatizations of those years, with the purpose of making the funds vehicles of financing exclusively for the cooperative system. On the other side, the objective was also to provide the national cooperative associations with appropriate mechanisms to carry out their role (Bosi, 2012).

With the establishment of the solidarity funds, the legislator attempted to economically empower the cooperative sector to make up for its structural financial deficit through a specific backing mechanism; furthermore, this innovation contributed to render the cooperative associations more independent from political parties. As Bosi (2012) explains, in virtue of the Law 59/1992, cooperative enterprises are authorized *ex lege* to turn to a particular self-financing procedure, hence maintaining the public resources directed to the cooperative sector within its boundaries. Likewise, another important aspect is related to the premises of corporate growth that the regulatory measures aim to strengthen, levelling the competitive disparities (Thomas, 1990) between traditional capitalistic companies and cooperative
firms. The theoretical reasons behind the funding difficulties for cooperatives were analysed by Rey and Tirole (2007).

Through this innovation, the Italian legislator established in the legal system the so-called external mutuality (Genco et al., 2014). The idea of the external mutuality, with respect to the internal mutuality, stands for pursuing the general interest of the community towards human promotion and social integration of citizens. On a closer inspection, this novelty brings along the idea of a sacrifice, a transfer of resources from individual cooperatives to the entire sector for a higher good: it clearly represents a characteristic element, that we cannot find in the capitalistic counterparts (Périlleux and Nyssens, 2017) which tend to have easier access to standard capital markets.

There are many reasons why cooperatives can be considered different from standard capitalist companies (Bernardi, 2007; Novkovic, 2008). One of this is the so-called external mutuality. Cooperation among cooperatives does not necessarily mean an exchange of resources from one co-op to another; but rather the external mutuality can generate business growth and contribution to co-ops development in the community, sustaining the movement while creating a solid market environment for cooperatives (Lee et al., 2016).

The Italian *fondi mutualistici* find their roots in the ideology of external mutuality, the systemic solidarity between cooperatives, combined with the social purpose that the Italian Constitution attributes to them, tied with the intergenerational nature of the cooperative reserve capital specifically and more broadly of the entire co-operative movement (Genco et al., 2014). Hence, the external mutuality is reflected in the mutuality towards future generations, and the solidarity funds act as recipient and guarantors of these resources.

Solidarity funds are instituted by the Annual General Meeting of the cooperative associations; in that occasion, the fund’s endowment is deliberated, simultaneously to the definition of the terms of its separation from the association’s assets. In Italy, the admitted corporate structure is that of a joint-stock company, with some peculiar features claimed by law, such as the non-profit nature of the organization, the mandatory subscription of 80% of the equity by the related cooperative association, auditing activity conducted by the Ministry of Labor, and commitment to reinvest corporate profits.
In Italy, there are five active solidarity funds: Coopfond, Fondosviluppo, General Fond (the three funds of Alleanza delle Cooperative Italiane (ACI))\(^1\), Promocoop and Promocoop Trentina. Between 1992 and 1993, these financial institutions were established respectively by Legacoop Nazionale, Confcooperative Nazionale, Associazione Generale Cooperative Italiane (AGCI), Unione Nazionale Cooperative Italiane (UNCI) and, lastly, the Trentino Cooperative Federation. Even if Law 59/1992 established an earmarking to the activities of the solidarity funds, each entity allocates resources based on the different types of membership of the cooperative movement. For instance, Coopfond, Fondosviluppo and General Fond are the expression of different socio-cultural and political backgrounds, coming respectively from the socialist-communist, catholic, and liberal cooperative organizations. Nonetheless, the ideological divergences have diminished over the years, and the establishment of the Alliance in 2011 contributed to increase the synergies and joint efforts of the three associations.

Coopfond is the company that manages the solidarity fund associated to Legacoop Nazionale, holder of the entire 120.000 Euros share capital (Coopfond, 2016).

Fondosviluppo is the solidarity fund of the Italian Cooperative Confederation (Confcooperative), a joint stock company with 120.000 Euros share capital, whose shares are held for its 80% by Confcooperative and for the remaining 20% by Federcasse, the Italian Federation of cooperative credit and rural banks (Fondosviluppo website, see ref.).

General Fond is the joint stock company that runs the solidarity fund of AGCI, and it is owned for the 97,5% by the related cooperative association and for the 2,5% by Assoforr\(^2\), the National Consortium for Training and Research, that serves as educational agency (Museo virtuale della cooperazione website, see ref.).

The funds’ exclusive mission is to contribute to the start-up of new cooperatives and to support those already existing, creating the conditions for the development of the cooperative movement, promoting initiatives to enhance cooperation – particularly the programs focused on technological innovation,

\(^1\) The Alleanza delle Cooperative Italiane (ACI) is the national apex organization coordinating the three main cooperative associations in Italy (AGCI, Confcooperative Nazionale and Legacoop Nazionale). Overall, there are about 39.000 cooperatives associated representing 90 percent of the whole Italian cooperative movement in terms of employment (1.150.000 workers), turnover (150 billion Euros) and membership (more than 12 million people, 1 out of 5 Italians).

\(^2\) Source: Museo virtuale della cooperazione: https://www.cooperazione.net/museo-virtuale
employment growth and the progress of the most disadvantaged areas and of Southern Italy.

2.1. Solidarity funds’ sources of financing

The funds’ financial resources have several sources and different natures: allocated assets can be both private and public, and the resources can be either imposed or received as donations (Genco, 2008). In the following paragraphs, we consider the typical and general functioning of the financial management of Italian solidarity funds. However, there are also some singularities, as it is for Fondosviluppo, which has developed an ad-hoc system by virtue of the collaboration with the network of cooperative credit banks, thus not entirely following the same scheme.

The capitalization of the solidarity funds is supported by multiple sources. The largest one is the mandatory transfer of 3% of annual profits from member cooperatives and consortia. This is prescribed by article 11, paragraph 4, of the Law 59/1992. In 2018 the three solidarity funds associated in the Alleanza delle Cooperative Italiane (ACI) received 40 million Euros thanks to this provision. Additionally, the solidarity funds receive the remaining capital from member cooperatives that went into liquidation, in accordance with article 11, paragraph 5, of the Law 59/1992. There are also capital inflows thanks to donations or contributions, i.e. public financing for specific projects (Bosi, 2012). Besides the solidarity funds also earn profits from their own financial and capital investments.

**Figure 1 - Number of cooperatives associated and resources received by Coopfond by means of the 3% transfers (2007-19)**

![Figure 1](https://www.coopfond.it/documenti/bilanci-desercizio/?cp=1)

Source: Coopfond (2007 - Online financial statements3) – Online statistics.

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3 Available at: https://www.coopfond.it/documenti/bilanci-desercizio/?cp=1
Figure 2 - Number of cooperatives associated and resources received by Fondo Sviluppo by means of the 3% transfers (2007-18)

Source: Fondosviluppo.

Figure 3 - Number of cooperatives associated and resources received by GeneralFond by means of the 3% transfers (2007-18)

Source: General Fond.

As far as repayments are concerned, thanks to the activities carried out by Coopfond during the crisis – together with the reliability of the cooperative movement – repayment rates continued to be high, surpassing 48 million Euros in the last two years.

Overall, nearly 205,6 million Euros were repaid to Coopfond during the last ten financial years both through stakes in cooperatives or consortiums and reimbursing their loans, meaning that revolving procedures are a key aspect in order to maintain and to guarantee the sustainability of the solidarity fund, as shown in Figure 2.

Regarding Fondosviluppo, instead, the sizable disparity between the two indicators is due to the specialization of the fund, whose activity can be considered similar to that of a merchant bank rather than a typical bank. Indeed,
during the last 10 years, a relevant amount of the ‘lending activity’ was operated by credit cooperative banks (BCCs) through a specific agreement that allowed around 450 million Euros of loans for 150 cooperatives, notably for investments in medium and big cooperative enterprises (source: Fondosviluppo).


Source: Fondosviluppo.
2.2. Areas of intervention

The financing activity conducted by ACI’s solidarity funds aims at the promotion, at the development, at the entrepreneurial consolidation or at sustaining the integration of and between cooperatives. Measures might be carried out independently or in collaboration with other actors and in such a way as to ensure sharing risks; solidarity funds often offer a mutual guarantee to build cooperatives’ fixed assets (Galor and Sofer, 2019). They operate following different paths and instruments. The main strategies adopted, specifically with regard to the actions of Coopfond, are:

1. Revolving measures: the fund can grant financing ensuring time frames and modalities or, differently, it can acquire temporary shareholding in the capital of cooperatives, to sustain firms;
2. Equity: funds can also acquire stable participations in companies where the ownership is held by cooperatives with the aim to pursue the overall strategic objectives set for the cooperative movement;
3. Active promotion: the solidarity fund can offer non-repayable grants, with a fixed maximum amount per year (i.e. 2 million Euros with Coopfond), to initiatives of high social relevance and relevant to promote cooperative values and principles (Coopfond, 2016).

2.2.1. Revolving measures

Revolving resources are addressed specifically (but not exclusively) to small and medium cooperative enterprises, which often face problems in accessing the market of capitals. Usually, these loans benefit of subsidized rates, and by the time firms pay it back, the fund allocates the returns in other credits, thus regenerating itself.

In this field, interventions focus mainly on four pillars: creation of new cooperatives, development plans, corporate consolidation and restructuring, and, lastly, merging processes. In order to obtain financing from the funds, cooperatives have to elaborate and present a solid business plan.

Restructuring measures are put in place preferably with workers’ cooperatives as well as with cooperatives that do not have a completed plan yet, so to allow a punctual analysis of the entrepreneurial/industrial quality of the project and the possible intervention modalities by each fund. In the project assessment phase, particular attention is paid to the role played by the members in conferring new capital to the cooperative (Coopfond, 2016).
Fondosviluppo has a unique operating way on this area of action: indeed, the fund has special agreements with cooperative credit banks (BCCs), that are associated to Confcooperative: ordinary loans are always granted by the BCCs, while the procedures on nominal capital are carried out by Fondosviluppo itself (Fondosviluppo website, see ref.).

Overall, from 2008, Coopfond has financed revolving measures worth about 263,3 million Euros. Again, as recalled above, the effects of the economic crisis are notable due to the drastic decline in financing, especially after financial year 2010/2011 when Coopfond approved projects for 24,2 million Euros (about 40 percent less compared to 2009/2010). Most importantly, taking into consideration only the resources used to finance this first area of action and comparing numbers with those concerning the 3 percent, an interesting first comment arises: Coopfond, at least in these last financial years, has confirmed its redistributive role as laid out by Law 59/1992, keeping a high investment rate throughout the period.

In the last six financial years, Coopfond has supported 233 revolving activities for a total of 163,6 million Euros. Remarkable figures knowing that, in 2015, the operability of the solidarity fund was severely resized due to the effects originated from ministerial Decree 53/2015 on financial intermediaries. The Decree stopped the solidarity fund from financing new programs by granting loans to cooperatives and consortiums, limiting the activities only to investments through risk capital (Coopfond, 2015). Nevertheless, in 2017, the Ministry of Economy and Finance issued a new decree allowing the solidarity funds to start again granting credit to the cooperative movement.

General Fond, on its side, invests in the cooperative system a share of ¼ of resources inflow, which corresponds approximately to 550.000 Euros.

2.2.2. Equity

The solidarity funds can acquire stable equity participations in cooperatives aiming to pursue the strategic objectives or to promote instrumental activities in order to follow finalities and priorities in accordance with Law 59/1992 and their mission.

In particular, the funds tend to intervene preferably in initiatives that could be promoted in collaboration with other partners, external or internal to the cooperative movement, and between funds as well. Most importantly, they
cooperate to find such actors in order to increase the operational capacity and the financial effectiveness of investments supported (Coopfond, 2016, a).

Regarding specifically the activity of Coopfond, it receives and examines requests coming from subjects asking to be financed. When the project is financially viable and Coopfond considers it positively, the maximum amount that the fund can grant is set to 3 million Euros, unless otherwise specified by the board. Furthermore, the participation cannot be higher than paid-up capital by members of the cooperative or the consortium (Coopfond, 2020).

There are mainly two kinds of permanent participations depending on the actor involved: a financial partner or an industrial one. While the first has signed a higher number of agreements with Coopfond, the latter has received more than double the amount of money from the solidarity fund. However, the analysis should consider the fact that, in 2015, Coopfond has acquired stakes in one single actor (Cooperare s.p.a.) for 17,7 million Euros, resulting in a drastic increase in figures (Coopfond, 2016, b).

Comparing the total amount of investments promoted in this second area with revolving interventions, the latter receives nearly double the funding (146,9 against 73,5 million Euros in participations), confirming the difference in terms of ordinary and special nature of the two interventions.

2.2.3. Inclusive and responsible investments through the “active promotion”

The board of each fund can decide, each financial year, to allocate additional resources (for a total amount of 2 million Euros for Coopfond) in order to sustain several activities, most notably:

- Measures to potential beneficiaries aimed at improving the financing request or the access conditions to the solidarity fund;
- Measures to support cooperative entrepreneurship, especially in the Mezzogiorno⁴;
- Projects presenting a high social purpose or strong cooperative solidarity towards the entire community;
- Training, research and study programs, of particular interest for the cooperative movement, in accordance with article 11, paragraph 3, of the Law 59/1992, to be realized also granting scholarships (Coopfond, 2016).

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⁴ Namely the Italian regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sicilia and Sardegna.
All these activities might be carried out through the provision also in the form of direct grants. In particular, ACI’s solidarity funds jointly promote different post-graduate courses and master programs.

In the next section, we will identify similar schemes for the support of the co-operative sector in Canada, France, the United Kingdom and Spain.

3. Implementing solidarity funds: insights from Canada, France and the United Kingdom

In Italy, the co-operative sector is financially supported by mutual solidarity funds that finance several projects and initiatives, while providing backing activities and training. Moreover, since they are specifically dedicated to social economy enterprises and embrace their culture of cooperation, these funds represent an important alternative when standard financial institutions deny their support. Solidarity funds do instead ‘speak their same language’ and understand their logics (Financoop, 2017).

In his classification of reciprocity, Bowles (2004) presents a matrix with four entries, Figure 6. The success of the co-operative sector is based predominantly on behaviours driven by mutuality: Internal (among members) and external mutuality (among co-operators of different, independent co-operatives). For the co-operatives belonging to the social and solidarity sector, behaviours based on altruism are equally crucial. The solidarity funds were established to support the external mutuality and to facilitate the transmission of financial resources (among others) between more and less successful and developed cooperative firms.

Figure 6 - A classification of reciprocity

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<th>Individual cost</th>
<th>Individual advantage</th>
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<tbody>
<tr>
<td>Advantage for the others</td>
<td>Altruism</td>
<td>Mutuality</td>
</tr>
<tr>
<td>Cost for the others</td>
<td>Spite</td>
<td>Egoism</td>
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We argue that the Italian case is characterized by favourable conditions for the start-up or the consolidation of co-operative firms. Before moving to conclusions and recommendations, other national cases are reviewed.

3.1. Canada

The Canadian cooperative sector can rely on different initiatives and programs supporting social economy, also thanks to cultural factors that have contributed to shape the structure of national economy. The Canadian Co-operative Investment Fund (CCIF) has been recently established, in 2017, by the association Co-operatives and Mutuals Canada to bridge the financial gap that hinders cooperative economy. Joining up with other financial partners or providing grants autonomously by the current management of resources procured by its investors and borrowers, the main products stipulated by the fund are loans, equity investments in share capital, quasi equity financing with delayed return. With a capital of 25 million US Dollars, the primary projects supported aim to reinforce existing cooperatives, parallel to the efforts implemented to follow traditional companies through the reorganization towards cooperative structure.

In addition to the CCIF, from 2006, in Quebec, enterprises which are active in the social economy can borrow money from the trust Fiducie du Chantier created by the Chantier de l’Economie Sociale, similar in its role to a federation, whose loans are part of the so-called patient capital: loans are granted without warranties and to be paid back in 15 years (Harrison, 2013). Quebecois social economy is composed of co-operatives, mutual-benefit societies and associations; the trust’s lending activity is carried out following two main objectives. On one side, enterprises can borrow up to 250,000 US Dollars in order to face operational improvements, expansions and start-ups development; on the other side, the trust lending amount stretches to 1.5 million US Dollars to acquire real estate properties (Jeantet and Poulnot, 2007).

Data provided by the Réseau d’Investissement Social du Quebec (RISQ), a network partner-association of the trust, reports how these investments have disentangled other forms of complementary financialization (indeed, patient capital is accorded only if other sources of funding are available), with an estimated impact of 350 million US Dollars and more than 3,000 jobs created or preserved. The RISQ can allocate further resources offering loans on nominal capital (Bouchard and Zerdani, 2016). Between 1997 and 2017, the trust has allocated resources for 28,2 million US Dollars, directed to 1085 loans (RISQ, 2018). With an initial contribution of 30 million US Dollars from national
government, which is represented in the board of the trust, and the ongoing consultation with trade unions, the trust represents a positive case of dialogue and collaboration of different actors towards the support of social economy (Bouchard and Rondeau, 2003).

In addition to the instruments offered by the Chantier de l’Economie Sociale, the Caisse d’Economie Solidaire Desjardins (CÉCOSOL) is one of the main financial instruments of Canadian SSE (Ouellet, 2013). The fund, which has its roots in trade union movements and mainly acts as savings holder, contributes to support cooperative enterprises in partnership with other institutions such as RISQ. Desjardins Capitals, a cooperative investor in patient capital, provides the Canadian economy with an additional fund, Essor et Coopération, exclusively dedicated to the financing of cooperative firms (Guay-Boutet, 2019).

One further instrument of cooperative support engaged in activities all over the world, is the Co-operative Development Foundation of Canada (CDF), an international organization formed in 1947 and that partners with local entities in Africa, Asia and Latin America: the fund’s work, in the year 2017 alone, has reached 213.000 women, men and children. The impacts pursued shall have results in terms of food security and nutrition, local economic development, climate change adaptation and mitigation strategies, inclusiveness of financial opportunities, capacity building and peace development. Clearly, all the projects promoted have as a common denominator the cooperative model as an instrument of human and socio-economic development, designed to set the basis for long-term sustainability and empowerment.

3.2. France

Similar instruments to the financial tools used by Italian solidarity funds are the solutions adopted by French cooperative movements to promote co-op enterprises. Socoden is a financial institution (structured as a cooperative) controlled by the General Confederation of SCOP (cooperative and participative firms owned by the workers), and it exists to support and promote SCOP and SCIC (cooperative firms of collective interest). Socoden intervenes by means of participation loans with a payback period from 3 to 7 years and a total amount of 600.000 Euros; through equity shares (without voting rights); and by acting as guarantors for bank loans. As reported by the European Federation of Ethical and Alternative Banks and Financiers (FEBEA, 2020⁵), Socoden manages activities

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⁵ [https://www.febea.org/febea/members/socoden](https://www.febea.org/febea/members/socoden)
amounting to 15 million Euros of participative loans, 9 million Euros in equity shares and loans guarantees for approximately 50 million Euros.

Scopinvest and Sofiscop are two other main financial instruments in the General Confederation’s hands, which respectively operate with capital interventions, participatory shares and convertible obligations (Scopinvest) and to guarantee mid-term loans (Garcia and Beltramini, 2014). As reported by the General Confederation of Scop, Scopinvest has been created to support equity formation next to corporate investment, improve financial structure supplying resources, finance firms’ internal and external growth and strengthen firms’ nominal capital in times of difficulties.

French cooperatives can also rely on other instruments belonging to the social and solidarity economy. The activity of IDES (Institut de Développement de l’Économie Sociale) lies in interventions oriented to fund internal development and external growth of cooperative firms, associations and institutions of the SSE (Larpin, 2015). Managed by ESFIN Gestion⁶, IDES provides support in terms of equity, with an investment period between 7 to 12 years and for a maximum amount of 1.5 million Euros. Impact Coopératif is an investment fund controlled by ESFIN, in partnership with Bpifrance, the cooperative credit and the cooperative movement, and its projects mainly finance long term external growth and supporting workers’ buy-out, with investments extending up to 7 million Euros (ESFIN, see ref.).

Moreover, France’s additional contribution to the exemplification of alternative financial schemes in the social economy relates to pension funds. France, with an absolute supremacy of the public model, has been experiencing a gaining relevance of the so-called 90/10 Funds: between 90% and 95% of the fund is managed through traditional instruments, while a share ranging between 5% and 10% is to dedicate by law to social-economy entities (with exclusion of listed companies), that despite the modest profitability represent an important source of capitalization for the economy.

The path for the creation of these funds has started back in 2001, with the practical definition of which organisms could manage the mechanism and which could receive the investments; the final picture has been adopted in 2014 by means of a specific law regarding social economy⁷, legislating also on the overall mechanisms of accreditation, check and control.

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⁶ [http://www.esfingestion.fr/impact-cooperatif.html](http://www.esfingestion.fr/impact-cooperatif.html)

90/10 Funds have been increasingly stimulated until when in 2010 it became mandatory to include voluntary pension schemes for workers. From 2008 to 2015, the resources available to the 90/10 funds have increased from 898 million Euros to 6.067 million Euros, with contributions received by approximately 900.000 workers, as reported by the consultancy firm Finansol. Data available also document how, in 2015, the 6% of the resources received (a share of 354 million Euros) have been addressed to social economy projects: in turn, 40% of this amount has been allocated by financial institutions, and the remaining 60% is assigned through accredited institutions with a special role played by solidarity entities (i.e. cooperative banks).

90/10 Funds have been registering increasingly attention by the market, due also to the profitability in line with other products; as for the year 2018, total 90/10 funds deposits amounted to 9.3 billion Euros, with a six-fold increase in 9 years (Finansol, 2019).

3.3. United Kingdom

The English Coop Loan Fund has been providing accessible finance to the cooperative economy since 1973. It is structured as a company limited by guarantee and managed by the Co-operative & Community Finance, an independent organization entitled to conduct investment business.

Funding is voluntarily donated by Cooperatives UK, the largest British co-op network, by Co-op Midcounties, East of England Co-operative Society and Chelmsford Star Co-operative Society. The scopes of the fund are to promote the creation of new co-operatives, or to expand the already existent ones, as well as to aid during workers’ buy-out procedures, and to help with property and capital equipment purchases. The loans granted by the fund can reach a maximum amount of 85.000 Pounds, are assigned unsecured, with no personal guarantees, and are flexible with regard to lending terms (Co-op Loan Fund’s website, see ref.).

One of the key elements of cooperative capitalization in the United Kingdom are the community shares, redesigned and strengthen in 2009 by the federation Cooperatives UK and the central Government, together with local and community work associations. The functioning of the community shares is in practice similar to consumer cooperatives; however, they have integrated different kind of services and activities which are considered vital by the dwellers and inclusive in the socioeconomic framework of their neighbourhoods: a pub,
a vegetable garden, a cultural center, solar panels’ installation and many more (McCulloch and Wharton, 2020).

The mechanisms through which funds have been raised is somehow analogous to the public offer of Exchange stocks, with the involvement of popular investors led by the interest of ameliorating the community. Since 2009, cooperative projects have been financed with 150 million Pounds, raised by over 500 firms which received contributions of 150.000 investors in the UK (Borkin, 2019): the owners of community shares are the owners of the cooperatives and associations constituted, managed through the cooperative principle of “one head, one vote”. Moreover, shares cannot be freely sold, unless if purchased by the entity itself and never at a higher price, in order to avoid enrichment from the operation; what is instead admitted is to pay back returns on the shares if the solvency is guaranteed and maintaining the interest rate at the minimum advisable to attract investors (two points below the standard bank interest, with a maximum of 5%).

The British case positively embodies the capability of redesigning traditional financial instruments into vehicles to support and enhance the values of social economy. The Co-operative and Community Finance, since 1973, financially supports co-operatives and social enterprises with loans up to 150.000 Pounds: no personal guarantee is required, the only criteria demanded is the employee or community ownership of the business and the democratic control over entrepreneurial exercise. Owning a capital of over 4 million Pounds, the fund promotes projects whose area of action spans from renewable energy co-operatives to community-owned shops, pubs and facilities, but also invests in employee buyouts and workers’ co-operatives. Resources are acquired mostly by private investors, who seek to commit their capital to ethical sources of finance: indeed, one of the peculiarities of this fund is its potential ability to pay back dividends (Co-operative & Community Finance, 2019).

3.4. Spain

For the purpose of our analysis, we have additionally taken into account the case of Spain regarding mutual funds. Notwithstanding, the Spanish experiences do not represent close similarities with the Italian case of solidarity funds for the cooperative enterprises.

In fact, the main organizations are active in the social economy promotion, with most attention to social enterprises, supported by solidarity mutual funds; yet, those agencies are not specifically in support of the cooperative sector, even if
within their activity relevant investments are dedicated to cooperative enterprises (Lopez-Arceiz et al., 2017), but they are more engaged in supporting social and solidarity associations and enterprises.

3.5. The importance to access capital and funds to support the role of cooperatives

The mutual funds have proven to be a stimulus for cooperative and social economy in Italy and in other countries (ILO, 2011). Since their institution, they have actively supported thousands of cooperatives, as we have mentioned in the previous paragraphs, and strengthened various sectors with the primary goal as it is also declared by the Italian constitution, art. 25: the social function of cooperation.

Cooperatives respond to modern challenges, with their engagement in social inclusion activities (such as offering job opportunities to migrants or through work integration coops for workers at risk), environmental conservation, climate change adaptation and mitigation projects (renewable energy cooperatives, organic farming), reinforcement of local communities (community cooperatives), green and circular economy (Borzaga and Spear, 2004; Huybrechts and Mertens, 2014). Many of these positive experiences have faced obstacles in the access to capital, primary in the start-up stage, and the financial support of mutual funds and joint backup options turned business plans into reality. Indeed, in times of crisis, cooperatives not only have shown to be resilient and solid economic agents (Roelants et al., 2012), but have also demonstrated their role in developing modern experiments, acting as social agents for economic, social and environmental purposes (Gertler, 2004). Indeed, many of the cooperatives financed by the mutual funds have in common to adhere, both in the practice and in the objectives of their projects’ execution, to the United Nations Sustainable Development Goals (SDGs) and the overarching framework of the Agenda 2030 (Imaz and Eizagirre, 2020).

Since their establishment, solidarity funds have responded to the cooperative issue of ‘financialization’, supporting a new financial structure that appears distinct from the common financial architecture. Likewise, cooperatives’ democratic ownership and governance, alongside their engagement oriented towards social and environmental goals while earning returns, highlights the differences with traditional private enterprises. Many of the financial instruments supplied by solidarity funds, discussed in the previous paragraphs, are often similar to those of the conventional financial framework, while at the same time they prove elasticity of adaptation for the social economy purposes,
which typically need patient or long-term capital, or quasi-capital support (Mendell and Nogales, 2011). A further aspect to take into consideration are the positive features associated to a more diverse sector of financial services in terms of corporate ownership structure and business models, enhancing greater stability, higher responsibility, reduced systemic risk and better access to financial services (Michie, 2011).

4. Conclusions

In this paper we have described the origin and the role of the Italian solidarity funds. We have also offered an outlook on similar financial mechanisms in Canada, France, UK and Spain. We argued that in the Italian case they proved to very helpful.

Since their establishment in 1992, these mutual finance funds have been putting in practice the principle of external mutuality and they have supported the start-up and growth of cooperatives in every sector and every region. This tool could be easily replicated elsewhere in the world, regardless the stage of development of the cooperative movement there.

The mechanism allows to facilitate the capitalization of firms that otherwise might have difficulties and guarantees that resources are not wasted once a cooperative ceases to exist. The Italian policymaker was particularly brave to establish such a regulation in 1992. That was the time where in many western countries the cooperative model appeared obsoleted and doomed to extinction. In that decade in the UK, for instance, we observed a process of demutualization that led old building societies and cooperative unions to transform themselves into standard financial institutions. The co-operative financial institutions in Great Britain were considered obsolete then. Instead, their transformation into standard banks contributed to the financial crisis of 2007. For instance, the tragically famous Northern Rock was originally a building society; it demutualised in 1997 and became Northern Rock bank. It had to be nationalised in 2008 and was later sold to Virgin Money.

While the solidarity funds worked very well in the past three decades and proved very important particularly during the 2009 and 2020 crises, further research about their future role would be welcome.
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