

Opinion of the European Economic and Social Committee on the 'Ability of SMEs and social economy enterprises to adapt to changes imposed by economic growth'

(2005/C 120/03)

On 27 April 2004, Ms Loyola de Palacio, Vice-president of the European Commission, asked the European Economic and Social Committee, on behalf of the European Commission, to draw up an exploratory opinion on the 'Ability of SMEs and social economy enterprises to adapt to changes imposed by economic growth'.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 October 2004. The rapporteur was Ms Fusco.

At its 412th plenary session of 27 and 28 October 2004 (meeting of 27 October), the European Economic and Social Committee adopted the following opinion by a majority of 169 votes to two, with five abstentions.

Preliminary remarks

In line with the European Commission's request, the object of the present opinion is to examine the subject from the perspective of existing and potential interaction between SMEs, including micro-enterprises, on the one hand, and social economy enterprises (SEEs) on the other, and to examine different SEE models and tools that have made, or are likely to make, a substantial impact on the ability of SMEs and SEEs to adapt.

1. Objectives and regulatory framework

1.1 Believing that the role of SMEs and SEEs is of particular relevance to the Lisbon Strategy, the European Commission asked the EESC to deliver an exploratory opinion on the above-mentioned subject. Furthermore, it proposed that the Committee should identify those factors which should make up the regulatory and support framework required by these operators.

1.2 This request followed the publication of an EESC own initiative opinion on the role of SMEs and social economy enterprises in economic diversification in accession countries, which was adopted unanimously on 1 April 2004. This opinion dealt jointly with both types of operators, defining them and referring to their importance in the EU as a whole, in the light of their contribution to the economy, employment and social cohesion, and their deep interactions and synergies. It further specified that the difference between the concepts of economic change is substantially broader and more dynamic than the concept of restructuring. It alluded to the Gyllenhammar report delivered by the high-level expert group on *Managing Change* set up by the European Commission, which stresses the need for job creation whilst recognising the validity of an approach built on benchmarking, innovation and social

cohesion. It recommended an integrated ten-point programme for the promotion of SMEs and SEEs in the economic diversification of accession countries, a programme largely inspired by several examples of SEE good practice in the EU.

1.3 SEE good practice in the EU could form the basis for interaction and synergy between SEEs and SMEs, opening new avenues for the spirit of cooperation, innovation and the growth of SEEs and their considerable potential use by SMEs. In this way, they would contribute real added value to the growth of SMEs, fostering, by their very structure, cooperation, representativeness and mutual confidence they need.

1.4 The European Council of March 2000 put forward the Lisbon Strategy with the intention of making Europe the most dynamic and competitive knowledge-based economy in the world, whilst stressing the need for 'creating a friendly environment for starting up and developing innovative businesses, especially SMEs' and adding that 'the competitiveness and dynamism of businesses are directly dependent on a regulatory climate conducive to investment, innovation, and entrepreneurship' ⁽¹⁾. Basing itself on this premise, the Feira European Council of 19 and 20 June 2000 adopted the European Charter for Small Enterprises, which states that 'Small enterprises are the backbone of the European economy [and] are a key source of jobs and a breeding ground for business ideas' ⁽²⁾. Furthermore, the Lisbon Strategy also states that economic growth is a key factor for ensuring social cohesion in Europe. The Commission subsequently argued that the challenges presented by the implementation of the Lisbon agenda were the need to create employment, and increase the rate of employment, improve technical know-how, and ensure an ordered flow from agriculture and industry to services without generating increasing regional disparities in the countries themselves ⁽³⁾.

⁽¹⁾ Presidency Conclusions – Lisbon European Council, 23 and 24 March 2000, point 14.

⁽²⁾ The European Charter for Small Enterprises, Luxembourg Office for the Official Publication of the European Communities 2002. The Commission states that the Charter was endorsed at Maribor on 23 April 2002 (see http://europa.eu.int/comm/enterprise/enterprise_policy/sme-package/index.htm). The Committee joins the European Parliament in strongly recommending that the Charter should acquire legal value and that it be formally included in the industry chapter of the European Convention.

⁽³⁾ A strategy for full employment and better jobs for all COM(2003) 006 final.

1.5 SMEs, a term, which also includes micro-enterprises with their special features, are enterprises corresponding to precise numerical criteria defined by the European Commission as follows ⁽¹⁾.

Category of enterprise	Number of workers	Turnover	or	Balance-sheet total
Medium-sized	< 250	≤ EUR 50 million		≤ EUR 43 million
Small	< 50	≤ EUR 10 million		≤ EUR 10 million
Micro	< 10	≤ EUR 2 million		≤ EUR 2 million

1.6 SEEs fall into four categories: cooperatives, mutual societies, associations and foundations. They are characterised by the primacy of their social objectives, rather than the need for maximum returns - this often gives rise to a link with their local area and local development. Their basic values are: solidarity, social cohesion, social responsibility, democratic management, participation and autonomy ⁽²⁾.

1.7 Most SEEs are included in the EU's standard definition of SMEs ⁽³⁾. Those which do not match that definition, because of their size, generally have certain characteristics in common with SMEs, such as a low level of external investment, no stock exchange listing, proximity of owner-shareholders, and a close link with the local social fabric.

1.8 The European institutions have established a regulatory framework for SMEs. Until 2005, one main binding measure will apply to SMEs, namely Council Decision 2000/819/EC on a multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) 2001-2005. This programme, which is also used to advance the implementation of the European Charter for Small Enterprises, seeks to:

- enhance the growth and competitiveness of business;
- promote a spirit of enterprise;
- simplify the administrative and regulatory framework;

⁽¹⁾ Recommendation 2003/361/EC, replacing Recommendation 96/280/EC (OJ L 124 of 20.5.2003, p. 36), which will come into force on 1.1.2005. From the current Recommendation to the new one, these definitions remain the same. Only the turnover figures or the balance-sheet total change.

⁽²⁾ B. Roelants (coord): Preparatory Dossier for the First European Social Economy Conference in Central and Eastern Europe, 2002, p. 31. Common denominators drawn up on the basis of definitions put forward by the EU Commission, the Committee of the Regions, the CEP-CMAF (European Conference of Cooperatives, Mutual Societies, Associations and Foundations) and the FONDA (linked to organisations that gave rise to the social economy concept).

⁽³⁾ McIntyre et al.: Small and medium enterprises in transitional economies, Houndmills: Macmillan, p. 10.

— improve the financial atmosphere for business;

— give business easier access to Community support, services programmes and networks.

1.9 On 21 January 2003, the Communication from the Commission COM(2003) 26 final summarised five reports: two reports on the implementation of the European Charter on Small Enterprises in the EU and in the accession countries; a report on EU activities for SMEs; a report by the SME Envoy; and the Green Paper on entrepreneurship. Amongst the challenges it refers to, the report on EU activities demonstrates the EU's commitment, particularly in terms of Structural Funds, and the multiannual programme already mentioned in the Sixth Framework Programme. Finally, a Community action plan (2006-2010) that promotes entrepreneurial spirit and competitiveness was drafted on the basis of the Green Paper.

1.10 The European Commission also put forward a regulatory framework for social economy enterprises. Cooperatives, the most significant of social economy enterprises, were the subject of the *Communication on the promotion of cooperative societies in Europe* of 23 February 2004. The Communication proposes to raise the profile and improve understanding of this type of enterprise, and to facilitate consistency between national laws in EU countries ⁽⁴⁾. It includes the fundamental characteristics of this type of enterprise as defined by the ILO's *Recommendations for the promotion of cooperatives*, adopted in June 2002 at international level, and in particular, by the representatives of the 25 EU Member States and the majority of national employer and employee associations. This recommendation also makes reference to the main international labour laws, specifying that they apply fully to the employees of cooperatives. Furthermore, the European Commission recently published a consultation document on *Mutual societies in an enlarged Europe* on 3 October 2003, defining the fundamental characteristics of this type of SEE ⁽⁵⁾.

2. Socio-economic framework

2.1 The Commission has acknowledged that SMEs are the bedrock of the European economy, providing 66 % of all jobs and 60 % of the EU's total added value, excluding the agricultural sector. Regions with a high concentration of SMEs, such as Emilia Romagna, Baden-Württemberg and Jutland are amongst those regions with the highest employment and per capita GDP rates ⁽⁶⁾.

⁽⁴⁾ Particularly within the framework of application of the Resolution on a European Cooperative Society. See Council Regulation EC/1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE).

⁽⁵⁾ European Commission Consultation Document – Mutual Societies in an Enlarged Europe, 3.10.2003, p. 5.

⁽⁶⁾ European Commission 2004: A new partnership for cohesion convergence competitiveness, cooperation - Third report on economic and social cohesion, pp. 5 and 8.

2.2 In its opinion on the *Social Economy and the Single Market* ⁽¹⁾, the EESC underlines the socio-economic importance of SEEs, stating that the latter are fundamental to entrepreneurial plurality and economic diversity ⁽²⁾. The Commission also recognised this point in its *Communication on the promotion of cooperative societies in Europe* and in its consultation document, *Mutual societies in an enlarged Europe*, referred to in point 1.10 (above). In the EU, the social and economic importance of social economy enterprises and organisations is growing. With about 9 million direct workers (full-time equivalent), they account for 7,9 % of civilian waged employment ⁽³⁾. Moreover, they involve a considerable proportion of civil society. According to the European Commission, cooperatives have 140 million members and mutual societies 120 million. It is estimated that more than 25 % of EU citizens are members of SEEs as producers, consumers, savers, householders, policy-holders, students, volunteers etc. SEEs are developing in all sectors and particularly in a number of public utility or public interest sectors ⁽⁴⁾ such as health, the environment, social services and education ⁽⁵⁾. Thus they play an essential role in the creation of social capital, the capacity to employ disadvantaged people, social welfare, revitalising local economies, and modernising local management models. Some of them have perfected social and environmental impact assessment systems.

2.3 In the context of ongoing industrial change, SMEs and SEEs play an important part in employment and re-employment in all sectors, from declining sectors and sectors that are cutting down on their workforce in traditional sectors (crafts and trades), and in others which are expanding, such as services to enterprises, the new information and communication technologies, high-technology sectors, construction and public works, proximity services (including health) and tourism.

2.4 Nevertheless, SMEs and SEEs are faced with specific challenges. The European Charter for Small Enterprises acknowledges that the latter are more sensitive to change in the business environment. The European Commission's Green Paper on Entrepreneurship states that SEEs, because they have to apply 'business principles and efficiency to achieving social and societal objectives, ... face particular challenges in accessing finance, management training and advice.' ⁽⁶⁾

⁽¹⁾ EESC opinion CES 242/2000, OJ C 117 of 26.4.2000.

⁽²⁾ In a recent report the OECD stated that the 'social economy is a broader concept than the non-profit sector because it is less strictly bound to non-distribution constraints, according to which, organisations may not legally redistribute their surplus to their owners' (OECD 2003, *The non-profit sector in a changing economy*, Paris p 299).

⁽³⁾ This does not include indirect employment, such as casual agricultural workers, or SMEs that are members of cooperatives. CIRIEC 2000: *The enterprises and organisations of the third system: strategic challenge for employment*, University of Liège.

⁽⁴⁾ Tang et al. 2002, p 44.

⁽⁵⁾ See the Charter of the CEP-CMAF (European Standing Conference of cooperatives, mutual societies, associations and foundations).

⁽⁶⁾ European Commission: Green Paper – Entrepreneurship in Europe, COM(2003) 27 final, point III.C.ii.

2.5 There are various ways in which SMEs and SEEs can play an important role in the process of socio-economic change. There are many examples of good practice: through the employment of people who have just entered the labour market; by supporting the innovative capacity of micro-enterprises and small enterprises; by reemploying people made redundant by businesses that had to cut down on staff or shut down; by setting up social welfare mutual societies; by creating new businesses in the growing sectors; by developing services and sub-contracting; by transferring enterprises in crisis to their workers; by supporting new micro-enterprises and self-employment; and through qualitative transformation within the same sector. In addition, SEEs can make certain specific contributions to this process of change both through their capacity to train entrepreneurs, which has already been demonstrated, and through the values they promote, such as socially responsible entrepreneurship, democracy and citizen participation, involvement (including financial) of workers in the enterprise, social inclusion, and interest in local and sustainable development.

2.6 There is a considerable degree of interaction between conventional SMEs and SEEs, which has the potential for further development. Interaction takes place in the following three ways.

- a) SMEs make extensive use of external SEE services. Thus cooperative banks often support the start-up or development projects of conventional SMEs.
- b) SMEs sometimes share SEE structures amongst themselves in order to set up business systems (networks, groups, common support structures), or to achieve economies of scale (SME purchasing and marketing cooperatives), as well as to set up mutual guarantee schemes for bank loans, etc. Such structures enable them to substantially enhance their competitive edge.
- c) SEE models (mutual funds, public interest service providers, fair trade networks etc.) could be a source of inspiration for the development of SMEs.

3. Useful forms of good practice to inspire public policies, and which require deeper analysis

3.1 General Comments

3.1.1 The Commission has published examples of good practice in various documents relating to Best projects within the framework of the multiannual programme 'that is, practice that appears to illustrate an approach to a current development in business support that deserves the attention and interest of practitioners' ⁽¹⁾. This does not necessarily imply 'best practice' but seeks to inspire change and 'better practice' that will result in guidelines for EU policies.

3.1.2 The EESC is aware that, in recent years, considerable work has already been undertaken towards the development of good practice models for SMEs (c.f. above-mentioned Best projects). The good practice models below concern existing or potential interaction between SMEs and SEEs, exclusively. They are illustrated in the appended documents by concrete examples that also demonstrate the adaptability of these models and the way they can change to cope with economic growth in the context of the single market and globalisation.

3.1.3 It is useful to extrapolate according to type in order to develop public policy proposals that could strengthen SME and SEE growth, in the light of the Lisbon Strategy. Examples are given of good practice amongst SEEs that could be adopted by SMEs, and interaction between SMEs and SEEs, where SEEs are used directly by SMEs, and could be even more so.

3.1.4 The working hypothesis, which has already been partially demonstrated in some cases, is that each of these models offers substantial opportunity cost ⁽²⁾, or even net gains for medium-term public expenditure.

3.2 Types of good practice

3.2.1 *Creating or saving jobs by starting up or restructuring businesses.* SEE experience in various EU countries tends to show

⁽¹⁾ DG Enterprise (2002): Helping business grow – A 'good practice guide' for business support organisations, p 11.

⁽²⁾ Opportunity cost is 'the income or benefit foregone as the result of carrying out a particular decision, when resources are limited or when mutually exclusive projects are involved. For example, the opportunity cost of building a factory on a piece of land is the income foregone by not constructing an office block on this particular site. Similarly, the income foregone by not constructing a factory if an office block is constructed represents the opportunity cost of an office block. Opportunity cost is an important factor in decision making, although it represents costs that are not recorded in the accounts of the relevant organization' (Oxford Dictionary of Finance and Banking ; Oxford : Oxford University Press, 1997, p. 252).

that finance systems, combined with adequate support for redundant workers who wish to take over their failing enterprise or create a new one, can not only create or save jobs and help create or sustain economic activity, but can also enable the State or other investors to recover funding within a relatively short period, and possibly, make a profit ⁽³⁾.

3.2.2 *Systems and business clusters for development, innovation and competitiveness.* Some SEEs, notably in northern Italy and the Spanish Basque Country, formed regional clusters, which then went on to become horizontal or joint systems or groups, thus transforming these enterprises (small or medium-sized, for the most part) into leading economic operators in their own regions, and creating state-of-the-art technological and managerial innovation centres.

3.2.3 *Pooling resources to achieve economies of scale.* In several European countries, a considerable percentage of conventional SMEs in certain sectors, including micro-enterprises and the self-employed, (such as retailers in Italy, hairdressers and butchers in France, bakers in Germany) form groupings, usually cooperatives, to bulk buy and pool their efforts in marketing and services. Each SME remains completely independent, whilst retaining the ability to boost its competitiveness, maintain and extend its market, avoid sub-contracting and middlemen, and achieve economies of scale. This system provides the community with sustained employment and local development ⁽⁴⁾.

3.2.4 *Access to finance and risk reduction.* Mutual guarantees enable SMEs, including micro-enterprises and the self-employed, that lack sufficient guarantees to access credit. The mutual guarantee society (which often takes the form of a mutual society) undertakes to act as guarantor to the exclusive benefit of the lender. In case of non-repayment, the society will assume ultimate responsibility by drawing on the guarantee fund made up of associate SME contributions. The joint funds of SEEs have been used to leverage bank loans by fostering the banks' trust ⁽⁵⁾ for the purposes of business creation, reconversion, and development projects.

⁽³⁾ For example, the Spanish 'single payment' system, whereby 2 years' unemployment benefit can be paid in one lump sum to workers who decide to set up a cooperative or workers-owned company (sociedad laboral) or who decide to be worker-members in these firms, as long as they have worked there for at least 12 months.

⁽⁴⁾ See the website of the French Federation of Cooperatives and Craftsmen's Groupings <http://www.ffcga.coop>, and the Italian National Association of Retailer Cooperatives, <http://www.ancd.it/>.

⁽⁵⁾ For example, the SOCODEN funds of French production cooperatives, see <http://www.scop-entreprises.com/outils.htm>.

3.2.5 *Services provided to the community.* SEEs have proved to be important operators in the social, health, educational and cultural sectors, particularly in the context of privatisation, by combining an entrepreneurial spirit with respect for the public interest, which is at the heart of such services. These enterprises have often been known to provide better quality services at a lower cost than the State. In some cases, these services are local public-private partnerships between SEEs and local governments for public utility services such as employment agencies, healthcare centres, home-helps, etc.

3.2.6 *Ethical and quality production and marketing.* Some SEEs have specialised in marketing quality assured products that also comply with ethical production principles (non-exploitation, compliance with labour laws, fair remuneration, etc.).

4. Recommendations for an action-research programme defining long-term policies for the promotion of SMEs and SEEs through their reciprocal interaction

4.1 *General comments*

4.1.1 The combined importance of SMEs and SEEs for the European economy, the implementation of the Lisbon Strategy, and the potential for positive interaction between these two types of operators through the application of SEE models and structures, argue in favour of renewing combined efforts to support them at EU level.

4.1.2 The EESC takes note of existing support programmes for SMEs in particular, but also notes that existing support structures for SEEs are inadequate, as are structures for promoting initiatives fostering interaction between SMEs and SEEs.

4.1.3 It further notes the lack of concrete, exhaustive, trans-European and multidisciplinary studies estimating the opportunity cost of good practice that strengthen SMEs and SEEs and their reciprocal interaction.

4.1.4 Such a deficiency seriously limits the development of public policies to promote the reciprocal interaction of SMEs and SEEs. In order to define policies, continued assessment and cost-benefit analysis are essential.

4.2 *Specific recommendations*

4.2.1 **Creating a European Observatory for social economy enterprises and launching a multi-annual research programme on SEE-SME and SME-SEE interaction**

4.2.1.1 The EESC recommends the establishment of a European Observatory of social economy enterprises to carry out research not only into SEEs themselves but also into existing and potential interaction between SMEs and SEEs, and how such interaction could be fundamental to the economic development of SMEs and SEEs, and the promotion of corporate social responsibility and the fight against exclusion.

4.2.1.2 This Observatory will be supported by the European Commission and the governments of the 25 EU Member States. It will involve SEEs and university-level SEE research centres. They will coordinate closely with the Observatory and SMEs.

4.2.1.3 The EESC also suggests launching, through this Observatory, a three-year multidisciplinary and inter-European research project, in order to identify good practice involving SEE systems that directly develop SMEs or with the potential to develop SMEs, particularly in the areas mentioned in section 3.

4.2.1.4 Such research will aim to demonstrate the opportunity cost by concentrating on the following calculations:

- direct micro-economic cost-benefits;
- upstream and downstream cost-benefits along the economic chain;
- the value of intangible goods;
- social cost-benefits, by means of a social audit;
- multiplier effects;
- the cost differential in the hypothetical event that the model in question did not exist. For instance, the 'non-cooperative cost' is the additional cost that would be incurred by the State and the community in the event that cooperatives suddenly ceased to exist.

4.2.1.5 The European SEE Observatory's research results should be made public through the intensive communication efforts of the European institutions, Member State governments, and the general public.

4.2.1.6 The EESC will ensure the good progress of the research carried out by the Observatory for social economy enterprises, and will assess the Observatory's conclusions at the end of the three-year period by studying the possible impact of these conclusions on the European Commission's policies for SMEs and SEEs.

— to improve access to finance for SMEs and SEEs at a time when the Basle criteria for bank loans are about to become more stringent for under-capitalised or risk ventures;

— to promote partnerships and cluster networks between SMEs and SEEs;

— to update and continually integrate empirical data on the situation of SMEs and SEEs;

4.2.2 Full participation of SMEs and SEEs in European business support programmes

— to reduce world trade barriers for SMEs and SEEs, especially excessive administrative burdens and legal obstacles;

4.2.2.1 The EESC calls on the Commission to ensure that SEEs are able to participate, on equal terms, in the Multiannual Programme for Enterprise and Entrepreneurship (2006-2010), and to promote initiatives that encourage interaction between SMEs and SEEs, particularly the involvement of SEEs in cooperation between SMEs.

— to prevent business crises and bankruptcies, and to rescue businesses in crisis;

— to promote the education and development of human resources;

4.2.2.2 The EESC further calls for the level of participation of SMEs and SEEs in EU programmes for access to research, innovation, and world markets to be made a top priority for European policies.

— to promote information and communication technologies ⁽¹⁾.

4.2.2.3 The EESC considers that the number of Structural Fund projects for SMEs should be maintained, and that the number of projects for SEEs and interaction between SEEs and SMEs should be increased, especially when they are likely to create jobs and enhance rural development. Access to the Structural Funds must not be made dependent upon the sector in which the enterprise concerned operates.

4.2.4 Enhancing social dialogue at sub-national, national and Community levels

4.2.4.1 In several EU countries, and especially in some new Member States, SMEs are not adequately represented in national social dialogue forums. The EESC believes that SME representation should be increased, if only to enhance the effectiveness of public policies for the promotion and regulation of these enterprises. Large enterprises and SMEs should also be able to set out their views on an equal footing.

4.2.3 Integrating the conclusions of the Istanbul OECD Conference of ministers responsible for small and medium-sized enterprises, and extending them to SEEs

4.2.4.2 SEEs are not included in social dialogue in most Member States or at European level. The EESC recommends that the organisations that represent SEEs at EU or national level should be more structured and further strengthened. They should be included in social dialogue at Community and national levels. Their opinions should be granted greater consideration when regulations that affect enterprises are being drawn up ⁽²⁾.

4.2.3.1 The EESC further recommends that the Commission extend application of the policy conclusions reached at the OECD Conference of ministers in Istanbul to SEEs. It therefore calls for an approach that is better suited to the needs and characteristics of SMEs and SEEs. In particular the aim should be:

⁽¹⁾ See Cordis Focus No 247, 14 June 2004 p. 14

⁽²⁾ Legal norms, accounting standards etc.

4.2.5 Research into methods for promoting worker participation in the decision-making processes and capital of enterprises

4.2.5.1 SEEs have developed know-how that is specific to worker participation in their own enterprise's decision-making process and capital. More specifically, some cooperatives have developed cooperative worker ownership⁽¹⁾, according to which all or the majority of the members are workers and vice versa. All members have a voice in the decision-making process, irrespective of their financial stake in the enterprise. Financial stakes are nominal and non-transferable. This form of association is one of the main factors underlying the success of many of the examples of best practice. It encourages direct worker responsibility for the enterprise's future and enables workers to participate on an equal footing in the enterprise's development strategy. In seeking to attain the objectives of the knowledge-based economy proposed by the Lisbon Strategy, we are growing increasingly aware that an enterprise's most fundamental resource is its human resources, and therefore this type of association is gradually revealing itself to be modern and innovative.

4.2.5.2 The EESC recommends that the Commission examine, in the above-mentioned Observatory and in the

thematic seminars that it organises, this specific form of association from the following angles:

- opportunity cost, to establish the extent and forms in which it might be useful and applicable to conventional SMEs;
- the legal and regulatory framework.

5. Conclusions

5.1 SMEs are the backbone of the economy and employment in Europe, and consequently offer the primary tools for the implementation of the Lisbon objectives. SEEs play an increasingly important role in social cohesion and local development. The scope for interaction between SMEs and SEEs, particularly with regard to SMEs making extensive use of SEEs in the interest of both types of enterprise, has thus far been greatly under-exploited.

5.2 As a consequence, the EESC recommends that the Commission should re-examine existing and potential interaction between SMEs and SEEs, and help demonstrate that this interaction is beneficial to the development of both types of enterprise, within the context of the profound changes brought on by economic growth, and particularly, in regional development, social cohesion and innovation policies.

Brussels, 27 October 2004.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

⁽¹⁾ The basic principles of the system of Cooperative worker ownership are laid down in the World Declaration of Cooperative Worker Ownership (February 2004) of the International Organisation of Industrial, Artisan, Service and Social Producers' Cooperatives – CICOPA. It is the fruit of 18 months of consultation amongst its members worldwide. These principles are specific to worker cooperatives and complement CICOPA's Statement on the Cooperative Identity and the International Labour Organisation's Recommendation 193/2002 on the Promotion of Cooperatives.