



CONSULTATION PAPER ON  
**CO-OPERATIVE  
SOCIETIES**

**2010**



KOPERATTIVI  
MALTA

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# PREFACE

The intention behind writing this paper was not to re-invent the wheel but to make constructive recommendations based on established and thriving co-operative initiatives in other countries which are backed by political, social and economic structures conducive to successful collaborative enterprise. World-wide, co-operative societies have shown that they can go one better than comparable private sector enterprise as long as they are permitted to compete on a level playing field in the right social, economic and political environment.

*Is-sħab fl-ajru!* Maltese society appears to be operating in a culture which tends to promote individual rather than co-operative effort. In contrast, Koperattivi Malta believes that there is strength in unity and, where the co-operative model of doing business is used, the sky's the limit. Collaborative enterprise, which offers not only personal satisfaction and adequate financial gain but also benefits the country's social structure, is a challenge. Koperattivi Malta calls on the government to aid it in its endeavours in the promotion of co-operative enterprise which is based on teamwork, collaboration and the collective good rather than on individual success.

Koperattivi Malta considers the success of co-operative enterprise in Malta to be directly proportionate to the ability of such societies to compete with other types of enterprise. In view of this, this paper invites the government to consider changes that improve co-operative legislation, create strategies and incentives which are co-operative friendly and to generally provide assistance in the promotion of collaborative enterprise in Malta.

Moreover, government is called upon to include co-operative societies, through Koperattivi Malta as their representative organisation, in the formulation and revision of legislation, policies and regulations in all sectors and also to formally recognise co-operative societies which command a significant national representation of their sector through their member-numbers. Additionally, government is invited to revise its institutional framework in order to allow for the registration of co-operatives in as rapid, simple, affordable and competent a manner as possible.

It is a fundamental principle that co-operatives and their representatives manage their co-operative support services in an autonomous manner and contribute to their financing through their statutory contribution to the Central Co-operative Fund. Government must recognise and uphold this principle. This may be achieved if the Central Co-operative Fund is fully controlled by the co-operative movement in order to guarantee the appropriate employment of funds in response to the needs of the co-operative societies and their members. Government is to retain an observatory and monitoring status.

The benefits to be reaped by government in assisting co-operative enterprise in Malta include an increase in job opportunities and a decrease in unemployment, an increase in job security and



a decrease in worker exploitation, the on-going provision of life-long education and training to co-operative members and employees, an increase in a more flexible workforce, a decrease in flow of profits out of the local economy, and a far more equitable distribution of wealth.

Finally, Koperattivi Malta is determined to put Maltese co-operative enterprise on the global map. It is Koperattivi Malta's ambition to be recognised by the International Co-operative Alliance as the Mediterranean Hub for Co-operative Enterprise. The support of government is of paramount importance.

Throughout this document Koperattivi Malta invites government to take the initiative to empower co-operative enterprise in Malta, through appropriate schemes and incentives, as well as through an adequate and progressive legal framework, in order that its users may contribute to the economy on the same level playing field as other participants for the benefit of the individual and the community at large.

Most of the changes to co-operative legislation proposed in this paper are based on the European Co-operative Society Regulations. Discussions in the preparation of this paper took into consideration, in the main, the government pre-budget document 2011, Vision 2015, EUROPE 2020, the 1995 International Co-operative Alliance Statement on the co-operative identity, 2002 ILO Recommendation No. 193 on the promotion of co-operatives, and 2001 UN Guidelines aimed at creating a supportive environment for the development of co-operatives.

This paper is the result of a truly co-operative effort of the Council Members and staff of Koperattivi Malta and includes suggestions made by its member co-operative societies and individual co-operators.

**Rolan Micallef Attard**  
Secretary General - Koperattivi Malta

15<sup>th</sup> October 2010

# 1. PROPOSED AMENDMENTS TO MALTESE CO-OPERATIVE LEGISLATION

## 1.1 The co-operative legislation

Unlike some other EU Member States, Malta is fortunate to have specific legislation that regulates co-operative societies. The co-operative model is further protected in the declaration of principles in the Maltese Constitution.

The Co-operative Societies Act (Cap. 442), enacted in 2001, has not been reviewed to date. Following Malta's adoption of the Council Regulation No.1435/2003, the Government of Malta and the co-operative movement felt the need to review the Co-operative Societies Act. However, the consultation process between the stakeholders for the revision of the legislation was shelved following the 2008 general elections. A great deal of time, effort and money were invested, both before and during the consultation process. Koperattivi Malta believes that the effort to re-ignite the consultation process to amend the Act should be of benefit to all functioning co-operative societies. The new ideas proposed in this section of this document could be a catalyst that should open the road to the creation of co-operative enterprises operating in various sectors of the economy through diverse co-operative forms.

This section considers the major legislation changes that would benefit the co-operative movement thus bridging the gap with other European legislation. This section is in no way exhaustive. Most of the proposals to the Act that Koperattivi Malta is suggesting in this section should enhance the legislation in such a way as to introduce concepts which should attract the creation of co-operative models relatively new to Malta. In most cases, and because of the very nature and purpose of the proposals, it is possible for the clauses in the Act to be written in such a way so as to offer them on an optional basis, thus not disrupting the current realities of the so-called traditional co-operatives that might resist the change were these proposals to be imposed on their societies. In other words, co-operative societies that resist or prefer not to introduce certain criteria or concepts should, in the main, be left free to retain the old practices.

## 1.2 Definition of co-operatives

The legislation is to clearly define co-operative societies by differentiating them from capital-structured organisations, non-profit organisations, voluntary organisations and other self-help organisations. The legislation is to recognise that although they follow the same seven co-operative principles, the various co-operative societies may have diverse objectives and therefore vary considerably in the type of governance. Co-operatives may be categorised into various models mainly: producer co-operatives, worker co-operatives, consumer co-operatives, and social co-operatives.

### **1.3 Formation of co-operative societies**

According to current legislation primary co-operative societies cannot be formed or remain in existence unless a minimum of 5 members are registered with the society. This restriction applies to all forms of co-operatives. In line with other European countries and in view of the Maltese economic realities, Koperattivi Malta believes that this member size limit hinders the formation of certain potentially successful co-operatives. Potential founder members have to look away from forming a co-operative model and look at other legal forms. Koperattivi Malta is therefore proposing to reduce this limit to 3 members, at least with respect to worker co-operatives. Higher or similar levels of minimum membership numbers for consumer, producer and social co-operatives, could also be considered.

Application for registration together with the list of founding members, statute and bylaws, a report of the proposed economic activity, a feasibility study of the society and a statement of the qualifications of members of the committee of management are to be submitted to the Co-operative Authority (see 1.18 below) for registration, ideally after having been vetted by Koperattivi Malta.

### **1.4 Qualification for membership in co-operative societies by commercial partnerships**

The current legislation imposes that, where the statute so permits, a commercial partnership may qualify for membership of a co-operative society on condition that the operations of the commercial partnership are wholly or mainly similar or equivalent to the operations of the co-operative society. Attempts to form co-operative societies having commercial partnerships as members pose a doubt as to whether these societies would be within the permissible legal parameters imposed by the Act due to the difficulty of interpretation of what constitutes “wholly or mainly similar or equivalent ... operations”. Co-operative principles state that co-operative societies are intended to promote the economic interests of their members or their social or cultural aspirations. In this scenario, Koperattivi Malta calls on the government to define policy in line with international co-operative principles.

### **1.5 Introducing the concept of subsidiary co-operative societies**

The current legislation does not permit a co-operative society to own a subsidiary co-operative society. Ironically, the legislation makes it possible for co-operatives to purchase shares in limited liability companies, which companies would promote, complement or advance the objects of a parent society. Government and the co-operative movement are to study in depth the concept of subsidiary co-operatives (differentiated from secondary and tertiary co-operative societies).

### **1.6 Conversion of commercial partnerships to co-operatives and vice versa**

Currently legislation gives the power to the Minister to make regulations establishing the procedures for the conversion from commercial partnerships to co-operative societies and vice-versa. These regulations have never been enacted and it is Koperattivi Malta’s view that the consultation process is to focus also on this mechanism.

### **1.7 Co-operative governance**

Legislation imposes that the composition of the committee of management of co-operative societies stands at a minimum of three members and a maximum of nine members democratically elected from amongst the co-operative members. The current legislation does not permit non-members to sit on the committees of management of co-operative societies and does not stipulate whether the members of the committee of management require any technical know-how. The Act compensates for this lacuna by introducing the concept of hiring a Manager to assist the committee of management, but once again the Act does not impose any technical know-how on the Manager. The Manager, on the other hand, is invited to committee of management meetings and has no decision making powers. One of the secrets for the success of co-operatives is for their committee members to be professional and proficient in the conduct of their duties since they carry the responsibility of: managing the capital of the co-operative, providing valuable services to the members of the society, and, respecting the statute and bylaws. Legislation is to consider optional the possibility of introducing the concept of voting non-users and/or non-members on the committee of management. These would be an asset in certain types of co-operative societies, such as social co-operatives and societies whose members lack management skills. It is being suggested by Koperattivi Malta that such non-user and/or non-member committee members are to occupy not more than 25% of the seats of the governing body and that their votes at the meetings are to carry not more than 25% of votes of the full complement of the committee of management.

### **1.8 Protection from corporate drones**

Inquiries into the working or financial condition of a co-operative society are currently the legislative prerogative of the Co-operatives Board (Board). The Board may conduct an inquiry if it deems that there are reasonable or sufficient grounds to do so, or on the specific request of the society's members. What triggers off an inquiry in the legislation is not very clear and is open to interpretation and is therefore to be addressed. The Board is also duty bound to bring irregularities or mismanagement to the notice of the society, to the secondary society and to Koperattivi Malta (if that society is a member of the Federation) in order to protect the interests of the society's members. It has also been proposed to Koperattivi Malta that management co-operative audits should be conducted by co-operative auditors appointed by Koperattivi Malta, as per its statute. These proposed management audits are meant to determine whether the society's management have followed co-operative principles, whether the members' interests are being given top priority in contrast to the preservation of management positions. While Koperattivi Malta believes that there is a legislative mechanism in the hands of the members to trigger off an inquiry which should protect the interests of vulnerable co-operative members from so-called corporate drones, government and Koperattivi Malta should commence discussions as to whether the right climate exists within the co-operative movement to transfer this function from the Co-operative Board to Koperattivi Malta (as in Germany and Italy).

### **1.9 Committee of management members' remuneration**

Although legislation currently allows committee of management members to receive allowances and honoraria, it prohibits such members from receiving a wage or salary from the society except where the members of the society are also the employees. This part of the legislation could potentially discriminate against co-operators who could be employed with their own co-operative society and could also effectively contribute towards the running of the co-operative. Government and Koperattivi Malta should institute a serious debate on the matter utilising case studies and real-life scenarios.

### **1.10 Surplus distribution**

The Act currently does not allow for the distribution of prior-year surpluses put aside for investment purposes, except for special cases such as on liquidation of the society. This limitation creates an automatic imposition on management to distribute all surpluses to its members at the end of each financial year. Legislation is to allow for the distribution to the society's members of all gainfully earned prior years' surpluses. Koperattivi Malta is suggesting that co-operative societies should be in a position to choose not to allow any distribution if the members so wish by entrenching this limitation within their statutes. This is the norm in co-operative social enterprises and consumer co-operatives.

Some traditional producer co-operatives prefer not to utilise this option within their co-operatives and would prefer co-operative management to decide on the annual surplus distribution of the society when the financial statements are made available to its members. Currently, undistributed surpluses are automatically placed in the undistributable reserves. It is relevant to point out that in cases where management has not taken the right decisions during the year or in a prolonged austere economic climate wherein the financial statements do not show a surplus, the previous years' undistributed funds ploughed into the society are currently not in any way available to its members. In times of economic crises there could be a situation when a wealthy society is unable, because of this statutory restriction, to really safeguard the interests of its members, in line with co-operative principles, by utilising funds originally generated by those same members. The reality is that these individual members might be led to choose to wind up the society in order to recuperate a portion of the excess surplus, if at all possible.

### **1.11 Reserve Fund calculation**

Legislation is to fine tune the manner in which the Reserve Fund is calculated by:

- allowing the Reserve Fund to reach a minimum, equivalent to the value of the share capital only, and
- introducing a calculation mechanism, where it would be possible to reduce the surplus of an accounting period by the deficit brought forward from the previous accounting periods.

Currently the Act imposes that the Reserve Fund is to be tied up in liquid assets (i.e. interpreted as “cash or bank deposits”) equivalent to the share capital and 20% of the borrowed capital of the society. This practice, which finds its origins in the concept that every member is free to leave the society at will and therefore should have the nominal value of the share capital readily available, is counter-productive. It is Koperattivi Malta’s view that share capital and borrowed money is intended as working capital to be utilised in an economic activity or project that is expected to generate surpluses, and not hived away.

### **1.12 Patronage refund**

Legislation is to introduce a clear concept that patronage refund may be distributed also on the basis of services performed by the members for the society, which is particularly relevant for worker co-operatives.

### **1.13 Distributions on winding up**

Legislation is to allow, if the statute so permits, for the distribution of all prior years’ surpluses to the worker co-operative society’s members on winding-up, yet allowing the concept, if the statute so imposes, that the assets of the society may be distributed in accordance with the principle of disinterested distribution, that is to say, to another co-operative society pursuing similar aims or general interest purposes, rather than to the Co-operative Societies Liquidation Fund.

### **1.14 Transfer and capitalisation of reserves**

The amendments to the Act are to allow, on an optional basis, for the transfer of reserves originally transferred out of the distributable surpluses to be reinstated as distributable surpluses within the available surplus, for the benefit of its members in certain types of co-operative societies, such as producer and worker co-operatives. The mechanisms could also allow for the capitalisation to its members of all or any part of the available surplus, following a decision taken at a general meeting in accordance with the quorum and majority requirements necessary for an amendment of the statute.

### **1.15 Central Co-operative Fund 5% distribution**

Currently all societies contribute 5% of their annual surplus to the Central Co-operative Fund. Legislation does not allow for a calculation mechanism whereby prior years’ losses are deducted from that year’s surplus. Societies have complained about this calculation mechanism and have suggested that Koperattivi Malta proposes that this new calculation be adopted. Some co-operative members have suggested that the 5% contribution to the Central Co-operative Fund be capped. Koperattivi Malta has not yet pronounced itself on this issue as it does not have the necessary economic data to arrive at an informed decision. Another option would be to reduce the 5% contribution to 3% as in other countries rather than creating a capping for the time being. Koperattivi Malta invites government to initiate discussions after performing the appropriate research.

### **1.16 Accounting and audit matters**

Currently audited financial statements are effectively presented to the Board within 6 months of the closing of the financial year of the co-operative societies. This issue is to be revisited in the light of the fact that other commercial entities present their financial statements for registration within 10 months of the closing of their financial year.

It has been proposed to Koperattivi Malta that the audit function of all co-operative societies should be controlled by the Federation (as in Germany) and that the Federation would assign specialised co-operative auditors to audit co-operative societies. Government and Koperattivi Malta should commence discussions as to whether there is the right climate within the movement to introduce this concept in the legislation.

Koperattivi Malta is aware that the statutory audit requirement for SMEs is an issue being debated in Malta between The Malta Institute of Accountants, the Accountancy Board and government. Koperattivi Malta is not aware that any person representing co-operative societies has been involved in such negotiations. Koperattivi Malta has not been consulted on the matter, and it is imperative that government involves Koperattivi Malta's officials in this process. Proposed Legislation is to be drafted in such a way that in the event that this exemption is allowed (for reasons of reducing compliance costs) there should be an enabling mechanism to adopt such a concept through changes in subsidiary legislation, without the need of changes to the Act.

Legislation is to introduce the concept of social co-operative auditing as an optional concept. This task may be carried out by Koperattivi Malta in line with its legislative remit, statute and international custom.

### **1.17 General Accounting Principles for Smaller Entities (GAPSE)**

The recent amendments to the Accountancy Profession Act allows less onerous annual financial statements reporting requirements (in force for accounting periods commencing 1<sup>st</sup> January 2009) in line with the 4<sup>th</sup> Council Directive, allowing the use of an alternative, GAPSE, rather than using GAAP (General Accepted Accounting Principles) such as IFRSs (International Financial Reporting Standards) as adopted by the EU.

These amendments have not yet been made accessible to co-operative societies via the necessary legislation. The Co-operative Societies Act still refers to GAAP as International Accounting Standards which have been superseded years ago by the IFRSs.

The amendments in the legislation are to adopt these changes in line with national practices and because of the continuous changes to the IFRSs, the standard financial statements' formats in the legislation are to be revised, abolished or defined within subsidiary legislation.

### **1.18 The Co-operative Authority**

Koperattivi Malta is conceptually in agreement with the idea raised by the Commission for the Advancement of Co-operatives in Malta (Commission) that the Co-operatives Board is to be converted into a Co-operative Authority. However, negotiations are to clearly establish the functions of the Authority thus completely eliminating duplication of effort. Koperattivi Malta is of the opinion that the main functions of the Authority are to house the Co-operative Registry and to have strict monitoring powers ("l-Assessorat"). The Authority as a monitoring agency is to assist government to adopt legislation and policy and to create incentives that are co-operative friendly. In line with the State's recent announcement that it shall be conducting an SME impact assessment with every legislation, Koperattivi Malta is insisting that the assessment should also include the impact on co-operative societies. Koperattivi Malta believes that the operational arm should lie with Koperattivi Malta, once the necessary resources are guaranteed. Operations would include co-operative promotion, training and development, amongst other functions.

Formation of co-operative societies is currently a slow process and depends on the time availability of the Co-operatives Board's members and staff, and the frequency of Board meetings. Legislation is to introduce the concept of a Co-operative Societies Registrar within the proposed Authority, whereby all applicants that meet the criteria established by law need not wait for the Co-operatives Board's approval. On the other hand the Board is to deal with complaints raised against the Registrar by the public and the clients. This change in procedure would guarantee the development of swift registration of new co-operative societies in the government's quest to foster the development and enlargement of the co-operative movement, thus reducing red tape and bureaucratic delays, in line with EU pronouncements.

Current legislation excludes the possibility that an officer, member of any society or the member of the Apex organisation could be a Board member. In line with the composition of other government officially appointed bodies this restriction imposed on the co-operative movement is to be withdrawn. An Authority specialising in co-operative matters will function at its best if it is assisted by co-operative professionals appointed by the Minister in consultation with Koperattivi Malta.

### **1.19 The APEX organisation – Koperattivi Malta (The Federation of Maltese Co-operatives)**

Legislation is to unequivocally uphold the concept of allowing the existence of only one Apex organisation. In the current local scenario there is no place for another player with the same objectives. Koperattivi Malta is to be named and recognised in the Legislation thus giving it more credibility both locally and internationally.

Democratic elections of the Council of Koperattivi Malta are imposed by current legislation to be held once every year. For the sake of continuity, legislation is to allow Koperattivi Malta to elect its Council Members by rotation, if the statute so permits. Out of its nine members on the Council of Koperattivi Malta the statute guarantees a permanent place on its Council for each of the following sectors: Agriculture - fruit and vegetables; Agriculture – animal husbandry; Fisheries; Transport; Other sectors. All other members are democratically elected with the first past the post system. That certain sectors of the traditional co-operatives are not being represented within Koperattivi Malta's Council, is at best a mistaken perception, and at worst misinformation.



It is also pertinent to note that in last three annual general meetings of Koperattivi Malta, elections were only held in 2010 because of a lack of contestants to occupy the Council seats. In 2010 the traditional co-operatives Agriculture - fruit and vegetables, Agriculture - animal husbandry, and Fisheries, only nominated one member each on Council and their seats were therefore not contested. The transport sector nominated three members while all the other sectors between them nominated five members. In the 2009 AGM elections the seat of the Agriculture - fruit and vegetables sector remained vacant because the co-operative societies in that sector did not nominate anyone to fill the post.

Although the absolute majority of co-operative societies are members of Koperattivi Malta, unlike in Germany, Maltese legislation does not make it compulsory for co-operative societies to form part of a co-operative federation. Government and the co-operative movement are to seriously evaluate whether the German model is suitable for the current local reality.

Suggestions have been made that Koperattivi Malta should become financially self-sufficient and not to rely on the Central Co-operative Fund to guarantee its existence. It has also been suggested that the membership fees structure model of the Apex of Singapore ought to be considered. Koperattivi Malta is contesting the use of this model as this would constitute an extra compliance cost on member societies and an extra administrative fee collection burden on Koperattivi Malta would be imposed. Singapore's annual per capita fees are €0.14 per co-operative member, with a minimum annual co-operative society fee of €140. Koperattivi Malta estimates that the annual membership fees receivable would be €8,400 were all co-operatives to effectively pay €140 per annum (due to their member-numbers). Given the economies of scale and as things stand, this option does not make economic sense in Malta and ought to be discarded.

The Commission's report indicates that the roles of Koperattivi Malta, the Central Co-operative Fund (CCF) and the Co-operatives Board are very similar to one another and cause role mixing. Koperattivi Malta is informed that the legislators had decided on this format to ensure that all facets of co-operative development are guaranteed at all times. It is internationally acclaimed that the co-operative federation should be the driving force for co-operative development. Yet, at the time the Co-operative Societies Act, 2001 was written, it was possible that any of the three entities, could, for one reason or another, not be statutorily constituted, or, could be reluctant to honour their commitment and provide the services to their clients as contemplated. The legislators therefore felt that it was more prudent to leave all doors open so that any of the entities could in fact perform these functions, which proved to be counter productive in the long-run. Koperattivi Malta is proposing that the legislation be made clearer as to which entity is to perform which function, in order to avoid any misunderstanding and misinterpretation of the Act. In other words, it should be Koperattivi Malta that should be burdened with the total responsibility for co-operative development, promotion and education. The CCF should act purely as a trust fund to guarantee that the necessary finances are available for Koperattivi Malta to cover all its functions. The Board should be entrusted in ascertaining that these functions are in fact carried out by Koperattivi Malta for the benefit of the whole Maltese community in line with the Maltese Constitution. In the remote event that Koperattivi Malta is not able to execute these functions, this role would be taken up by the Co-operative Authority and funding would have to be provided accordingly from alternative sources. It is therefore imperative that government creates the climate that facilitates the role of Koperattivi Malta.

## 1.20 The Central Co-operative Fund

Currently, four of the seven Committee members are elected democratically on the CCF from within the co-operative movement, while one member is nominated by Koperattivi Malta and two members are nominated by the Co-operatives Board.

The Commission report focuses on issues of perceived and alleged conflict of interest of the common members sitting on both the CCF and on Koperattivi Malta's Council. The Commission claims in its report that a situation of common members was not foreseen when the Co-operative Societies (Central Co-operative Fund) Regulations, 1993 were being discussed for replacement, between the Minister for Social Policy then responsible for co-operatives and the co-operative movement in 2001.

Koperattivi Malta is informed that government and the co-operative movement were well aware that this situation of common members could arise, and the situation was discussed when the Co-operative Societies (Central Co-operative Fund) Regulations, 1993 were up for discussion in 2001. At the time the co-operative movement requested complete autonomy on the administration of the Fund, while government wanted to retain its original control of the Fund's management.

A compromise was reached between the contending parties on the introduction of Co-operative Societies (Central Co-operative Fund) Regulations, 2001 published on the 13<sup>th</sup> November 2001. With the introduction of the 2001 Regulations, government and the co-operative movement agreed that government would retain an observatory status on the Fund by eliminating the complete control which government had under the 1993 Regulations. With these changes the Fund was composed of four members elected from the co-operative movement, two members representing government and one "independent" member nominated by the Apex Organisation in consultation with the Chairman of the Board, which member had to have a proven competence in finance, accountancy, business management or co-operative development.

The CCF Regulations 2001, specifically indicated that only one person on the CCF Committee was required to be "independent", from a complement of seven. By inference the other four members democratically elected from within the co-operative movement were not expected to be "independent".

The co-operative movement, not completely satisfied with the amendments of the 2001 Regulations, returned to the negotiations table and after further debate the composition of the Committee was adjusted in the publication of the Co-operative Societies (Central Co-operative Fund) Regulations, 2002 on the 7<sup>th</sup> May 2002, less than 6 months after the 2001 Regulations changes. The 2002 Regulation amendments abolished the requirement that the person nominated by the Apex Organisation was required to be "independent". A clear statement was made that all members representing the co-operative movement had a direct yet a non-pecuniary interest in the CCF Fund, whether or not they were Koperattivi Malta Council Members, and therefore it was appropriate and legal for these members to sit on the Committee.

By its very nature the Fund exists for the direct economic benefit of the co-operative movement. Therefore the members and co-operators representing the co-operative movement on the CCF, (whoever they are, whether they are common members of Koperattivi Malta Council and

CCF Committee, or not) naturally and by right have a non-pecuniary interest in the Fund. Claims that Article 4(12) of the 2002 Regulations prohibits members of the co-operative movement to participate in discussions on the Committee are being completely dismissed by Koperattivi Malta as unfounded and preposterous.

Having witnessed the evolution of the Central Co-operative Fund and the transformation of Koperattivi Malta, and based on the achievements reported by both institutions in the past two years, and after the complete change in the helm in both CCF and Koperattivi Malta, Koperattivi Malta concludes that the right formula for success for the co-operative movement lies in the very fact that there are common members within the CCF Committee and the Council of Koperattivi Malta, members who share goals for the benefit of all sectors of the co-operative movement.

Never in the story of the Maltese Co-operative Movement has there been such an efficient and progressive Central Co-operative Fund Committee and a professionally run Koperattivi Malta Council. Yet there is ample room for improvement. The results obtained from the initiatives undertaken by the Committee and the Council these past few years are proof of this success which is enjoyed by all co-operative societies. It is the personal efforts, time, dedication and the passion of the Committee and the Council Members that have made the difference for the Maltese Co-operative Movement.

Koperattivi Malta's belief is that the CCF Committee should be composed solely of members in the co-operative movement, without government representation. A successful example of this proposal is the Italian model. Koperattivi Malta calls on government to open discussions to consider one of the following options:

- allowing the CCF Committee to exist without government representation, or
- eliminating the CCF from the Act and having its function taken up entirely by Koperattivi Malta with the prerogative that the functions of its Council are monitored by an independent auditor and by the Authority's Monitoring Board.

Koperattivi Malta criticises the measure in the 2002 CCF Regulations imposing the presence of at least one government representative at all times during Committee meetings. This measure has proven to be detrimental to the decision-making process of the CCF Committee. Deliberately choosing to halt Committee meetings during deliberations, by abandoning the discussions thereby intentionally abusing the quorum requirements, is unethical and incompatible with the role of the government representatives, which is to actively participate in discussions, express their opinions and vote accordingly. Leaving the discussion table in order to interfere with the democratic decision-making process is certainly not in the spirit of the 2002 CCF Regulations. This goes against government policy. All prospective and all current Committee members should be aware that the 2002 CCF Regulations expect all CCF Members to exercise a high degree of diligence in administering the funds under their responsibility in the interest of all sectors of the co-operative movement.

THE COMPOSITION OF THE CENTRAL CO-OPERATIVE FUND COMMITTEE  
ITS EVOLUTION 1993 - 2002

<b>Co-operative Societies Act 1978 CCF Regulations, 1993</b>	<b>Co-operative Societies Act 1978 CCF Regulations, 2001</b>	<b>Co-operative Societies Act 2001 CCF Regulations, 2002</b>
A Chairman of CCF to be same person as the Chairman of the Co-operatives Board	Member of the Co-operatives Board nominated by the Board	Member of the Co-operatives Board nominated by the Board
B Member of the Co-operatives Board nominated by the Board	Member of the Co-operatives Board nominated by the Board	Member of the Co-operatives Board nominated by the Board
C Member nominated by the Minister with experience in co-operative societies	Independent member nominated by APEX in consultation with the Chairman of the Board, with a proven competence in finance, accountancy, business management or co-operative development	Member nominated by the APEX organisation
D Member representing that co-operative society who contributed the highest amount of funds to the CCF during the last 2 years	Member democratically elected representing co-operative societies	Member democratically elected representing co-operative societies
E Member nominated by co-operative societies engaged in agriculture activities	Member democratically elected representing co-operative societies	Member democratically elected representing co-operative societies
F Member nominated by co-operative societies engaged in fishing activities	Member democratically elected representing co-operative societies	Member democratically elected representing co-operative societies
G Member nominated by co-operative societies not engaged in agriculture and/or fishing activities	Member democratically elected representing co-operative societies	Member democratically elected representing co-operative societies
<b>Quorum requirements</b>	<b>Quorum requirements</b>	<b>Quorum requirements</b>
Minimum 4 members	Minimum 4 members	Minimum 4 members
(A or B) + (B or C) + (any 2 other members)	(A or B) + (2 other members from D, E, F, G) + (any 1 other member)	(A or B) + (2 other members from D, E, F, G) + (any 1 other member)



## 2. PROPOSED AMENDMENTS TO OTHER MALTESE LEGISLATION AND SCHEMES

### 2.1 Co-operative banking in Malta

The 2009 ILO report entitled “*Resilience of the co-operative business model in times of crisis*” describes the spirit of co-operative banking as the recycling of money from those who have it to those who need it. Member savers and member borrowers utilise their co-operative bank’s services for their mutual benefit, and the bank’s surplus is not distributed to the speculative investor.

Democracy, transparency and proximity are three key characteristics of the co-operative banks’ business model. According to the European Association of Co-operative Banks, co-operative banks in Europe enjoy a market share of 20%, represent around 50 million members and have a workforce some 750,000-strong. With approximately 65,000 outlets, co-operative banks are widely represented throughout the EU-27, and play a major role in the financial and economic system. They have a long tradition in serving millions of customers, consumers, SMEs and communities.

Article 5(1) in the Banking Act Cap. 371 states “*No business of banking .... shall be transacted in or from Malta except by a company which in possession of a licence granted under this Act by the competent authority.*” Company is defined in Article 2 as “*a limited liability company constituted in Malta in accordance with the Companies Act, 1995... or a company incorporated outside Malta under the laws of any country provided that such company, if not constituted in Malta, would qualify to be registered or incorporated under the laws of Malta.*”

This legislative barrier limits the business of banking solely to limited liability companies and consequently co-operative banking is prohibited. Koperattivi Malta shall be investigating through its international connections whether this limitation violates the Acquis Communautaire. Koperattivi Malta calls on government to consider its position and to open up negotiations with the aim of unblocking this impasse.

### 2.2 Tax credit schemes

Co-operative societies are exempt from tax as per Art. 12(1)(q) of the Income Tax Act Cap. 123. Exempt surpluses are allocated to the untaxed account. Any distributions made out of the untaxed account to the recipient-members of the society are taxed at 15% withholding tax. Unlike company shareholders the members of a society cannot utilise the full tax imputation system on the eventual distributions (patronage refund, dividends, bonus certificates and bonus shares). As a consequence of the above-mentioned tax regime, co-operatives are not eligible to avail themselves of any government incentives which take the form of tax credits.

Qualifying co-operatives are able to avail themselves of the following cash grants - Innovative start-up grant - Exploratory Award - SME Development Grant - ERDF Innovation Grant Scheme (Innovation) - ERDF Innovation Grant Scheme (Environment) - ERDF e-Business Development Grant Scheme - ERDF Small Start-up Grant Scheme - Business Advisory Services.

On the other hand co-operatives not able to effectively make use of grants which utilise the tax credit system such as:

- Investment aid granted to the applicants as an incentive for stimulating investment and job creation projects. Malta Enterprise aims at attracting new investment projects and promoting expansion or diversification of existing enterprises. Eligible enterprises can benefit from tax credits calculated as a percentage of the value of the investment project. The principle beneficiaries are enterprises engaged in manufacturing, ICT development activities, call centres, pharmaceuticals, biotechnology, filming and audio-visual;
- MicroInvest Tax Credits for Micro Enterprises and the Self Employed - This scheme supports eligible micro enterprises and the self-employed that invest in their business, innovate, expand, implement compliance directives and/or develop their operations. Micro enterprises and self-employed will be supported through a tax credit representing a percentage of the eligible expenditure and wages of newly recruited employees and/or apprentices.

Koperattivi Malta believes that since co-operatives form an integral part of the Maltese economy and members pay taxes directly through the co-operative society, all incentives are to be indiscriminately available to co-operative societies in one form or other. Koperattivi Malta believes that government could offer co-operatives the option of converting tax credits into cash grants.

This proposal is not innovative. In fact, Malta Enterprise offers an Investment Aid Grant Scheme, which initiative seeks to address current unemployment levels by offering the conversion of investment tax credits into cash grants to the applicant investor. This scheme entitled Gozo Regeneration is only applicable for Gozo based undertakings. The State is to consider the potential contribution of co-operatives to society and because of the very nature of co-operatives is invited to offer tax credit conversions into cash grants thus enabling co-operative societies engaged in target industries to be in a position to participate in all incentive schemes allowing co-operatives to retain their competitiveness with local enterprises.

### **2.3 Tax on sale of agricultural produce**

This tax scheme (S.L. 123.80) entitles farmers to pay a withholding tax of 3% on the sale price of the produce sold in prescribed places. Because of the co-operative tax regime it is possible that this tax scheme might not be economically beneficial to the individual farmer, the co-operative or the producer organisation (PO), as the case may be. The farmer would have to opt to sell the produce directly to the *pitkali* rather than through the co-operative or the PO. Koperattivi Malta does not yet have the data to determine whether the registered decrease in the surplus of the agriculture co-operative sector is effectively due to the introduction in 2004 of this scheme.

Koperattivi Malta calls on government to commence a consultation process with the farmers, their representatives and their co-operatives, to try to fine tune this scheme for the net benefit of all parties.





## 3. CO-OPERATIVE SOCIAL ENTERPRISE

It is undisputable that the current world economic crisis has left an impact on the social fabric of global societies, Malta being no exception. It is Koperattivi Malta's belief that part of the solution to combat this crisis is that government must place its trust in the co-operative model and make available more of the state's resources and the country's expertise to its service.

Reducing government spending by introducing cuts in the social protection system is not a long-term solution. Koperattivi Malta believes that government is to focus on a strategy of supporting enterprise through the creation of new job opportunities and through an effective support system whereby current jobs are retained. These strategies should alleviate the impact on the social protection system, keeping employable persons away from having to avail themselves of social security benefits and thus reducing the probability that their families find themselves below the poverty line and consequently socially isolated and excluded.

Co-operative models are based on the fundamental principle of equity for all. The co-operative model is renowned throughout the world for its ability to create, modernise and strengthen the co-operative's employment, education and training policies, thus participating directly in the country's quest to reduce the burden on the social protection system, increasing labour participation and reducing structural unemployment, as well as raising the bar for corporate social responsibility. Worker co-operative societies are able to offer their employees – who in most cases are also co-operative members – opportunities to avail themselves of flexicurity programmes and training programmes for acquiring new skills in line with the EU's life-long learning policies to the benefit of co-operatives and society at large.

Government's role in defending those individuals or groups of persons who are most vulnerable within the Maltese society, is paramount. The introduction of targeted strategies in all policies and programmes with a co-operative flavour is one of the ingredients for a more effective and efficient social inclusion and social protection policy.

### **3.1 Protecting the working poor**

Co-operative policies focus on the welfare of co-operative members and the wellbeing of the community at large in line with the 7<sup>th</sup> ICA principle, "concern for the community". Eight per cent of EU workers and 5% of workers in Malta fall into the working poor category. Co-operative solidarity principles aim at reducing this social anomaly by protecting the most vulnerable of the workforce, through the introduction of fair-pay principles, the adjustment in the salary gap among dependants and the distribution of surplus to all its members.

### 3.2 Co-operative enterprise in the social economy

Co-operative societies place the individual as the focus of their success and can therefore create strategies addressed at giving value to human capital. A co-operative social enterprise is conceived with the aim of meeting both economic and social goals. Koperattivi Malta appreciates that the objective of the national policies is to lift people out of the situation of social vulnerability by giving them the opportunities and tools needed to improve their economic and social status. Vulnerable groups threatened by social exclusion include persons with physical and mental disabilities, people over 50 years of age, young individuals with a low standard of education, single parents, rural workers, former prisoners, the homeless, immigrants, the working poor, low income earners, substance abusers and other minority groups. These individuals have few opportunities of finding stable employment in the traditional labour market and find inadequate assistance from government agency schemes, leaving them exposed to conditions of unemployment, the black-market economy, delinquency, substance abuse and usury, to name but a few. The support mechanisms that government ought to adopt should aim at supporting the institutions that can sustain human development. Social enterprise provides this innovative approach and is an effective poverty reduction agent that can contribute to the promotion of cohesive communities. Social enterprises - which could take the co-operative legal form model - are private, autonomous, democratic societies, owned by the individuals themselves, providing goods and services for the benefit of the community, in co-operation and partnership with public and private actors, and which contribute little or no surplus distribution to their investors (non-users).

The year 2010 is the European Year for Combating Poverty and Social Exclusion and 2012 will be the United Nations International Year of Co-operatives. This presents Government with an excellent opportunity to launch adequate legislation and a set of policies designed to support the social economy. Government ought to recognise the benefits co-operatives contribute to the social economy and to the community at large and should adopt favourable fiscal policies for this economic sector. Public procurement rules at EU level should take into consideration the added value social enterprises contribute to social inclusiveness and cohesion rather than solely to price factors. Government policies ought to support the creation and development of social enterprises through industrial and economic policy instruments. Government should ensure that financial assistance is made easily accessible - through various instruments, including monetary guarantees - to enable social enterprises to take advantage of EU funding. Government aid should also support research and knowledge-building in the sector, as it is clear from preliminary research performed by Koperattivi Malta that the co-operative and social enterprise models do not feature strongly in the National Curriculum and are significantly absent in all the curricula at tertiary level.

While Koperattivi Malta appreciates that Government should have the policies and the tools in place to anticipate and combat the effects of the global recession on our country, Koperattivi Malta believes that one of the solutions is to be equipped with suitable co-operative social enterprises geared with adequate tools to enter the scene when the need arises. Co-operatives could hold one of the keys to support marginalised households, guarantee an adequate standard of living for their members and be a model for poverty reduction. Social co-operatives could be facilitators in combating social exclusion and the catalyst for employment generation. The contribution of social enterprises to the socio-economic development of a country is emphasised by their ability to provide access to basic services to the community, including social, employment, housing, finance,

education and health services. All of these contribute towards strengthening human dignity and help improve the individual's possibilities of integrating back into society without the perpetual need of state intervention.

Koperattivi Malta invites government to invest in co-operative social enterprises that are structured and professionally managed in such a way to provide quality Active Inclusion support services. Such co-operative support services should be person-oriented with a focus on re-integration necessities, making available a myriad of opportunities and schemes funded and supported by the state, NGOs and voluntary organisations.

Successful re-integration into society of individuals would eventually result in a net contribution to the social security system. The success of these schemes should be state-monitored through a professionally led team.

### **3.3 Worker co-operative societies**

Recent surveys reveal that 95% of Malta's enterprises are classified as micro-enterprises, compared to 91% in the EU. Notwithstanding the fact that the EU is encouraging Member States to adopt policies for the support of job flexibility and security, these projects are not necessarily right for our country's micro-enterprise climate. It is certainly a great challenge for these small enterprises to introduce schemes within their work practices that would be economically beneficial to the smooth running of their businesses. On the other hand, a new phenomenon is emerging whereby the micro-enterprise workforce is being engaged on a self-employed basis, curbing the reliable and secure employee-employer contractual relationship, consequently increasing the compliance costs for these workers. Such practices and commitments are obliging a number of employees from being gainfully employed to becoming unemployed. These individuals are generally accustomed to receiving their salary with all the statutory deductions prepared for them and find it onerous to deal with annual profit and loss accounts, and, in the case of part-time employees, with periodic TA22 forms, with tax payment calculations and remittances, quarterly VAT Returns, periodic NSO required statistics and Class 2 social security contributions and provisional tax payments every four months. This bureaucratic burden may necessitate the engagement of an accountant to deal also with their obligation to respond to periodic audit checks from the VAT Department, the Inland Revenue Department or the Tax Compliance Unit amongst others. Koperattivi Malta is informed that this vulnerable group is also faced with commercial payment delays which are of course not common with employee-employer relationships.

One of the solutions to this growing problem is to encourage such workers to unite and form co-operative societies in order that they may agree upon salary scales, flexible working hours, obtain secure contract agreements with the co-operative, while providing the required goods and services to the micro-enterprise. Koperattivi Malta calls on the state to introduce schemes and policies which encourage employers to make use of worker co-operatives for the benefit of the employees, the micro-enterprise and the government's social protection system.

### **3.4 Worker buyouts**

When the system fails to retain enterprises whose management chooses to migrate from Malta to cheap labour countries, or when employers wish to retire and there is nobody to continue managing their family businesses, a number of employees may find that they are jobless. Koperattivi Malta invites the government to recognise that there is a need of schemes whereby employees may take-over such businesses through the formation of purposely-formulated co-operative societies. This would empower potentially-redundant employees, allowing them to take responsibility of their future, simultaneously reducing the possibility of their being a burden on the state.

### **3.5 Co-operative social enterprise for pensioners**

It is a known fact that many healthy pensioners would prefer to remain active – usually on reduced hours – after they retire, or are forced to retire, on attainment of pension age. These individuals are a source of knowledge and experience which Malta cannot afford to lose. For pensioners wishing to work flexible and reduced hours, government is invited to focus on schemes that encourage these individuals to form or join co-operative social enterprises for the benefit of society at large, with the possibility of receiving adequate remuneration for their efforts. Additionally, although working-pensioners over 65 are exempted from paying social security contributions, this is not the case for those working-pensioners falling below this age limit. Government ought to consider adopting the same strategy for all pensioners, eliminating social security contribution obligations for all pensioners.

### **3.6 Co-operative social enterprises for socially disadvantaged persons**

In many EU countries there are schemes for co-operative social enterprises whereby mentally and/or physically disadvantaged individuals, prisoners or the unemployed are able to contribute on a quasi-daily basis to productive work, in a suitable environment, assisted by trained and specialised helpers. These practices are currently inexistent within the Maltese co-operative movement. Notwithstanding attempts made in the past to form social co-operative societies for prisoners, mentally/physically disadvantaged and the unemployed, these were short-lived and later dismantled. The nature of the failures reported to Koperattivi Malta was attributable to one or more of the following factors:

- the government offered no guaranteed ongoing tangible assistance (i.e. funds, premises, manpower);
- the relatives of disadvantaged individuals were not involved in the running and control of the co-operative enterprise;
- the co-operative enterprises were not professionally run;
- ideas were usually proposed by a board of governors who were not involved in the day-to-day running of the co-operative;

- statutory obligations were not given high priority;
- the abilities of the disadvantaged were not commensurate with the work they were required to perform.

In this respect Koperattivi Malta calls on the government to review the system with the aim of encouraging more labour market participation of disadvantaged persons through their active participation in social enterprises, which could provide them with a better standard of living. Undoubtedly, the government, through the social enterprise, ought to offer training or re-training assistance to disadvantaged persons through full-immersion integration programmes.

### **3.7 Co-operative social enterprise for special vulnerable groups**

Other potential areas for the effective use of co-operative social enterprises fall within the following groups:

- single parents who have to find the right balance between family and work;
- childcare centres managed by parents;
- low family income earners;
- early school leavers.

Co-operative social enterprise models around the world are generally assisted by the state. Government, together with Koperattivi Malta, ought to explore the possibilities of introducing such models, adapting them to the country's needs without having to re-invent the wheel.

### **3.8 Co-operative social enterprise for the care of individuals**

The country's increasingly aging population presents a new challenge for government to devise schemes to protect the interests of the elderly. Some elderly persons prefer to remain at home to be cared for by their relatives or helpers. Others may need, or prefer, the professional care found in homes for the elderly. Co-operative social enterprises may be an alternative solution to such situations. The State could devise schemes to encourage the formation of co-operative social enterprises which would provide care to the elderly in their own homes, or whose services the homes for the elderly could subcontract. Such co-operative social enterprises could, in a professional manner, take on the responsibility of recognising and prioritising the needs of the elderly and provide effective support directly to them and to their families, thus delaying the need of long-term institutional State care.

The service of care for the elderly could be encouraged through co-operative social enterprises whose services would be partly subsidised by the government in order to reduce the waiting list of the State's homes for the elderly, and to reduce the numbers of social cases in the State's hospitals and institutions.

Government would be required to monitor the quality of the service offered by the co-operative social enterprises, which services could include:

- *personal care*: personal hygiene, catering, mobility assistance, pressure area care, overall physical comfort, care of the terminally ill, accompanied outings, domestic help, pop-in visits, motivation and encouragement, use of communication resources, help with shopping, help with payment of bills
- *respite care*: to give regular family carers a break, 24 hour care, night care;
- *palliative care*: for the terminally ill; problem alleviation, offering care and support to both the patient and family members.

Effective social policies require the inclusion of all members of society. This is possible through schemes offered to voluntary organisations working closely with co-operative social enterprises. This inclusive participation creates an opportunity for those individuals who have or are willing to acquire the competences and skills needed to lend a hand to society.

### **3.9 Co-operative housing societies**

The common objective registered throughout the EU Member States is to satisfy households' housing needs in terms of access, permanence and affordability, in adequate units for rent or ownership. This is achieved by increasing the housing supply for socio-economically disadvantaged families and vulnerable groups unable to afford housing available on the open market. Social housing co-operatives contribute significantly towards fulfilling social housing needs in the EU Member States where they exist. Eligible applicants occupy a co-operative dwelling, available for rent or ownership, after having purchased a share in the housing co-operative. At least twelve EU Member States utilise the housing co-operative model, yet in Malta no such society exists to fill this gap. Other EU countries have reported that housing co-operatives deliver high resident and member satisfaction, operate effectively across a range of performance indicators and have established vibrant and sustainable communities, simultaneously endeavouring to promote sustainable development. Koperattivi Malta calls on Government to create the framework necessary to develop this alternative model for the Maltese social housing industry.

### 3.10 Proposals for government assistance

Koperattivi Malta invites the government to:

- grant special exemption to co-operative social enterprises from paying social security contributions for those workers who have been integrated within co-operative social enterprises and are considered by government to be disadvantaged individuals. These could include: the physically or mentally disabled; patients receiving psychiatric treatment; substance abusers undergoing treatment; working minors coming from difficult family backgrounds; prisoners;
- devise schemes applicable to co-operative social enterprises to promote the integration, through employment, of disadvantaged individuals, thus enabling the authorities to prefer and award direct order contracts that fall below the EU Public Procurement contract thresholds;
- devolve properties and other assets confiscated from funds generated from criminal activities to social enterprises;
- provide business incubation, consultancy services, financial assistance in the form of grants and subsidies for start-up co-operative social enterprises;
- assist co-operative social enterprises to make the best use of the EU Social Fund 2007-2013, and assist them also to take advantage of the trans-national co-operation in the ESF through the current contact point at the Planning and Priorities Co-ordination Division within the Office of the Prime Minister.

### 3.11 Co-operative enterprise in the healthcare sector

There are many different actors in a healthcare system worldwide. Government, non-profit organisations, commercial organisations, and co-operative healthcare societies are all potential players and are active in varying degrees. Examples of co-operative healthcare enterprise include worker-owned, consumer-owned, and jointly-owned (consumer/worker/ community) organisations.

The advantage of the co-operative model is that it allows its users to accurately define the kinds of goods and services offered based on the goods and services required. Co-operative healthcare enterprise worldwide provides a wide variety of goods and services including primary and acute care, social care, respite care, health insurance, pharmaceutical services, and shared services that support healthcare organisations. In many countries, healthcare and social co-operative societies also provide services such as housekeeping, meal preparation, and help with errands.

The right policy framework would encourage the development of co-operative healthcare enterprise in Malta. Koperattivi Malta calls on government to consider changing the employment structure in its healthcare institutions. One proposal is to subcontract the services required in the state's healthcare institutions to professional, co-operative healthcare societies, rather than directly employing the healthcare professionals, as it currently does. Consideration may also be given to widening the current incentives offered to government employees in the healthcare sector in order that they may, if they so wish, sever the cord to the public sector by re-organising themselves into co-operative societies.



Healthcare co-operative societies are committed to improving the health status of the communities they serve. In the countries where co-operative healthcare societies operate the services obtained provide effective patient outcomes in a cost effective manner.

The government is called upon to look into the possible formation of co-operative societies in the healthcare sector. The large number of successful co-operative healthcare enterprises in Europe and worldwide is proof of the feasibility of co-operative societies in the sector. However this requires the right policy framework and political goodwill.

### **3.12 Report on social enterprises**

Koperattivi Malta is excited at the initiative the Ministry of Finance, the Economy and Investment has taken through its Enterprise Directorate for the preparation of a study on Social Enterprises. Koperattivi Malta awaits the outcome of the commissioned report.

### **3.13 Concluding remarks**

Malta can guarantee maximum solidarity with those in need through a long-term strategy that fosters high levels of employment, productivity and social cohesion through the creative use of social co-operative societies within the community, which would also enable the disadvantaged and needy individuals to enjoy a better quality of life.

## 4. MAXIMISING THE CO-OPERATIVE POTENTIAL

Malta, as does the rest of Europe, faces challenges in the wake of the global economic downturn of the past few years. Incentives are required that allow sustainable growth in order to overcome barriers such as the current global economic crisis and similar future crises, climate change and an ageing population, among others. Immediate and long-term solutions must be sought that include concrete measures and policies to address current areas of concern.

It is in this scenario that growth needs to be stimulated and opportunities created for better jobs, in an economy which is more in tune with the country's social and economic needs. This must take place in an ageing society supported by a shrinking workforce, as the number of people in retirement increases. To overcome this challenge, the labour market must become more flexible and inclusive. This can be achieved by providing the right conditions and opportunities to entice more people to join the labour market and to remain in employment. Comprehensive policies for development must seriously consider the links between economic and social priorities and education, within a system that caters for people's welfare in the widest possible sense.

The Lisbon Strategy, the EU 2020 Strategy as well as the government's Vision 2015 all focus on this approach. There is a level of consensus that this recession must be counteracted by focusing on the development of policies and programmes that have as their basis an investment in people through provision for lifelong learning opportunities and flexibility.

Co-operative development is a powerful tool in this regard. The co-operative model is a sound basis for a better work-life balance that attracts more persons, including women, to the labour market through the establishment of a form of employment that offers better long-term prospects for stability. Indeed, the stability of the co-operative model of business enterprise has been amply proven by the resilience demonstrated by co-operative societies worldwide in the face of the recent global recession.

Employment and social inclusion strategies that seek to address the increase in employment rate required for economic sustainability and growth in the GDP must deal with issues that are considered obstacles for people entering the labour market or retaining employment. Innovative solutions must be considered.

Koperattivi Malta believes that the promotion of co-operative enterprise should form part of government's strategy for addressing this issue. For too long, co-operatives have been considered viable organisations mainly in the traditional sectors of agriculture and fisheries. In recent years many co-operative societies were founded and are flourishing in sectors as diverse from the traditional sectors as media production, art restoration, transport, consultancy, education and care, among others.

#### **4.1 Promoting work-life balance**

Economic growth and social growth go hand in hand. Promoting the enhancement of the economy's resilience, and the strengthening of social structures as achievable goals, necessitate an investment in measures that promote a better balance between work, family and education. Achieving this balance is a challenge. With a female inactivity rate of 59.9% in 2008, Malta lags far behind other EU countries with regards to female participation in the labour market. Although the employment rate of women in Malta is indeed increasing, mainly due to a host of family-friendly measures, the rate of growth is slow and it is clear that innovative solutions need to be found to further address this issue. Koperattivi Malta firmly believes that co-operative enterprise, as a model for sustainable employment, can be part of the solution.

By focusing on co-operative values such as democratic member control, education, training and social responsibility, it is easy to see how these self-help organisations can be promoted as ideal vehicles for new entrants into the labour market, especially in new emerging sectors such as in the social economy, sustainable energy, education and training. The flexicurity which can be afforded when members are organising their own working arrangements, especially in worker co-operatives, should be particularly attractive to persons who still find themselves burdened with an inequitable share of the caring responsibilities in their family, as well as to all those workers wanting to achieve a better work-life balance or those who wish to further their education whilst retaining employment.

To this end, government is invited to guarantee a level-playing field that encourages the adoption of the co-operative model of business enterprise by persons seeking to enter the labour market for the first time, women wanting to re-enter the labour market after taking time out to care for their young families, and men and women trying to achieve a better balance between their work, family and education, in a society that promotes the concept of life-long learning.

#### **4.2 Co-operative enterprise within the public sector**

The formation of co-operative societies run and managed by the employees in public service can offer government the solution for decreasing the number of workers directly employed in the public sector and for the re-deployment or re-organisation of departments which, as they are currently administered, may no longer be relevant or viable.

In 1996 the State offered two such incentives, Scheme A and B, to its employees in the public service. To date, these schemes have not been reviewed by the Office of the Prime Minister, notwithstanding that the European Parliament considered the status of one of these public service worker co-operatives, involved in a case of alleged breach of EC Law on public procurement, as "not clear".

Although these schemes are in contrast with the private-public partnership model, they offer potential benefits for public services, such as improved organisational performance, ultimately resulting in service improvement. In order to make significant headway in this regard the current available schemes in place for public sector employees to re-organise themselves into co-operative

enterprises must be re-designed to provide better incentives and support to fledgling co-operatives in order that they may eventually cut their umbilical cord to the public sector.

These schemes, still available to date, encourage employees working within the public service to retain their work practices in their department, within a co-operative structure, without losing their original employment and conditions of work. This enables them to compete for government tenders and to perform other commercial services from within their department, utilising in the main the infrastructure and equipment of the department. The ultimate aim is for employees to become self-sufficient through their co-operative society and to cut all ties with their original department, establishing a fully-fledged autonomous co-operative which would compete for public tenders at par with other private entities.

These schemes have functional limitations, and there is ample room for improvement. It is pertinent to note that those individuals who struggled to make these co-operative societies a success boast of having increased work efficiency and productivity, reduced over staffing, decreased sickness incidence, increased investment in capital and training, increased overall production and decreased overhead expenses. The outcome is a net disposable income for co-operative members substantially higher than that which they would have earned solely as employees in their department.

Such schemes must of their very nature be temporary to ensure that the necessary importance is given to establishing viable and sustainable enterprises, as well as to allow such co-operatives to be considered true co-operative societies without falling foul of the requirement of the 4<sup>th</sup> co-operative principle “autonomy and independence”.

Koperattivi Malta therefore cannot but stress the importance for government to revisit these schemes within all of its government structures, with the direct collaboration and participation of the members of the Co-operatives Board and its staff. Koperattivi Malta is able to participate, together with the current co-operative societies utilising these schemes, in a constructive dialogue with government to ensure that these schemes are congruent with the co-operative principles.

#### **4.3 Facilitating research and career opportunities in the traditional sectors**

Statistics show that the average age of workers in the agricultural and fisheries sector is on the rise, with very little interest being shown in the industry by youngsters to enter these traditional sectors, even from within the farming and fishing communities themselves. Whereas both the University, through its Institute of Agriculture, and MCAST, through its Institute for Agribusiness, are working hard at promoting traditional and innovative study packages in these sectors, much more needs to be done to incentivise the entry of eventual graduates into the world of work in their chosen fields of study. Co-operative models of business enterprise are ideal for enabling groups of students to research and work in diverse business sectors in their field of study while balancing their study/work requirements, gearing them up for the real business world.

Koperattivi Malta invites the government to explore, together, the possibility of creating higher-education based research co-operatives in all fields of study. The legal structure of co-operatives

and the possibility of co-operative membership flexibility would enable the co-operative to outlive the student cohort and to retain the main research function without the need of dismantling the co-operative society whenever a change in the student cohort occurs. This student/worker viable co-operative model would afford students a top-up to their stipend, expose them to the outside business world and instil a concept of research and innovation during their stay in the educational institutions. This model may be used as an added function to career building and as a constructive alternative to part-time work.

#### **4.4 Education and training through Erasmus for Young Entrepreneurs**

Koperattivi Malta, through its participation in the EU programme Erasmus for Young Entrepreneurs, which is now in its third cycle, partnered with Confederazione Italiana Agricoltori, has insistently tried to work with various organisations to offer students and other eligible individuals the opportunity to explore the entrepreneurial dimension by spending time abroad in a successful EU enterprise operating in the same sector. Disappointingly, notwithstanding the considerable effort and resources committed by Koperattivi Malta to this project, this EU funding opportunity has not been overwhelming taken up by Maltese participants.

The project aims at helping new and aspirant entrepreneurs to acquire relevant skills for managing a small or medium-sized enterprise by spending time in a business in another EU country. The project contributes to improving student know-how and fosters cross-border transfers of knowledge and experience between entrepreneurs. It offers unparalleled on-the-job-training, facilitating a successful start and the development of business ideas. Participants are encouraged to exchange experiences and information on obstacles and challenges to starting up and developing their businesses. The project offers a unique market potential through the access and identification of potential partners in other EU countries, enabling infinite networking opportunities.

Local vocational training institutions are in the enviable position of being able to act as a springboard for the formation of new co-operative business enterprises, thus integrating entrepreneurial education into their educational programmes. Koperattivi Malta calls upon government to ensure that educational institutions are encouraged to more actively promote and even integrate such opportunities within their curricula, by formally recognising the learning opportunities these openings offer their students.

#### **4.5 Co-operative education through “Scoops”**

Koperattivi Malta strongly believes that the Education Division ought to step-up its efforts to integrate entrepreneurship education into the curriculum from Secondary level upwards. Indeed, the National Minimum Curriculum describes the educational programme owned by the Co-operatives Board “Scoops” as being part of the curriculum. However, Koperattivi Malta is informed that the lack of institutional backing to the participating schools and the teachers resulted in the programme losing momentum. For various reasons this programme has been officially suspended for the past few years. The Members of the Co-operative Board and their staff are invited to give their personal commitment to reignite the “Scoops” project by actively changing the mindset of the directors

and the educators and eventually pushing the project back into the education system (with some changes). Koperattivi Malta is able to assist in this dialogue once the technical issues internal to government, which could involve teachers unions' participation, are ironed out.

Koperattivi Malta invites government to intervene with the institutions concerned, in order to ensure that students are exposed from a young age to entrepreneurship skills, collaborative power and the co-operative model of business enterprise. Government needs to champion this vision if there is political belief that co-operative enterprises will positively enhance the social and economic development of our country.

#### **4.6 Co-operative education, Koperattivi Malta's mission**

Koperattivi Malta is willing to continue to do its part to be an effective career building enabler by:

- giving lectures and presentations at educational institutions;
- assisting institutions to draw up suitable programmes for their students;
- assisting in the design of suitable promotional/educational materials for students at all levels;
- hosting students at its new premises in Qormi which offer a wide range of facilities and may accommodate groups of students and/or adults, for one-off sessions or longer training programmes;
- educating government officials and assisting in the formulation of policy on co-operative entrepreneurial models beneficial to the Maltese community;
- assisting interested persons to explore the possibilities of forming a co-operative enterprise by suitably guiding them in their particular requirements.

#### **4.7 Concluding remarks**

Koperattivi Malta believes that the secret of success is to instil in young people the notion that co-operation enhances personal well-being, develops character and communication skills and is a vital ingredient in their preparation for the aggressively competitive business world.

One of the solutions to adjusting to the continuous changing business realities is to respond by imitating the successes of our neighbouring European countries, and investing in policies and aid which are geared also at promoting the co-operative model of doing business.

Notwithstanding the fact that Koperattivi Malta is not a direct participant in the MCESD, it is imperative that the State recognises Koperattivi Malta as a constituted body, able to contribute to the country's future economic progress, and with a great potential as an effective catalyst of career creation.



## 5. THE CO-OPERATIVE MODEL AND EDUCATION

The 5<sup>th</sup> co-operative principle “education, training and information” obliges co-operative enterprises to provide life-long education and training to their members and employees so that they can contribute effectively to the development of their co-operative societies. They also inform the general public and opinion leaders about the nature and the benefits of co-operation.

Koperattivi Malta, the Federation of Maltese Co-operatives, is committed to improving the condition and performance of existing co-operative societies, and strives to assist in the creation of new ones in a diverse spectrum of business and social products and services.

Furthermore, Koperattivi Malta recognises that most of the targets expounded in EUROPE 2020 are very similar to the principles and goals embraced by the International Co-operative Alliance (ICA). Paramount amongst these is the emphasis placed on the need for professional life-long education and training.

Education and training are vital instruments in helping to deal with the needs faced by Europe’s citizens through socio-economic, demographic and technological challenges which, in their ever-changing formats are characterising societies and reformulating existing structures. In all areas of development of the co-operative model of doing business and creating wealth, the need is felt to assist the pursuit for excellence through continuous education and training.

For this reason, Koperattivi Malta calls on the government to create awareness of the co-operative business model through education and training in all educational institutions. It also calls on government to join forces with Koperattivi Malta in the promotion of the co-operative business model by means of a well-planned educational campaign aimed at target groups such as government employees, graduates from tertiary education, women wishing to re-join the business community, persons looking for employment opportunities and unemployed persons in the 50+ age bracket. This may be achieved by government through the Employment and Training Corporation (ETC) within its traineeship schemes and its apprenticeship schemes. The ETC *Ibda Negozju Tiegħek* (INT) scheme may be extended to cover co-operative models rather than focusing solely on the self-employed.

In future, Koperattivi Malta would like to see more of its members benefiting from training schemes that meet their specific requirements. In this respect, Koperattivi Malta will continue to provide training courses to meet the specific requests of its members. Koperattivi Malta invites government to ensure that any training schemes it offers are open also to the members and also all categories of employees of co-operative societies.



With respect to the agricultural sector, the Co-operatives Board and its staff should ensure that the measures issued through the Malta Rural Development Programme are also made available to co-operative societies, their members and their non-farming employees.

### **5.1 Promoting co-operative studies in tertiary education**

One serious lacuna that has always interfered with the successful promotion and growth of co-operative societies in Malta has been the virtually total absence of co-operative studies at tertiary education levels in relevant courses such as Business Studies, Economics, Law and Accountancy, to name but a few pertinent areas. The end result is that many tertiary students hardly ever consider the co-operative business model as a possible vehicle for their nascent business ventures. It is also a known fact that few lawyers are conversant with co-operative law. As a result they tend to advise their clients to opt for the traditional company model as opposed to the co-operative one. On similar lines, most accountants have a tendency to assume that company and co-operative law are similar. Once again, because of this they risk giving incomplete or incorrect financial advice to would-be and existing entrepreneurs.

In light of the above, Koperattivi Malta calls on government to promote the co-operative model as a worthy contributor to the economy by introducing co-operative studies in the vital tertiary education faculties mentioned above.

### **5.2 Expected outcomes**

Koperattivi Malta expects that the short-term results of its educational and training programme would be reflected in a marked improvement of standards amongst its members, both in their internal as well as in their external operations. It also expects the image of the co-operative business model as well as the image of Maltese co-operatives in general to improve considerably. Finally, and most ambitiously, Koperattivi Malta hopes and expects to bring about a profound change in the mind-set of individual members, making them acutely aware of the principles underlying the co-operative model, and of their obligations towards the group for the achievement of the common good.

In the long term, Koperattivi Malta, expects to create a greater awareness and appreciation of the co-operative business and social model among the general public and the authorities, thereby creating new co-operative enterprises and new employment.

### **5.3 Investment in human capital**

Co-operatives may be called social capitalists in that they believe and promote the welfare of the individual above the reckless drive for profit. Koperattivi Malta believes that the investment in human capital is not a cost but a way forward in the creation of a society and a social economy that is well geared to meeting the challenges of ever-changing economic scenarios. This can be achieved through the creation of groups of individuals who can actively and collectively contribute to social demands through professional preparation and flexibility in the work place. This requires a great deal of effort, commitment and investment. However, Koperattivi Malta is determined to pursue this goal with the help of the authorities and other stakeholders.

Koperattivi Malta is the only national member of both COPA and COGECA (Copa-Cogeca), which is the united voice for farmers in the EU. Professionals in the agricultural field claim that Copa-Cogeca is a great opportunity for Maltese farmers to acquire skills and knowledge from their European counter-parts. It is common practice for governments to sponsor the membership fee for national associations affiliated with Copa-Cogeca. Unfortunately, the request made by Koperattivi Malta to the Ministry for Resources and Rural Affairs (MRRA) to sponsor the Maltese membership has been turned down. Koperattivi Malta calls on government to reconsider this position in order that the Maltese farming community may benefit from the learning and training opportunities provided by Copa-Cogeca to its members on an on-going basis.

#### **5.4 Educational institutions**

The co-operative model offers stakeholders (teachers, students, parents, special needs professionals and employees) the opportunity to be involved in the running of their school. This model combines the institutional partners working for the benefit of schools with community involvement through co-operative membership. This is an opportunity to introduce co-operative values in the education system which government is invited to consider.

#### **5.5 Concluding remarks**

Koperattivi Malta recognises the advantages of having a knowledge-based society with a growing number of people with tertiary education qualifications who appreciate that life-long learning is a necessity if one is to survive in today's economic climate. Koperattivi Malta therefore invites government to aid it in its endeavours to educate, train and inform its members. Koperattivi Malta calls on government to contribute towards the promotion of the co-operative model in education, through schemes, promotions and financial aid in order to enable co-operative societies to help reduce unemployment, the number of early school-leavers and the working poor, simultaneously increasing lifelong learning opportunities, the creation of second-chance education, worker skills, social inclusion and the presence of women in employment.

Koperattivi Malta's new premises in Qormi have the facilities which enable co-operatives to provide training to their members. Koperattivi Malta, with the financial support of the Central Co-operative Fund has in September 2010 launched a scheme for financing education and training for co-operatives. Koperattivi Malta calls on the government to join it in its efforts to provide direct education to the growing numbers of co-operative members.



## 6. SUSTAINABLE COMMUNITIES

It appears that everything is done to facilitate the global – global trade, global communication, global finance, global investments. However, people and families live in neighbourhoods, so they feel there has to be a balance between promoting the global and promoting the local. Employment, social protection, local development, enhancing local resources, and social justice, are at the very heart of people’s concerns.

Local initiatives can incorporate the identification of self-help strategies that can take client groups into a level of economic and social well-being that increases their autonomy, thereby reducing or stabilizing their need for external aid or state benefit.

Local councils can be a very good vehicle for the implementation of sustainable development at community level. One of the main attributes of co-operatives is that they contribute significantly towards sustainability at the local level. The world over, co-operatives have been known to safeguard and create employment, foster local businesses and products, cater for specialized tourism, and contribute to the promotion, revival, and preservation of local culture and traditions. Moreover, local co-operatives are also instrumental in keeping wealth within the local community, rather than wealth being exploited and siphoned off by outsiders, or kept dormant. This provides an opportunity for the snowball effect of finance and investment to be cultivated, with its benefits directly reaching the grassroots.

The emphasis is on the importance of local governance, a strong emphasis on empowerment, participation and organisation as an excellent vehicle to serve a community purpose.

### **6.1 The link between local development and co-operatives**

The co-operative model of organisation and business is extremely compatible with the concepts which form the basis for local development and sustainable communities:

<b>Local development</b>	<b>Co-operatives</b>
is area-based and uses endogenous resources	are built on a common bond and members' resources
is bottom-up and participatory	are established and managed democratically
is integrated and comprehensive	address economic, social and societal concerns
facilitates coordination and partnerships	build horizontal and vertical networks
links with national and international levels	affiliate with national apexes and the global bodies
is not a blue print	are tailored to member needs
takes a long-term view	do not seek short-term profits

source: Worker Co-operatives for Local Development and Decent Work - Juergen Schwettmann, ILO, 2005

Indeed all actions at local level should be a microcosm of efforts at the national level. Legislators, who drafted the Maltese constitution in 1974, clearly intended the role of government to be one which creates a supportive environment for co-operatives to thrive and prosper.

Local councils are in a position to be acquainted with the needs of their communities, and may be in a position to act upon those needs. The schemes launched in 2009 and 2010 were intended to give local councils the necessary tools to create these sustainable communities. Most of the schemes listed in the pre-budget 2011 document issued by government may be turned into successful co-operative models. Koperattivi Malta invites government to consider implementing such sustainable co-operative enterprises.

These current initiatives, if administered properly, could form a potential basis for citizen co-operation, by replicating real success stories from within other EU Member States, such as:

- incentive schemes for small business investment can be tailored towards the promotion of co-operative ways of doing business in the localities;
- civil works on a local level including minor road works, and landscaping, can be performed by co-operative enterprises mainly employing locals;
- cultural co-operatives can work and can be extremely effective in synergizing efforts which would otherwise be fragmented; these may include the management of local museum space, the organisation of local fairs and festivals, as well as the organisation and co-ordination of art exhibitions, cultural activities, cultural tourism initiatives, etc.;
- energy co-operatives could help by increasing investment in the locality, whilst creating more environmentally friendly communities. This includes the setting up of people getting together

to harness energy and selling it to the national electricity grid, local gardening produce;

- sports co-operatives may be involved in the organisation of local sports events and local sports clubs which may become an integral part of the social and cultural fabric of the community;
- the management of community facilities, such as parking spaces, playgrounds, as well as community parks may be devolved to co-operative societies. The people making use of these facilities can themselves become members of the co-operative. In this sense, local citizens can have a direct say in the strategy of these community co-operatives, and can contribute to increased investment, as well as having a direct interest in the upkeep of facilities through citizen ownership.

Co-operatives have their distinct advantages on a local level, as they improve productivity. At local levels, SME's can share services which are based on a co-operative model. Co-operatives can also provide financial services through sustainable micro-finance schemes, basic health insurance through micro-insurance and local savings mobilization. Another potential area for co-operation is the setting up of multi-stakeholder co-operatives which could increase the chance for financial viability, as well as potential for investment and co-operative creativity.

Co-operatives are also excellent in providing community services, such as housing co-operatives, social co-operatives and community care co-operatives (community healthcare, childcare, nursing facilities, care for the elderly, childcare, youth work, etc).

For such initiatives to gain ground, government is called upon to provide resources required for training of potential clients, local councillors and local administrators, equipment and expertise. Government is also invited to entice Local Action Groups (LAGs) to work closely with co-operative societies in their communities.

## **6.2 Concluding remarks**

The co-operative model is very flexible and allows communities to turn local shops, pubs and sport clubs threatened with closure through resident ownership to the benefit of the community. Government through local councils can provide fundamentally important support in creating the right environment, and providing a level playing field for co-operative societies to strive in an autonomous, locally-based environment.



## 7. GREEN CO-OPERATIVE ENTERPRISE

**K**operattivi Malta commends government's declared intention to provide the necessary framework for the green economy to realise its potential in terms of employment, in terms of generating economic activity and towards ensuring that the required environmental benefits are realised. Koperattivi Malta calls on government to ensure that the co-operative movement through the Federation be consulted directly in any discussions regarding changes to policy in this respect.

### **7.1 The international co-operative movement**

The international co-operative movement gives the green economy great importance. While some co-operatives commit to cutting greenhouse gas emissions, others strive towards carbon neutrality. The year 2008 was dedicated to confronting climate change through co-operative enterprises. Internationally, the various sectors of co-operatives confront climate change in an effort to make a difference. Agricultural and fishery co-operatives seek to be carbon and nitrogen neutral by looking at their energy usage from production to market, embarking on green energy production or innovative feed to reduce emissions from livestock production. Consumer co-operatives are working towards reducing their carbon footprints not only in-store but also in terms of their operations and their suppliers. Housing co-operatives design eco-buildings and use sustainable construction materials. Co-operative banks provide their members with incentives to invest in energy efficient technology by offering advantageous consumer and business loans. Insurance co-operatives are keeping premiums down in innovative ways, simultaneously offering adequate cover for the changing needs of their members who face increasing risks due to extreme weather patterns and natural disasters linked to climate change. Energy co-operatives work hard toward providing clean and sustainable energy through solar, wind and bio-fuels. In short, co-operatives are working to ensure that they are sustainable enterprises economically, socially and environmentally.

Natural disasters present the international community with challenges. Both the food crisis and reconstruction efforts following natural disasters can be partially attributed to climate change. Co-operatives are assisting farmers, consumers and communities directly affected by these crises in the difficult task of adapting to the negative impacts of climate change. Co-operatives help farmers in their efforts to address increasing production challenges, and provide greater stability to the farming communities, simultaneously respecting environmental resources. Co-operatives offer self-help options to communities which find they must rebuild their local economies following natural disasters. All those in need of help can count on solidarity based on the 6<sup>th</sup> principle of "co-operation among co-operatives".



Koperattivi Malta calls on government to encourage co-operative societies in Malta to emulate their international counterparts in the promotion of sustainable development and a green economy by putting in place the necessary policy framework and making available the schemes necessary to ensure that co-operative societies make increasingly significant contributions in confronting the challenges we face today. Government should assist co-operatives to conduct energy efficiency audits in their workplaces and through their work practices in order to convert their operations into greener and more sustainable co-operatives.

Co-operatives need to be involved from the outset of strategy formulation and government needs to call in the actors for regular consultation meetings with the policy makers. In order to make policy implementation a success the management of certain projects is to be devolved to those co-operatives and individuals affected by the initiatives and changes.

## **7.2 Agricultural co-operatives**

In particular the farming community needs to be consulted by government on policies which affect their livelihood, their family life, their economic activity and their resources. Therefore it is imperative that the farming community and their professional advisors be involved in the planning stages of government initiatives which may have a serious impact on the Maltese Rural Development Plan, and in particular the European Agricultural Funds for Rural Development (EAFRD).

Government needs to focus on issues concerning the quality of life of the persons that live in rural areas in order that the custodians of the environment are not forced to abandon their rural homes and their economic activities. Many rural areas are still served by cesspits, rural families do not have a choice of TV or Internet service providers and are served with substandard telephone cables which slow down Internet bandwidth. Government is called upon to revise concessions given to service providers in order to bring rural communities at par with their urban counterparts. The downside of prolonged neglect and substandard services will lead to a migration of the younger generation of rural custodians to the urban areas.

Co-operatives would highly appreciate more direct funding for solar and wind powered sources of electricity. It is most unfortunate that the majority of EAFRD aid and the incentive schemes issued by Malta Enterprise exclude co-operative societies a priori. It is evident that the State needs to seriously review all of its schemes to identify where co-operatives have not been kept on the same level playing field as other advantaged actors.

Because of EU cross-compliance, the nitrates directive and the water directive, just to name a few, the agriculture sector needs to be restructured to be towed in line with the green economy strategy. Government needs to encourage farmers to take up a slow but steady conversion to organic farming or at least to adopt agriculture methods which make the least possible use of artificial pesticides and fertilizers.

The use of fertilizers and pesticides has been rampant in the past years mainly intentioned to increase the quantity and quality of local agricultural produce. Good Agricultural Practices are now being enforced and the use of pesticides and fertilizers is being closely monitored in the EU. This should make the Agriculture Department rethink its function. Koperattivi Malta is informed that

there is a perception among the farming community that the Agriculture Department is in the main focusing on two functions: its role as a paying agency for the distribution of EU subsidies, and its role as an enforcement agency. It would be advisable for the Agriculture Department to retain its educational role, through the effective use of licensed co-operative farm advisory service providers and other co-operatives offering educational and management services. Government is invited to liaise with farmer co-operatives to embark upon a long-term educational programme that will help farmers to change practices which are detrimental to the environment to more environmental friendly measures.

It is therefore being recommended to government that the Co-operatives Board and its staff be vigilant over policies that government through the MRRA might be working on to ensure that these are co-operative friendly. On the other hand the co-operative movement is to be directly involved in policy formulation through Koperattivi Malta's Council and through its Sectoral Committees.

### **7.3 Education and the green economy**

The Green economy is set to provide new jobs in research and innovation. The University of Malta should promote the co-operative model among engineering students through focused programmes, and through the "Scoops" project. The student co-operatives involved in the "Scoops" project may be twinned locally and internationally with established co-operative societies in this sector. Student co-operatives should be encouraged to affiliate with successful co-operatives which could act as mentors, thus fulfilling an educational role.

One of Koperattivi Malta's educational initiatives was held in January 2010. The national conference entitled *Co-operatives for Sustainable Environment* hosted national and international experts in the field. Topics discussed included scarce water resources, energy efficient buildings, State incentives and funding for environment protection, alternative energy, sustainable agriculture and fisheries, sustainable waste management and challenges in the transport sector.

### **7.4 Concluding remarks**

Koperattivi Malta invites government to support co-operatives in their efforts to shift towards a resource efficient and low-carbon economy, to enhance competitiveness and promote greater energy security in line with the European strategy for smart, sustainable and inclusive growth (EUROPE 2020).



## 8. CREATIVE CO-OPERATIVE ENTERPRISE

**H**aving its roots in inspiration, talent and skill, creativity is known to abound when individuals put their heads together. Many important inventions were created in this way. Sometimes, it took a vision authored by one person. In others, it was a group effort. In all cases, it took good-will and co-operation among a group of individuals to develop an idea into a socially and economically viable creation.

Taking the software industry as an example, most software which was highly innovative and profitable on the market came about through the efforts of groupthink. Most music hits which started out as an individual idea came to fruition through the input of all members during studio sessions.

For the most part Malta's artistic and innovative talent has been constrained due to the fact that it is a result of Maltese culture at large: the individual. A sustained effort which promotes the culture of co-operative creativity is required. Indeed, for the creative sector to be sustainable, educational structures, legal systems, and financial aid must to be geared not only towards the generation of individual creativity, but towards a clear and decisive push in the direction of collective and co-operative creativity. Collaboration has many advantages, including the sharing of risks and the pooling of financial, creative and business resources which result in a better chance for survival through increased competitiveness and flexibility.

Innovative and artistic workers and cultural assets are at the heart of the cultural and creative industries (CCI). Talent, skill, entrepreneurship and intellectual property rights (IPR) will get the creative individual moving in the right direction, but are not guaranteed to take him far. Commercial partnerships in the creative business put the emphasis in their quest for growth on the capital invested, rather than on the creative input of its artists. The hiring of creative workers in commercial partnerships generally results in the hiring of creativity, rather than in its ownership. In this way the creative worker loses his ownership rights to his creations.

Fostering a culture of entrepreneurship through the co-operative model in the creative sector has distinct advantages. Co-operative enterprise increases the direct participation of members in decision making, profit-sharing, and offers better opportunities for growth. In a co-operative setup, creative individuals are assured of a democratic structure of business, where each member has a single vote in the co-operative society's decision making process. Rather than merely creating hired job situations, co-operative societies create worker entrepreneurs.

Creative co-operative businesses worldwide, as diverse as a co-operative-run museum on the rural island of Sardinia to a co-operative orchestra in the cosmopolitan city of London, are living proof that the co-operative model is both economically as well as socially successful.

### **8.1 Heritage and crafts co-operative enterprise**

It is unfortunate that creative co-operative societies account for a very small portion of the economic activity generated by the artistic and cultural sector. In the more popular commercial partnership model artists are at the mercy of those who do not belong directly to the sector, and who are involved in the venture solely for financial gain. Heritage and crafts co-operative societies are different in this respect because they are owned by the artists and the craftspeople themselves. Such co-operative societies are used by artists and crafts persons to market their product to maximise sales and provide them with greater control over the presentation of their works in studios or galleries purposely obtained and managed by the co-operatives.

### **8.2 Performing arts**

The collaborative concept can also work in the field of the performing arts. A large number of orchestras around Europe and the rest of the world are owned by the musicians themselves. Some of the most renowned include the Berlin Symphony Orchestra, the London Symphony Orchestra, and the Vienna Philharmonic Orchestra. Co-operative enterprise can be an effective business model in the fields of drama and music, such as agency services, music labelling, as well as marketing and talent promotion and placements.

### **8.3 Media, production and related services**

Locally, a media services co-operative society has shown that this sector is an excellent area for co-operation. The same can be stated for film services, as well as co-production and distribution. The pooling of resources and expertise is instrumental in augmenting success in this sector. Artistic individuals with different skills can provide services to local film production, and together they may set up a viable co-operative business venture. The same can be said for archiving and other media services. In co-operative societies the emphasis is on the creative investment, and not on the financial muscle of the investor.

### **8.4 Concluding remarks**

Although Malta is a small country it is extremely rich in talented, creative and resourceful individuals. However, increasing creative collaboration is a challenge because a cultural shift needs to take place. The creativity sector in Malta is fragmented, and appears to be operating in a culture which tends to promote individual rather than collaborative creative effort. Success is consequently limited. Koperattivi Malta can be instrumental in providing young co-operative societies in the creative sector the experience and the established international contacts they lack. Koperattivi Malta invites the government to take the initiative to empower Malta's creative community, through appropriate schemes and incentives, including building structures, as well as through an adequate legal framework in order that they may join the economy on the same level playing field as other participants.

Koperattivi Malta calls on the government to aid it in its efforts towards promoting enterprise based on teamwork and collaboration, such as that promoted by the co-operative model. Rather than joining the hired labour force, through the formation of creative co-operative societies Malta's artists can become the rightful owners of their creations, thereby reaping the benefits and profits themselves.

Koperattivi Malta also calls on the government and the Co-operatives Board to ensure that there is no discrimination between commercial partnerships and co-operatives in all legislation, including the Broadcasting Act and web-related services legislation.











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