

RESILIENT
COOPERATIVES FOR
**SOCIAL SOLIDARITY
ECONOMY**

**JANUARY
2021**

ActHuman Report

Resilient Cooperative for Social Solidarity Economy

Method

Preliminary Studies

This study compiles the information regarding the agenda and statistics about the cooperatives in Turkey as well as the size of cooperative economy. In this framework, a comparative analysis is put forward with the use of the current data obtained from the ministries in charge of the management of the cooperatives, national and international reports.

Based on this analysis, a diagram of the cooperation ecosystem in Turkey is drawn up in the first place. The elements making up the cooperative ecosystem are defined as follows: Unit cooperatives and parent unions of which they are a member; other institutions that form the social and solidarity economy together with the cooperatives; non-governmental components working on the subject, academy, development agencies within the support ecosystem, central and local public administration and international organizations

ActHuman III Process

Establishment of an Advisory Board: Initially, the discussion topics to be addressed at the summit have been determined following the interviews with the academicians, specialists at the institutions appearing on the diagram relating to cooperative ecosystem as well as the persons serving as managers at the cooperatives. Prior to the summit, an “Advisory Board”, composed of the representatives of various components of the cooperative ecosystem, has prepared the meeting agenda.

First Advisory Board Meeting: Held online on August 26, 2020.

The summary of the preliminary research was delivered to approximately fifteen participants, including the representatives of cooperatives as well as the participants from the public, local government, non-governmental organizations and international organizations, and their opinions were requested.

ActHuman III Workshop

The workshop was held online on October 15, 2020, with the participation of all representatives of the stakeholders in the cooperative ecosystem. In the first session of the workshop, the preliminary research study as well as the draft text for the social policy which has been prepared based on the opinions and findings of the Advisory Board meeting were shared with the participants in order to lay the groundwork for the discussions.

In the second session, the participants were let to discuss the draft text in 8 different working groups. After the workshop, the draft Report which was prepared based on the compilation of the opinions of the participants was submitted to the participants, with a view to receiving their feedback. The report, which was finalized with the inclusion of the feedback, was disclosed to the public.

Executive Summary

A Set of 9 Social Policy Recommendations for Strong Cooperatives

Background

In recent years, cooperative movement has gained significant momentum in Turkey as well, in parallel with the rise of social solidarity economies around the world. Unlike what was experienced in previous periods, it is observed that there have been efforts towards the development and transformation of cooperatives at the grass roots level, apart from the practices of the public at the level of central and local administrations. While, on the one hand, rural-based and agriculture-oriented conventional cooperatives model which became institutionalized dependently on the public with the support of the governments, attempted to restructure itself and set a new route for itself, although so weak in the neoliberal transformation of Turkish economy and politics as from 2000s, we have witnessed, on the other side, the emergence of a more urban cooperative movement, which is backed by the discourse and action practices of the rising social movements in recent years during which the hegemony of neoliberal policies and ideological globalization has been shaken. With various priorities and focuses in separate channels, these movements have the potential to bring about a transformation in Turkish cooperatives as they get a stronger in a synergy.

Even though the situation of economic and social crisis caused by COVID-19 pandemic and its consequences expected in the long run create new risks and threats for the social solidarity economic components and cooperatives, it also offers important contributions for the expansion of the social solidarity area and the emergence of cooperative models. To survive the pandemic and multiple crises it has triggered, by getting stronger, the cooperatives rely on boosting the solidarity and organization at the level of unit cooperatives and along with other social solidarity economy components. Higher-level cooperative organizations should develop demands and suggestions for all stakeholders within the cooperative support ecosystem, in order to solve the problems faced by the cooperatives in this process.

In order for the cooperatives to develop an operational structure, which is consistent and more resilient against the crises, without relying on a financial supporter (ministries, local governments or any other financial source) other than themselves; it will be required to restructure: i) their administrative structures, ii) the legislation on the cooperatives, and iii) the cluster of policies. The findings and suggestions on this matter have long been brought to the agenda by national and international institutions, cooperative managers, academicians and public bureaucrats involved in the field of development (Mulayim, 2019; Guresci & Gonc, 2017, Action Plan, 2012). However, no long-term vision could be formed since the studies, proposals and / or plans made so far could not be carried out with a holistic and inclusive approach. In order to address the long-haul issues of the cooperatives, the implementation term of "Turkey's Cooperative Strategy and Action Plan 2012-2016", which was prepared in a participatory way, was closed by the Assessment and Orientation Committee (AOC) in May 2017. '2015 follow-up report' prepared by the Committee involved the assessments regarding 36 activities designed for 7 strategic objectives which were determined in the action plan, and addressed the shortages identified. Examining the performance indicators defined in terms of the strategic objectives and activities as mentioned in the follow-up report, it is seen that no progress has been made in these areas as of the date when the implementation term ended. On the other hand, in line with the decision taken by the AOC in May 2017, some preparations have been initiated for a new strategy and action plan that will cover the 2019-2023 period.

The cooperative movement in Turkey has come to a whole new level. It will be a good practice to guide the interest and passion that has increased in the recent years during transition to this level, by adopting a new cooperatives vision. Opportunities exist ahead of us both to improve the capacities of traditional cooperative enterprises and to implement more sustainable and resilient cooperative models. To this end, it will be useful to reconsider the policies in the field of cooperatives, the studies of the cooperative ecosystem and the intra-cooperative organizational structure and to encourage the transformation.

The Purpose of the Study: ActHuman Initiative, which was held in cooperation with INGEV and Sabanci University IPC, aims to create an environment that will bring out the cooperative models that will contribute to the establishment of a better world and make them sustainable in the post-pandemic period. In this context, INGEV, in cooperation with IPC, brought together different stakeholders interested in the field of cooperatives, involved in the practice in person, carrying out research and designing policies, at a workshop it organized on October 15, 2020, in the atmosphere of fear and uncertainty caused by the pandemic period.

At this workshop, the working groups formed by the stakeholders delivered a series of opinions and suggestions by addressing the following two main points: i) determining the issue areas regarding the cooperatives (financial sustainability, education, value chains, organization, etc.) and ii) social policy proposals concerning the problems identified. Besides, the effects of the pandemic on the cooperatives were discussed and some suggestions were put forward in that respect. The opinions and suggestions proposed at the workshop constitute the basis for the social policy recommendations included in this Report.

Proposal area 1. COVID-19 Impact and Cooperatives

The measures and restrictions imposed as part of the battle against the pandemic affected not only several businesses in different sectors but also the cooperatives negatively. The restrictions in mobility, the delays in supply chain and payments have caused the cooperatives to suffer financial difficulties.

1.1. A sector report should be prepared in an effort to measure the impacts of the pandemic in terms of the cooperatives to understand the process experienced by the cooperatives in the face of the crisis, differently from other businesses. The difficulties faced by the cooperatives operating in different sectors should be identified and recommendations should be developed for them.

1.2. According to the findings of the sector report, specific financial support mechanisms should be designed and implemented for cooperatives without a moment to spare. In addition to the support mechanisms, regulations and budget support are needed to make it easier for the cooperatives to access to the finance. For the cooperatives having a hard time paying back their loan, the government should restructure their debts by defining certain criteria and amnesty of records should be issued for cooperatives in difficulty.

Proposal Area 2. New Legislation on Cooperatives

It has long been stated that the legislation needed a restructuring in order to increase the efficacy of the cooperatives in the communal life and development process, and a simplification was required in the relevant laws and regulations in an attempt to ease their development. These changes and transformations to be introduced in the relevant public bureaucracy will allow for a more effective governance and control in this sector.

2.1. Cooperative legislation should be addressed, simplified and developed in a participatory manner in which all stakeholders are represented, within the framework of international principles and current requirements and in a fashion that will satisfy the contemporary governance principles.

2.2. The definition of communal cooperatives should be clarified by reviewing the studies conducted by the ministry and stakeholders of the cooperatives in an attempt to further extend the communal cooperatives and to establish the legislation, and communal cooperatives should be recognized within the scope of the legal legislation.

2.3. Internal (partner), higher (union) and external (public-independent) audit systems, which are crucial for the sustainability of the cooperatives, partners' interests and public benefit, should be readdressed. Legislative arrangements should be made for a more effective audit system.

2.4. Tax code #14 exemptions and exceptions for certain types of cooperatives should be expanded based on objective criteria and requirements, in a way to include the communal cooperatives in particular, and a progressive taxation system should be adopted for the benefit of low-capital cooperatives.

Proposal Area 3. Specific Financial Support Tools for Cooperatives

The number of cooperative enterprises and individuals who are a partner of cooperatives in Turkey indicates the existence of a significant cooperative sector. However, examining the capital size of cooperative enterprises, it is remarkable that the cooperatives in Turkey usually consist of small and medium-sized enterprises and the economy of cooperatives are not big enough compared to that of other countries. Cooperative enterprises require strengthening economically and supporting in terms of financial sustainability so that the cooperative economy can grow. Therefore, it is necessary to increase the financial capacities of the cooperatives and to restructure the cooperative support ecosystem.

3.1. Arrangements should be made to increase the equity capital of the existing cooperatives, and to increase the founding capital of the ones yet to be founded. The equity of the cooperatives should be increased through various donation systems such as increasing the partnership shares, crowdfunding, which will not lead to a relationship of dependence as well as through the cooperative financing funds to be established by public institutions, etc.

3.2. In order to increase the cooperatives' access to the financial markets, cooperative banks and credit unions where the cooperatives will be represented in their managements should be established, some other instruments that are alternative to traditional financing channels should be designed and extended according to Turkey's unique conditions and the cooperatives' requirements.

3.3. A database and platform should be established for cooperatives to be aware of all kinds of financing resources and opportunities. This platform can also serve the purpose of increasing the level of financial literacy of the cooperative managers and employees.

Proposal Area 4. More Active Cooperatives in Value Chains

The development of the cooperative economy and increased efficacy of the cooperative enterprises depend on the fact that the cooperatives can be more competitive in the value chains they operate and the society has a higher interest and demand for the products and services offered by the cooperatives. In this respect, the cooperative support ecosystem should act in an attempt to increase the recognition of the cooperative products. Efforts should focus on cementing the sales and marketing infrastructures of the cooperatives and increasing the operational and managerial skills of the cooperative partners. Moreover, the solidarity between the cooperatives and the collaborations to be established are the key factors that consolidate the cooperatives in the competition with other enterprises.

4.1. Cooperatives should aim to obtain the raw materials and services they need for the products and services they produce, from the cooperative system itself. Legal regulations that will encourage inter-cooperatives trading as well as the regional and national inventory studies for the products and services of cooperatives will facilitate the establishment of inter-cooperatives supply chains. The unit cooperatives that have not participated in any higher organization, operate individually on their own and have some marketing problems should be provided with support by the relevant ministries on product basis at local and regional levels so that they can reach the scale size economically.

4.2. The production criteria and standards should be determined for the products and services produced by the cooperatives and studies should be conducted for the development and management of the “Cooperative Product Certificate”. In order to increase the market shares of the cooperatives, an obligation should be imposed to allocate shelves for the cooperative products at the retail sales points, similarly to the regulations made for the local and local products.

4.3. Cooperatives should be involved more actively in the registration, inspection and branding activities of products with geographical indication (GI). Multi-stakeholder cooperative models should be encouraged, in the production and marketing of products with origin geographical indication for the agricultural products in particular.

4.4. In order to increase the marketing capacity of cooperatives, training programs on product and brand development, e-commerce and export-related subjects should be organized for the stakeholders. These efforts should be encouraged by organizing various events and campaigns to increase the recognition at the national level.

Recommendation 5. Cooperative Statistics and Cooperative Research and Training Center

It is of vital importance to make the observation, inspection and implementation services for the cooperatives more effective and to create comprehensive and regular statistical data on cooperatives in accordance with international standards so that more research and studies can be performed on the cooperatives. The studies that have been initiated in this field within the scope of “2019-2023 Turkey’s Cooperative Strategy and Action Plan” should be speeded up, the data that will enable to measure the contribute of the cooperatives to the economy and presented to the public as open source.

5.1. In order to evaluate the prevalence and economic size of the cooperatives more clearly, the active cooperatives among the registered ones should be determined and the liquidated and cancelled cooperatives should be crossed out of the statistics. Cooperative data should be compiled regularly and indicators such as total number, number of partnerships, employment and annual turnover, etc. should be prepared in accordance with international statistical standards by their types and the sectors of operation, and disclosed to the public in different formats.

5.2. It is required to establish an autonomous research and training center that will examine the structure of existing cooperative research and training centers in the world, bring together and archive the studies on the subject in Turkey, lead the new studies, design and implement training sessions aimed at the requirements of the cooperatives.

Recommendation 6. Training and Capacity Building Programs for Cooperatives

The success of a cooperative depends on a systematic, neat, transparent, accountable administration and the internal practices known and applicable by all partners, in other saying, a partnership and corporate culture. The lack of corporate culture in Turkish cooperatives should be taken as a grave negativity. Since the success of the cooperatives is largely based on the manpower, knowledge and skills of their founders, members and employees, especially these individuals working towards the purposes of the cooperative of which they are a member and having the necessary competency,

knowledge and skills in this regard are one of the keys to the success of a cooperative. Training activities and capacity building programs carried out within the cooperative support ecosystem are therefore important.

6.1. Relevant ministries, development agencies, international organizations, non-governmental organizations, universities and education cooperatives that hold cooperative trainings should come together to evaluate the effects and shortages of the training programs and courses they have carried out to date. According to the results of the impact analysis, it will be good to put forward a needs analysis and to set a comprehensive “Cooperative Education Strategy” in a coordination.

6.2. The public should take responsibility for the subject such as establishing the training centers, developing educational materials, establishing the units that can deliver regular training about the public policies, and deploying the technical personnel from all relevant ministries to the cooperatives in a coordinated manner.

6.3. The integration of the subjects such as democracy culture, locality and solidarity into classes starting from the primary education will promote the acceptance and extension of cooperatives across the community in the long term. It is thus required to include the subject “cooperatives” in the formal education curriculum as a lesson.

Recommendation 7. Increasing the Level of Awareness of the Society on Cooperatives

Some of the major factors hindering the development of cooperatives in Turkey are mainly the low level of awareness on the cooperatives and lack of recognition of the cooperative concept and operation model across the community, compared to other types of businesses, in spite of a long-established cooperative tradition. Add to that, there is a stubborn and widespread negative image about some types of cooperatives.

7.1. An image study should be carried out together with all stakeholders in order to increase the awareness of cooperatives in the eyes of the public and to further spread the concept of cooperatives.

7.2. Cooperatives involved in different sectors and setting an example according to the specified objective criteria should be selected and allowed to express themselves. Examples to their contribution to the local economy and employment should be given based on real examples and concrete data.

7.3. Cooperative products should be promoted more frequently; the values that cooperatives take into account in the production process and the stages of their production should be featured in the promotional films. Campaigns should be held in an effort to help the cooperative products appear more often in the retail channels and a demand should be created for legal regulations.

Recommendation 8. Partnerships Between Higher Cooperative Organizations and Components of Social Solidarity Economy

One of the main reasons why the availability of training, financing, auditing, consulting, technical and legal assistance for the cooperatives in Turkey is insufficient is because the higher cooperative organizations have inadequate administrative and financial capacities. Low-level participation of unit cooperatives in higher organizations is a significant reason and also an outcome of this situation. Cooperative unions do not have any annual action plans, performance indicators and monitoring mechanisms. For stronger cooperatives, organizational structure of higher cooperatives should be reconfigured and higher organizations should be rendered more effective with the supportive mechanisms.

8.1. Unit cooperatives should be organized firstly in the regional unions and then in sectoral central unions within the sectors they operate. Sub-commissions can be established in the sectoral central

unions according to the areas of economic activity. It should be ensured that the national union to be established by all sectoral central unions (currently, the Union of Turkey's National Cooperatives) concentrates on the activities (training, auditing, international relations, legal negotiations with the governments, etc.) that cannot be dealt by the sectoral associations on their own.

8.2. By adopting the system of clusters on a regional scale, joint actions can be taken in coordination on the subjects such as input supply, logistics, and storage. On the other hand, it should be aimed to establish a procurement system locally between the cooperatives and other components of social solidarity economy, in order to develop circular economic models.

8.3. At the local level, other components of social solidarity economy, e.g. trade unions, professional associations, non-governmental organizations, and the cooperatives can establish a platform to communize their experiences and knowledge in different fields. Joint agendas to be created and joint projects to be develop by this platform will surely support the local economy and produce solutions to the local problems.

Recommendation 9. Collaborations between Cooperatives and Local Governments

In recent years, the works and supports of the local governments in the field of cooperatives have been effective in including the cooperatives to the agenda of the society. The solidarity relationship established between the local governments and cooperatives serves as a major leverage for the development of the cooperative economy. However, it should not be overlooked that this relationship carries certain risks in terms of autonomy and dependent development of cooperatives. In this respect, it is important that local governments design their applications of support, based on objective criteria and treating all cooperatives equally. Therefore, ethical and solid cooperation to be established between the local governments and cooperatives may offer important opportunities, to strengthen the social solidarity economy and support the cooperatives.

9.1. The relationship between local governments and cooperatives should neither be hierarchical nor established on the basis of dependency. Local governments should work with the cooperatives in an attempt to identify and meet the local needs, support the local economy, increase employment and support the production.

9.2. It will be good if the municipalities build sales points at the central spots of the city in order to eliminate the marketing challenges encountered by the cooperatives and to bring them together with the consumers. Municipalities can also assist and guide the cooperatives in the procedures required (obtaining licenses, product processing, packaging, storage, logistics, etc.) to market their products.

9.3. The support offered by local governments to cooperatives in terms of infrastructure and logistics is a significant support especially for those cooperatives established with a low capital. With respect to the activities engaged in agricultural production, the municipalities can allocate the farmlands in their possession, to the cooperatives. Municipalities can also play a role in constructing permanent venues and appropriate infrastructure in the cities, where the cooperatives can gather together, hold their events and organize joint activities.

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