

Can the social sector of the economy in Mexico converge on the concept of social economy?

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Abstract

In Mexico, the term most commonly used to refer to activities and organizations that are not public or private is the *social sector of the economy* but the Law of Social and Solidarity Economy (LESS for its acronym in Spanish) does not define it (only listed the legal figures that compose it). In contrast, in the world is increasingly more frequent the concept of social economy, which has several definitions and criteria that organizations must meet to be considered part of it.

The problem is not semantic and has academic and public policy consequences. Therefore, this paper is intended to review the characteristics of each of the types of organizations that integrate the social sector of the economy in Mexico and compare them with the criteria of the International Comparative Social Enterprise Models (Icsem)' concept of social economy to establish their similarities and possibilities of convergence.

Additionally, in practice, in each legal figure there are organizations with different degrees of compliance of such criteria, for that reason a valuation exercise was conducted with four levels of qualification: 0, if the criterion is not present in that type of organization and 1 to 3, depending on whether some, many or all organizations of a certain type have that feature. This exercise yielded an overall score for each legal figure and some conclusions about the possibility of convergence with the concept of social economy. Later, we decided to transform this numerical exercise into a qualitative version in which we retain only the extreme cases (0-3) to determine the absence or presence of each indicator and get a more defined picture about these figures.

Our conclusion is that not all types of organisms recognized by the LESS are actually forms of social economy while others not included in this or in the Catalogue of organism of the social sector of the economy (Cosse) are closer to the characteristics of social enterprise. Therefore, the convergence between the concepts of social sector of the economy and social economy is feasible only if government entities change the vision sustained in the legal figures and define the specific characteristics that must meet the social enterprises.

Keywords: civil society organizations, cooperatives, Mexico, social economy, social sector of the economy

Introduction

In Mexico, the term most commonly used to refer to activities and organizations that are not public or private is the *social sector of the economy* (SSE) but the Law of Social and Solidarity Economy (LESS for its acronym in Spanish) and those who use it do not define it (only listed the legal figures that compose it). In contrast, in the world is increasingly more frequent the concept of social economy, which has several definitions and criteria that organizations must meet to be considered part of it.

The problem is not simply semantic and has academic and public policy consequences. Therefore, this document reviews the characteristics of each of the types of organizations that integrate the SSE in Mexico and confront them with the criteria of the International Comparative Social Enterprise Models (Icsem)' concept of social economy to establish their similarities and determine whether it is only the use of another term or correspond to different realities.

Additionally, in practice, in each legal figure there are organizations with different degrees of compliance of such criteria, for that reason a valuation exercise was conducted according to the frequency at which each indicator can be found in the daily practice of every type of organizations both SSE and those added by the Catalogue of organisms in the social sector of the economy (Cosse for its acronym in Spanish) and the civil society organizations (CSOs), which obtained some conclusions about the possibility of convergence with the concept of social economy. Later, we decided to transform this numerical exercise in a qualitative version in which we retain only the extreme cases (0-3) to determine the absence or presence of each indicator and get a more defined picture about these figures.

Thus, in the first section of this paper the legal figures that form the SSE based on the LESS and the Cosse are reviewed, and in the second part other legal figures are incorporated (not considered in the SSE) that are usually promoters of initiatives identifiable as social enterprises; the third presents the concepts often used in Mexico which include (or related to) the social economy and the fourth section is devoted to attempts to link the latter with the SSE. Finally, in the fifth such concepts are discussed and the possibility of convergence between these two when confronting the legal figures with the attributes of the social economy defined in Icsem project.

1. The social sector of the economy

The LESS does not contain a definition of the social economy and only gives the type of organizations that comprise:

“The Social Sector of the Economy shall be composed of the following forms of social organization:

- I. *Ejidos*;
- II. Communities;
- III. Organizations of workers;
- IV. Cooperatives Societies;
- V. Companies belonging largely or solely to workers; and
- VI. In general, all forms of social organization for the production, distribution and consumption of goods and services socially necessary.” (LESS 2013, article 4)

The following are the main features¹ of each of these types of organizations and we include other legal figures that the National Institute of Social Economy (Inaes) considerate in the Cosse.²

Ejidos. They have legal personality and assets; own the land they have been provided to them or have acquired and may be eligible for *collective* exploitation of the *ejido* lands when their assembly so decides, determining the way of organizing labor and the exploitation of the resources of the *ejido*, as well as the mechanisms for equitable sharing of benefits, the constitution of capital reserves, social security or services and the ones that integrate mutual funds.

Communities. They are a special protection regime for agrarian centers (the land becomes inalienable, imprescriptible and indefeasible) and internally they determine the use of their lands, their division, aims and organization for the use of their property. Individual *commoner* status is recognized and allowed the use and enjoyment of his land; the possibility to assign his rights in favor of family and neighbors, and the use and benefit of common goods.

Rural production societies (*SPR* for its acronym in Spanish). They are integrated by two or more partners (farmers, *ejidatarios*, commoners, smallholders, settlers, third party investors, or a combination of these). Its social object can include, among others *i*) produce, transform, commercialize and provide services in an associated form, *ii*) Obtain public or private support

¹ For a more detailed description please refer to the Appendix 1 to 5.

² The order corresponds to the one presented in the Cosse.

to undertake, develop and consolidate productive and social investment projects, and *iii)* Manage altogether: financing, insurance, supplies, machinery, equipment and facilities.

Unions of ejidos, communities and rural production societies. They include two or more organizations of the same type that are associated, but there are differences between these unions and the organizations that comprise them (see Annex 1).

Rural associations of collective interest (ARIC for its acronym in Spanish). They are constituted by two or more *ejidos*, communities, rural production societies or unions of any of these figures in order to integrate human, natural, technical and financial resources for the establishment of industries, exploitation, commercialization systems and any other economic activity.

Mutual societies. Group of people acting voluntarily to build a fund of financial assistance, through regular cash contributions, by way of spontaneous collaboration, which aims to help its members in case of diseases, accidents and other natural hazards; assistance that can be extended to family members when these are not self-sufficient. Incidentally, it is considered as a mutual aid group organized to provide economical solution to personal or family demands in the cases and under the conditions laid down in its statutes. (Instituto de Investigaciones Jurídicas, 1988, p. 2981) An important limitation of mutualism in Mexico has been the inability to engage in economic activities (industry, agriculture, trade, etc.) or financial so they focused on insurance activities.

Agricultural and Rural Insurance Funds (FAAR for its acronym in Spanish). The Law of Insurance and Surety Institutions (LISF for its acronym in Spanish) 2013 recognizes them as mutual benefit societies; they are fastened in its operation to Article 30 of this but its organization, functioning and activities are regulated by its own law. They aim to provide mutual and solidarity protection to its members through active operations of insurance and coinsurance. (Law of Agricultural and Rural Insurance Funds [LFAAR for its acronym in Spanish], 2005, Article 3). They can only offer coverage of damage in the agricultural sector and of animals and related classes that register; life operations limited to schemes of balance and life for rural families, and to the field of personal injury.

Cooperatives. It is a form of social organization composed of individuals based on common interests and the principles of solidarity, self-effort and mutual help, in order to meet individual and collective needs, through the fulfillment of economic activities of production,

distribution and consumption of goods and services. (General Law of Cooperative Societies [LGSC for its acronym in Spanish], 2009, Article 2). There are three types: *i*) Consumers of goods or services, *ii*) Producers of goods or services, and *iii*) Savings and loan (SCAP for its acronym in Spanish).³ The worker is part and holder of the cooperative (social worker) and the decisions are not taken vertically but the best measures for the development of the company are discussed.

Social solidarity societies (sss). They aim is, among others, production, processing and commercialization of goods and services needed and its partners have an obligation to provide their personal work to fulfill the purposes of the society. The sss are constituted with a collective heritage character; partners must be *ejidatarios*, commoners, landless peasants, *parvifundistas* [agricultural smallholders] and persons entitled to work, to allocate a portion of the product of their work to a social solidarity fund. This fund can only apply to: *i*) the creation of new sources of labor or expanding existing ones; *ii*) work training; *iii*) the construction of rooms for members; *iv*) the payment of contributions for retirement, pension and temporary or permanent disability, in addition to those provided for in the regime of compulsory social insurance and other welfare services *v*) medical and educational services to members. (Law of Social Solidarity Societies, 1976, Article 32)

Mercantile societies.⁴ The General Law of Mercantile Societies [LGSM for its acronym in Spanish] (2014) recognized six species of societies: *i*) in collective name; *ii*) in partnerships; *iii*) of limited liability; *iv*) anonymous; *v*) in limited partnership by shares, and *vi*) cooperative. The mercantile societies can perform all necessary acts of commerce for the fulfilment of its social object. Except for cooperatives, societies can be of variable capital and social capital is likely to increase by the subsequent member's contributions or by the admission of new members, and to decrease such capital by partial or total withdrawal of contributions.

³ The SCAP are regulated by the Law to Regulate Activities of Cooperative Societies of Savings and Loan [Lrascap for its acronym in Spanish] (2014).

⁴ They are part of the SSE the ones that have participation of organisms in the social sector of the economy [OSSE for its acronym in Spanish] at least 51% of the share capital. For further details of each type, see annex 3.

Credit unions. They are the oldest institutions that have provided financial services and, for many years, the only source of credit for low-income⁵ producers. They are authorized to perform operations exclusively with partners, who may be individuals or legal entities, national or foreign people engaged in economic activities, except for those individuals who receive their income predominantly from wages and salaries, pensions, or social support programs. (Credit Unions Law, 2014, Article 21)

Community financial societies (Sofinco for its acronym in Spanish). It is one of the associative figures⁶ created in 2009 by the Popular Savings and Loan Law [LACP for its acronym in Spanish] to provide financial services to low-income population in the rural sector (members and others). It is a financial institution composed of individuals and legal entities⁷ that is established as a *sociedad anónima* (roughly equivalent of the public limited company) restricted by the collective ownership and democratic basis (no individual may have more than 1% of share capital) and operates under the principles of territoriality, solidarity, mutual support and economic sector (farmers, ranchers, foresters, fishermen, etc.). Its institutional design allows that the collection of savings in the communities is reinvested in the same regions by means of credit, promotion and investment and economic development of rural communities.

Unregulated multiple object financial societies (*Sofom* for its acronym in Spanish). They are *sociedades anónimas* that in its bylaws is expressly included as main social purpose conducting regular and professional of one or more of the authorized activities (grant credit to the public in various sectors and leasing and factoring financial operations). They cannot raise funds from the public and do not require the authorization of the federal government to be established. They can't maintain economic ties with credit institutions, popular financial societies [Sofipo for its acronym in Spanish], Sofinco or SCAP or issue debt securities in their

⁵ There are credit unions from different sectors (tanners, fishermen, ranchers, industrialists, farmers, traders, etc.), those from the "*social sector*" (which are intended to assist to the economic sector that for their social, economic and geographic conditions cannot access to traditional financial institutions) and the mixed, serving various sectors.

⁶ Along with the savings and loan cooperatives (regulated by the Lrascap).

⁷ Associative figures as the SPR and SPR unions; *ejidos* and union of *ejidos* and communities; agricultural and industrial units for rural women; SSS, civil associations, civil societies, producer cooperatives, *cajas solidarias*, local agricultural and livestock associations, ARIC and *sociedades anónimas* with at least 25 members.

name. They are only subject to supervision by the National Banking and Securities Commission [CNBV for its acronym in Spanish] in terms of prevention of operations with resources of illicit origin.

The Cosse also includes cooperative organizations (unions, federations and confederations of the three kinds of cooperative societies) as well as two types of groups that do not have a legal figure:

Workers saving associations (Cajas de ahorro de trabajadores). It is an institutional mechanism in some companies or organizations to promote savings from its employees, which held a general assembly at the beginning of the fiscal year to determine the operation of the *caja* (cash desk) (types of loans, duration, amount, payment of interest, etc.) and elect those who will occupy the positions of treasurer, *vocal* (member with attributions) and secretary. The institution makes discounts (savings and payments) via payroll and, at the end of the year, reimburses each worker contributions and, based on these, the proportional fair share of the interest earned. It does not have a legal figure, but it possess an internal regulation. It cannot be considered a social enterprise due to the lack of structure and permanence. Nor is a financial intermediary because it cannot do a public appeal to save or accept users who are not permanent employees of the company.

Social groups. Many government programs condition the delivery of grants and subsidies to groups, because sometimes these are created only "on paper" to obtain the resources and, once received, are dissolved or each one carries out the project individually. In return -due to the complexity of the legislation and how burdensome it is to get a legal figure and fulfill the fiscal obligations-, there are many groups that function as self-managed collectives and implement successful productive projects. Some of these groups are the movements and networks of solidarity economy, but others are simply part of the informal economy.

The Inaes specifies that the OSSEs must accept and respect the purposes, values, principles and practices enunciated in articles 8 to 11 of the LESS (see annex 6) and that -to confirm their compliance- it will verify that in the constitutive act or statute, or in amendments to these -in case of legally constituted OSSEs-, and in the act of integration -in the case of social groups- it is established as a minimum:

- a) That the decision-making is democratic and is not linked to the capital contributed by the partners, associates or members.
- b) That the ownership of the means of production is social or joint.
- c) That the surplus or profits generated, are intended to at least one of the following items:
 - i. For the provision of social services;
 - ii. The growth of its reserves and funds; or
 - iii. The compensation for the services provided or work performed by their partners, associates or members. The distribution of these surpluses or profits must not be associated with the capital contributions, if any, that had been made.

Those organizations that are not considered included in the Cosse may request the Inaes the valuation to recognize specifically the type or category to which they belong (Inaes, 2014a).

2. Other legal figures (not considered in the SSE)

In counterpart, the LESS and the Cosse exclude other legal figures that best meet the criteria or indicators of social economy and that are presented below.

Civil associations (AC for its acronym in Spanish). A group of people -in use of its rights of free association- integrate them in order to carry out one or more activities in which do not prime the economic sense. While fundamentally they do not pursue profit, nor do they intend to be in the red ("non-profit, but without desire of loss") by which the relevance is not whether economic benefit is achieved but how is distributed. However, most of them survive thanks to donations from companies or international organizations and governmental subsidies and support. The withdrawal of the State created the conditions for these organizations to proliferate, mostly those in assistance of vulnerable groups and the topics that were not of interest to the private enterprise or the public sector.

Civil societies (*SC* for its acronym in Spanish).⁸ They are similar to civil associations because they offer an opportunity for the partners to commit among themselves to combine their resources for the realization of a common purpose, but that purpose may have a predominantly economic character as in the civil societies of professionals who come together to provide services, charging for that assistance. However, other groups choose this figure because it is more flexible from a tax point of view and applicable regulations and may be considered part of the third sector by the thematic they address (health, sexual rights, reproductive health, housing, ecology, etc. and mainly training) or by the beneficiary population of their services.

Private assistance institutions (*IAP* for its acronym in Spanish)/**private charity** (*IBP* for its acronym in Spanish). They are often known as philanthropic organizations and are non-profit organizations regulated by the Law of Institutions for Private Assistance⁹ of each state and monitored and supported by a Board of Private Assistance or an agency of the state executive. They are differentiated from other figures because they cannot modify their *foundation will*,¹⁰ that is, if the object was to assist a specific vulnerable group it cannot be replaced by another and they cannot dissolve and distribute the assets. If they are not able to continue operating, all their resources should be transferred to another institution with a similar social purpose.

3. Concepts often used in Mexico that include to (or associated with) the social economy

In addition to the multiplicity of legal figures, Mexico also presents a proliferation of terms and concepts -usually not sufficiently differentiated and often used as equivalent or even, synonyms-- that increase the existing lack of clarity regarding the social economy. To give the reader an idea of the seriousness of the problem, we include here a non-exhaustive compilation (in alphabetical order):

⁸ Some types of organizations registered under this figure are indigenous regional funds, foundations, business incubators, associations, rural development promoters, coordinating organizations and development agencies.

⁹ There are four different denominations: institutions of private assistance, private charities institutions, private charities associations and private social welfare institutions.

¹⁰ The founders are the people who gave part of their assets to create one IAP.

- economy (alternative, another economy, ecological, emerging, ethic, for life, of the poor, of work, mixed, new economy, people-centered, popular, popular solidarity, social, social and solidarity, solidarity, with a human face)
- companies (non-profit, social interest)
- organizations (civil society, community, community economic development, non-governmental, non-profit, social for labour)
- sector (economic self-managed, exempt from taxes, independent, non-monetary, philanthropic, third, voluntary)

As it can be easily seen, the only agreement is that there is no agreement. Therefore, other authors choose to steer clear of the controversy and only seek to identify the "economic and social reach and localized forms". Some more are trying to contribute to the debate on some of the concepts, but ultimately, they only have in mind one of the legal figures (cooperatives) and, therefore, their proposals leave out the characteristics of the other types of organizations.

Despite the above, there are a few concepts that are used most frequently so we will explain them briefly below, following a chronological order and from the most to the least inclusive.

Third sector. It is the most inclusive term and is commonly deemed to be comprised of philanthropic organizations, of private assistance, private or public welfare, etc. but also by others who do not fit the profile of social economy like sports clubs, religious associations or political parties, networks of organizations, groups of human and political rights, and direct actions for the promotion of the development. (Verduzco, 2003) It is based on the five criteria¹¹ proposed by the Johns Hopkins University in Baltimore: *i*) be organized formally, *ii*) be private, *iii*) absence of profit,¹² *iv*) enjoy the ability of institutional self-control of their own activities and *v*) marked degree of voluntary participation.

Non-governmental organizations (NGO). This term was the most common in the eighties but it was used interchangeably to refer to any association arising out of the governmental action

¹¹ These criteria were subsequently taken by the UN in the publication *The Handbook on Non-Profit Institutions in the System of National Accounts*.

¹² They can get benefits, but must be reinvested according to the organization's mission and to pay competitive wages to their workers.

regardless of their objectives, sizes or interests (Thomas, 1992, p. 122). More recently there has been some consensus to exclude, among others, some organizations dedicated only to commercial activities and profit as well as political parties, associations and informal networks representing class interests (Themudo and Natal, 1996, p. 243). Then it was begun to distinguish a subgroup more limited in the field of development:

[...] we understand as NGOs those groups formally organized, out of the public sphere, working in non-profit activities for the alleviation of poverty and social development, of themselves and/or others. Their interest is not only the benefit of the members of the association, but a public interest, that -in general- is organized through actions directed from above. (Themudo and Natal, 1996, p. 243)

Civil society organizations (CSO). Later, other authors objected that it wasn't a suitable name because they described them by *what they were not* and the name of CSO arose because the term civil society refers to the diversity of people who, with the category of citizens and usually collectively, act to make decisions in the public sphere. CSOs are a fundamental part of the Third sector and in Mexico are associated mainly with three legal figures (AC, SC and IAP/IBP, see annex 7).

Non-profit institutions (ISFL for its acronym in Spanish). This denomination is the one used by the National Institute of Statistics and Geography (Inegi for its acronym in Spanish), which classifies them into five types (see annex 8) and defined them as "legal or social entities created to produce goods and services, whose legal status does not allow them to be a source of income, profit or other financial gain for the units that establish, control or finance them; they are institutionally separate from government, are autonomous and do not coercively impose the participation in them". (Inegi, 2015)

Solidarity economy. Unlike the previous concepts, this does not cover the social economy but intersects it because this includes organizations but also "popular collective experiences of work and income based on reciprocity" (Marañon, 2013, p. 28). Sanchez, Garcia and Rangel (2012) understand the solidarity economy as initiatives aim to build an alternative economic system and resume to Villareal (2005):

This is how, the Solidarity Economy arises with different practices around the world and with different concepts, but where they stand out: collective participation, cooperation, self-management, democracy, self-sufficiency, promote human development and gender equity, as well as, conservation of ecosystem balance.

Social enterprises. Similar to what happens in other countries, social enterprises in Mexico correspond to an organizational diversity much broader than the exclusive "non-profit"

business model but there is lacking a clear definition or a concept agreed between the different players and it is often used as a synonym for other terms such as social business and social entrepreneurship.

The Inaes points:

"In practice, it is very complex to have a definition of social enterprise that enjoys worldwide acceptance, largely since the legal figures vary from one country to another and, for different reasons, do not refer to historical forms, as the cooperatives." (Inaes and Universidad Iberoamericana Puebla 2013: Annex 1)

For some authors, more important than the name it is to determine the legal figures that more clearly can be considered part of the "third sector of the economy" and choose those that in their foundation act are declared non-profit and devoted to a social mission: civil associations, civil societies and private welfare institutions or private charity.¹³

For others, the key is the collective property or the characteristics of their operation (internal democracy, self-management) while some are more guided by the social relevance of their activities (production of goods and provision of socially necessary services) or the social and environmental objectives pursued by it (water, education, employment, community development, health, housing, human rights, empowerment, gender equity, etc.). Finally, for some more the determining factor is whether the direct and indirect beneficiaries of its shares belong to a vulnerable group or not.

Social business.: The use of this term is fairly recent and is linked to the Global Social Business Summit in 2014 and the presence of Muhammad Yunus in the country who commented that "In Mexico there are still no social business" because:

They are things that are close to social business but are not exactly that, because they are charitable or are for profit, someone is making money from them. Social businesses are companies without dividends that solve problems, are specifically designed to solve problems, without having any intention of winning dividends for oneself. Then you should take that money and reinvest in the company. (Evia 2014)

Social entrepreneurship. There seems to be greater acceptance of this term, but not as equivalent to the social enterprise but as an attribute of an economic project -not necessarily productive-, sometimes individual, but in many occasions group, which leads to the

¹³ The voluntary organizations and foundations are not in themselves a legal figure and use any of the above or constitute trust for the administration of funds.

generation of revenue -new or additional- of those who carry them out and the improvement in their quality of life. Depending on who promotes or supports the project, social entrepreneurship must meet sometimes some extra features to be recognized as such (innovation, sustainability, gender equality, etc.).

In summary, the first terms include the social economy but also other types of organizations that comply only partially with the characteristics of this one. At the opposite end, the last two (social business and social entrepreneurship) are not subsets of the social economy since its definition emphasizes only two features (they are companies without dividends that solve problems) and in social entrepreneurship are included the individual economic projects.

4. Social economy in Mexico

As noted, even in the Mexican academia there is relatively little concern for conceptualizing the social economy and characterize it. There are very few publications on the subject and in these the different concepts presented are often used as synonyms or only the definitions of other countries are taken up. In addition, the law that should define and delimit the concept of social economy (LESS) uses another term (SSE) that only lists a series of legal figures.

The Inaes insists that the SSE:

“[...] it is the one that has historically been more widespread in the country's governmental, academic, cooperative and Union spheres, enjoying some degree of popularizing and positioning in the social imaginary, so the introduction of a new concept could lead to confusion and uncertainty [...]” (Inaes 2013: Anex 1, p. 63)

But the LESS and the Inaes itself contain "social economy" in its name so the latter tries to reconcile both terms and defines it as:

[...] the economic activity carried out by agencies of the social sector, based on democratic decision-making, social ownership of resources, equitable distribution of benefits between its members and the social commitment on behalf of to the community. (Inaes 2014b)

Characterized by:

- Do not be linked directly to capital or contributions of each partner.
- Relations of solidarity, cooperation and reciprocity.
- Structure and associative management.

- Creating jobs or providing services to partners.
- Meet the needs of its members and the communities where the activities take place.

To harmonize both terms notes:

“[...] we talk about Social Economy as a system of practices and values developed in the SSE that has defined the LESS. The agencies that compose it existed before the appearance of it, but they will be called social enterprises when they meet the characteristics and practices that the system of the Social Economy favors”. (Inaes 2013: II)

Next, we will analyze if it is feasible for its legal characteristics that they behave as social enterprises and if they do, even so, if they do it in practice.

5. Discussion of concepts

The differences in criteria and variables to consider regarding social enterprise show us that the only consensus that has been achieved is that there is no consensus; that is, there is not a univocal concept, definition, or even unique naming. Rechy (in press) states:

Some authors as well as various organized groups and even different legal orders allude to this [the SSE] using another type of name or qualifying, between those different denominations we could mention: solidarity economy, alternative economy, enterprise sector of social interest, voluntary or third sector of society, sector of the economy of labor, sector of the economy with a human face, self-managed economic sector, and popular or of the poor economy.

Something similar happens in terms of the theoretical aspects as Rechy adds:

[...] not even exists what it might be called a theory of the sector, [...] what has been abundantly produced is much ideology.

Being the social sector the product of a national history, rich in struggles and regional thinkers, it has become a reality intangible, incomprehensible, indecipherable, whose limits are indeterminable. [...].

Sánchez, García y Rangel (2012) agree about this problem:

[...] the Social Economy is a heterogeneous economic reality, marked by a series of difficulties and contradictions regarding its definition, conceptualization, delimitation of its activities and of its organizations and, consequently, its quantification [...]. We must not forget that this sector includes economic units linked to activities of all sectors and that they may be present at all stages of the production process. In addition, in each country or region, it is treated with different terminologies that are easily confused [...] not even always define the same field of activities.

Given the variety of terms in use and the lack of consensus on them, we consider most relevant to confront the characteristics of the Mexican organizations with the definitions developed internationally. For this reason, in Table 1 are compared the criteria established by the Icsem project with the purposes, values, principles and practices of the OSSE stipulated in the LESS as well as the ones that the Inaes notes on its website.

Table 1. Comparison of criteria for defining social economy organizations

| International Comparative Social Enterprise Models (Icsem project) | Mexico. Purposes, principles, values and practices in the LESS (2013) | México. Inaes website (2014) |
|---|---|---|
| Economic project | | |
| A continuous production | Production, distribution and consumption of goods and services socially necessary (Purposes) | Socio-economic system |
| Some paid work | Generation of sources of work and better ways of life for all people (Purposes) | |
| An economic risk | | |
| Social mission | | |
| An explicit social aim | Design of plans, programs and projects of economic and social development (Purposes) | |
| Limited profit distribution, reflecting the primacy of social aim | | |
| An initiative launched by a group of citizens or a third-sector organization(s) | | Associative bodies of social property |
| Participatory government | | |
| A high degree of autonomy | Autonomy and independence of the political and religious spheres (Principles) | Democratic management |
| A participatory nature, which involves various parties affected by the activity | Democracy (Values) Participatory democracy (Purposes) Participatory democracy regime (Principles) | |
| A decision-making power not based on capital ownership | Equitable distribution of benefits without any discrimination (Purposes) | Equitable and inclusive distribution of its surpluses |

Source: Elaborated by author.

As it can be seen there are few characteristics in common and in the Mexican case seems to be confusion among the purposes, values, principles and practices to be observed by the OSSE.

The absence of a concept and a theory are complicated even more by the diversity of legal figures operating in Mexico -which are summarized in table 2- and in schematic form can be separated into two groups: the OSSE (specified in the LESS and the Cosse) and the csos. A

special case is the social groups that are now included in the Cosse but have traditionally been considered outside (due to their lack of legal figure) or closest to CSOs (since operating non-profit and often driven by them).

Table 2. Summary of the characteristics of the social organizations in Mexico

| Legal figure | Objective | Sector | Economic sector | Activities |
|--|---|------------------------------------|----------------------------|---|
| Ejidos | Comprehensive and equitable development of the rural sector through productive activities and social actions to increase welfare and participation of the population | Social sector of the economy (SSE) | Primary | Agriculture, forestry, beekeeping, aquaculture, hunting, commercial fishing |
| Communities | | | Primary/secondary/tertiary | Agroindustrial, craft, mining, metalworking, wood, clothing, construction, supply of products, transport, trade, credit and savings, cooperative education, housing, social welfare, among others. |
| Cooperatives | Join forces and help to meet needs of groups and individuals, carrying out activities of production, distribution or consumption of goods and services | | Primary/secondary/tertiary | Agriculture, forestry, beekeeping, aquaculture, hunting, commercial fishing, agribusiness, metalworking, clothing / education, health, housing, welfare services |
| Social solidarity societies (SSS) | Creation of jobs, job training, construction of rooms for members, payment of retirement, pension and disability and other welfare services, and medical and educational services for partners | | Primary/secondary/tertiary | |
| Rural production societies (SPR) | Undertake, develop and consolidate productive and social investment projects. Produce, transform, commercialize, and provide associated services. Manage financing, insurance, supplies, machinery, equipment, facilities. | | Primary/secondary/tertiary | Industries, exploitation, commercialization and any other economic activities |
| Rural associations of collective interest (ARIC) | Establishment of industries, exploitation, commercialization systems and any other economic activity | | Secondary/tertiary | Industries, exploitation, commercialization and any other economic activities |
| Mercantile societies (SM) | Perform all trade acts that are necessary for the fulfillment of the social object specified in the foundation act of each society | Tertiary | | Trade |
| Credit unions (UC) | Serve their members as a medium for obtaining and channeling financial resources, satisfy the production needs of supplies of its members and make more efficient its organization and administration processes . | Tertiary | | Granting credits and loans to its members. Practice discount operations, financial factoring and leasing, with values and derivatives. Promote the organization and managing industrial or commercial enterprises. Buy, sell and market supplies, goods and sundries, among others. |
| Community financial societies (Sofinco) | Promote rural financial education, which will aim to promote savings and credit support for the development of productive activities in the rural sector, for which it may receive donations and support from federal, state and municipal governments. | Tertiary | | It offers savings, credit, micro-insurance, remittances (domestic and international), transfer of subsidies and payment services to its partners and customers. |
| Unregulated multiple object financial societies (Sofom, ENR) | The regular and professional realization of one or more of the activities of granting of credits and loans to its partners, leasing or financial factoring | Tertiary | | One or more of the following activities: granting of credits and loans to its partners, leasing or financial factoring |
| Social groups | Boost productive projects | Primary/secondary/tertiary | | Agriculture, forestry, beekeeping, aquaculture, fishing, agribusiness, crafts, clothing |
| Civil associations (AC) | Social welfare, popular diet, development of indigenous peoples and communities, gender equality, attention to social groups with disabilities, human rights advocacy, promotion of sports and educational, cultural, artistic, scientific and technological development. | Tertiary | | Education, health, housing, welfare, recreation, social justice, promoting popular economy, citizen participation, urban and rural development |
| Civil societies (SC) | The partners mutually agree to combine their resources for the realization of a common goal of predominantly economic nature. | Tertiary | | Health, sexual rights, reproductive health, housing, ecology, etc. but mainly training |
| Private assistance institutions/private charity (IAP/IPB) | Perform actions that help the population to deal with emergency situations, strengthen their capacity to meet needs, exercise their rights and, if possible, to ensure their family, labour and social reintegration. | Tertiary | | Support, social integration and healthy development of individuals or groups of vulnerable population or at risk, by their condition of disadvantage, neglect or lack of physical, mental, legal or social protection |

Source: Elaborated by author based on the current legislation applicable to each legal figure.

As we can see, the integration of the SSE differs greatly from the most frequently used concepts in the world but they have some things in common such as:

1. The alternate names of the SSE and social enterprise agree on the central aspects (collective ownership, the primacy of the individual over capital, production of goods or provision of ongoing services, etc.).
2. They are located between the public economy and the capitalist economy, with potential to be an alternative to the latter and neoliberal policies that have been implemented.
3. It is recognized that they have the potential to contribute to economic development and create positive effects in aspects such as income redistribution, the generation of productive employment, the reorientation of production towards priority social, etc.
4. They develop activities to meet a social mission.
5. They benefit lower-income people or with some aspect of vulnerability.

However, there is resistance and even opposition to accept the CSOS:

On the other hand, neither the micro nor the family business can be an integral part of the SSE to the extent that both are handled as profit-oriented private businesses. Either NGOs or IAP [...] since their functions are only external service and advice. Finally, they do not form part of the SSE informal sector (in which are located different production units, legal or illegal, giving eventual or permanent employment to a number of non-absorbed by the formal market workers and that, therefore, escape total or partially to the national accounting and the tax system), but its passage to the SSE must be ensured through its adaptation to some of the associative figures recognized legally as part of it.

In conclusion, the SSE is the system that is created by the interaction of the set of social entities organized and identified by self-management, solidarity, democratic and humanist practices for the integral development of the human being as subject, an actor and end of the economy. (Rechy, in press)

Other authors are more practical:

There have been many attempts to define it [...] We do not intend to participate in this debate; we want only to identify it so [...] corresponds to localizable and localized economic and social forms. (Barceló, 1988, 44)

In this sense, the most convenient is that, regardless of the legal figure, we confronted the criteria of a widely accepted definition with the *actual*¹⁴ behavior of organizations. The exercise consisted of rating the presence of the Icsem indicators in four stages:

1) Based on our experience, we attribute a score considering four frequency levels:

- 0: The indicator is not present in this type of organization.
- 1: Some organizations have this feature.
- 2: Many organizations meet this criterion.
- 3: It is a distinctive feature of such organizations.

2) To avoid that the results reflect an individual and subjective perspective, once the assessment is completed from personal knowledge, the table with scores was sent to several specialists in rural development (agriculture, livestock and forestry); cooperatives, and civil society organizations and social groups¹⁵ for validation or correction.

3) The values were modified taking into account these opinions¹⁶ which allowed achieving an overall score for each legal figure.

As expected, the higher values were obtained by the production cooperatives (24)¹⁷, the sss (23), cooperatives of consumption (22), credit unions (22) and the AC (21), which means that the majority of the organizations of each of these types behave as (or close to) social

¹⁴ In practice, in every legal figure there are organizations with different degrees of compliance with those criteria.

¹⁵ Diana Elisa Bustos Contreras and Alfredo Tapia Naranjo of the National Institute of Forestry, Agriculture and Livestock (Inifap for its acronym in Spanish) for agricultural organizations; José Antonio Espinosa García of the Inifap, on the livestock; Jesús Zárate Mancha, independent consultant, on forestry; Mario Rechy Montiel, former Advisor to the Economic Development Committee in the Senate, for cooperatives and workers' organizations and Alejandro Natal Martínez, Head of the Department of Social Processes of the Universidad Autónoma Metropolitana Lerma, on organizations of civil society and social groups. However his specialty, several of them expressed theirs view on all the legal figures.

¹⁶ In those were changes were made two options were presented: choose the score in which several experts agreed or -when differed among themselves- assign an intermediate one (e.g., one intended to qualify with three and another with one so the value of two was chosen, which sometimes coincided with the initial proposal).

¹⁷ The maximum score that could be achieved was 27 given that are 9 indicators and the 3 value corresponded to the opinion "It is a distinctive feature of such organizations."

enterprises. The reason why the cooperative savings and loan do not fall within this group is because of the current prudential regulation and the pressure of financial authorities, so some (or many) of them treat their member as customers and are more concerned to comply with the indicators of financial management than with the cooperative principles. For its part, the SSS are a legal figure that has facilitated some working and social groups, mainly rural, become legally constituted and qualified for the benefits of the respective law.

Among civil society organizations, the AC reach a higher valuation than the other two figures because, in large measure, their birth responds to social problems not addressed by the public and private sectors. Civil societies obtained a lower score (19) than the AC because not all of them respond to a social need; some of them are created for the benefit of their own partners (such as the professional firms) given the legal facilities that this figure represents them. Finally, welfare or private charitable institutions are in last place in the group of CSOs (17) because many of them are still handout schemes.

On the opposite end, with the four lowest scores, three (ARIC, Sofom and SM¹⁸) are entities that do not have restrictions in their legislation regarding the distribution of profits or the creation of social funds so many of them may have been constituted with a purely economic purpose and for the benefit of those who constitute them. Instead, the low score of Sofinco (11) - despite being community one - is due to its recent creation (2009) and some features of the law that gives origin to them.

4) Since some high scores may be due to the accumulation of values 2 ("many organizations meet this criterion"), it may be that none of the indicators is a distinctive feature of such organizations; therefore, we decided to transform the scores into a binary situation taking into account only the ends and replacing the threes by ✓ and the zeros by X as shown in table 3.¹⁹

¹⁸ They reached 13, 11 and 7 points respectively.

¹⁹ Blank cells contained the intermediate values (1 and 2, which correspond to "some" and "many" organizations, respectively).

Table 3. Comparison of ICSEM criteria for social economy organizations and the functioning of the Mexican legal figures

| Icsem indicators | Catalogue of organisms of the social sector of the economy | | | | | | | | | | | | Civil society organizations | | | No. of figures with attachment to each indicator | | | | |
|---|--|------------------|------------------|-----------------|------|-----|---------------------|------|----|---------------|---------|---------------|-----------------------------|----|----|--|---|--|--|--|
| | Organism of the social sector of the economy | | | | | | Other legal figures | | | Social groups | | | | AC | SC | IAP/ IBP | | | | |
| | Ejidos | Communi- ties | Cooperatives | | | SSS | SPR | ARIC | SM | UC | Sofinco | Sofom, ENR | | | | | | | | |
| | | | Consump- tion | Produc- tion | SCAP | | | | | | | | | | | | | | | |
| Number of characteristic indicators | 2 | 0 | 4 | 6 | 2 | 6 | 3 | 1 | 2 | 5 | 2 | 2 | 3 | 5 | 2 | 3 | | | | |
| Economic project | | | | | | | | | | | | | | | | | | | | |
| A continuous production ¹ | | | | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | | | | | 8 | | | |
| An economic risk | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | X | 9 | | | |
| Some paid work ² | | | | | | ✓ | | | X | ✓ | X | X | | | | | 2 | | | |
| Social mission | | | | | | | | | | | | | | | | | | | | |
| An explicit social aim | | | ✓ | ✓ | | ✓ | | | | ✓ | | | | ✓ | ✓ | ✓ | 6 | | | |
| An initiative launched by a group of citizens or third sector organization(s) | | | ✓ | ✓ | | ✓ | ✓ | | X | | X | | | ✓ | ✓ | ✓ | 7 | | | |
| Limited profit distribution, reflecting the primacy of social aim | | | ✓ | | | | | | X | | X | X | | ✓ | ✓ | ✓ | 3 | | | |
| Participatory government | | | | | | | | | | X | | | | ✓ | ✓ | ✓ | | | | |
| A high degree of autonomy | | | | ✓ | | | | | | | | | | ✓ | ✓ | ✓ | 4 | | | |
| A participatory nature, which involves various parties affected by the activity | | | | ✓ | | ✓ | | | X | X | ✓ | | | ✓ | | | 4 | | | |
| A decision-making power not based on capital ownership | ✓ | | ✓ | | | ✓ | | | X | X | | | | ✓ | ✓ | | 5 | | | |

SCAP: cooperative societies of savings and loan; SSS: social solidarity societies; SPR: rural production society ; ARIC: rural associations of collective interest; SM: mercantile societies (OSSEs participation of at least 51% of the share capital); UC: credit unions; Sofinco: Community financial societies; Sofom, ENR: Unregulated multiple object financial societies; AC: civil associations; SC: civil societies; IAP: private assistance institutions; IBP: private charities.

The values correspond to the following attributes: 0: The indicator is not present in this type of organization; 1: Some organizations have this characteristic; 2: Many organizations meet this criteria and 3: A distinctive feature of such organizations

¹ For organizations that are located in the tertiary sector, we consider providing continuous services.

² It means that most of the work is voluntary or from partners; therefore, 0 means that the work is paid for (wage).

Source: Elaborated by author with the validation of experts in different types of organizations.

Although the types of organizations that top the list are almost the same,²⁰ it is more useful to perceive the indicators that are characteristic to each of those figures or which are completely foreign to them.

The last column on the right counts the number of legal figures that work with attachment to each indicator and, at the same time, shows which of these tend to be more easily met in Mexico. Thus, the indicators which arise most frequently²¹ correspond to the economic project, but perhaps because they are not as specific to social enterprises.

What is more worrying is that the indicators that may be more specific to social enterprises have lower frequency: Some paid jobs²² (2) and Limited utilities distribution (3). It draws attention to the fact that the latter is only considered present (among the OSSEs) in consumer cooperatives and two of the three figures of CSO.

It is also interesting to note that "A participatory nature, which involves various parties affected by the activity" fails to be a distinctive feature in the OSCs (although a fairly common practice in the ACS) because many of them were created by a leader who saw the provision of a good or service unsatisfied, but has been *immortalized* in the direction of the organization and his leadership begins to develop authoritarian traits.

Final considerations

As already mentioned, in Mexico there is relatively little academic production relative to the social economy and in the existing often resume definitions of foreign authors and use as synonyms some of the concepts discussed and others less frequently employed examined in section 3. Other authors choose to steer clear of the controversy and only identify the

²⁰ The number of indicators that are distinctive features of each type of organization was 6 for production cooperatives and the SSS, and 5 in the AC and credit unions; whereby the AC displace consumer cooperatives.

²¹ A production of goods or provision of continuous services (8) and An economic risk (9)

²² It means that most of the work is voluntary or from partners; therefore, X implies that good (or most) of the work is paid for (wage). Al parecer, sólo ocurre realmente en las SSS y las UC. Apparently, it only really happens in the SSS and the UC. Although it is quite common among the AC, there has been a great insistence that they become professionalized and that has gone against the volunteer work.

"economic and social localizable and localized forms." Some more are trying to contribute to the debate on some of the concepts, but ultimately, they only have in mind one of the legal figures (cooperatives) and, therefore, their proposals leave out the characteristics of the other types of organizations.

By the side of the practitioners, it is remarkable the absence even of internet portals and web pages; several networks do not have their own space and are hosted in those of other countries²³ or are advertised as under construction.²⁴ Most products (academics or practitioners) on solidarity economy in Mexico have focused on documenting the experiences that have emerged²⁵ (mostly success stories) and highlights them as an alternative to the prevailing economic model.

As for the terms and definitions used in Mexico perhaps the problem is not strictly conceptual: the differences between some positions are due to what interests and concerns every sector of the definition adopted:

- For the academics, a well-defined concept that helps to advance the science, the theory of organizations in general (and this sector in particular) and the knowledge of reality.
- For the leaders of the organizations and bodies representing the sector, the ideological, political and organizational consequences but, above all, support and subsidies as they incorporate or leave out some players.
- For the political parties, the strengthening of some social actors and the possibility to lead or slow their integration as well as the emergence of an alternative project of nation.

²³ Google search of "Mexico solidarity economy" returns as a first result the Portal of Solidarity Economy Mexico but is actually a page of the Network of Networks for Alternative and Solidarity Economy (REAS) based in Spain.

²⁴ This is the case of the Solidarity Economy Space (EcoSol).

²⁵ They include, among others, barter, ecological and organic production, the street markets, fair trade, buying and selling with currency that has no legal tender, volunteering, recycling and reuse, ethical finance and, in general, the construction of another economic model without profit, which focuses on the individual and is based on equality, employment, respect and commitment for the environment the environment, cooperation, reciprocity, associationism, sustainability, etc.

- For the Government, the design of public policies for development, organization and expansion of the economic activity of the sector and the budget that would imply.

In conclusion we could point out:

- There is no clear definition (even name) or theory of the social economy in Mexico.
- The concept most frequently used -according to the Inaes- is the SSE as it is used in the laws of matter, but it is only illustrative and not limited. However, the Inaes itself has begun to use the one of social economy in its internet portal, training materials, instances that have been created, the program of incentives, etc. but still does not seem to have sufficient institutional clarity in this matter.
- The organizations that integrate the SSE are very different among themselves and with regard of those conforming the third sector or the European social economy.
- The other common denominations in Mexico (third sector, voluntary sector, non-profit sector, solidarity sector, solidarity economy, social economy, social initiative and others) are not synonymous. By putting the emphasis on a specific feature (for example, volunteering or solidarity) automatically exclude organizations which do not possess it. This can lead to certain organizations with the same legal figure, in the same economic sector, carrying out the same activities and attending to the same target population (to name only some features) do not belong to the same subset.
- There are many interests behind the definition that is chosen, that are linked to both academics and government and public policy support.
- The exercise carried out by comparing the presence of indicators of the Icsem in Mexican legal figures represents a first approach to show that the SSE includes some types of organizations that are far from being considered part of the social economy although they have been part of historical processes or exercise political pressure to be considered as such and be eligible for receiving the PFES supports. At the same time, it helps to define the universe of study for the fieldwork of Icsem project.

- There is no consensus on the variables²⁶ to determine the inclusion/exclusion of certain types of organizations or which one (s) prioritize, but the definition of models of social enterprise of the Icsem, undoubtedly will shed light on these.
- In light of the above, our conclusion - given the current progress of the investigation - is that not all types of organizations recognized by the LESS are really forms of social economy while others not included in Cosse are closer to the characteristics of social enterprise. We also assume that among the findings of the fieldwork we will find that, in general, several Mexican legal figures may be associated with a single model of social enterprise, but at the same time, within the same group (e.g., cooperatives), we will find so significant differences that could place them in different models of social enterprise. Therefore, the convergence between the concepts of social sector of the economy and social economy is feasible only if government agencies changed the vision sustained by legal figures and define the specific characteristics that must meet social enterprises.

²⁶ Non-profit; self-management, solidarity, democratic and humanist practices; creation of social actors, production of goods and provision of socially necessary services; social and environmental objectives contained in its mission; community benefits and low-income population or with some aspect of vulnerability etc.

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Social and Solidarity Economy

Annexes

Annex 1. Main features of the unions and the legal figures comprising them¹

| Feature | Ejido | Union of ejidos and communities | Society of rural production | Union of rural production societies |
|----------------------------------|--|--|---|--|
| Legal framework | <ul style="list-style-type: none"> Article 27 of the Constitution. Agrarian Law, Articles 9-11 and 14. Rules of Procedure. | <ul style="list-style-type: none"> Agrarian law, Arts. 50, 108 and 109 Constitutive Act Internal economic regulation. | <ul style="list-style-type: none"> Article 27 of the Constitution Agrarian law articles 110 to 113 | <ul style="list-style-type: none"> Agrarian Law Articles 108,109 and 113. Internal economic regulation |
| Members | Maximum or minimum number of members is not specified. It consists of ejidatarios and commoners. | Two or more ejidos or communities. The ejido or community can belong to more than one union of ejidos. | Minimum 2 partners (farmers, ejidatarios and commoners, smallholders, settlers, third party investors). | Two or more rural production societies |
| Social capital | Not determined. They must be suitable to the purposes of the organization, that is to say, depending on needs. | It must be manifest or integrated based on contributions and, where appropriate, be foreseen in the regulations actions "T" (land). | In the unlimited no downpayment is required. In the limited and supplemented, the initial payment will be required to form a minimum capital (350 and 700 VSMD respectively). | <ul style="list-style-type: none"> Unlimited: no need to show capital. Limited: sufficient, according to the satisfaction of the objectives. Supplemented: should meet the needs of its target. |
| Liability regime | Not specified | <ul style="list-style-type: none"> Limited Unlimited Supplemented | <ul style="list-style-type: none"> Limited Unlimited Supplemented | <ul style="list-style-type: none"> Limited Unlimited Supplemented |
| Social purpose / objectives | Combination of resources or efforts for the realization of a common goal of a predominantly economic nature (exploitation of resources of the ejido, productive integration, services, commercialization). | There may be direct exploitation of the land. Coordination of activities, mutual assistance, manufacturing, commercialization and services. | Produce, transform, commercialize, and provide associated services. Obtain public or private support to undertake, develop and consolidate productive and social investment projects. Manage altogether: financing, insurance, supplies, machinery, equipment, facilities, etc. | There may be direct exploitation of the land. Coordination of production activities, industrialization, mutual assistance, services, commercialization, or others not prohibited by law. |
| Authorities / internal structure | <ul style="list-style-type: none"> General Assembly of Ejidatarios Ejidal commission Surveillance authority | Two or more ejidos or communities. The ejido or community can belong to more than a union of ejidos. | <ul style="list-style-type: none"> General Assembly of Members Board of Directors Supervisory Board. | <ul style="list-style-type: none"> General Assembly of Members Board of Directors Supervisory Board. Manager (s) |
| Fiscal regime | Not specified | Simplified (transparency regime), for primary activity, monthly or six-monthly statement. | | Simplified (transparency regime), for primary activity, monthly or six-monthly statement. |
| Legal records | National Agrarian Registry. Public Registry of Commerce. Federal Taxpayers Registry. | Ministry of Foreign Affairs, National Agrarian Registry (mandatory), Public Registry of Rural Credit, Federal Taxpayers Registry | | Ministry of Foreign Affairs, notarized constitutive act, Records: National Agricultural, Rural Public Credit, Trade and Federal Public Taxpayers. |

VSMD: times the minimum daily wage in the Federal District

¹ In addition, the Rural Associations of Collective Interest are composed of two or more organizations included in this Annex.

Source:Elaborated by author based on the Inaes (2014).

Annex 2. Main characteristics of three types of societies

| Feature | Mutual insurance company | Social solidarity society | Mercantile society ^{1,2} |
|----------------------------------|---|--|---|
| Legal framework | Law of Insurance and Surety Institutions | Law of Social Solidarity Societies | General Law of Mercantile Societies, deed or constitutive policy and social contract. |
| Members | Minimum: 300, when the society practices life operations. | <ul style="list-style-type: none"> • Minimum: 15 • Maximum: unlimited | <ul style="list-style-type: none"> • Limited liability society: maximum fifty partners. • <i>Sociedad anónima</i>: at least two partners. |
| Social capital | Specified in the social contract (enough to create the reserve and social funds). | Social assets of collective character which are integrated by the contributions of the partners, the proportional part of the obtained profits that partners agree to contribute as well as donations from official institutions and individuals or companies unrelated to the society, for a specific application. | <ul style="list-style-type: none"> • <i>Sociedad anónima</i>, of limited liability, of limited partnership and limited partnership by shares: the minimum capital is which is established in the social contract. • Society in collective name and simple limited partnerships, the minimum capital may not be less than fifth of the initial capital. |
| Liability regime | The social responsibility of the mutualised will be limited to cover its proportionate share in the expenses of management of the company. | | <ul style="list-style-type: none"> • Collective name society (general partnership): all members respond in a subsidiary, unlimited and solidarity way, of the social obligations. • Limited Partnership: one or more partners are liable, in a subsidiary, unlimited and solidarity way, of the social obligations, and one or more limited partners are only required to pay their contributions or their actions. |
| Social purpose / objectives | <p>It is limited to operating as a mutual society and they may, among others, carry out the following operations:</p> <ul style="list-style-type: none"> • Grant loans or credits • Acquire, build and manage housing of social interest and urban estate of regular products • Set up and invest the technical reserves • Receive titles in discount and rediscount • Operate with values | <p>Creation of sources of employment. Conservation and improvement of the ecology. Rational exploitation of natural resources. Production, processing and commercialization of required goods and services. Education of members and their families in the practice of social solidarity; affirmation of national values; defense of the country's political, cultural and economic independence. Actions aimed at raising the standard of living of the members of the community.</p> | Trade-related objectives. |
| Authorities / internal structure | <ul style="list-style-type: none"> • General Assembly • Board of Directors • Director • One or several Commissioners | <ul style="list-style-type: none"> • General Assembly; • General Assembly of Representatives, if any; • Executive Committee; • The commitments established in the constituent bases or designated by the General Assembly. | <ul style="list-style-type: none"> • Manager (s). • Assembly or collegiate governing body. • Assembly of partners or General shareholders assembly • Administrative board of the subsidiaries. |

¹ They must have the participation of social sector organizations of the economy of at least 51% of the share capital.

² For further details of the six types of societies operating, see Annex 3.

Fuente: Source: Elaborated by author based on the Inaes (2014) and the Ley General de Sociedades Mercantiles (2014).

Annex 3. Main characteristics of mercantile societies¹

| Feature | Society in collective name | Simple limited partnership | Limited partnership by shares | Sociedad anónima | Limited liability society |
|---|--|---|---|---|---|
| Acronyms: | Does not use acronym | S. en C. | S. en C. por A. | S. A. | S. de R. L. |
| Law governing it | General Law of Mercantile Societies | General Law of Mercantile Societies | General Law of Mercantile Societies | General Law of Mercantile Societies | General Law of Mercantile Societies |
| Characteristics | The members respond in a subsidiary, solidarity and unlimited way of the social obligations. | Two kinds of members: named and limited partners | - Two kinds of members: named and limited partners - Capital represented by shares. | -Capital represented by registered shares. - Partners forced to pay for their actions, either in cash or in kind. | The social parts can not be represented by negotiable instruments and are indivisible. |
| Process of Constitution | - Board partners to draft statutes. - Authorization by the Ministry of Foreign Affairs. - Notarising by notary public - Registration in the Public Registry of Commerce | - Board partners to draft statutes. - Authorization by the Ministry of Foreign Affairs. - Notarising by notary public - Registration in the Public Registry of Commerce | - Board partners to draft statutes. - Authorization by the Ministry of Foreign Affairs. - Notarising by notary public - Registration in the Public Registry of Commerce | - Meeting of shareholders to draft statutes. - Authorization by the Ministry of Foreign Affairs. - Notarising by notary public - Registration in the Public Registry of Commerce | - Board of partners to draft statutes. - Authorization by the Ministry of Foreign Affairs. - Notarising by notary public - Registration in the Public Registry of Commerce |
| Social Capital | Do not set a minimum | Do not set a minimum | The law does not set a minimum. | Fixed minimum \$ 50,000 pesos | Min.: \$ 3,000 pesos, at least 50% must be paid at the time of the constitution. |
| Reserves | 5% of the annual profits up to 20% or one fifth of the fixed social capital. | 5% of the annual profits up to 20% or one fifth of the fixed social capital. | 5% of the annual profits up to 20% or one fifth of the fixed social capital. | 5% of the annual profits up to 20% or one fifth of the fixed social capital. | 5% of the annual profits up to 20% or one fifth of the fixed social capital. |
| Number of partners | Minimum: two Maximum: unlimited | Minimum: two Maximum: unlimited | Minimum: two Maximum: unlimited | Minimum: two Maximum: unlimited | Minimum: two Maximum: 50 |
| Partner accreditation | Act of constitution | Act of constitution | Share. | Share. | Act of constitution (social part) |
| Liability of partners / associates | All members respond in a subsidiary, solidarity and unlimited way of the social obligations. | Named partners: subsidiary, solidarity and unlimited Limited partners: contributions jointly and severally liable towards third parties up to the amount of their contributions. | Named partners: subsidiary, solidarity and unlimited Limited partners: the amount of theirs shares except that they has taken part in any operation or had usually managed the business of the society | Up to the amount of their shares (contribution). Unlimited administrators. | Up to the amount of their social part |
| Foreign participation | Catalogued. | Catalogued. | Catalogued. | Catalogued. | Catalogued. |
| Social and surveillance bodies | -Board members. - Manager (s). - Controller that monitors the actions of managers | - Board members. - Manager (for limited partners). - Controller (for named partners). | - Meeting of shareholders - Manager (name partner). - Commissioner. | - General meeting of shareholders - Board of directors or sole director. - Commissioner (s). | - Assembly members. - Manager (s). - Supervisory Board. |

¹ The characteristics of the sixth type of mercantile societies (cooperative societies) are detailed in annex 4.

Source: Elaborated by author based on the Inaes (2014).

Annex 4. Main characteristics of cooperatives societies

| Feature | Cooperative society | Cooperative society supplemented | Cooperative society of savings and loan |
|----------------------|--|--|---|
| Legal framework | <ul style="list-style-type: none"> • General Law of Cooperative Societies. • General Law of Mercantile Societies. • Agrarian Law. | | Law to Regulate the Activities of Cooperative Societies of Savings and Loan |
| Members | <ul style="list-style-type: none"> • Minimum: 5 • Maximum: Unlimited | | It is not specified. |
| Social capital | They will be of variable capital. The capital of the cooperative societies will be integrated with the contributions of the partners and with the yields that the General Assembly agrees. | | Stipulated by the National Banking and Securities Commission provisions of a general nature. |
| Duration | Will have indefinite duration | | |
| Liability regime | Cooperatives may issue certificates for venture capital contribution for a specified period. | | Levels of operation: Basic, I, II, III and IV |
| | Limited liability, when partners only require payment of certificates of contribution that have subscribed. | Liability supplemented, when partners meet pro rata for the social operations, up to the amount determined in the act of constitution. | |
| Social purpose | Meet individual and collective needs, through the pursuit of economic activities of production, distribution and consumption of goods and services. Cooperatives societies may freely devote to any lawful economic activity. | | |
| Types or classes | I.- Of consumers of goods and/or services. II.-Of producers of goods and/or services. | | Of savings and loan |
| Internal authorities | <ul style="list-style-type: none"> • General Assembly • Board of Directors • Supervisory Board • Committees established by the General Law of Cooperative Societies and others designated by the General Assembly. | | <ul style="list-style-type: none"> • General Assembly of members • Board of Directors • Supervisory Board • Credit Committee or equivalent • General director or manager |

Source: Elaborated by author based on the General Law of Cooperative Societies (2014) and the Law to Regulate Activities of Savings and Loan Cooperative Societies (2014).

Annex 5. Main characteristics of other legal figures considered in Cosse¹

| Feature | Cooperative society of savings and loan | Credit union | Community financial society | Multiple purpose unregulated financial society |
|---------------------------------------|---|--|---|--|
| Acronyms: | S. C. A. P. | Does not use acronym | Sofinco | Sofom |
| Law governing it | • Law to Regulate the Activities of Cooperative Societies of Savings and Loan. • General Law of Cooperative Societies. | Credit Unions Law | Law of Popular Savings and Loan. Rules and guidelines of the National Banking and Securities Commission | Law of Credit Institutions (article 115), Lgoaac (articles 87-C and 95-Bis). |
| Characteristics | Societies constituted in accordance with the LGSC, designed to perform savings and loan operations with its partners, they are part of the Mexican financial system with the character of members of the social sector without speculative purpose. The law recognizes that they are not financial intermediaries for profit. | It serves to its members as a mean to obtain and channel financial resources, to meet production needs of supplies and make more efficient its organization and administration processes. | They are SA that promote financial education, savings and credit support for productive activities in the rural sector. They are governed by principles of territoriality, union action, solidarity and mutual aid. They may receive donations and support from federal, state and municipal governments. | Regular and professional performance of one or more of the activities of granting of credits and loans to its partners, financial leasing or factoring. |
| Process of Constitution | The SCAPs with a total assets equal or higher than the equivalent in national currency to 2'500, 000 UDI will require authorization and assigned a level of operations (I to IV). | - Board partners to draft statutes. - Authorization by the National Banking and Securities Commission. - Registration in the Public Registry of Commerce | - Registration in a Federation with a favorable opinion of it. - Authorization by the National Banking and Securities Commission. - Registration in the Public Registry of Commerce | Registration to the Condusef. Formalization of the Act of constitution or its assembly of transformation under that scheme. |
| Social Capital | Stipulated by the National Banking and Securities Commission, differentiated according to the operating level (Basic, I, II, III and IV) | The minimum subscribed and paid capital is the equivalent in national currency: Level I: 2 000 000 units of investment (UDI) Level II: 3 000 000 of UDI Level III: 5 000 000 of UDI | Its estate consists of an ordinary social capital (CSO) and additional capital called communal (contributions without voting rights). | The social capital subscribed and paid, without the right to withdraw al, as well as its equity account must be at least the equivalent in local currency to 2 588 000 UDI |
| Reserves | They must constitute a social reserve fund with ten percent of the surplus to be obtained in each fiscal year. They must invest in government securities of ample liquidity. | The law does not specify it. | Community reserve fund established by annual contributions (at least 10% of profits and maximum 25% of its equity). | The law does not specify it. |
| Number of partners | • Minimum: 5 • Maximum: Unlimited | The law does not specify it. | It must be indicated in the draft of the bylaw s. | The law does not specify it. |
| Social and surveillance bodies | • General Assembly of Members • Board of Directors • Supervisory Board • Credit Committee or equivalent • Director o gerente general | General director. Board of directors. Commissioners. External auditor. Auditor-manager (in case of irregularities). | Counselors Commissioner Audit Committee Director/general manager Credit Committee | Independent counsellor Management Board |

UDI: unit of account based on the price increase and is used to settle the liabilities of any commercial act. The Bank of Mexico published in the Official Journal of the Federation its value, in local currency, for each day of the month.

¹ In addition to the legal figures presented in annexes 1 to 5 of this paper, the Catalogue of organisms of the social sector of the economy includes Rural Associations of Collective Interest, *caja* (cash desk) of workers, cooperative organizations (unions, federations and confederations) and social groups.

Source: Elaborated by author based on the Inaes (2014) and the respective law s.

Annex 6. Aims, principles, values and practices to be met by OSSEs

| Aims (Article 8) | Principles (Article 9) | Values (Article 10) | Practices (Article 11) |
|---|---|--|--|
| <p>Promote the integral development of the human being</p> <p>Contribute to the socioeconomic development of the country, participating in the production, distribution and consumption of goods and services socially necessary</p> <p>Promote education and training driving practices that strengthen solidarity, creative and entrepreneurial culture</p> <p>Contribute to the exercise and development of participatory democracy</p> <p>Participate in the design of plans, programs and projects of economic and social development</p> <p>Facilitate the participation and access to education, work, property, information, management and equitable distribution of benefits, without discrimination</p> <p>Generate sources of work and better ways of life for all people</p> <p>Promote full creative and innovative potential of workers, citizens and society</p> <p>Promote productivity as a mechanism for social equity</p> | <p>Autonomy and independence of the political and religious regime</p> <p>Participatory democracy</p> <p>Self-management way of work</p> <p>Concern for the community</p> | <p>Mutual aid</p> <p>Democracy</p> <p>Equity</p> <p>Honesty</p> <p>Equality</p> <p>Justice</p> <p>Plurality</p> <p>Shared responsibility</p> <p>Solidarity</p> <p>Subsidiarity</p> <p>Transparency</p> <p>Trust</p> <p>Self-management</p> | <p>Primacy of human beings and their work over capital</p> <p>Membership and voluntary retirement</p> <p>Democratic, participatory, self-management and entrepreneurial management</p> <p>Work for mutual and community benefit</p> <p>Social or joint ownership of the means of production</p> <p>Economic participation of the partners in justice and equity</p> <p>Right of those who provide personal services in the OSSEs, to join as partners</p> <p>Destination of surpluses to the provision of services of a social nature, the growth of its reserves and funds, and to reinstate to its partners in proportion to the use of the services or the participation in the work of the OSSEs.</p> <p>Education, training and technical-administrative permanent and continuous training for partners</p> <p>Promotion of the culture of solidarity and the protection of the environment</p> <p>Periodic information on its results and financial statements to its partners and free access to the respective information</p> <p>Integration and collaboration with other OSSEs</p> <p>Solidarity commitment to communities where they operate</p> <p>Creativity and innovation in all fields and practices of the OSSEs.</p> |

Source: Elaborated by author based on the Law of Social and Solidarity Economy (2013).

Annex 7. Main characteristics of civil society organizations

| Feature | Civil association | Civil society | Private assistance institutions/private charity |
|---|--|--|---|
| Acronyms: | A.C. | S. C. | I.A.P. / I.B.P. |
| Law governing it | Civil Code (State). | Civil Code (State). | Law of Private Assistance/Private Charity institutions and Civil Code (State). |
| Characteristics | - Common purpose not prohibited by law (cultural, sports, etc.). - It does not have a predominantly economic character. | Its purpose is common and mainly economic but does not constitute a commercial speculation. | Entities with legal personality and its own assets (foundations or associations), without profit purpose which, with privately owned property run welfare acts without individually designating the beneficiaries. |
| Process of Constitution | By private contract, but to have legal personality and enforceable against third parties, must be granted in a public deed and registered at the Public Registry of Legal Entities Nonprofit. | By private contract, but to have legal personality and enforceable against third parties, must be granted in a public deed and registered at the Public Registry of Legal Entities Nonprofit. | People who in life want to constitute an IAP/IPB must submit to the Board of private assistance/private charity a written request, attaching a draft of statutes. Once approved these, the Board shall issue a certified copy to be registered before a notary public and registered in the Public Registry of Property and Commerce. |
| Social Capital | Without social capital, but with a fee-based assets. | Does not require a social capital, but if there is one it has always to be fixed and must point out the contribution of each partner. | The initial capital is the one that the founder dedicated to create and sustain the institution, and should be inventoried in detail on the kind of goods they constitute. |
| Reserves | No obligation to set them up. | No obligation to set them up. | No obligation to set them up. |
| Number of partners | Minimum: two Maximum: unlimited | Minimum: two Maximum: unlimited | Not required. The Board shall be composed of a minimum of five members, except when exercised by the founder himself. |
| Partner accreditation | Recognition of admission by the Assembly | Recognition of admission by the Assembly | NA |
| Liability of partners / associates | Unlimited administrators | Subsidiary, unlimited and joint liability of the members who administer; the other members will only be obligated to their contribution, unless otherwise specified. | Trustees in the exercise of their duties, are not bound individually but are subject to civil and criminal liabilities incurred, in accordance with applicable legal provisions. |
| Foreign participation | According to activities. | According to activities. | Not specified. |
| Social and surveillance bodies | -General Assembly -Director(s) | - General Assembly - Managing partners | Board of Trustees (organ of administration and legal representation of an IAP/IPB). Board of Associates (when it is constituted by legal entities in accordance with other laws and transform into IAP/IPB). |

Source: Elaborated by author based on the respective laws.

Annex 8. Types of nonprofit institutions (ISFL)

| Concept | Definition |
|--|--|
| Non-profit institutions controlled and mainly financed by Government | They are entities legally constituted, which have an existence separate from the Government but are financed mainly by the Government and over which the Government exercises some degree of control. |
| Nonprofit institutions of market at the service of enterprises | They are created by business associations in order to promote their goals. |
| Non-profit institutions engaged in the non market production | They include ISFLs that charge rates that are based on production costs and that are high enough to have a significant influence on the demand for their services; but any surplus obtained must be retained as the legal status of "nonprofit institutions" prevents them from distributing it. |
| Non-profit institutions engaged in the market production | They are ISFLs which are unable to provide financial profit to the units which control or manage them and they have to rely primarily on other funds others than the ones of sales revenue to cover their costs of production or other activities. |
| Non-profit institutions serving households | They are ISFLs that are not financed and controlled by Governments and offer goods or services to households free of charge or at not economically significant prices. |

Source: Inegi (2015).