Understanding the role of Cooperatives
Background

• To tackle local issues such as urban poverty, social inclusion and the lack of essential public services
• Cooperatives have inherent advantages in tackling the problems of poverty alleviation, food security and employment creation

• Netsafrica programme (2011-2013) pilot project in Wattville & Actonville: VukaNkonza recycling cooperative

• Twining agreement between RGT and City of Ekurhuleni
  Implemented by Oxfam
Background

ACTIVITIES
Partnerships Oxfam, Ekurhuleni, European Union (co-funded)
- Formation of a project Interdepartmental Unit – Local Economic Development, Waste Management Services, Environment Department
- Involving recycling cooperatives
- Capacity Building - Cooperatives and Officials
- Development of a recyclable waste collection plan and promotion separation of waste at source
- Development of a performance agreement between Coops and the City
- Development of a sorting site and provision of basic equipment
Replication of the Model

- Replicate, strengthen and scale up approaches, methodologies, capabilities and networks already developed in the pilot project
- Influence for the inclusion of cooperatives as actors in Municipal waste management
- The action was replicated in Tembisa
- 3 Cooperatives benefitted from the project: Matshupatsela, Tiyisetsang and Minenhle Cooperatives
- Coops are women led with women membership around 70%
- Municipality co-funded the project and provided land for the construction of the sorting facilities
The Cooperatives

- 4 equipped sites
- 89 Cooperative members
- Kerbside recyclable waste collection in the area and adjacent areas
- Support to other cooperatives
Challenges

- Project timelines
- By-in from households in terms of the separation at source
- Domination by private players
- How to attract young workers at a time when youth unemployment is high
- Inaccessibility of business development funds
- Lack of skills
- Competitions from informal pickers in the same area of operation
Cooperatives play a triple role: as economic actors they create opportunities for jobs, livelihoods and income-are clearly instruments that provide a direct stake in major economies for people and communities;

-As social organizations built on a common goal and a common bond they extend protection and security, and contribute to equality and social justice;

-And as democratically controlled associations of individuals they play a constructive role in communities and nations, in society and politics

-They create powerful incentives for local social cohesion and Co-operation, at regional and national levels
CONNECTING, LEARNING AND SUSTAINING

– Identification and involving Cooperatives already working in the sector
– Skills audit and capacity building
– Partner with Local Government
– Linking Coops to available resources – Private companies in the sector and Government agencies which support Coops
– Sharing of best practices
– Continuous capacity development and monitoring
– Opportunities-provision of basic services and tap into other sectors
– Create of more employment opportunities
– Time
– Long term sustainability of the coops
- more than 7,500 co-ops

- 10% of the workforce is employed by co-operatives

- 2 out of 3 inhabitants are co-op members

- 30% of the region’s GDP is produced by Coops
Different type of coops in different sectors:
- Coop Chain of restaurant and catering for schools, hospital/health structures (200), hospices, catering for big private companies (CAMST): is operating since more than 70 years with 6000 members and annual sale of 374 million USD;
- Coops bank (Emilbanca): It operates through 84 branches
- Grocery chain (COOP): it represents the 20% of market share, it is owned by its 7.4 million consumer members across the country. The biggest grocery chain
- Insurance Coop (UNIPOL): The second largest in Italy
But, the region has also a **very strong private sector** as Ferrari, Maserati, Ducati, Lamborghini, Parmesan Cheese, Barilla pasta…

Big Coops System and Strong Private Sector co-exist and interact
What made and still makes the coops system strong despite the current crisis and the growing of the corporate capitalism?

(2013 report from the European Research Institute on Cooperative and Social Enterprise: Employment in Italian cooperatives increased by 8 percent between 2007 and 201: creation of new cooperatives)

1850: self-help groups; fraternity/mutual solidarity groups and an high values agricultural networks of small and medium size enterprises;

Today: the coops movement is a system represented by a complex, intertwined cooperative network where cooperation and complementarity prevail on the self interest, maximization and centralization;
Today, the network system gives the advantages of scale without over-centralization;

In the past, it was rooted in a context of political commitments and values: the Italian socialist/left size party, the Catholic Church and strong Academic World (University of Bologna, founded in 1088): solidarity values that survived to the dark years of Fascism and Second World War.

Today, still strong communitarian ideology and principle: People at the Centre and Cooperation, First
Network of different types of Coops:

**Users coops.** Composed by people who use the product/service of their cooperative. They can be in retail trade, utilities, credit, insurance, and housing. Members appoint managers and dependent workers. Capital is advanced by members, who do NOT need to make a large individual contribution (because generally there is a large number of members). The cooperatives can get the goods and services at the best price, avoiding a costly intermediation, and responding to the needs of the members. It is most successful type.

**Italian grocery chain COOP:** members’ loans was key (and is still key) in covering more than half of the necessary funds for establishing it. The whole enterprise is owned by its 7.4 million consumer members across the country.
Network of different types of Coops

**Producers coops.** Formed by members who produce in a private company of their own and then confer into a coop, which is responsible of buying inputs, marketing, and often processing the outputs. The best example is given by farmers coops/agro-processing, which increase the market power of farmers contrasting monophonies, and minimalize the costs of processing the products.

**Workers coops.** Workers are suppliers of capital and participate directly into management. Workers coops, especially manufacturing coops, are now NOT so diffused due to the standardization of products, processes of production which requires huge physical capital, and the large economies of scale which can be provided by huge corporation that aims at maximum profit. Workers coops in providing services are more successful, where standardization is less important, size of companies smaller, economies of scale less important.
**Social Coops:** they are quite new (90s). They have been formed
to deliver social services (mainly in the social-health and educational sector) to local communities, and
to create opportunities to work for people with special needs.

The comparative advantage of this coops is mostly based on intrinsic/internal motivations of the coops members.

Social service coops are normally not big and rely on networks and partnership (PPP) with the local government in social services delivery.

Physical capital needed is often modest, while human capital is extremely important.
Established by the civil society as a consequence of the financial crisis on the welfare state system resulting in higher cost and low quality of the social services.

The State only stepped in with legislation later on. The social coops are quite widespread because the *satisfaction of the recipients of services is high, *cost to the public authorities is lower than keeping the services in-house, *intrinsic motivations of workers is high.
COOPS LEGISLATION: A KEY ASPECT

1948: Constitution: Strategic role of cooperatives is recognized and State support for cooperatives is guaranteed.

First laws: Defined the rules for coops (one head/one vote, a minimum of nine members, ban on members who had a private business in the same field, a ban on distribution of indivisible reserves, compulsory registration for being subsidized….

1971, the “small reform” Law: recognized members’ loans as a crucial element to increase capital available to coops. This was agreed upon with the Bank of Italy, because coops started performing some of the role of banks, and implied a lighter taxation of deposits with coops compared with normal banks.
COOPS LEGISLATION: A KEY ASPECT

1977 Law exempted profits saved by cooperatives from taxation and obligated cooperatives to shift 3% of profits to a cooperative development funds managed by co-op umbrella federations, for reinvesting in existing coops/network or in new ones.

1983 Law granted to cooperatives the permission to fully own or have a majority stake in a capitalist corporation.

1985 Law saved jobs by turning private companies into co-ops through public subsidies.

1991 Law recognized social cooperatives.

Growing globalized capitalist economy: the legislation is evolving trying to keep the spirit of solidarity and cooperation together with the need for the coops to stay in the market and being competitive.