



MALTA CO-OPERATIVE FEDERATION

# **PROPOSALS FOR A MORE CO-OPERATIVE ECONOMY**

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MALTA BUDGET 2024

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# INTRODUCTION

As part of its work to promote a more co-operative economy, the Malta Co-operative Federation is proposing these sets of measures to be included in the Malta Budget 2024. The co-operative model, which is based on democratic member participation and fair distribution of wealth, is the obvious solution if Malta truly wants to find a new economic model that respects communities and that puts people's holistic wellbeing as a priority.

## ABOUT THE MALTA COOPERATIVE FEDERATION

MCF seeks to aid, advance, expand, increase and unite co-operative societies. The federation consists of a network of new-wave and successful co-operative businesses seeking to promote, strengthen and improve the co-operative model in Malta.

MCF represents over 20 cooperatives which work in varied economic sectors including maritime, consultancy, land and sea transport, media, arts, tourism, sports, social, entertainment, restoration and education.





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## PROPOSAL 1: CONVERT TAX CREDITS TO CASH GRANTS FOR CO-OPERATIVES

Research conducted by MCF shows that a number of Malta Enterprise schemes are not accessible to co-operatives because the support comes in the form of tax credits for which co-operatives cannot apply. This is creating an unfair situation where co-operatives cannot apply for schemes that other forms of enterprises are entitled to.

Government should make a clear commitment during the Malta Budget 2024 that it will resolve this matter by converting tax credits to cash grants in the case of co-operatives.

Furthermore, government should announce that all government entities and agencies that offer any form of schemes and support to enterprises, will be conducting a thorough assessment, in conjunction with representatives of the co-operative sector, of their schemes to ascertain that co-operatives are not being excluded.



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## **PROPOSAL 2: SET UP A TASKFORCE TO MAKE RECOMMENDATIONS ON WORKER BUYOUTS AND COMMUNITY-OWNED CO-OPERATIVES**

In line with its commitment to explore alternative ways of generating and distributing wealth, Government should create a taskforce with the purpose of making concrete recommendations on creating a truly enabling framework for the creation of more worker buyouts and community-led cooperatives.

The taskforce is to explore current models in other countries including regulatory frameworks dedicated to WBOs and community-led enterprises, schemes, incubators and financial support. The taskforce should be multi-disciplinary in nature and include representatives of the co-operative sector, researchers, policymakers and international experts.

It is worth noting that the European Commission's proposal for a Council Recommendation on developing social economy framework conditions (13 June 2023) calls on Members States to create an enabling framework for social enterprises and use existing tools including the flexibility allowed for social enterprises in terms of public procurement and state aid flexibility. Both worker buyouts and community-led co-operatives are examples of social economy actors.



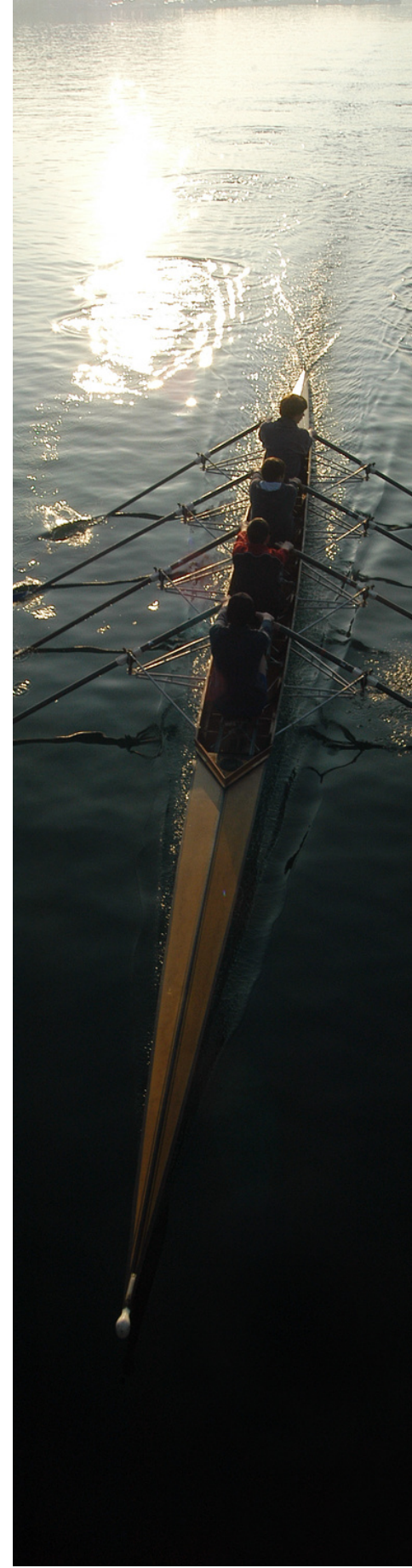


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## PROPOSAL 3: ENACT NEW CO-OPERATIVE LEGISLATION

The government should commit to enact new legislation that builds on the Cooperative Societies Act, 2001, but which caters for new realities and challenges. There should be real consultation between all stakeholders involved, including government and representatives of co-operative sector. The legislative updates should include:

- Strengthening the One-Member One-Vote Principle by removing contradictory elements in the current Act. Whereas Article 21(2) of the Act enshrines the principle of the one-member one-vote, Article 56 allows co-operatives to do away with it. The legislation should be clear that the “one member-one vote” principle is non-negotiable.
- Create more opportunities for different types of entities to form cooperatives together by amending current legislation which currently only allows for individuals and limited liability companies to be members of co-operative societies. The law does not allow other types of entities (eg voluntary organisations and partnerships) to become members in a co-operative society. New legislation should have a more inclusive approach to membership in a co-operative.
- Enable entities to form co-operatives among each other by removing the current mandatory rule that members in a co-operative must be a majority of individuals. This is resulting in missed opportunities for entities to form co-operatives between each other. New legislation should also allow for the possibility of having co-operatives where the majority of members are not individuals.
- Reduce the minimum number of members required to form a co-operative from 5 to 3. This will encourage more people to come forward and form co-operatives. Countries with much larger markets such as Germany, France and Spain, have reduced the minimum to three.





- Facilitate conversion from company to co-operative status: While the co-operative societies legislation contemplates for the possibility of limited liability companies to be converted to co-operatives and vice-versa, without the need to go through a process of liquidation, in 20 years since the Act was enacted, the regulations for this process have never been published.
- Protect the privacy of cooperative members. Current legislation allows the public to access the list of members of any co-operative. Together with the Data Protection Commissioner, MBR and other authorities, the government should identify instances where it would be permissible that the Co-operatives Board could make exceptions to this rule by not divulging this information, while keeping in mind the obligations of the Beneficial Ownership registers
- Create regulations for the creation of European Co-operative Societies (SCE) to be registered in Malta. The Council of the European Union adopted regulations for the setting up of SCEs in 2003, however Malta has yet to establish the regulations for this to become possible. This is having a direct negative impact on the internationalisation of co-operatives and needs to be addressed.
- Promote the continuation of a foreign co-operative in Malta. A co-operative formed and incorporated or registered under the laws of an approved foreign country, which is similar in nature to a cooperative as known under the Maltese co-operative legislation, should have the possibility to request the Co-operatives Board to be registered as continued in Malta, provided the laws of the foreign country so permit, and provided the co-operative is authorised to do so by its statute. The government should enact the necessary legislation and regulations for this to occur, so that Malta stops losing co-operative business to other countries that already allow for this conversion.





## **PROPOSAL 4: REMOVE ALL BARRIERS IN OTHER LEGISLATIONS**

Initiate an exercise to identify any legislations that discriminate against co-operatives. A number of legislations currently impede co-operatives from working freely in particular sectors: the Banking and the Broadcasting Act are a case in point.

MCF proposes that an inter-ministerial effort is initiated to identify any legislations, regulations and policies which are preventing co-operatives to be set up in their respective sector, and make the necessary amendments for the inclusion of the co-operative business model.

## **PROPOSAL 5: INCLUDE CO-OPERATIVE REPRESENTATION WITHIN THE ORGANS OF THE SMALL BUSINESS ACT**

The Malta Co-operative Federation, the co-operative sector and the related government bodies regulating the co-operative sector should be represented by competent individuals within the organs of the Small Business Act.

## **PROPOSAL 6: MODERNISE THE CO-OPERATIVES BOARD**

Government should allocate the necessary resources and finances in order to embark in a modernisation exercise of the Co-operatives Board in order to bring it in line with other entities such as the MBR and the CfR. The Co-operatives Board needs to be given all the necessary resources for the purposes of digitalisation, online visibility and simplification of processes.