

SUMMARY REPORT

“FINANCING LOCAL DEVELOPMENT: UNDERSTANDING THE ROLE OF MUTUAL CREDIT AND CO-OPERATIVE BANKS”.

International conference organised by the OECD LEED Programme, in partnership with the French Inter-ministerial DELEGATION for Innovation, Social Experimentation and Social Economy (DIIESES), the National Co-operation Group (GNC) and with the co-operation of the Eurogroup Institute.

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This summary report was prepared by Edwige Kacenelebogen, Eurogroup Institute.

For further information please contact: Ms Antonella Noya, Senior Policy Analyst;
antonella.noya@oecd.org

On November 23rd, an international conference on “*Financing local development: understanding the role of mutual credit and co-operative banks*” was held at the OECD headquarters at the Chateau de La Muette, in Paris. The conference took place during the week celebrating the 60th anniversary of the French law on cooperation and aimed to explore and discuss the contribution that mutual and cooperative banks give to local development and local social and economic growth. Never before had the OECD devoted a conference to the co-operative banking sector. Deputy Secretary-General of the OECD **Pier Carlo Padoan** assured that by doing so the OECD intended to express its belief in the crucial role that the cooperative banking sector plays “not only in citizen’s daily life, but also in shaping the economic development of many localities and territories”.

The ambition of the conference was to palliate the current lack of information and communication regarding the contribution of the mutual benefit and credit co-operative sector to individual and community developments. Following the recent interest shown by institutions such as the World Bank and the International Monetary Fund, the OECD LEED conference underlined the meaning and significance of the co-operative sector within the banking and the financial sectors without failing to lay emphasis on the challenges to be met within each sector.

Mr. Jérôme Faure, Interministerial Delegate for Innovation, Social Experimentation and Social Economy, **Jean-Claude Detilleux**, President and Director General of the Group Crédit Coopératif, and **Garry Cronan**, Director of Communication at the International Co-operative Alliance (Switzerland) welcomed the OECD initiative and praised the OECD for initiating a most needed discussion on such an important matter as the characteristics and various impacts of co-operative banking on local development. They acknowledged the fact that the economic and social impacts of co-operatives, mutual societies and social economy organisations is far from being known in spite of the fact that the cooperative movement- an impressive component of the social economy sector - is spread all around the world, as underlined in the recent ICA study, the Global 300, presented by Garry Cronan. (see http://www.oecd.org/departement/0,3355,en_2649_34459_1_1_1_1_1,00.html).

The conference was divided in four sessions. The first session focused on the landscape of local development funding and aimed at presenting the most recent trends in the domain. The second session introduced the co-operative banks as special actors in local development. The third session explored the links between the co-operative banks and financial institutions in relation to territories’ economic growth and social inclusion. The fourth and final session addressed the chief question of the future of the co-operative banking sector.

Session 1: FUNDING LOCAL DEVELOPMENT.

As DSG **Pier Carlo Padoan** briefly mentioned in his introductory speech, successful local development in a knowledge-driven global economy requires a community to be truly distinctive, appealing and productive. Just as firms must innovate and invest to succeed, localities have to adjust, reinvent and distinguish themselves.

They must make sure to modernise transport, communication and other infrastructure as they build up human capital. From this it follows that the real challenge for local development is to find the necessary funds to achieve such a task. Knowing that it can take thirty to fifty years for a locality or region to switch from an “industrial economy” to a “knowledge economy”, the question is a most pressing one.

Mr. Padoan called attention to the significant changes which are currently taking place in financing local development. According to him, global opportunities for cities and localities have led

to a renewed impetus for new financial tools. The new mindset thus focuses on addressing how public assets can be better used to generate private co-investment, rather than being sold for a once-only 'current value' price.

New thinking is also required concerning the organizational structure which would promote financial innovation. For, as it is increasingly realised, local and regional investment are not solely about how much money can be obtained from various sources. It rests, more importantly, upon the quality of the propositions developed, the robustness of their management, and the returns that they can offer to private and public investors.

Hence the importance, stressed by Mr. Padoan, of the role played by financial institutions in local development. For as they are the core of financial flows, their actions and strategies have an important impact on an area's economic development. Yet, the usefulness of institutional investment remaining undoubted, one is naturally led to wonder whether local development is an investment or rather a strict expenditure for governments.

To this question, Chairman of OECD LEED Forum of Development Agencies and Investment Strategies **Greg Clark** provided a convincing answer. He emphasized the fact that local development is not simply "citizen facing", it is also and perhaps more importantly "market facing".

More than a "simple" increase in public services, local development aims at creating a higher rate of productive investment, a higher demand in property market coupled with an increase in the benefits of tourism, the outcomes of which are of financial value: buildings, land, property, trading activities of new firms, and/or new trading activities for "old" firms.

Under this light, local development is clearly not expenditure. As Mr. Clark stated, "local funding must be on the income side of the balance sheet too. It is not a cost only". Still, according to Mr. Clark, its current problem is that its scale is too low to have a meaningful impact. Hence the urgent need for new financial tools to be created in order to shift the status of local development from government expenditure to investment; and hence, the increased role of commercial banks and regional organisation.

On the whole, then, in a new global era where the economy is more and more knowledge driven and where national economies have to work internationally and subnationally, the population's hypermobility raises a few pressing questions and points to the importance of proactive investment programs in localities or regions as the key to the transition towards the new economy. The epoch we live in requires a focus on local and regional investment and improved local and regional investments require in turn dedicated tools and public/private endeavour.

Yet there is evidence, says Mr. Clark, of financial gaps related to local development. Whereas in the past the immediate solution was to fill these gaps with public funding, such subsidies are now understood as a failure to translate an investment need into a bankable proposition. The private sector has to come at the forefront and replace governmental grant giving propositions. The age of permanent subsidies has passed. The task for local development is to build the market and capture value to support investment (Land value, tax base, fees, levies, etc.).

Mr. Nadio Delai, President of consultant and research company *Ermeneia*, commented on Mr. Clark's intervention by raising three main points. It is first of all necessary, according to Mr. Delai, to identify two main types of reasons or "drivers" for action. On the public side, there is a definite willingness towards economic development, facing a lack of resources and an increasing consciousness of inadequately exploited local assets.

On the private side, one is looking for good investments, creativity in financial tools and a significant ability in conceiving original development projects. The convergence of these two types of “drivers” tends, according to Mr. Delai, to generate a kind of virtuous circle relatively more efficient than it used to be in the past.

Secondly, one must realize, says Mr. Delai, the increasing number of financial solutions (tax, public grants, philanthropic grants, private investments, charge system – *i.e.* congestion charge –, development funds, bonds of Municipalities, etc.) which considerably extend the financial “tool box” available nowadays.

Thirdly, Mr. Delai stressed the existence and fundamental importance of “bridging mechanisms” between the different actors operating at public and private levels. According to him, these “non-tangible mechanisms” can be identified in the culture of local administrators, the common language of different actors, the availability of adequate skills, the competition among different actors for visibility and public consensus, or the ability of negotiation among a multiplicity of actors.

Mr. Delai finally underlined the fact that we are experiencing a key-passage from an “economy of individual actors” to an “economy of relationship” between different actors. Hence the crucial importance of the role which cooperative banks, naturally linked to small actors, are brought to play.

Session 2: CO-OPERATIVE BANKS: SPECIAL ACTORS IN LOCAL DEVELOPMENT.

Mr. Hervé Juvin, Eurogroup Associate and President of Eurogroup Institute, introduced the second session by providing some clarifications as to the intrinsic characteristics of banks in the co-operative and mutual credit sector. According to him, five aspects define the co-operative movement’s unique feature and impact very directly on a co-operative company’s local action and its responsibility vis-à-vis the surrounding environment.

Firstly, unlike a mutual society, which is not required to constitute start-up capital, a co-operative company is in fact a business corporation. Its capital is represented by shares which are held by its members. The members of a co-operative bank are thus more like life tenants, who must enhance the value and power of the asset entrusted to them by their predecessors before they in turn pass it on.

Secondly, co-operative ventures operate according to a very particular model: a corporate democracy or “inverted pyramid”. The local credit unions or savings societies own regional or higher-level credit unions and banks. In turn, the latter wield control over the central executive body. Thus the pyramid is inverted as compared with the standard profile of a national limited corporation insofar as the local level controls the regional level which in turn controls the national level.

What is generally described summarily as a “co-operative group” is in fact an association of establishments and subsidiaries, regardless of the form of incorporation (which in a large majority of cases is that of a public limited company), which are controlled by the co-operative network. Co-operative groups are thus classified as ‘hybrid’ insofar as they comprise a core of co-operative banks and in most cases own a large number of sizeable subsidiaries. A co-operative company, unlike a mutual society, is thus by definition a capitalist, competitive undertaking fully immersed in the market. Its primary role in local development is to use special mechanisms to bring customers into the market, rather than to protect or distance itself from the market.

The third specificity of the co-operative firms consists, according to Mr. Juvin, in the fact that they are territorial. Rooted in their activist origins – co-operative banks originally served as a vehicle

of market entry for minorities or population groups that had previously been excluded for geographic, socio-professional or other reasons.

In the fourth place, co-operative banks are unanimous in acknowledging that commitment over time is one of their greatest sources of attraction. Their ability to commit is grounded in a distinctive feature of cooperative companies – the immunity to take-over bids. This situation is generally known to shield co-operative firms from take-over and to constitute one of their greatest strategic resources: immune from the short-term pressure of the financial market and the share price, they are more likely to make long-term investments, commit to projects that generate no immediate returns and give priority to a variety of local or business projects. Long term commitment is thus a precious resource for co-operative banks, *inter alia* because it affords them unparalleled freedom to control earnings in the absence of mandatory remuneration of shareholders.

In the fifth place, co-operative banks came into existence to provide members of territorial or occupational groups with the wherewithal for economic autonomy through community commitment and action. One major outcome of this is that profit is not the objective of co-operative banks. At all levels, they strive to incorporate concern for general welfare into their decisions.

Historically, co-operatives have been set up to serve the common interests of their members. One of the primary advantages of co-operatives thus lies in the fact that asymmetrical information in the lending relationship is reduced and far less tainted by such factors as adverse incentives or moral hazard. In part, this advantage is preserved – even in large-sized co-operatives – by the subordination of mandates to local mandates, as well as by the ‘one man, one vote’ principle, which ensures that the interests of the greatest number are served.

After having specified what, according to him, defines the co-operative model, Mr. Juvin stressed the fact that the real challenge for co-operative banking is to show how a culture of profitability can still co-exist with co-operative values, lest the consensus obtained in corporate governance and with their member-customers be called into question. An ever greater challenge, said Mr. Juvin, is for them to redeploy these co-operative values to new areas where market failings are appearing, such as customer education, providing for new scarcities and the sustainability of our growth models, the development of an inclusive and non-exclusive society and better incorporation of long-term considerations into choices, asset allocation decisions and project management.

In the end, **Mr. Juvin** sees the real question as a political one. Intermediary agents of the sort that co-operative banks constitute, or could constitute, in their contribution to local development come between elected political representatives and certain categories of the population. Practicing a form of direct democracy, they too claim legitimacy grounded in elections and in doing so they thwart and compete with the monopoly to represent the community interest.

Formulating their own means of regulation, seeking to combine competence and a sense of belonging, the legitimacy of success and legitimation through utility, co-operative banks break free of the ‘public/private’ dichotomy. They could do even more in their quest to become major intermediaries of local development if, alongside major operators like the *Caisse des Dépôts et Consignations* in France, they could stake claim to their share of the community and the general interest.

Pr. Ghislain Paradis, from the University of Sherbrooke in Québec, responded to Mr. Juvin’s intervention by emphasizing the importance of two main features which according to him characterize the traditional cooperative banking model. On the one hand, one must measure the importance of the structuring effects which cooperative banks have on the communities which gave birth to them. Not

only is the community reinforced by a new accessibility to financial services; one must also realize, on the other hand, the impact of cooperative banks on local and regional capacities of “ordinary” people.

Indeed, Pr. Paradis suggested, through cooperative banks, local leadership is stimulated and empowered which leads to a greater respect from the political and financial circles and to a higher probability of people-oriented development strategy. Most importantly, one must keep in mind the pride and confidence which the capacity of controlling its own development provides a community.

On the other hand, the quality and efficiency of the network system proper to co-operative banks is peculiar to the extent that these banks possess the remarkable property to be able to remain close to their local community and at the same time be part of a vast system with multiple ramifications and rich possibilities. The *Caisse Desjardin*, *Rabobank* or *Crédit Agricole* provide powerful examples of the high level of sophistication which the co-operative model can reach in that regard. Over the next ten to fifteen years, Pr. Paradis anticipated, it is likely that the majority of cooperative banks will fine-tune their network architecture and operating rules. This will require a lot of know-how and delicacy to the extent that their aim is to reconcile control and autonomy, international expansion and local identity, universal products and regional specific needs.

That said, Pr. Paradis expressed some personal comments regarding two main issues. The first one concerns the scepticism of some partisans of financial market integration regarding co-operatives’ social capital and reserves. Indeed, Pr. Paradis argued, international authorities do not consider cooperative banks’ capital as true capital to the extent that it is not permanent (it is redeemable to its members). Although Pr. Paradis admitted the legitimacy of the concern on which such scepticism is based, he strongly criticized the weak attention given by free market partisans to a model of enterprise “which proves to be strongly useful to social cohesion and to local development”.

The second issue raised by Pr. Paradis concerned democratic life within the co-operative firm and historical cornerstone of the cooperative movement which lies in the rule: “one member, one vote”. Pr. Paradis called into question the possibility to realistically apply this fundamental principle given the very large number of members which co-operative companies are usually made of. Pr. Paradis then suggested that the issue should be addressed with “confidence and transparency”, and that the cooperative banking community should revisit some of its practice by following some successful regional financial experiences in German and Finnish cooperatives.

Following Pr. Paradis’ comments, **Ms. Nadine Richez-Battesti**, senior Lecturer at the Université de la méditerranée, Aix-Marseille, provided some further clarification regarding the contribution of co-operative banks to local development and their capacity for territorial innovation. Based on a field survey conducted on the stakeholders of French co-operative banks, Ms. Richez-Battesti explored the hypothesis that co-operative banks contribute to developing a territorial regime – which she defined as ‘specification’. meaning a ‘combination between the production system and the governance system’ – With that in mind, Ms. Richez Battesti first argued that co-operative banks lead to three types of proximity: one that is based on membership and decentralised organisation, another stemming from stakeholder governance based on networking, and a third coming from the innovation capacities which contribute to economic and social cohesion within the locality.

With respect to membership, Ms. Richez-Battesti argued, the dual status of members (as owners and customers) combined with their association in the context of an elective and participatory democracy concur to form a network which is mobilised and constructed internally and which produces “voluntary external spillover effects”. Thus, through the creation and development of co-operative ventures, members bring about the production of diversified resources, often intangible, that reinforce banking performance jointly with that of the territory. This mutual enrichment, through the

creation of resources and the search for positive externalities, shows not only that wealth creation is not limited to the market place but that the resources thus created are both an input and an output of production.

Concerning the networks or interactions which, being highly cognitive, encourage the development of individual, organisational and territorial leading opportunities as well as the construction of collective skills and shared knowledge, Ms. Richez-Battesti suggested that they are deployed at three combined and mutually reinforcing levels of proximity. The first one is geographic and points to short geographic distances as exemplified by local banks. The second one is organisational and concerns the prescribed and autonomous rules in effect in the co-operative bank that allow stakeholders to work together. The third one is institutional and suggests that the co-operative venture relies on stakeholders' commitment to a system of values relating to a shared objective, which is to pursue the common welfare, or, more generally, to pursue a project which will contribute to the development of the territory and/or to social cohesion.

Finally, with reference to local social innovation, Ms. Richez-Battesti suggested four types of innovation which can be brought about by social-technical networks. The first one consists in the emancipation and empowerment of individuals and groups facing problems of social and occupational integration. Secondly, co-operative banks allow for the pursuit of some of the activities overlooked by the market, by the State or by local governments and relating to collective interests. Thirdly, the reliance on rules of co-operation, as based on partnership and reciprocity, is a powerful incentive to innovate. And finally, mobilising resources (be they monetary, non-commercial and non-monetary) and contributing to their production is a specificity of the co-operative venture.

On the whole, Ms. Richez-Battesti argued, beyond their strong presence throughout the country, the French co-operative banks are willingly contributing to local development, not only by introducing original and accessible products, services and mechanisms that may remain specific or may become generalised, but also by intensifying and increasing the density of partnership networks focused on participation and co-production, thereby contributing to collective learning and to finding original productive solutions, internally as well as externally. They thus help to strengthen the territory's creative capacities and multiply and recombine available resources and assets so as to influence their path.

Mr. Mettling, Associate Director General of the *Banque Fédérale des Banques Populaires*, responded to Ms. Richez-Battesti's intervention by first stressing the accuracy, from the standpoint of the *Banques Populaires*, of the description she provided of the co-operative model and movement. The *Banques Populaires* group, Mr. Mettling stressed, stemmed from the willingness to find a way to develop their own activities for the greater benefit of the local or regional economy.

The proximity between the *Banques Populaires* group and its members is not only geographical; it is also and perhaps more importantly the medium through which a true regional solidarity was created. Mr. Mettling also emphasized individual and collective empowerment as a fundamental value and key component of the *Banques Populaires*' success. Each year, a few hundred projects proposed by local associations or social innovators are selected and financed.

In an era of globalisation, Mr. Mettling anticipated, the role of local and regional development will be of increasing importance. One can expect micro and local initiatives to be at the heart of social innovation, and regional actors or agents such as co-operative banks to have a key role to play in that regard. For, as the European commission has made it clear, the stakes of sustainable development, be they ecological or human, are first and foremost palpable at the regional level.

Mr. Azzi, President of the Italian National federation of Cooperative banks (Federcasse), firstly stressed that, although the geo-cultural, organisational and political context of reference are different, the experience registered in France by the co-operative banks is very similar to the Italian mutual credit system. This confirms, to Mr. Azzi's mind, the legitimacy of the fundamental values of the co-operative system, as well as its validity as a socio-economic model.

Mr. Azzi also underlined the soundness of Ms. Richez-Battesti's point concerning the so-called "co-operative dividend" which results from an innovative process of interaction between different social players who, because they come from the same territory, share similar values, goals, know how and knowledge. Such participation, Mr. Azzi argued, leads not only to new financial products, but to innovative procedures and solutions which are much more (territorially) demand driven. Unfortunately, this value-added approach cannot be measured through conventional methods. It thus constitutes a field of stimulating analysis for researchers and institutions like the OECD to explore. Mr. Azzi concluded his intervention with a final remark which pointed to the fact, mentioned by Mr. Mettling, that in a period of gigantic mergers in the banking sector and in a context of increasing standardisation and homogenisation, the role of local and co-operative banks is to be considered as even more relevant and strategic.

Session 3: CO-OPERATIVE BANKS, FINANCIAL INSTITUTIONS AND LOCAL DEVELOPMENT.

This session was organised around a round table, chaired by François de Witt, and aimed at discussing co-operative banks contribution to economic growth and social inclusion. **Pr. Marie-Thérèse Taupin**, from the University of Rennes II, emphasized the importance of the responsibility which contemporary jointly liable finance bears, and called into question the peculiarity of such responsibility as compared to that of "socially responsible investments". Pr. Taupin insisted on the usefulness of the cooperative banking group as one of the powerful means to finance local economy. She also pointed out the natural tendency of such a model to entail a socially sustainable development.

Mr. Kieron Brennan, Programme Manager at Pobal, Ireland, first introduced Pobal's mission and status. Pobal is a not-for-profit company with charitable status that manages programmes on behalf of the Irish government and the E.U. Its mission is to promote social inclusion, reconciliation and equality through integrated social and economic development within communities. The programmes it promotes are mainly concerned with providing grant aid to the community and voluntary sector.

Mr. Brennan then stated that Irish organisations started only in the last ten years to offer sizeable lending to the community sector. Indeed, after recognizing that the delivery of social finance was poor, patchy in coverage and not well supported, the Irish government, employers, trade unions and the community sector committed themselves to developing social finance structures which lead to the establishment, in January 2007, of the *Social Finance Foundation*. This foundation is a national structure whose governance arrangements reflect social partnership and whose funds are wholly generated by contributions from commercial banks. Funds are thus lent to social finance bodies at very low rates. Although the *Social Finance Foundation* is still in its early days, Mr. Brennan expressed his confidence in its promotional role for social finance. It shows proof, according to Mr. Brennan, that the conditions for the expansion of social finance are being dramatically improved.

Finally, **Mr. De Romanet**, General Director of *the Caisse des dépôts et Consignations*, stressed the fact that as a major financial institution serving its country, Caisse des Dépôts contributes to sustainable development by seeking performance on three levels: economic, social and environmental. These performances are measured by their direct impact on society.

Caisse des dépôts is thus recognized for its major economic role and its benefits to society while supporting national and local governments. Its activities have an impact on local and regional development, company development and employment as well as on inter-generational, societal and economic solidarity. Similarly, its engineering and services subsidiaries in the transportation, real estate, infrastructure and leisure sectors are directly involved in societal and environmental challenges. Finally, as a major institutional investor, Caisse des Dépôts focuses on generating a long-term return on its investments, an essential condition for sustainable development. To help meet these challenges, Caisse des dépôts has created a sustainable development department to coordinate and promote these activities and has adopted a three-part approach: (1) Social and environment responsibility; (2) socially responsible investing; (3) the fight against global warming.

From digital infrastructure and urban construction and renewal to equity investments in small businesses, a single philosophy underlies Caisse des dépôts investments in local projects: contributing to the creation of new economic growth vectors countrywide by supporting local policies. Caisse des dépôts is hence co-investor in sectors that are not sufficiently covered by the market, favoring arrangements that bring together public and private partners and encouraging the latter to invest in local and regional development.

These investments cover the needs of local and regional governments and support public policy initiatives within the framework of agreements entered into with the government. Furthermore, in addition to the contribution it makes to regional private equity through CDC enterprises – FP Gestion, Caisse des dépôts supports the creation of very small businesses as well as associations that create jobs. It administers the new Social Cohesion Fund (*Fonds de Cohésion Sociale*), which the government has endowed with €73 million to guarantee bank loans to entrepreneurs and help in the fight against exclusion from the banking system.

Mr. Gérard Leseul, Director of external relations at *Crédit Mutuel*, insisted on the fact that being naturally anchored in a territory, co-operative banks are not so much global players as structures which naturally contribute to holding out against the negative effects of globalisation. In Mr. Leseul's opinion, it is important to realize that, contrary to the hypothesis of legal favouritism usually suggested by its detractors, the success of the co-operative movement is largely due to its own internal organization and independent from any specific treatment on behalf of the government.

Mr. Leseul also emphasized the fact that the contribution of co-operative banks to local development is not solely economic. Because of their organisational model, co-operative banks tend to disseminate and celebrate distinctive territorial features and local particularities. The capacity of local orientation to inspire decisions, operations and organisations at the highest level is a real one; it justifies a bottom-up organisation that seeks grass-roots consensus rather than a top-down model. Also, the co-operative banks play, in many cases, a non-economic role as a community intermediary – a role whose indirect economic effects may be considerable. This role, said Mr. Leseul, is generally assumed at the grass-roots level (local credit unions, regional banks or branch offices themselves). By granting subsidies, organising meetings, etc., it empowers local initiatives and desires which would otherwise be thwarted.

In the end, Mr. Leseul underlined, co-operative banks' internal organization has a high impact on its local environment. Decentralisation keeps some of the decision-making centres at the local level. The superposition of organisational levels that typifies co-operative banks actually produces greater efficiency because of its proximity to the community. Local development is consequently a traditional positive effect – as well as a specific strength – of the co-operative movement. The co-operative movement is thus representative of a true social solidarity between its members. Such solidarity notably explains the high productivity, (locally based) innovation and performance of the co-operative

banks. Examples of such solidarity can be found in various programs of financial support directed towards local activities: *Crédit Mutuel* has helped finance local initiatives against functional illiteracy, as well as various other local initiatives through main partnerships such as that contracted with the ADIE (*Association pour le Droit à l'initiative économique*) – an organisation aiming to fight against unemployment and social exclusion by financing micro-projects –, the FGIE (Fonds de garantie d'insertion), or the FGIF (Fonds de garantie pour l'initiative des femmes).

Session 4: CO-OPERATIVE BANKS: WHAT FUTURE FOR THE SECTOR?

Mr. Hervé Guider, Secretary-General of the European Association Cooperative Banks, strongly rejected the idea of an antiquated, flat-demography, auto-referential co-operative banking system. Mr. Guider emphasized the fact that more than half of the banks in Europe belong to a co-operative banking network, and that we are witnessing particularly interesting developments in the co-operative banking system in Western Europe where the attitude towards cooperation and mutualism is progressively moving from serious scepticism and mistrust (largely due to previous political experiences) to a more confident and trustworthy feeling towards co-operative ventures.

Mr. Guider pointed out the fact that the European Commission itself has a rather dual attitude towards the cooperative world: although the European Commission recognizes its role in social finance and invites the co-operative ventures to pursue and develop activities in this field, the commission exhibits a constant and growing tendency to verify and monitor the conformity and compliance of this specific banking model with the European regulations and rules in competitiveness, accounting, governance, risk management, etc. In light of this, Mr. Guider stressed the importance for the co-operative movement to develop its communication skills, as well as the need for the OECD to study and supply new methodologies as well as more sophisticated instruments in order to measure costs and benefits (direct and indirect impact) of mutual cooperative banks on their local environment.

Professor Olivier Pastré, from the Université de Paris VIII, questioned the possibility for the co-operative movement to constitute a true business model given its apparent comparative advantages – namely, its performance in regards to the consumer as well as vis-à-vis the shareholder. He envisaged two possible scenarios as to the future of co-operative banks: in the first scenario, the co-operative banking movement is paralysed by its own contradictions and the co-operative banks find themselves more and more marginalised. Here, their strategy would be self-centred and defensive. In the second scenario, the co-operative banks would be able to expand their activities internationally, via financial markets. Between those two scenarios, Pr. Pastré suggested, a third and hybrid way is conceivable through which the co-operative banks would keep their geographical and ideological roots while developing their strategy internationally by exporting their know how.

Mr. John Evans, General Secretary of the Paris-based Trade Union Advisory Committee to the OECD (TUAC), shed some light on the fact that trade unions were increasingly engaged in examining public policy issues from a local or territorial perspective. In addition to policy advocacy, unions are also mindful of financial issues such as their role in investing workers' capital through pension funds and other collective investment vehicles. Mr. Evans also shared his enthusiasm regarding the promotion of diversity and alternative model of governance which seek to balance financial profitability with social responsibility.

Mr. Jütting, senior economist at the OECD Development Centre, agreed on the mutual enrichment of analysis and results.. He also underlined the importance of micro-finance and micro-credit as factors for self-development. In this field, Mr. Jütting insisted, co-operative banks are already active but could play an even more crucial role in the near future.

Mr. Padoan concluded the conference with a reminder of the importance of the mutual credit and co-operative banking sector: the co-operative banks in Europe include approximately 140 million clients, nearly 720 000 employees and 60 000 branches. They hold 20% of the savings market in 25 EU Member states. Mr. Padoan then emphasized the fact that the conference highlighted the co-operative sector's contribution to economic development by means of analysing its identifying characteristics, its territorial service mission, the differences between this sector and that of commercial credit, and its relationship between alternative and jointly liable funding.

On the whole, Mr. Padoan stressed, experts agree that mutual and co-operative banks have an important role to play in fostering social innovation and inclusion, which are essential components of sustainable economic development strategies. Thus, by maintaining a core set of values whilst remaining competitive in capital markets, mutual and co-operative banks serve the interests both of individuals and the local business community. Finally, Mr. Padoan stressed the fact that the changes brought about by globalisation and advances in ICT were changing the meaning of "local" and that this would not fail to impact on the regulatory framework for financial activities. Recommending that further work be carried out by the OECD in this area, Mr. Padoan invited the participants to ponder over the question whether the co-operative model, prominent in some countries, could and should be generalised throughout the OECD.