

Cooperative enterprise development as a key aspect in rebuilding solidarity-driven local economies in the aftermath of thirty years of destructive local neoliberalism

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The solidarity economy and cooperatives

- **Cooperatives** are a major feature in all variations of the solidarity/social economy model
- Cooperatives have crucial developmental advantages because:
 - can often be more productive than investor-driven enterprises
 - much more likely to create decent work opportunities
 - promote social justice and fairness in society
 - build internal workplace democracy and so also wider social solidarity
 - more attuned to provide goods and services that are genuinely needed
- **Great!** - but how to promote/support them in a sea of hostile investor-driven enterprises and against the will of business and political elites?
- Cooperative movement's own mechanisms are too small for the task...
-and coop movement historically suspicious of state intervention and external support.....
- Yet without serious support, a transformational cooperative sector simply will not emerge.....

But lets just remember that SME development *everywhere* needs and gets local institutional support

- Post-war history shows that careful local institutional support has been quite critical to sustainable SME success (both cooperatives and investor-driven SMEs):
 - Former West Germany
 - Northern Italy
 - Scandinavian countries
 - Japan
- Overwhelmingly this institutional support has involved proactive local public authorities and public/collective investment
- Centrally this involved a variety of local economic development institutions (LEDIs).....

This success gave rise of 'local development state' (LDS) model and pro-active LEDIs

- LDS model defined as a pro-active local government capacities in LEDIs that can best promote 'bottom-up' development:
 - LDS model understands that local development is a function that requires **investment**, it cannot be done 'on the cheap' via market forces
 - LDS model establishes, finances and helps govern the institutional vehicles that can 'do development'....
 - LDS model involves a form of long term planning that targets the most sustainable enterprise capacities, not 'here today but gone tomorrow' ones (e.g., informal microenterprises)
 - LDS model is willing to prioritise particular enterprises that maximise economic and social development (cooperatives)
- Some developing countries used this LDS/LEDI model very successfully:
 - South Korea through its Township and Village Administrations
 - China too through support for Township and Village Enterprises (TVEs)
 - Vietnam too....

However, in almost all developing & transition countries, neoliberal imperatives were forced on LEDIs

- International development community came to agree that developing and transition economies would also greatly benefit from their own LEDIs
- Advent of neoliberalism in the 1980s delegitimised all forms of state support for enterprise development
- LEDIs all had to restructure around core neoliberal principles:
 - they must operate as a for-profit business only, selling their services and bidding for contracts in competition with other service providers
 - they must ensure ‘full cost recovery’, no subsidies/investment can be tolerated
 - they must avoid any sense of ‘public planning’ of resources
 - must be private sector driven responding to short term goals
- EU, World Bank, DFID, IDB, all sign on to these core neoliberal principles and push out a lot of financial support for neoliberalised LEDIs
- UNDP, ILO and others also promote their own ‘Local Economic Development Agencies’ (LEDAs) on these core neoliberal principles
- In Asia, Latin America, Eastern Europe and Africa forced to accept the local neoliberal model for local enterprise support institutions – **aid conditionality**

And 'local neoliberalism' proved to be a disaster

- Everywhere neoliberalised LEDIs prove to be quite unworkable:
 - Unable to ensure sustainability while sticking to mandate to support SMEs and unemployed
 - No additionality – they do nothing that other institutions are not already doing
 - Inability to promote public-private dialogue because they compete with stakeholders for business
 - Poorest regions are PRECISELY those least able to support their own LEDI
 - Those LEDIs that CAN generate sufficient user-fees and win contracts are then inevitably privatised and lost to the local development process
- In post-Communist Eastern Europe (EU, 2000) most LEDIs simply collapsed, and EU eventually agrees that public sector needs to come in to save those few still operating, but otherwise a massive waste of resources
- In Western Balkans, all but a few of the hundreds of LEDIs set up have collapsed
- In a study for UNDP in 2012, Bateman found that UNDP's LEDA program has been a manifest disaster, especially in **Latin America**, and especially in the one country portrayed by UNDP and its consultants as demonstrating 'best practice' – **Colombia**

We need to rebuild and refocus the potential of the LDS model and LEDIs to prioritise cooperatives

- LDS approach and LEDIs can be especially useful with regard to promoting cooperative enterprises, which are the core of the solidarity economy.....
- Can provide the needed long term technical and advisory support to allow individuals and groups to form and expand cooperative enterprises
- Can provide the necessary educational and training support for the local cooperative sector
- Can network to ensure all institutions work to prioritise cooperatives
- Can constantly scan environment for opportunities for new cooperatives, especially among suitable investor-driven enterprises
- Can help develop the most appropriate financial institutions, such as financial cooperatives, development funds, state development banks, etc
- Can help make available the technologies and innovations of most use to cooperatives as enterprises and as democratic entities (e.g., to avoid the need for sweated labour jobs)

In fact, Latin America has already been pioneering the LDS approach to promote cooperative development!

- **Venezuela** - municipalities are very active supporting social programs, social production enterprises and cooperative enterprises
- **Colombia** - Bogota supports links with collective agriculture in order to develop sustainable agriculture based on 'local production and consumption cycles'
- **Ecuador** – municipalities, such as Cuenca, have very efficiently used new powers and resources to promote agricultural cooperatives
- **Brazil** – many cities have helped set up community development banks and financial coops, and also work with BNDES as part of a 'triangulation' strategy, to develop agricultural cooperatives and other similar measures
- **Bolivia** – new decentralisation measures empower municipalities and allow for enhanced local activity, including cooperative development and basic income programs
- **Argentina** – many cities (though not always Buenos Aires!) have taken the lead in helping worker recovered enterprises to survive and expand
- **Cuba** – since 2006 it is developing new policies to promote cooperatives in agriculture and industry which envisage a key role for local government support

The global post-neoliberal future?

- Learn from and build upon European, Asian and latest Latin American successes and failures in local economic and social development
- On both economic and social grounds, we need to reorient international development policy to focus on cooperatives as the first-choice enterprise format
- To achieve this, necessary to (re)establish new generation of pro-active LEDIs to provide crucial 'bottom-up' impetus for cooperative development
- Solidarity Economy can be built from the bottom up, but only if we 'get the local institutions right'

Thanks for listening

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