

Paper Abstract:

Innovation in Cooperative Governance:

A case study of Croatia's Cooperative for Ethical Finance (Zadruga za Etično Financiranje)

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This case study is part of a multi-year research project which sets out to assess the challenges facing participatory, people-centered, and democratic cooperative governance (referred to as participatory governance) in a changing environment. We understand governance as a system that includes structures, processes, and their dynamic interplay. Our central research questions ask: “What does participatory governance entail; how are cooperatives engaging in these forms of governance practice; and how do such practices affect the sustainability of cooperatives?”.

Participatory cooperative governance is grounded in humanistic organizational theories and philosophies which aim to promote human dignity and enhance wellbeing. This perspective builds upon the core aspects of the cooperative identity (purpose/values/principles) and the unique properties of the cooperative enterprise model (people-centredness, joint ownership and control, and democratic decision making). The complex economic and socio-ecological purpose and embeddedness of cooperative membership impacts upon organizational governance and culture, which is evolving and dependent on many factors (cooperative type, legal framework, economic sector, etc.).

The Cooperative for Ethical Finance (Zadruga za Etično Financiranje, or “ZEF”) in Croatia is an exemplar of innovation in participatory governance within the complex social, geopolitical and economic context of the Western Balkans. ZEF was incorporated as a multi-stakeholder cooperative in 2014 with the purpose of creating an ethical bank as an engine for sustainable community development in Croatia. Despite facing numerous regulatory barriers to officially operating as bank, ZEF has built a strong foundation of support from a wide range of actors across Croatian society and has focused on strengthening and mobilizing these relationships through co-operative governance. This case study highlights the governance structures, processes and dynamics that have evolved at ZEF over time to support its co-operative purpose, with particular attention to innovative practices that cultivate active participation, equitable representation, shared accountability and solidarity among a diverse multi-stakeholder membership.

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