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Cooperatives and Civil Society: Potential for Local Cooperative Development in Croatia

ABSTRACT

In the post-2012 International Year of Cooperatives era for the global cooperative movement, the International Co-operative Alliance (ICA) has drafted the *Blueprint for a Co-operative Decade* (ICA, 2012), envisaging fast growth of the cooperative enterprise form in coming years. With evidence pointing to the importance of cooperatives for local economic development, how can the vision of the Blueprint be realized on the ground, and what shape would cooperative growth take in a local economy? This paper addresses the issue of cooperative development and growth in the context of the Croatian post-socialist transition economy marked by an unstable economic and institutional environment and exposed to a host of international programs providing support and direction to its institutional change. In particular, we examine the impact on cooperative development of policies and frameworks supporting civil society organizations and social enterprises. Connecting the country's cooperative development to the space of civil society organizations, we argue, may be the best chance Croatia's cooperatives have to materialize the kind of growth envisioned by the Blueprint. However, even if the local cooperative movement capitalizes on the growing reach of civil society and support for social enterprises, this does not automatically imply that cooperatives will be able to make a real transformational difference on the ground. There is a trap lurking on this path—cooperatives and social enterprises may remain driven by other interests and dependent on external incentives, or ultimately give a new lease on life to the neoliberal institutional framework thriving on self-interest rather than enabling participatory community development.

KEY-WORDS

COOPERATIVE DEVELOPMENT; CIVIL SOCIETY; SOCIAL ENTERPRISE; POST-SOCIALIST TRANSITION ECONOMY; CROATIA

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1. Introduction

Cooperatives have had a key impact on regional development in some of the most industrialised regions of the European Union (EU). They have become a model for the self-employed and the liberal professions, have grown significantly in public services and new sectors, as well as succeeded in labour integration of disadvantaged persons. The cooperative model has also been a springboard for social innovation (European Parliament, 2013). In light of this, cooperatives have played a key role in the EU in economic and sustainable social development.

Croatia's economy has also included cooperatives during its turbulent history of changing political and economic regimes (Golja and Novkovic, 2014). Judging by the history of co-op development in the region, periods of success were driven by local needs and marked by the right type of supporting institutions. In particular, those institutions included the legal framework under the rule of Austria-Hungary in the 19th and 20th century, and particularly supportive capitalization methods—more precisely, an agrarian bank instituted by the local government. Although these developments were enabled by a colonial power at the end of the 19th century, local development needs and supportive policies were actually fuelling the decision-making and purpose of cooperatives at the time, particularly in rural areas.

The country's current quest for local and regional economic solutions to multinational corporate dominance and widespread unemployment does not yet fully realize the potential of the cooperative model. This paper therefore explores the pre-conditions for the advancement of cooperatives in Croatia today, coupled with cooperative-led local economic development, as a by-product of the fast growth of associations and other civil society organizations. The spread of civil society organizations (CSOs) took off under the auspices of international donor organizations, but is also due to policy shifts under various pressures from the EU and the more recent access to the European Social Fund after Croatia joined the EU in 2013. In the maze of small, disconnected projects aimed at anything from modernization of school curricula to the integration of marginalized populations into the labour force, one can also find some cooperative development projects. But how are cooperatives being developed in Croatia? Are they genuine cooperatives adhering to the internationally recognized values and principles of cooperation (ICA, 1995), or are they a product of the opportunity to cash in on the massive influx of European funds? And what is the likelihood that these cooperatives and other forms of social enterprise will in fact result in long-lasting local development with stable jobs and stable communities?

The argument we make in this article is three fold: first, we establish the general relationship between cooperatives and civil society or social movements; next, we illustrate the push in the Croatian economy for the development of social enterprises that comes from pressures of the EU ensuing change in government policy; and lastly, we examine the agents of cooperative development to illustrate the difference between Croatian cooperatives attached to new social movements and other cooperatives whose members are capitalizing on the policy push and incentives rather than

forming around common issues of interest to members. Using literature review and secondary data collection and analysis, we argue that genuine cooperative development in Croatia that results in local community development is more likely to coalesce around causes of civil society organizations and social movements rather than in existing policy frameworks directed to cooperatives at the national or the EU level. However, policies indicative of a developmental state, if adopted, could provide the right type of incentives for local development built on cooperative values and solidarity. We question, ultimately, whether the current socio-political climate in Croatia lends itself to such a shift.

The paper is organized as follows: in Section 2 we examine the positive relationship between cooperatives and social movements/civil society organizations in developed capitalist economies, and look at the causes of a relatively less successful relationship in developing countries. Section 3 presents a discussion of the origins of the explosion of civil society organizations in post-socialist Croatia and its supporting institutional environment, while Section 4 outlines the Croatian strategy for the development of civil society and social enterprises in the next decade, which, we argue, could provide fertile ground for cooperative development. Section 5 is a critical reflection on the genuineness of cooperative growth and implications for regional socio-economic development. Section 6 concludes.

2. Cooperatives and the civil society

"'[C]ivil society' is used to highlight the role of associational life—interest groups, social movements, grassroots organizations, and so on—in occupying or creating social spaces beyond the full control of the state apparatus. This 'self-organizing' or 'autonomous' quality of civil society is said to allow associational life to act as both a staging ground for opposition to the (always potentially, if not actually, authoritarian or predatory) state and the basis for mobilizing plural, popular agencies as an alternative site of politics in an evolving democratic society" (Kamal Pasha and Blaney, 1998: 420).

Generally speaking, civil society organizations (CSOs) in democratic societies thrive under the capitalist system founded on individualism (Kamal Pasha and Blaney, 1998; Lypschutz, 2006). The impetus for the development of CSOs typically arises with social and economic injustice, reflected in large social inequalities and marginalization often fuelled by unfair factor income distribution[1], but also political activism. Paradoxically, while some CSOs form in opposition to state institutions, they need a supportive state in order to thrive (Kamal Pasha and Blaney, 1998). In the post-socialist transition economies in Eastern Europe, the push for the development of civil society was seen by outsiders and international development agencies as a necessary condition and a foundation of new democracies.

[1] Income distributed between capital and labour inputs in production.

Cooperatives have been connected to various social movements throughout their history of development in capitalist systems. They emerged as economic vehicles in support of various civil society needs and demands, such as farmers' movements, women's movements, and workers' movements in the 19th and 20th century and, more recently, fair trade movements or environmental movements, among other (Gijselnckx and Develtere, 2008). Initial cooperative developments in the UK and elsewhere in the West were driven by a quest for social change, rather than being merely about creating new business. In general, there is ample evidence that successful cooperatives are linked to social movements, and/or are themselves a movement deeply connected to social justice issues.

While not everyone agrees that cooperatives form a social movement, and not all cooperative members believe they do, their entrenchment in community with a shared purpose and values proves to be the key to their longevity and success as cooperatives. Evidence of cooperative degeneration (Fulton and Hueth, 2009; Herman and Sousa, 2012) suggests it is often caused by lack of member engagement and inappropriate—isomorphic[2]—managerial decisions under market competition. Cooperatives that emerge stronger out of crises typically do so by returning to their origins and tapping into social movements their members care about[3]. Gijselnckx and Develtere (2008) discuss the return of large cooperative banks in Europe to their cooperative roots through the closeness of their members and leadership to social movements, but also under external pressures demanding social responsibility and ethical business practices that further enforce re-examination of cooperative values.

While all associational life based on voluntary participation requires some degree of individual action, not all CSOs are movements. Develtere (1992) describes social movements as social phenomena resting on three pillars: a joint belief or cause (ideology), member-mobilization and participation in a common action (praxis), and some form of organization.

In that sense, cooperatives as organizations can be viewed as an extended arm of a social movement with shared values (see also Duguid, Tarhan, and Vieta, 2015). Cooperatives defined as purely an organizational form are premised on a joint economic interest and are missing the common bond (values) and engagement components that they share with other social movements (Develtere, 1992). This connection with other social movements is at the same time the key cause of a wide range and diversity of cooperative organizational forms. Further, rootedness in particular forms of social action and shared interest may also be the cause for separation from other such movements, and a source of difficulty in exercising the principles of open membership and inter-cooperation. Develtere posits that cooperative movements are either central or peripheral in their linkages to other movements. When cooperation is

[2] Di Maggio and Powell (1983).

[3] See for example the story about the revival of the Desjardins movement through democratic deliberations, in Sanchez Bajo and Roelants (2011). See also Fairbarn (2001) for a discussion about the links between cooperatives and new social movements.

the central value, it attracts a variety of groups sharing similar values and principles; when peripheral, it falls subordinate to the main cause of group action.

In a setting of a developing country, with marked dependency on external funding, institutional frameworks are often set to support a cooperative *sector*, rather than a cooperative *movement* (Develtere, 1992). In other words, local cooperative members may not relate to the values of cooperation (i.e. "cooperativism" that implicates transformative social change based on solidarity), but nevertheless carry out a cooperative business because its development is supported by international donor agencies. The issue is subtly different, but with a similar outcome in mature cooperative systems—they can dwindle when cooperation succumbs to market pressures and becomes a technocratic regime ("business like any other"), or they can be rejuvenated with the return to the development[4] and support of the wider cooperative movement (Diamantopoulos, 2013).

Cases in point for healthy cooperative-centred regional development are, among others, the economies of Mondragon in the Basque region of Spain, Emilia Romagna in Italy, and the province of Quebec in Canada. While the former two flourished on the internal building of networks and clusters, Quebec's success included policies of developmental state and civil society organizations with a shared interest and vision. Cooperative development in Quebec became synonymous with territorial development and a solidarity economy in need of local job creation, community development and joint prosperity.

3. Cooperatives and the civil society in Croatia

The early beginnings of cooperativism in Croatia at the end of the 19th and early 20th centuries can be linked to farmers' movements. These movements gained support in the right kinds of colonial institutions, namely the Austro-Hungarian cooperative law, followed by the indigenous policies and institutions supporting rural development—an agricultural bank and a legal framework conducive to cooperative development and the development of cooperative federations (Golja and Novkovic, 2014). Besides this, the connection to Catholic social doctrine (Ellerman, 1982) was strong in the coastal areas of Croatia and the islands in the late 19th and early 20th century, providing leadership and further social support for cooperative development.

Forty years of self-managed socialism removed the link to "civil society", as the state implemented legal protection of various social welfare provisions; labour rights and benefits were particularly important. Cooperatives under the post-1974 socialist self-management served as associations for self-employed farmers, artists or tradespersons, allowing them cost savings for supplies or easier access to markets, but it was also a vehicle for their integration into the system of "associated labour" and providing access to social welfare services to the self-employed (Golja

[4] This developmental regime includes education, networks, and community development (Diamantopoulos, 2013).

and Novkovic, 2014). While cooperatives were associations of members sharing an economic interest, CSOs in Croatia within the Yugoslav socialist state promoted collectivism and were limited to cultural and social civic engagement[5].

3.1. Institutional developments

The development of civil society organizations in post-socialist Croatia in the early 1990s was initially linked to the anti-war movement, to be replaced by non-governmental organizations (NGOs) dealing with displacement of refugees and other social issues that were the outcomes of the civil war (1991-1995). While the war slowed down the development of the civil society (Bezovan, Zrinscek and Vugec, 2005), it also invited massive intervention by foreign humanitarian organizations, engaging the local population in humanitarian efforts and evoking solidarity. This contributed to the rise of citizens' self-organization through various associations. However, at the same time, international agencies and philanthropies (UNDP, The Soros Foundation, USAID, SIDA-Sweden, MANTRA-The Netherlands, and others) were providing support for development of civil society organizations under the prevailing doctrine of the required bottom-up social change in support of post-socialist economic and political transitions to capitalism and political multi-party democracy.

During the 1990s the political environment was highly unfavourable towards CSOs, perceived to be mostly about political activism and opposition to the governing party. The right-wing government at the time accused CSOs of supporting the enemies of the new state (Bezovan and Ivanovic, 2009). Adoption of the *Law on Associations* in 1997, and a challenge of its constitutionality filed by a group of CSOs that led to changes of the law three years later, could be considered a turning point in the development of indigenous civil society in post-war Croatia (ibid.). Apart from defining the criteria for forming an association, the law regulated the transformation of the old "social organizations" (*drustvene organizacije*) into associations, including privatization of their assets.

The process was highly politically charged and marked by external intervention with a massive inflow of funds that sparked competition for funding between local recipient CSOs and social groups, rather than assisting in the development of home-grown forms of self-help organizations. Foreign NGOs became places of employment and building the grants-application- writing capacities for the young English speaking elite that continued on developing their own CSOs in the early 2000s (Stubbs, 2007).

The government Office for relations with the non-profit sector was established in 1998 (the Office) under international pressure (Bezovan and Ivanovic 2009). The political climate changed after the 1999 elections, with a newly elected government advocating for the democratization of

[5] Political engagement was scrutinized under the single-party political system. Social organizations (*drustvene organizacije*) were mostly active in the provision of cultural services and needs of ethnic minority groups, sports clubs, youth organizations, women's organizations, and the like.

society (Bezovan, Zrinscek and Vugec, 2005) and calling for a more meaningful role for the Office whose initial function was merely to coordinate disbursements of donor funds to the civil sector. This role was expanded in 2001 to include creation of partnerships with the non-profit sector (Rosandic and Varga, 2012).

The National Foundation for Civil Society Development was established four years later (Government of the Republic of Croatia Official Gazette, 173/03) with the basic purpose of promoting and developing civil society in the Republic of Croatia[6]. It is the leading public institution for cooperation, linking and financing CSOs in Croatia. Government attitudes toward CSOs were slowly changing in the early 2000s, to a large extent due to external political pressures.

3.2. Policy toward civil society organizations

The most recent policy developments toward civil society organizations are reflected in the document *Strategy for Development of Civil Society in Croatia 2006-2012* (Government of Croatia, 2012) (from now on *Strategy for CS Development*), where the Croatian government explicitly states that it is "decentralizing and de-institutionalizing the provision of social services it cannot afford to offer, or is unable to provide equitably in different regions of the country" (ibid.: 42). In order to facilitate this process, and as a direction for its social policy, the Croatian government is providing support for the development of CSOs, expecting them to fill the gaps in the delivery of social programs. The document also refers to challenges imposed by the lack of access of remote communities to ongoing EU funded projects, clearly indicating that its strategy for local development rests on the external funding of capacity building programs.

The *Strategy for CS Development* specifically points to the economic role of CSOs in local social and economic development. In particular, their role is twofold—on the one hand they provide social services, and on the other they are seen as initiators of social innovations and agents for social entrepreneurship. While acknowledging that social enterprises are still an underdeveloped type of organization in Croatia, the *Strategy for CS Development* defines them as grassroots organizations whose mandate is to provide social benefits, and includes various legal forms such as associations, foundations, private businesses, and cooperatives. Social entrepreneurship is seen to address social problems using the business approach. Moreover, social enterprises are defined as democratically governed (although, in practice, not all are), built on solidarity, and mindful of the needs for sustainable development. The document further identifies obstacles for the spread of social entrepreneurship in Croatia, mainly reflecting a lack of understanding of this business model and

[6] The key roles of the National Foundation are: (a) encouraging citizens to action, involvement and participation in community development; (b) building capacity of the civil society; (c) development of cross-sectoral cooperation and cooperation between civil society organisations; (d) increasing public influence and visibility of the work of civil society organisations; (e) development of social entrepreneurship and employment in the non-profit sector; and (f) increased role for CSOs in framing public policy (Nacionalna Zaklada za Razvoj Civilnog Drustva, 2014).

of its potential for social and economic development[7]. It also outlines policy proposals to increase the visibility and impact of social enterprises[8].

3.3. Civil society and economic development

In the economic development literature CSOs are perceived as an important part of the fabric of a fledgling democracy. They are also seen to be the agents for social capital development, but are less successful in providing employment, activating production and providing financial services (Veltmeyer, 2007). CSOs are typically funded by memberships, donations and government programs, but in recent years they are increasingly resorting to self-finance through various economic activities. Such efforts have been given support by international development agencies, as well as governments under severe fiscal constraints. While this type of activity on a small scale is not new for Croatia's CSOs, formation of social enterprises by communities and civil society is a more recent phenomenon, and one that looks a lot like the process of "europeization", or in some cases "anglosaxonization", of entrepreneurial forms brought to bear by the withdrawal of the welfare state in Europe and elsewhere. Indigenous forms of industrial enterprise that rested on collective action and provided for community development have been replaced by oligarchic tendencies in the appropriation of profits and socialization of costs, creating social externalities that are now supposed to be addressed by social enterprises.

In the process of accession Croatia has harmonized its legislation with the EU and accepted social entrepreneurship as part of sustainability strategy for its civil society (Rosandic and Varga, 2012). The understanding of the concept of social enterprise includes the cooperative organizational form, thereby opening the doors for industrial democracy and the transformational character of the cooperative model. While the tide has turned towards a more supportive environment for social enterprise development under the harmonization with EU policies, it is not yet evident that cooperatives are taking centre stage in this effort. This gap presents an opportunity for cooperative growth and cooperative-led development, particularly in the new and emerging industries connected to the local economy such as renewable energy, homecare, organic food and ethical production, consumption, and finance.

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[7] In all, one is left with the impression that the official document is a translation of EU documents, and it does not ring true to the local realities, sensibilities, or history and traditions.

[8] The understanding of social entrepreneurship and policy gaps outlined in the CS Strategy carried into the newly developed *Strategy for Development of Social Entrepreneurship in Croatia 2015-2020* framework, funded predominantly by the EU Social Fund, in which social entrepreneurship is further defined to be based on the principles of social, environmental and economic sustainability and whose surplus revenue is in large part invested for the benefit of the community.

4. Cooperatives and civil society organizations

Under the changing and supportive institutional frameworks the number of registered associations in Croatia (including various types of social enterprises and cooperatives) has grown from 12,000 in 1990 to around 50,000 in 2013 (Government of Croatia, 2013) of which 21,300 were also registered as non-profit organizations. Table 1 illustrates the numbers of CSOs, their revenue sources and employment in 2012. While donations and membership fees formed more than 50 per cent of their funding, and an additional 15 per cent came from government programs, civil society organizations generated 20 percent of their revenues by engaging in market activities in 2012, and the number has been rising. Taken together, these figures begin to measure the size of the CSO sector in the country.

Table 1. The size of the CSO sector in Croatia. Revenue by source (in million EUR) and employment, 2012

Number of registered associations	49,004
Total revenue (mil. EUR)	654
Revenue generated from the sales of products and services	130.3 (19.9%)
Revenue generated from membership fees	66.5 (10.1%)
Revenue from the special regulations (sport, culture, humanitarian activities etc.)	102 (15.6%)
Revenue from the assets	18.5 (2.8%)
Donations	286.7 (43.8%)
Other	50 (7.6%)
Number of employees	9,757

Source: Government of Croatia (2013)

CSOs carry out different roles in Croatian society—some are activist groups, while others provide social services or participate in the co-construction of policy. In other words, the relationship between CSOs and the Croatian government can be either conflicting or collaborative, but they are seen to carry independent functions to replace the government, supplement it, or assume an adversarial position and attempt to correct government actions. To this we can add their integration role, since in many instances CSOs and local governments engage as partners in collaborative community development projects.

Besides their traditional roles in education, charitable functions, or cultural and sports activities, new associations arose in recent years as a response to new societal challenges, most notably the environmental movement, but also the ethical consumers' movement. Some associations support local and organic agriculture, or attract members with a shared interest in the support of multi-functionality of local agriculture such as the development of olive growing and promotion of agro-

tourism, or the return to traditional livestock grazing techniques. With Croatia's accession to the EU, the opportunity presented itself to draw on European funds to form social enterprises as a tool for job creation and/or addressing social marginalization. Some incumbent CSOs in Croatia had by then built capacity and the ability to access European funds, extending their activities to the development of social enterprises. In practice, this development has taken on various strategies. For instance, CSOs are often the founding members of social enterprises, or in other instances, members of a CSO are the founding members of social cooperatives.

When it comes to building cooperative development capacity, the Croatian cooperative movement includes a few regional and sector associations supported by the Center for Cooperative Entrepreneurship[9], a government agency tasked with the registry of cooperatives, cooperative development, and member education. These institutions are for the most part under-resourced, self-directed and locally oriented, without adequate capability or a tangible strategy for regional development and widening of cooperative networks. They mainly use their capacity for the registry of co-ops, overseeing the regulatory framework, and the drafting of the new law, while also lobbying for the preservation of cooperative property under constant threat in a hostile post-socialist climate (Bateman and Malekovic, 2003; Golja and Novkovic, 2014). Producer federations support trade shows and similar networking events for their existing members, but a concerted effort to link into new spaces for development does not yet seem to be their focus. The Center for Cooperative Entrepreneurship has also been partnering with CSOs in various employment reintegration projects.

New cooperative growth is therefore connecting to local movements and needs, or new sectors of the economy. Most new cooperatives are multi-stakeholder types, since the law does not discriminate between different types of members (Golja and Novkovic, 2014). New areas of cooperative expansion arising from the activity of CSOs, individuals, and local governments belong mostly to the renewable energy sector, ethical banking, ethical and local consumption, and agro-business, although social cooperatives are also on the rise[10]. There is a mix of initiatives for cooperative start-ups connected to social movements and activities of CSOs. Some initiatives engage a wide scope of community organizations, while in others CSOs play the developer role. An emerging pattern has been that CSOs engage other stakeholders to establish cooperatives as an extended arm for their activities that are also in the interest of the wider local community.

Renewable energy cooperatives: These cooperatives have been developing since 2011 as multi-stakeholder co-ops whose members are individuals, associations, local organizations and businesses,

[9] The Croatian Cooperative Federation (HSZ) was established in 2002 as a democratically governed body serving the cooperative sector. Membership was mandatory for all cooperatives. It became the Center for Cooperative Entrepreneurship in 2014 within the Ministry of SMEs and Entrepreneurship. The agency is also one of the national actors responsible for the execution of social enterprise development strategy.

[10] The presence of social cooperatives is evident in the activities of CSOs mainly in workforce reintegration of marginalised groups. However, a large proportion of social cooperatives are veterans' cooperatives, not all of them legitimate (see Golja and Novkovic, 2014).

and in some cases municipal governments. The first renewable energy cooperative was established on Krk island by 19 members—local organizations and a utility company, governments and individuals with a mission to rid the island of carbon-based energy sources. This is a consumer cooperative that is signing up new solar energy users. Since then, a UNDP renewable energy program supported the development of renewable energy co-ops in partnership with local development agencies and the civil society, including Krk Island Energy Cooperative. Different cooperative models have been utilized including consumer co-ops, supplier cooperatives, and community cooperatives. Financing methods include donor funds, membership fees, as well as crowd funding sources.

Ethical finance cooperatives: A campaign to establish the first ethical bank in Croatia resulted in the incorporation of a cooperative for ethical finance in 2013. The cooperative is the sole owner of the bank, to be incorporated in 2015. This was a community solution of the 105 founding members to overcome legal obstacles to democratic governance of a financial institution. The role of the cooperative is to raise the necessary capital, to provide democratic governance and ensure ethical policies and projects at the bank. The project is coordinated by a group of social entrepreneurs, although the founding members of the cooperative include a diverse group of individuals, civil society organizations, cooperatives, and other businesses and stakeholders. The bank will follow in the footsteps of other European ethical banks, and it has mobilized civil society in favour of banking on values unlike any other project in recent years.

Ethical and local consumption cooperatives: Solidarity purchasing groups are changing food distribution channels by building local economies through direct purchase from local producers. This movement has been enabled by the ongoing support for civil society from international donors and the Croatian government, particularly those striving to secure development of sustainable communities. Solidarity purchasing consumer groups have been formalizing their status in some areas by forming consumer cooperatives, or multi-stakeholder cooperatives which include producers. This type of cooperative has been difficult to conceptualize in the Croatian context where consumer cooperatives have not been present in the past and resources for their development are scarce. CSOs often partner in such ventures offering technical support, but co-op development support is wanting. Therefore, these groups tend to retain association status, or when they form a cooperative, the founding members may strive to maintain closed membership and thereby create quasi-cooperatives[11]. The cooperative potential to serve as a vehicle for local development based on equality and equity may be jeopardized in those cases.

Agribusiness cooperatives: The purpose of these cooperatives is the promotion of local and rural development based on the multi-functionality of agriculture and movements to return to indigenous crops and agricultural systems. They are typically initiated by local actors—governments, businesses, individuals and civil society organizations who become founding members of the cooperative.

[11] "Social entrepreneurs" wishing to take advantage of recent incentives for cooperative development and capitalize on increasing demand for solidarity trade often limit membership to the legal minimum of seven founding members, thereby violating the ICA's open membership principle and forming what can be called "quasi-cooperatives."

Examples include olive oil producers[12], goat cheese makers, or micro-wineries with related agro-tourism services that are renewing and developing rural communities. Municipal governments are often a stakeholder in these cooperative ventures, providing evidence of the emergence of a developmental state at the local level, or at the minimum a trend of co-creation of institutions for community development with civil society.

Social cooperatives: Social cooperatives have been on the rise in the past decade. Under the Instrument for Pre-Accession Assistance (IPA) program for accession to the EU, the Croatian government developed a strategy for social inclusion and reintegration of marginalized people into the labour market. Cooperatives have entered this new space alongside other forms of social enterprise. In the majority of cases these cooperatives are an extension of activity for members of CSOs dealing with social integration. For example, Neos in Osijek is a social cooperative securing service jobs for former drug addicts that was established by the members of Neovisnost, an association whose mission is to combat drug addiction. Cooperative Humana Nova in Cakovec employs disabled and older women and was established by members of the Autonomous Centre ACT, a consulting group devoted to education and capacity building for civil society, including the development of social enterprises (CEDRA, n.d.). Whether they employ women, people over 50, particular ethnic groups, former addicts or people with disabilities, social cooperatives are an economic arm in the work of CSOs in those areas.

5. A reflection on cooperative growth in Croatia

More than half of Croatia's 1,200 cooperatives in 2013 operated in agriculture (472), fisheries (41), or food industry (202) (HSZ, 2014). Many are traditional cooperatives that also form the majority membership in regional and sector cooperative federations. The national cooperative federation formed in 2002 (see above) was a mandated institution turned in 2014 into the Center for Cooperative Entrepreneurship, the government agency for co-op development. While it is an important resource, this agency cannot replace a voluntary equivalent of a federation typical in countries with developed cooperative movements. However, it is critical that the cooperative sector secures government resources and institutional support and in that sense the transformation of the Center is an important and potentially positive development.

A new cooperativism (see Vieta 2010), on the other hand, is growing as a by-product of the engagement of civil society in new emerging areas occupied by social enterprises. While the cooperative

[12] An example is Poljoprivredna Zadruga Vodnjan (http://www.pz-vodnjan.hr) whose founding members were members of the Association Agroturist (http://www.agroturist-vodnjan.hr) including local olive growers and the municipal government. The mandate of the association is the promotion of agriculture in the region. The cooperative produces its brand of olive oil as a joint product of regional olive growers, promotes olive growing and sells seedlings of indigenous sorts of olive trees. The cooperative is the vehicle for regional economic development.

development role is assumed by CSOs often as an extension of their work on particular socio-economic issues, some of them have also become hubs for growth of social enterprises. As key institutions for bottom-up development recognized by the international community, CSOs gained access to donor agencies and their programs. Therefore, they facilitated development of cooperatives for job integration of marginalized individuals and engaged in start-ups of social cooperatives. One such NGO is Slap, the Association for Creative Development[13], with a mandate to create meaningful employment for ecological production and sustainable communities. It is engaged in the promotion and growth of democratic social enterprises and serves as a networked resource centre providing funds, education and expertise to fledgling social enterprises. Slap helped set up a national network of support centres (CEDRA) bringing together 80 organisations from across the country, and providing education, research and business consulting for social enterprises contributing to local development (Spear, 2014).

However, there are potential drawbacks with this approach to cooperative development with marginal engagement of cooperative institutions, let alone a movement. Civil society organizations support development of social enterprises and play their part in the national strategy to unload on to communities the traditional role for government in the provision of social services and public goods. Stubbs (2007: 222) has suggested that "like Rome, civil society cannot be built in a day" and that there may be opportunistic developments among social enterprises morphing from "'social movements' to 'organizations' as the dominant form of collective action, pointing to the increasing importance of 'modern' NGOs which emphasise issue-specific interventions and pragmatic strategies with a strong employment focus, rather than the establishment of a new democratic counter-culture" (Bagic, quoted in Stubbs, 2007: 220).

This statement also applies to cooperatives. The cooperative sector may grow fast if the right incentives are put in place, but the cooperative movement will need a lot more time to become a home-grown collective solution to some of the economic issues Croatia is facing today. The emergence of quasi-cooperatives in Croatia in the past was connected to managerial oligarchy (Bateman and Malekovic, 2003). New quasi-cooperatives emerge as a result of the opportunistic behaviours of "social entrepreneurs" and is evident in their prolonged existence with the minimum number of members required by law, and the closed membership practices of many new cooperatives.

Today, a strategic approach to cooperative growth in Croatia is still lacking. It is not clear who might take this on under the current institutional environment, unless the cooperative sector organizes into a network for this purpose[14]. Although included in social enterprise development,

[13] See: www.slap.hr

[14] Quebec's experience is an example of fast co-op centred regional development with state and CSO support. Describing Quebec's regeneration of the cooperative movement Diamantopoulos (2013) credits their network of second-tier regional development cooperatives for their fast growth and co-op lead regional development. These cooperatives brought delegates from established and emerging cooperatives together to develop more cooperatives in their regions. They reached out to civil society to stimulate and support new cooperatives, and pooled community, sector and public resources for this purpose (also see Duguid, Tarhan and Vieta, 2015).

cooperatives can do better by impacting the economic model and addressing the source of new post-socialist marginalization. Some obstacles to a fast emergence of a national federation in Croatia assuming a leadership role, besides questions of local post-war politics[15] and lack of capacity, are evident. First, traditional cooperatives are far removed from the new emerging ones and from the movements that inspire them, yet without a collaborative effort between the old and the new it will be impossible to create a meaningful national federation. There may be an opportunity for collaboration between the existing sector and/or regional federations; however new cooperatives have been much closer to their founding agencies than to the existing cooperative movement. Second, foreign injection of capital is the main enabler of co-op growth in new sectors—how resilient they will be after the pullout of this support remains to be seen. And, third, new cooperative development is tied to social movements that are not connected into cooperative networks. Often, their leaders do not see the advantage of making such connections, particularly when traditional cooperatives are "technocratic" and driven by managerial decision making.

6. Conclusion

Cooperative enterprises as part of a movement can be engines of regional development. Coupled with the right type of institutional support, cooperative regions can thrive over multiple generations. The advantage of cooperative economies has been evident in the provision of job security, equitable income distribution, and positive social externalities (Erdal, 2014). However, fast growth of the cooperative form of enterprise envisioned by the ICA's *Blueprint for the Co-operative Decade* may be facing some obstacles.

Exploring developments in Croatia's transition to capitalism in the past 25 years we note that cooperative development today is mostly initiated within sectors connected to new social movements and funded by external funds and agencies as social enterprises. Fast growth of civil society organizations has transformed them into agents of social development and support structures of social enterprises, but it has also created fragmentation, competition for limited funds between CSOs, and a lack of transparency within this sector.

Such developments present both an opportunity and a threat for the cooperative movement. The opportunity is to tap into these spaces and new movements to strategically leverage cooperative communities. The threat lies in the possibility that cooperatives will become an integral part of the by now established neoliberal socio-economic fabric, replacing government as the provider of social services, rather than as agents of transformative processes in the economy.

[15] The fastest growing type of cooperatives in Croatia is veteran's cooperatives. They are promoted and financially supported by the Ministry of veterans affairs, and although some function well, many are quasi-cooperatives. Their fast growth presents an impediment to the overall objectives of a cooperative federation, since they are not removed from the post-war politics and veterans' entitlements (see Golja and Novkovic, 2014).

Leadership in the cooperative movement in Croatia is in a vacuum. The national federation has been transformed into the government-mandated Center for Cooperative Entrepreneurship, while the sector has not yet re-organized. While the Center may be able to draw resources from the state and influence or help co-create government strategy in relation to cooperative development, the cooperative movement needs to connect to newly emerging social movements and CSOs to form networks for regional development. Otherwise, the vision of the Blueprint may remain a distant aspiration.

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