



Solidarity Economy in Lebanon

Towards Sustainable Value and Supply Chains

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The Solidarity
Directory دليل
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STIFTUNG

The research paper was developed in the last quarter of 2021 by:



Sarah Armouch
Co-Founder
Engagement & Research Lead
at The Solidarity Directory



Maher Abou Shackra
Co-Founder
Strategy & Structures Lead
at The Solidarity Director



Alice Kfoury
Economic Development
Consultant

Interviews were conducted by:



Amir Moghrabi
Analyst & Community Manager
at The Solidarity Director

Designed by



Carole Kaakour
Co-Founder
Expression & Design Lead
at The Solidarity Directory



Mostafa Olwan
Digital Multimedia Executive
at The Solidarity Directory

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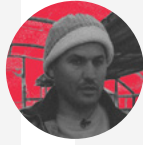
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- for educational purposes

Interviews Conducted By:



Maamoun Abou Chakra

-
Production Cooperative
in Ammatour
التعاونية الإنتاجية في عماطور



Walid al Youssef

-
Buzuruna Juzuruna
بذورنا جذورنا



Abed al Nasser al Masri

-
Bee Breeders Cooperative
in High Metn area
الجمعية التعاونية لمربي النحل في المتن الأعلى



Habib Azzi

-
Fishermen Cooperative in Okaibe
تعاونية صيادي الأسماك العقبية



Elie kledani

-
Expert in Cooperative Sector
خبير في القطاع التعاوني



Denise Teigo

-
Olea Coop
تعاونية اوليا



Nabil Khattar

-
Savings and Credit Cooperative in Bater
تعاونية الادخار والتسليف في باتر



Gloria Abi Zeid

-
The Directorate General of Cooperatives
مديرة مديرية التعاونيات ورئيسة دائرة القضايا
التعاونية



Dr. Abdallah Muhieddine

-
University Instructor and Expert
in Cooperative Sector
أستاذ جامعي وخبير في القطاع التعاوني

Background

Solidarity economy is a re-emerging economic model aiming to respond to communities' needs and hopes by re-politicizing the economy and creating new forms of socio-economic relations [13].

This economic paradigm promotes democratic and solidarity norms and practices built on values such as cooperation, co-responsibility, reciprocity, autonomy, equality, and collective governance and decision making ultimately strengthening communities [14].

While implementing such economic practices varies from one context to another, these values are essential in paving the way for a society built on social justice and ecological sustainability.

Cooperatives are solidarity economy enterprises, which are democratically owned, governed, and run by their members [2].

From a historical lens, cooperatives are a powerful organizational and institutional tool primarily for farmers to face the market power of local and transnational retailers. In addition, they enable producers to integrate most or all of the processing and marketing processes into one or few steps, consequently leading to substantial savings on transaction and other costs.

They also aim to satisfy the common economic, social, and cultural needs and aspirations of the community, bringing people to work together under democratic and egalitarian policies. Various types of cooperatives exist founded around sectors that fulfill the needs of communities among which: production, labor, housing, finance, consumer cooperatives, product processing, and social cooperatives. Globally, they present a form of economic resistance through their call for democratization of the economy and as such face multiple hindrances ranging from policies to infrastructural.

Cooperatives often need to undergo a transformational change in order to keep up with conventional market forces.

Recently, more and more companies are investing in e-commerce because of its attributes such as reduction in transaction cost, easier reach to a global market surpassing geographical barriers [5].

Companies are now more than ever resorting to social networks for their marketing strategies and for maintaining relations with customers [10].

The incorporation of information and communication technologies (ICTs) is deemed pivotal for organizations, companies and cooperatives. Cooperatives in particular can benefit from such digitalization because of their limited financial and human resources and inadequate access to markets [9].

E-commerce is one pathway that cooperatives need to capitalize on, consisting of the trade of products and services through online networks, especially that customers find it easier and more convenient [11]. Hence, cooperatives need to seek an optimal online presence to keep up with global changes as the current COVID-19 pandemic has demonstrated the need to have such a presence when offline spaces are not accessible.



Walid al Youssef - Buzuruna Juzuruna



Value Chain

Value chain refers to a conceptual framework that aims to create an understanding of the relations and dynamics among different independent enterprises that have a shared responsibility in the production of a product or service [6].

A value chain enables smallholders (e.g. farmers) to increase their income, increase access to eclectic markets and better access to new services and resources for production. In addition, it aims to improve the quality and flow of raw material, reduce transaction costs and improve environmental, economic and social relations among local cooperatives [6].

A core element of a value chain is that it heavily relies on trust building and capitalizes on communication channels and organizational innovation.



Supply Chain

Solidarity enterprises and cooperatives empower small farmers and producers, women and other marginalized populations while giving them a voice within the supply chain. Once organized in cooperatives, they become represented in the supply chain.

Cooperatives are value-based and people-centered; therefore, they integrate their values and principles into the supply chains. This not only increases production and realizes economies of scale but can also increase their capacity to lobby governments and adjust macro-economic policies that negatively impact small producers.

Economically viable enterprises such as cooperatives require multiple sources of investments over a considerable time frame [7].

It is pivotal to build contextual relationships of mutual benefit and proper coordination mechanisms between chain actors (suppliers, cooperatives, and smallholders) and service providers (NGOs, donors, government, etc.) to be able to facilitate the flow of resources, ensure a higher quality of production and

to resolve bottlenecks along the chain [8].

As such, targeting cooperatives through corrective measures would add substantial value to the whole chain. If well involved in coordination processes at a macro-level, cooperatives are deemed to improve the efficiency of market outcomes [3, p. 110].

Building a powerful and different form of economic integration requires the formation of supply chains, yet one of the greatest limitations is that the supply chain management has tended to focus on large for-profit firms. Unlike supply chain models used in mainstream firms, the solidarity economy supply chain focuses on sustainability and public procurement.

They privilege community-driven development goals and different inter-cooperative principles producing meso-level equity through redistributive mechanisms. Surplus is shared not just at the individual cooperative level, but also at the network level, and redistributed to other cooperatives. This is not about profit maximization; instead, it is about economic development that prioritizes worker well-being.

Workers demonstrate solidarity with each other not only at the cooperative level, but also at the group level, similarly to the redistributive processes used by the Mondragon Cooperative Corporation (MCC) in Spain.



Cooperatives in Lebanon

While active cooperatives exist in most areas of Lebanon, the cooperative movement in Lebanon is struggling particularly with the prevailing economic system that is highly undemocratic.

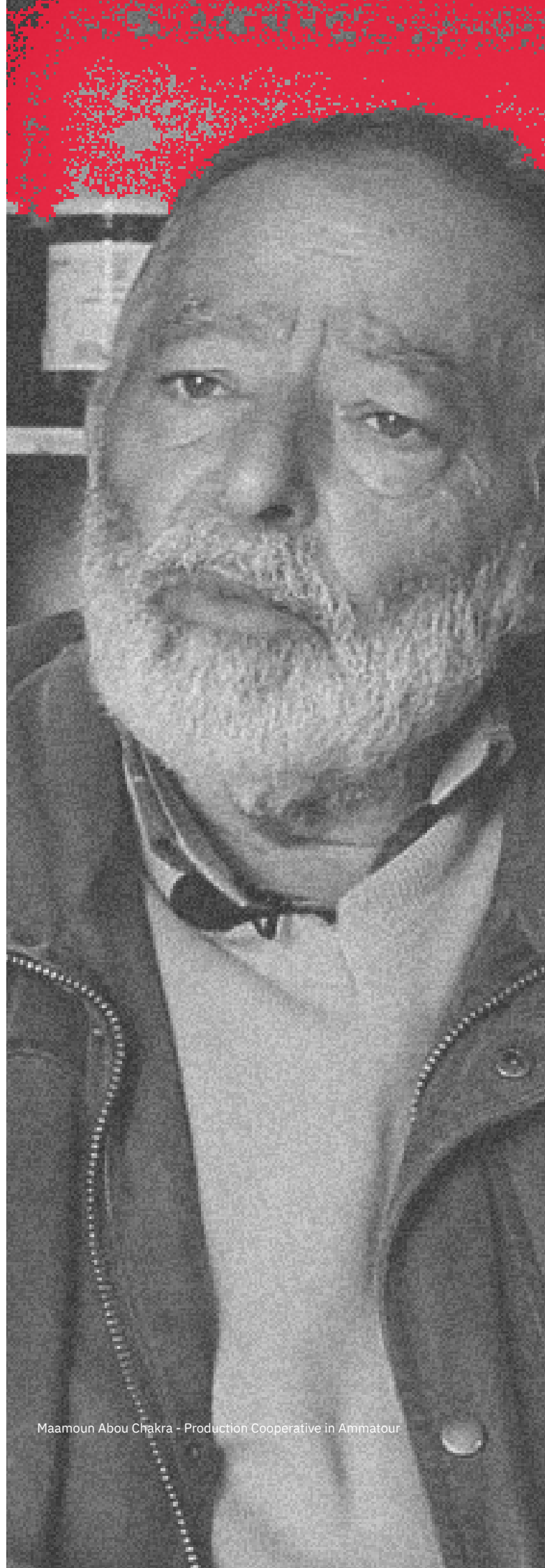
With limited awareness around solidarity economy and the cooperative economy more specifically, the majority of cooperatives are agricultural and focused on food production. Cooperatives in Lebanon face a plethora of challenges pertaining to infrastructure, lack of clear legal frameworks for such structures, limited financial resources, inflation, lack of digital literacy, politicization of the sector by mainstream parties, weak marketing strategies, restricted reach to markets, lack of governmental support, and organizational weaknesses.

Nonetheless, in light of the sustained socio-economic crisis which has been exacerbated by the COVID-19 pandemic, cooperatives constitute a viable and sustainable economic model to mitigate the negative outcomes of the crisis particularly by reducing unemployment and promoting more democratic and equitable values.



Methodology

‘Daleel Tadamon’ adopted a qualitative approach to unravel the realities on the ground and explore new ways to increase production, lower costs and improve sustainability. It also sought to understand the limitations of cooperatives’ competitiveness and explore a possible creation of a supply chain within the cooperative sector. Ten semi-structured interviews were conducted with members of cooperatives and experts who work within the sector. The developed interview guide was adapted from existing work and focused on questions related to the reality on the ground of the cooperative movement and existing challenges, production processes, main stakeholders involved and the relations between them, and actionable steps to be taken. The interviews were filmed for the purpose of creating a documentary with main highlights and transcribed for analysis and the production of this report.



Maamoun Abou Chakra - Production Cooperative in Ammatour



Findings

A CONSTELLATION OF STAKEHOLDERS: BETWEEN DISCONNECT AND CONVERGENCE

According to the interviewees, there are different stakeholders who were portrayed as key players in the sector namely the directorate of cooperatives, the suppliers, community members, alternative political parties, NGOs and international donors.

The general directorate of cooperatives which is the regulating entity at the Ministry of Agriculture has the biggest responsibility. It oversees the different types of cooperatives including housing, environmental, craftsmanship, and other industries, with the exception of the cooperative of governmental employees and that of the internal security forces which are issued by presidential decree. According to some of the interviewees, the directorate played a role in reducing cooperation among cooperatives and shifted as such the modalities of work from cooperativism to more individualistic approaches. Several reported also that the directorate is not fulfilling its roles in supporting the sector as it ought to. Nonetheless, according to staff members of the directorate, it has been pushing forward the cooperative movement through various steps such as introducing to one of the school's curriculum sessions on cooperatives to expose people at a younger age to this concept. Additionally, they have been trying to shut down inactive or fake cooperatives while trying to encourage others to report on their issues. Also, there have been some exhibitions that the directorate has organized to serve as marketplaces for cooperatives.

As for suppliers, it was noted that in most current cases, they are not facilitating the debt process by which cooperatives can lend supplies and pay back upon sale of products. In contrast, a member of one of the cooperatives was satisfied with their current model of getting supplies from a local supplier and from farmers in order to proceed with their production.

In addition, NGOs and international donors have been playing a significant role in supporting and investing in the sector by providing equipment, machinery, training and funding. Nonetheless, the core challenge remains with sustainability of such efforts and discrepancy across regions. Interviewees referred to many cooperatives being established underneath a donor mandate but closing down upon closure of the project and end of funding. This is indicative that such a funding model is not necessarily sustainable in the long term.

One key player which surfaced from the conversations, are alternative political parties who are now perceived as mediators for a new narrative. This is related to their perceived ability to build proper channels with international markets and secure resources to cooperatives away from the traditional clientelist and political model that has hijacked the sector.

Moreover, research and development labs had been deemed essential to acquire a more pronounced role in working closely with cooperatives such as the Lebanese Agricultural Research Institute (LARI) who could support cooperatives in enhancing the quality of their products and provide them with proper forecasting particularly for farmers.

Banks and particularly the Central Bank were mentioned as being key in certain types of cooperatives as they would release loans to the latter. Nonetheless, with the current depreciation of the currency, this has severely impeded the process and loans are not being released which calls for measures to be taken.

Findings

A CONTESTED PRODUCTION

In general, and in line with previous work, once again it was alluded that while around 1240 registered cooperatives exist; 60-70% are deemed to be inactive. The directorate general had to dissolve around 360 cooperatives. Several cooperatives are reported to have been created for political reasons or are short-lived as a result of its underlying donor-driven model which consequently prevents cooperatives from performing their natural role at the economic level.

In addition, while cooperatives are more service oriented and bypass merchants (middle men), they are undermined and lack recognition in the existing economic model as it favors merchants and as such often cooperatives lose their technical support and tax privileges.

In terms of production, most cooperatives are unable to produce their own raw material and heavily depend on suppliers and imports which in light of the current economic crisis have severely impacted their production cost. Some of the cooperatives resort to working directly with farmers to get supplies and one of the interviewed focal persons mentioned that they are able to be self-sufficient in acquiring raw material to a certain extent by relying on their farm and facilities. Nonetheless, all cooperatives expressed the lack or limited presence of localized manufacturers of non-organic materials such as glass, plastic, nets, etc.

Several members of the interviewed cooperatives reported that production is suffering from the perspective of quality assurance which hinders the ability of these cooperatives to access international markets as they lack the required standards of production.

In addition, another production constraint which was echoed by multiple interviewees are technological limitations. A lot of the current manual work done requires machinery and many cooperatives are in dire need of equipment and machinery or upgraded machinery to cope with an increased production since the current economic climate allows it. For example, fishermen lack substantial equipment such as underwater sonar, radars and solar panels for boats to expand and modernize their operations.

From a marketing perspective, all interviewees agreed that cooperatives are unable to cope with current market requirements or upgrade their marketing practices and expand their market reach. This was primarily attributed to the lack of training, limited digital literacy and the absence of young people from the sector.

Another core element which significantly impacts production is the financial model that most cooperatives rely on which entails being indebted to suppliers and paying back after selling the products. Similarly, in the case of the coop which specializes in savings, loans and housing they have been struggling to provide loans to their members as funds are withheld from the central bank.

From that lens, the financial model on which cooperatives are dependent is not sustainable and puts them under the mercy of both suppliers and commercial banks. Moreover, while a lot of the production is usually funded by external donors, due to the current situation, many of the donors are backing out from funding cooperatives due to lack of reported impact.



Findings

BUILDING A VALUE CHAIN

Pre-requisites

Recognizing the current status of laws when it comes to the cooperative movement in Lebanon, and until there is a comprehensive and solid law for solidarity economy enterprises; maximizing the economic potential is not possible through the current structures and modalities of existing cooperatives.

There is a pivotal need to fill the gap through innovative and democratic organizing and structuring solutions which are inspired by current forms of private sector enterprises. Thus, based on the interviews and research, some initial core steps are required:

01 Building a network of like-minded organizations to strengthen any envisioned value chain and creating a service business model to foster greater value for producers while building capacity throughout. This entails having a shared strategic vision and creating proper and direct communications channels both internally and with international partners.

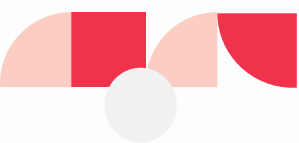
02 Detaching the cooperative movement and sector from the clientelist political model by weeding out any cooperative that does not foster the principles of a cooperative or was created for motives that do not necessarily echo the inherent values of a cooperative.

03 Updating rules and legislation to match the current situation and protect cooperatives.

04 Promoting a solidarity economy which goes hand in hand with decentralization and with a circular ecological economy which in its turn reduces waste and unnecessary costs.



Dr. Abdallah Muhieddine - University Instructor and Expert in Cooperative Sector



Recommendations

Challenges Faced

Recommended Solution

The cooperatives in general do not have easy access to markets.

Resorting to cooperative strategies to attain competitive advantages and to adapt quickly to fluctuations in the market. This goes back to the fact that cooperatives can import raw materials and export products, receive public services with minimal charge, access free laboratory testing, have licenses for tax exemption and more. This also could include creating a geographically localized network among cooperatives to increase the production quality and export it to foreign markets.

Each cooperative bears the high cost alone without joining forces with others.

Cultivating awareness among cooperatives of the production and distribution costs and having the ability to negotiate in order to achieve acceptable profit margins above those costs.

The members of cooperatives are usually people with limited resources and cannot make large capital contributions. Moreover, having access to financial support from traditional banks poses limitations and impose difficult conditions.

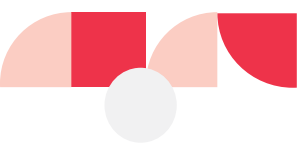
Creating financial alternatives. Some examples could be creating credit unions that would provide financial support to both the farming and the industrial sectors. In addition, another possibility would be having personalized loans from investors with low interest rates to support farmers in the working capital for the season.

The cooperatives face many constraints related to high cost of production, inadequate production quality, and limited access to raw materials.

Investing in localized manufacturing opportunities or leveraging existing local assets. For example, forming new cooperatives that would work on distributing raw materials to cooperatives through in-house production or imports and as such decreasing the control of the private sector over production.

The majority of cooperatives suffer from lack of both human and financial resources, hindering their capacities to achieve

Promoting resources' sharing practices among cooperatives and establishing fair contracts and agreements to different actors involved to ensure an equitable treatment and reasonable timeframes. This is particularly relevant to those located in the same region. For example, machines such as molars and mills can be provided to local cooperatives to support farmers in terms of production and that can be used on a wide scale. Another existing example is the provision of choppers and pressers for olive production cooperatives that are rented out by local farmers during specific seasons to facilitate their work for a rate less than the rate of the market.



Recommendations

Challenges Faced

Recommended Solution

The cooperatives lack the means to invest in needed equipment.

Providing cooperatives through agreements that the directorate general can oversee with upgraded equipment and machinery to cope with markets' demands.

Lack of proper training and education for members of cooperatives.

Connecting cooperatives to research labs (for example LARI) would provide specialized training tailored to the different needs of the cooperatives which would entail increasing the quality assurance of production.

The cooperative movement remains weak with its inability to attract and organize new members.

Involving and creating incentives for young people to join the sector by emphasizing the employment opportunities that cooperatives offer.

A large number of cooperatives face challenges in terms of lack of digitization and the usage of advanced tools and technology.

Engaging cooperatives in digital transformation particularly by building an infrastructure for e-commerce and through digital marketing.



At the level of Innovative Organizing

- > Initiating other forms of Solidarity Economy Structures (SEEs) through democratizing conventional private business enterprises and not limiting the organizational options to cooperatives since there is no law in Lebanon which organizes the work of all forms of solidarity economy structures and enterprises.
- > Working closely with municipalities and the Federation of Municipalities (اتحاد البلديات) which can play a greater role in promoting and supporting the local productive economy, namely the solidarity economy sector. Support can include, but not limited to, machinery, land, buildings, as well as improving the required infrastructure.
- > Adopting a decentralized approach, thus building solidarity economy enterprises based on the needs of the local community, which are covered through production and services. Consumer cooperatives can fulfill the needs that cannot be produced or provided in the locality.
- > Applying an ecological economic approach in which production and consumption follow a cycle which minimizes waste and unnecessary environmentally hazardous material and canning. Consequently, it ensures that no resources are unused (for example: using pulled out grass in fodder to feed livestock, using animal dung as fertilizers, etc.)
- > Adopting innovative organizing for solidarity based enterprises and collectives in order to provide the necessary daily services for the local communities as well as business services for solidarity economy enterprises.
- > Initiating at the local community level, a solidarity economy federation per region as well as a national alliance.
- > Enrolling Lebanon in international alliances. This will enable the solidarity economy enterprises to fulfill the sixth co-operative Principle, which is cooperation among co-operatives. According to the International Co-operative Alliance: "Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures."





A Cooperative Economy

There have been several successful attempts in creating models that promote a strong cooperative network and consequently a cooperative economy. Examples of such cooperative networks include: Mondragon, the cooperative group in Spain which today comprises over 100 firms employing more than 81,500 workers and generating €12.2 billions in annual revenue [15], the Evergreen Cooperative initiative in Cleveland which is “a remarkable experiment in worker-ownership, anchor-institution-based “green” job creation, and true wealth-building in an impoverished urban neighborhood” [4], and the Trentino co-operative model [1]. These models are gaining an increasing interest due to their positive economic and social impacts on the regions they are active in. Nonetheless, more research is needed and being conducted in order to have a better understanding around the success factors behind such models and their perceived effectiveness and prospects for replication in other contexts.

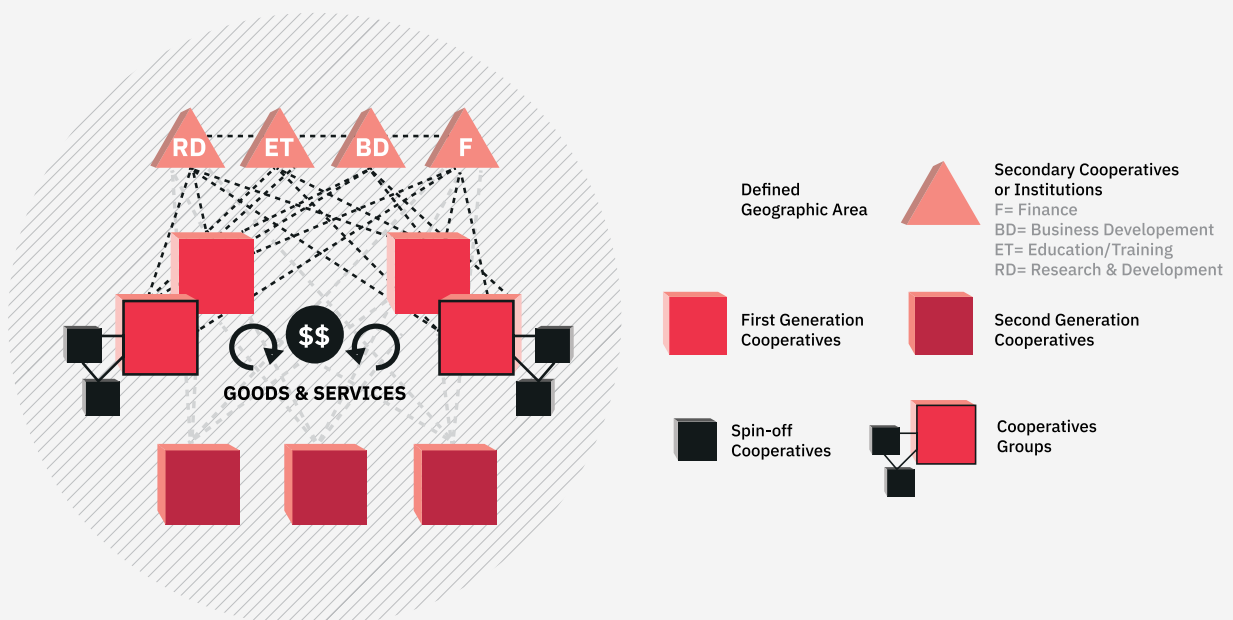
One example of a cooperative network model (Figure 1) was developed by MIT Community Innovators Lab[12] depicting the different types of cooperatives within a defined geographic area and the resulting dynamics and exchange of services and goods between them. As noted from the model, there are different generations of cooperatives and some of them form groups together and certain cooperatives or institutions are specialized in providing financial, business development, training and research services to support individual cooperatives (of different generations and nature) and cooperative groups.

More importantly, the model that best represents an inclusive economy that DT supports will be similar to the Preston Cooperative Development Network (PCDN) that implemented the principles of Community Wealth Building in Preston city in the UK. The PCDN enabled worker-owned cooperatives to fill the economic gaps and provided a forum for developing local democracy and the community. Working cooperatively lays down the foundation of a people-centered economic model built on social relationships, democracy and sustainable development. It also shows that cooperatives that develop a supply chain are catalysts for social development and an instrument of social justice. The Preston model is an example of alternative models of ownership built on collective participation in the economy through cooperatives, community land trusts, community development finance institutions, and other institutional forms and initiatives.

Developing an economic model should go beyond changes in procurement and spending. It is about giving the people an opportunity to participate in the decision making process that affects their lives and the future of their villages and cities. It is a system where worker-owned cooperatives are anchored in local community ownership which can positively contribute to driving positive local economic and social outcomes.



Cooperative Network Model of Endogenous Economic Development



Source: Sustainable Economic Democracy: Worker Cooperatives for the 21st Century, Authors: Nicholas Iuviene, Amy Stitely, Lorlene Hoyt, MIT Community Innovators Lab, October 2010



The Solidarity Directory View

Daleel Tadamon team believes that **cooperative economy models** cannot and should not be replicated from country to country without a contextual grounding. Each society can develop its own model depending on local needs and taking into account an array of cultural, historical, social, economic, political, and geographical factors.

It is essential that a cooperative economy be decentralized on the level of local communities, and aggregated at the national level and beyond. Such a model will lead to the creation of connected sustainable value chains at the level of the local communities leading to the formation of a national network and a national cooperative economic cycle.

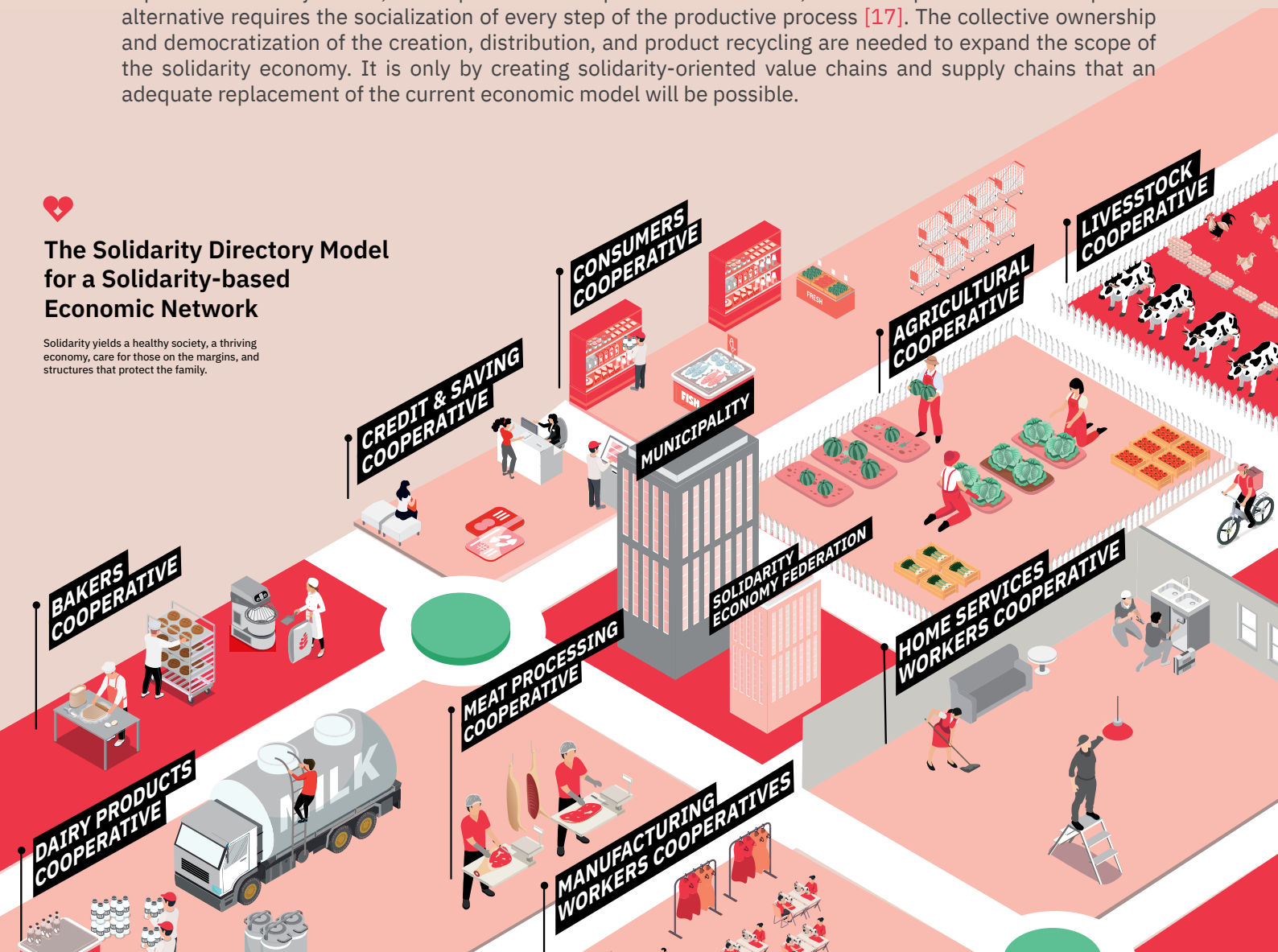
These cycles at both the local community level and national level will ensure reduced costs, creation of abundance, and preservation of value. Consequently, forging the sustainability of the economic model while satisfying the needs of the society and creating vast working opportunities for people preventing them from leaving their own villages and cities. Such a model relies on synergy across the roles of municipalities, municipality unions, and solidarity economy federation at the local community level.

In addition, cooperation between farmers, retailers and consumers is crucial to a collective organization into a values-based supply chain (VBSC). VBSCs contribute to achieving a high level of performance, trustworthiness, and equitable compensation by combining knowledge with a shared vision [16]. VBSCs are also compatible with the values of the 'ethical consumer' who seeks an ethical product. Unlike in standard capitalist market dynamics, where producers compete with each other, the development of a non-capitalist alternative requires the socialization of every step of the productive process [17]. The collective ownership and democratization of the creation, distribution, and product recycling are needed to expand the scope of the solidarity economy. It is only by creating solidarity-oriented value chains and supply chains that an adequate replacement of the current economic model will be possible.



The Solidarity Directory Model for a Solidarity-based Economic Network

Solidarity yields a healthy society, a thriving economy, care for those on the margins, and structures that protect the family.





Conclusion

In conclusion, based on our investigation about the space for a value chain within the cooperative sector in Lebanon, we unfolded multiple hindrances that require corrective measures prior to constructing a value chain model.

Building and consolidating a value chain model as the one we proposed entails having a certain level of infrastructure, resources, knowledge and capacity building, technological investments, and the creation of innovative and alternative financial models to cope with the strained financial and monetary crisis.

It is equally important to have the necessary tools for documentation purposes and access to information around market price information systems to keep all stakeholders well informed. In addition, fostering healthy, relational, equitable and trust-based relationships and agreements of cooperation across stakeholders of the value chain while leveraging existing assets are key to build and sustain a contextual value chain model with returns and mutual benefit to all.



Annex

Types of Cooperatives

01 BAKERS COOPERATIVE

where some of its members pledge an amount that they can afford at the beginning to produce bread. Other members plug in based on their skills or time that they would like to put. They ensure the needed raw materials from productive cooperatives that can benefit from reduced tariffs on imports. They work cooperatively and share resources and equipment to reduce the costs and produce and sell products to their communities at affordable prices.

02 Consumers Cooperative

People in the community organize themselves voluntarily in consumer cooperatives to meet their needs. The consumer cooperative buys its goods from the productive cooperatives, whether from the same municipality/region/locality or from other regions, to sell them to the community at prices lower than the market rates, fulfilling the needs and aspirations of its members and stakeholders. Consumers' Cooperatives from various regions can benefit from collective import agreements as well as tariff exemptions to import basic necessities and goods at lower prices.

03 Dairy products cooperative

Farmers work together and own and operate democratically a cooperative to bring milk and other dairy products to their communities. By doing so, they minimize the production costs and benefit from machinery and equipment sharing as well as collective purchasing of fodder. Dairy product cooperatives can also initiate agreements with farmers to make hay from their farms and get manure in return to fertilize the land.

04 Livestock Cooperative

farmers organize themselves and run a cooperative where they pool their resources and create a larger volume of products to sell to their communities while reducing meat processing expenses for members.

05 Municipality

is a local government entity that plays an important role by providing services and amenities to the members of the community. It also performs regulatory tasks to ensure the health and well-being of all residents. It administers a participatory budgeting process where people are involved in the process of deciding how to spend the public money in addition to providing land for agriculture and social housing.

06 Agricultural Cooperative

comprises members who benefit from seeds, fertilizers, fuel, and machinery services at low prices to grow crops. They also collectively undertake transportation, packaging, distribution and marketing of farm products to reduce costs.

07 Home Services Workers Cooperative

is owned and democratically controlled by the workers who provide home services to people in their communities, such as elderly and children care, household support and others.

08 Utility Cooperative

provides basic water infrastructure servicing, telecommunications and electricity repair, and other services needed. Plumbers, carpenters, electricians, and other maintenance workers form a cooperative to help each other increase their exposure to the community, thus improving their income and reducing costs through sharing resources, equipment, and tools.

09 Cooperatives' Federation

a union of solidarity economy enterprises, cooperatives, workers, consumers, and community members that play a crucial role in linking cooperatives together and supporting the local productive economy. The federation is also a place where cooperatives discuss challenges and possible solutions and strategies, all for the benefit of the members and society as a whole. In addition, the cooperatives' federation can also coordinate with other federations in other municipalities/ regions/ localities to organize trade exchanges of goods.

10 Credit and Saving Cooperative

offers a wide range of community-owned financial services such as providing low-interest loans for productive investment and establishment of cooperatives for the collective benefit. This cooperative encourages its members to save money and lends them according to their needs. The small surplus created from the differential rates between credit, and savings is used to cover the operational costs and the remaining amount is distributed among members.

11 Manufacturing Cooperative

focuses on producing and providing a range of basic necessities such as clothing and shoes while promoting the use and import of fairly produced cotton and reducing chemicals, ensuring an ethical and ecological supply chain. Each municipality/region/locality can specialize in specific products, and trade exchange of the products would take place between different regions.

12 Community Land Trust (CLT) and Housing Cooperative

a group of community members that have personal capital or own real estate organize themselves and purchase a number of vacant buildings, commercial facilities, and abandoned lands and organize them into a community land trust that provides affordable housing and offices at low rents. They also benefit from loans from the Credit and Saving Cooperative and coordinate with the municipality to address housing needs and ensure it is affordable and no longer a commodity bought and sold to the highest bidder.

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