

The Reader 2011

**“Social and Solidarity
Economy: Our common road
towards Decent Work”**

In support of the Second edition of the Social and Solidarity Economy Academy,
24-28 October 2011, Montreal, Canada

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Foreword

After the financial crisis in 2007-2008, some regions and countries, notably in Asia and Latin America, witnessed encouraging and rapid signs of recovery in their real economy, in terms of employment and poverty reduction. Nevertheless, since the sovereign debt crisis in Europe that started with the Greek episode in mid-2010 and the continuing balance sheet recession in the United States, the world has entered a new phase of global financial, economic and social crisis. In a context of major social and economic imbalances and ever-growing instability, the ILO, with the support of many other stakeholders, advocates more equitable and fair globalization, with decent work at the centre of public policy.

The ILO Declaration on Social Justice for a Fair Globalization, adopted by the International Labour Conference in June 2008, already recognized that “productive, profitable and sustainable enterprises, together with a strong social economy and a viable public sector, are critical to sustainable economic development and employment opportunities”. Indeed, the social and solidarity economy plays a significant and growing role in the real economy, by providing employment, social protection and other social and economic benefits. In the same vein, the Global Jobs Pact (2009) recognized that “cooperatives provide jobs in our communities from very small businesses to large multinationals”.

Because of their distinctive features and comparative advantages, including democratic governance and autonomous management, social and solidarity economy enterprises and organizations are encouraged by an increasing number of States. Policy frameworks for the development of the social and solidarity economy at the national and regional levels are being set up across the world. This builds on partnerships among governments, social partners and civil society. It is also happening in countries in Latin America. For instance, policy and legal reforms are taking place in Bolivia, Ecuador and Peru to acknowledge the role that cooperatives and other social and solidarity economy organizations play in reducing poverty and promoting social inclusion.

Today, the social and solidarity economy is a reality in many people’s lives because it promotes values and principles that focus on people’s needs and on their communities. In a spirit of voluntary participation, self-help and self-reliance, and through enterprises and organizations, it seeks to balance economic success with fairness and social justice, from the local level to the global level. In Canada, where this second Academy is taking place, over 30% of the population are members of cooperatives. In Brazil, cooperatives produce three quarters of the wheat and 40% of the milk, and cooperative exports bring in over US\$ 1.3 billion.

Promoting the social economy means contributing to each dimension of the Decent Work Agenda. Enterprises and organizations in the social and solidarity economy create and sustain jobs and livelihoods, extend social protection, strengthen and extend social dialogue to all workers, and promote the application and enforcement of standards for all. In this time of crisis and instability, the promotion of the social and solidarity economy, within the Decent Work Agenda framework, is an efficient way to promote social justice and social inclusion in all regions.

The ILO has been a pioneer in promoting the social and solidarity economy. In 1920, the ILO Director-General, Albert Thomas, created a Cooperative Branch, now the ILO Cooperative Programme. In the 1980s, the ILO developed the concept of ‘social finance’, and by the end of the 1990s it had become a pioneer in supporting the development of mutual benefit societies to extend social protection. In 2001, the ILC reached a “New Consensus” on social security that gave the highest priority to extending coverage to those that had none, leading the ILO to further increase its support to community-based protection schemes and mutual benefit societies. In 2002, after the adoption of the recommendation 193 on the promotion of cooperatives, the ILO

Director General, Juan Somavia, called cooperatives "one of the most powerful tools in the drive to create decent jobs". More recently, the ILO has started to promote 'social enterprises' and 'social entrepreneurship' and, in 2009, the ILO launched the *Plan of Action for the promotion of social economy enterprises and organizations* as a result of an International Conference held in Johannesburg. The United Nations has designated 2012 the UN Year of Cooperatives.

Today, the concept of the social and solidarity economy figures in a large number of ILO actions, such as labour-intensive programmes, the promotion of eco-tourism and fair trade, support for indigenous peoples, local economic development projects, HIV/AIDS community-based initiatives, "green jobs", sustainable enterprises and the "social protection floor". The ILO has developed extensive expertise in the social and solidarity economy, together with a comprehensive set of strategies and tools for serving people in their quest for social justice through decent work. In Africa, the ILO is directly running projects that promote cooperatives, mutual benefit societies and social enterprises. In Latin America, the ILO is supporting research, policy reform and capacity building concerning the social and solidarity economy.

At the International Labour Conference in 2010, constituents stressed the need to strengthen the work of the Office on the social and solidarity economy as an important area of decent work creation. With the support of the ILO Regional Office for Africa, the ILO Regional Office for Latin America and the Caribbean and the ILO International Training Centre, it was decided to hold this second Interregional Academy in Quebec to strengthen the capacity of ILO constituents and other social and solidarity economy stakeholders.

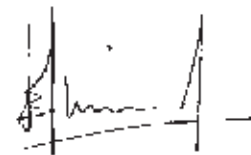
This Reader will serve as a basis for the second Academy, which will provide a great opportunity for policy-makers to further the development of the social and solidarity economy, for workers to sustain and improve their economic and social wellbeing, and for enterprises to develop their competitiveness in a fairer environment. The Academy, which will bring together participants from across the world, will contribute to the ILO's work on the social and solidarity economy for the promotion of decent work for all.



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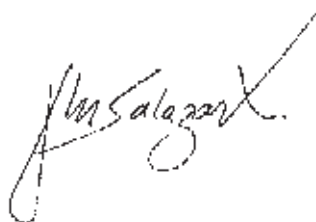
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General introduction

ILO and the social and solidarity economy initiative

The social and solidarity economy (SSE) is a concept that refers to enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which specifically produce goods, services and knowledge while pursuing economic and social aims and fostering solidarity.

The International Labour Organization (ILO) has built a long tradition and developed a thorough expertise on SSE enterprises and organizations (SSEOs). In its first year (1920), the ILO set up a Cooperative Branch, which still exists today (i.e. ILO Cooperative Programme, EMP/COOP). The first ILO official document making reference to the social economy dates back to the proceedings of the 11th Session of the Governing Body (GB, January 1922). In the 1980s, the ILO developed the concept of “social finance”, which covers a broad variety of microfinance institutions and services. In the 1990s, the ILO began promoting community-based protection schemes and mutual benefit societies in the area of social protection. More recently, the ILO has become involved in the promotion of “social enterprises” and “social entrepreneurship”.

The ILO developed several normative instruments relevant to the promotion of SSEOs, such as Recommendation 193 on the Promotion of Cooperatives (R.193, 2002)¹ and Recommendation 189 on Job Creation in Small and Medium-sized Enterprises (1998). Moreover, the cooperative is the sole enterprise among SSEOs that is universally and legally recognized at the global level with R.193, the only international governmental instrument on cooperatives. Within the multilateral system, the ILO is also the sole UN agency with a unit dedicated to all forms of cooperatives.

The International Labour Offices expertise was also built through providing technical assistance to countries (e.g. designing national strategies, policies and laws) and to organizations (e.g. improving governance and productivity) in a variety of settings (e.g. the informal and formal economy, rural and urban communities) working with people from the grassroots level to a broad range of stakeholders, including all ILO Constituents. This technical assistance is also granted through capacity building (e.g. skills development), research and studies, promotion of networks and knowledge sharing mechanisms and advocacy in national and international fora.

The ILO also has established strong international partnerships with key global representatives of SSE stakeholders, such as the Committee for the Promotion and Advancement of Cooperatives (COPAC), the *Association Internationale de la Mutualité* (AIM), the Consultative Group to Assist the Poor (CGAP), the European Economic and Social Committee (EESC) and the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC).²

¹ The previous Recommendation 127 concerning the Role of Cooperatives in the Economic and Social Development of Developing Countries (1966) was revised and replaced by Recommendation 193.

² COPAC is a committee made up of the Food and Agriculture Organization (FAO), International Cooperative Alliance (ICA), ILO and the United Nations (UN). Members work together on equal terms to promote and coordinate sustainable cooperative development by promoting and raising awareness on cooperatives, holding policy dialogues and advocating policies that enable cooperative success, working together on technical cooperation activities and sharing knowledge and information (www.copac.coop). The **Association Internationale de la Mutualité** (AIM) provides coverage for more than 170 million people in 26 countries across the world. AIM was established in the 1950s. It unites 40 federations or associations of autonomous mutual benefit societies in health and social protection. AIM affiliates operate according to the principles of solidarity and non-profit. The AIM secretariat is located in Brussels (www.aim-mutual.org).

In particular, the ILO built a longstanding partnership with the International Cooperative Alliance (ICA);³ they both signed a Memorandum of Understanding in 2003. The ICA has a consultative status at the ILO GB and at the International Labour Conference.⁴ The cooperation between ILO and ICA is of mutual benefit: through the ICA, the ILO is able to reach out to 1 billion members, while the ICA can benefit from the tripartite structure and the mandate of the ILO.⁵

The ILO's interest in the SSE was recently renewed with the ILO Declaration on Social Justice for a Fair Globalization (2008), which calls for the promotion of Social Economy Organizations within a pluralist economy. In 2010, ILO Constituents requested increasing support for Social Economy promotion, as well as clarification on the concept of the Social Economy.⁶

Today the concepts of the SSE and SSEOs are an integral part of: ILO initiatives and programmes (e.g. the Social Protection Floor Initiative); labour-intensive programmes; the promotion of ecotourism and fair trade; support to indigenous minorities; local economic development projects; the fight against HIV/AIDS; the promotion of green jobs; and, more broadly, sustainable enterprises.

In the regions, the Regional Conference "The social economy – Africa's response to the crisis" (Johannesburg, 19-21 October 2009) led to the adoption of the "Plan of action for the promotion of social economy enterprises and organizations in Africa".⁷

The Consultative Group to Assist t (CGAP) is supported by over 30 development agencies and private foundations which share a common mission to alleviate poverty. CGAP is an independent policy and research centre dedicated to advancing financial access for the world's poor. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions and offers advisory services to governments, microfinance providers, donors and investors (www.cgap.org).

CIRIEC (Centre International de Recherche et d'Information sur l'Économie Publique, Sociale et Coopérative) leads an international scientific network gathering more than 150 experts in the public, social and cooperative economy. It is represented in 15 countries throughout the Americas, Asia and Europe.

³ The **International Cooperative Alliance** was founded in London in 1895. It has 248 member organizations from 92 countries which are national and international cooperatives operating in all sectors of activity, particularly in agriculture, insurance, banking, consumer affairs, housing, industry, fisheries, health and tourism; its total membership includes 1 billion people throughout the world. The ICA actively promotes the cooperative identity and ensures that there is a political environment that enables cooperatives to develop and prosper. It provides its members with information and encourages the sharing of good practices. The Alliance also runs a development programme that provides technical assistance for cooperatives throughout the world. The ICA headquarters are located in Geneva (www.ica.coop).

⁴ Cf. ILO Constitution, Art. 12, para.3.

⁵ The ILO has a longstanding collaboration with the cooperative movement. First, the ILO Constitution (Art.12, para.3) references the cooperative movement next to the international organizations of employers, workers and agriculturists. It particularly encourages the ILO to cooperate with the latter organizations; which include cooperatives as representatives of their members.

⁶ With, respectively, the Resolution Concerning the Recurrent Discussion on Employment (General Conference, 99th Session of the ILC, 16 June 2010), and with the Committee for the Recurrent Discussion on Employment (99th Session of the ILC).

⁷ Available in English, French, Portuguese, Spanish and Arabic at www.ilo.org/public/english/region/afpro/addisababa/events/socialeconomyoct12_09.htm (August 2011).

The ILO Regional Conference on social economy (Johannesburg, 19-21 October 2009)

Over 200 social economy promoters and stakeholders from Africa, government representatives from 25 African countries, employers' and workers' organizations, SSEOs from other parts of the world and ILO headquarters units and field specialists attended the conference. They adopted a Plan of Action aiming at mobilizing the SSE in Africa in response to the crisis, at local, national and regional levels.

In addition to leading to a tripartite consensus on an inclusive definition of the SSE, participants made several contributions in the Plan of Action; such as:

- the recognition of the role of the SSE and its enterprises and organizations in African society, and their role in responding to the multifaceted crisis affecting African countries and their people;
- the conviction that the SSE provides complementary paths to development, which bring together in a coherent manner the concerns of economic sustainability, social justice, ecological balance, political stability, conflict resolution and gender equality;
- the acknowledgement of the contribution of SSEOs in meeting women's and men's needs and aspirations, contributing to the Decent Work Agenda, enhancing voice and representation and addressing the food crisis, the HIV/AIDS pandemic and environmental challenges.

In 2010, the ILO International Training Centre (ITC) launched the first Interregional Academy on Social and Solidarity Economy, which was a decisive step towards building a global consensus on the key characteristics and universal principles of the SSE and its organizations and enterprises. This first edition of the Academy was organized in partnership with the European Economic and Social Committee (EESC) and in collaboration with CIRIEC. The Academy gathered about 67 policy-makers and practitioners (i.e. 27 women and 40 men) from 43 different countries. The participants came from various institutions: about 30 per cent came from government/public institutions, 14 per cent from social partners organizations, 12 per cent from non-governmental organizations (NGOs) and 17 per cent from academic institutions. The other participants came from the UN, other intergovernmental organizations and the private sector.

The Academy was structured as a mix of theoretical plenary sessions and practical workshops. Participants in the 2010 Academy were familiar with the concept of the SSE. More than experiencing training, they enjoyed the opportunity to network and exchange their experiences and ideas. Using the first version of the Reader, participants of the 2010 Academy pointed out some issues that should be further explored in the 2011 edition of the Academy (e.g. informal sector, social protection, financing SSE, SSE and specific vulnerable groups like people with disabilities, those living with HIV, prisoners and migrants) and suggested additional topics (e.g. green jobs, local economic development, supporting social enterprises) that should be included in the next version of the Reader.

Participants also were very concerned by the need for global recognition of the SSE as a niche situated between the public and the private sectors. The SSE is not meant to replace the private sector, but to offer complementary solutions and innovative practices. The ILO has a role to play in achieving such recognition, e.g. by proposing a definition that could be endorsed through a tripartite process. Participants insist that the ILO should keep playing a leading and pioneering role in advocating the SSE among its constituents, development partners and throughout the UN system.

Activities to promote the SSE

The ILO and its partners are committed to promoting the SSE through many activities, from the local to the regional level. The activities described in this section are not an exhaustive list, but they present examples of what is being done in the different regions of the world and how the ILO and its partners are promoting the SSE.

At the global level and in addition to the ILO SSE Academy, the Office (i.e. the International Labour Office, which is the permanent secretariat of the International Labour Organization) is looking to suggest for consideration of its Constituents that a discussion be held at the International Labour Conference on the contribution of SSE enterprises and organizations, as agreed in the Plan of Action adopted in Johannesburg. Recently, ILO Constituents requested clarifications on the concept of Social Economy, and they also called for an increasing support for the Social Economy.

ILO Constituents' requests for clarification and increasing support for the Social Economy

'Priorities of the Office should include: (...) (viii) strengthening its work on cooperatives and social economy as important areas of employment creation' (Conclusions concerning the recurrent discussion on employment, para. 30 (viii)).

Resolution concerning the Recurrent Discussion on Employment, adopted on 16 June 2010 by the General Conference of the ILO, meeting at its 99th Session

As part of the discussions, the Workers' group stressed that the concept of social economy is *'useful in facing the enormous challenges of the informal economy and the rural economy'* (para. 68).

In the concluding session, concerning the guidance that might be provided to the Governing Body and the Office regarding their responsibilities with respect to the strategic objective on employment, the Employer Vice-Chairperson supported the suggestion of the Workers' group and requested *'clarification of the term "social economy"'* (para. 138).

As far as the improvement of employability, productivity, living standards and social progress is concerned, the Worker Vice-Chairperson called for an *'increased support to cooperatives, the social economy (...) fully centred on a decent work approach'* (para. 143).

The Worker Vice-Chairperson concluded that *'further work was needed on the concept of the social economy, agreeing with the Employer Vice-Chairperson that this should be a topic for discussion by the Governing Body to clarify the concept and potential benefits of further work in this area'* (para. 146).

Finally, the Group of Latin America and Caribbean Countries group Government members of the Committee highlighted that *'more research was needed on the social economy in developing countries'* (para. 155).

Committee for the Recurrent Discussion on Employment, 99th ILC Session (June 2010)⁸

As a constitutive member of COPAC, the ILO is also highly involved in the preparations for the UN International Year of Cooperatives 2012, for which COPAC had been mandated as the Coordinating Committee. The ILO also participated in the UN experts' group in preparing for this international year.

⁸ ILO (2010), *A discussion on the strategic objective of employment*, Ch. IV. Employment and labour market policies to promote full, decent, productive and freely chosen employment, para. 30. (www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_142318.pdf - August 2011).

Regional activities of the ILO

Africa

The ILO Regional Office for Africa is leading the development of a programme to support the SSE in Africa. Guided by the “Plan of Action for the Promotion of Social Economy Enterprises and Organizations in Africa” adopted in Johannesburg (October 2009), this programme integrates, and is built on, a range of existing ILO projects and activities that are already operating on the ground in Africa.

In cooperation with governments, employers’ organizations and trade unions at the national level, the promotion of the SSE is already implicit in many of the African Decent Work Country Programmes (DWCPs). For example, DCWPs in Cameroon, Lesotho, South Africa and Swaziland make explicit reference to the term “social economy”, whereas in DWCPs of other African countries, the concept of “social economy” is implicit as they mention support to cooperatives and job creation through small and medium enterprises, including SSEOs.

The promotion of SSEOs in Africa is an integral part of many ILO initiatives and programmes, such as those in labour-intensive fields, ecotourism and fair trade; those that support indigenous minorities, local economic development, AIDS interventions and green jobs; and, more broadly, those that support sustainable enterprises and the creation of a social protection floor.

The ILO regional programme to promote SSEOs in Africa sets interventions at different levels (e.g. meta, macro and micro)⁹ into the following categories: awareness raising and advocacy, research and knowledge, policy and legal environment, capacity building and networking and partnerships. These activities can be applied at different levels (e.g. global, regional, national and meso/micro), as set out in the Plan of Action adopted in Johannesburg.

Interventions defined in the programme will be tailored according to SSE specificities at national or sub-regional contexts. For example, projects will be implemented with a geographic focus (e.g. regional observatory on the SSE, regional networks and knowledge-sharing on the SSE) or with a thematic focus (e.g. stimulating public procurement from the SSE, certification of SSE enterprises).

The ILO Regional Office for Africa also is committed to enhance knowledge to promote the SSE and reinforce African SSE networks. As examples, in October 2011, the ILO will take part in a technical panel on the SSE at the 12th African Regional Meeting (Johannesburg, South Africa) and the International Trade Union Confederation – Africa (ITUC Africa) in Accra should adopt a resolution on trade unions and the SSE.

Arab States

In November 2010, the ILO organized the Subregional Knowledge Sharing Workshop on Cooperatives in Arab States in Beirut (Lebanon). This tripartite workshop gathered representatives of ILO Constituents, cooperatives from six Arab countries (i.e. Iraq, Jordan, Lebanon, the occupied Palestinian countries, Syria and Yemen) and donors. The goal of this workshop was to reflect on the Arab cooperative movement in the context of global experience, examining more closely the potential role of cooperatives to advance the Decent Work Agenda in the Arab States.

⁹ The meta level refers to implicit norms, values and perceptions held towards the SSE; the macro level to the policy, legal, institutional and regulatory framework as it applies to the SSE; and the micro level to the “marketplace” in which individual SSEOs interact with their members, clients, beneficiaries, service providers and other stakeholders.

More specifically, the workshop sought to:

- provide an overview of the cooperatives movement in the Arab States region, examining regulatory policies and legislative frameworks, needs and opportunities, key challenges, best practice and lessons learned;
- create awareness among the social partners about cooperatives in the context of the SSE and about the role of cooperatives, their achievements and shortcomings;
- agree on practical ways to promote and strengthen collaboration between cooperatives and social partners; and
- take stock of key achievements, highlight best practices and analyse lessons learned and key recommendations towards a participatory action plan for cooperative development in the Arab States region.

Regarding the policy and regulatory framework for cooperative development, participants expressed the need to: support national legislative reforms and national policies for cooperatives, in line with the ILO R.193; disseminate ILO resource materials on cooperatives in order to address knowledge and training gaps; and unify regional and national representation by establishing vertical and horizontal structures.

In the area of job creation, the cooperative movement is responsible for raising awareness on cooperatives, including in national curricula and media campaigns. Cooperative membership can be expanded by providing incentives, such as access to social services (e.g. health insurance, national social security fund). Cooperative apex bodies also need to be strengthened. Specific issues for cooperatives within a national context need to be considered, in collaboration with key stakeholders (e.g. ministries, social partners, cooperative federations). It is also critical for stakeholders to be better organized and take part in national committees.

South America

The ILO is supporting and promoting the development of SSEOs, such as cooperatives and associations, in South America, for example, in Andean countries.

At the policy level, the ILO is collaborating with the Government of Peru and the cooperative movement (i.e. Confederación Nacional de Cooperativas del Peru – CONFENACOOP) in reforming the cooperative law. In Bolivia, the ILO aims to provide technical support to the cooperative movement on cooperative legislation, training and knowledge development.

In terms of training, the ILO will translate and disseminate the forthcoming “My COOP” training package, which specifically targets agricultural cooperatives and was developed by various organizations from Kenya, the Netherlands, Nigeria, Tanzania, Uganda and the United Kingdom. These organizations included rural organizations, cooperative colleges, governments, cooperative federations, international organizations (i.e. ILO, FAO, ITC ILO) and an international network of universities and research organizations working in agricultural research, education, training and capacity strengthening for development. “My COOP” aims to strengthen the management of agricultural cooperatives to enable them to offer high quality, efficient and effective services to their members. At first, “My COOP” will be adapted and implemented in Bolivia and Peru, in collaboration with local universities.

At a broader level, ICA Americas and the ILO are developing an analysis to take stock of the cooperative movement in Latin America. This analysis is based on national case studies in Bolivia, Colombia, Costa Rica, Guatemala, Paraguay and Peru and on a global analysis of the cooperative movement in Latin America. This collaboration between the ILO and ICA Americas will soon be formalized with the signature of a Memorandum

of Understanding, defining, among other things, ILO-ICA Americas joint activities in 2012, the International Year of Cooperatives.

Europe

The European Parliament adopted a resolution on the social economy in 2009,¹⁰ which recognizes SSEOs in the European Union (EU). These are represented at the EESC¹¹ with the “Social Economy Category” (i.e. cooperatives, mutual benefit societies, associations, foundations and social NGOs). The Council of the EU, the Committee of the Region and the European Commission conducted an initiative aiming to recognize the potential of SSEOs for economic growth, employment and citizen participation.¹² As a result, the European Commission recognized the importance of the “Social Economy in the European Union”.¹³

The ILO has collaborated with the EESC in many instances. The Plan of Action adopted in Johannesburg was presented at the EESC hearing on the SSE. In July 2010, the EESC adopted an opinion¹⁴ which outlines several measures for promoting the African SSE in development cooperation, including ensuring the EU’s recognition of the SSE’s role and contribution in Africa’s development; involving SSEOs in Cotonou Agreements¹⁵; integrating the SSE into the EU-Africa Partnership; recognizing the contribution of the SSE to the creation of decent jobs in Africa; including the SSE in the 2010 European Report on Development; encouraging an enabling environment for the SSE; and including the SSE in existing Commission-ILO strategic partnerships.

Following the adoption of this opinion, the ILO presented its concept of the SSE and the Plan of Action adopted in Johannesburg at the African Union (AU) – EU workshop on employment and decent work (Dakar, Senegal – July 2010). The SSE concept was integrated into this AU-EU action plan.

¹⁰ European Parliament (2009), *Report on Social Economy* (www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A6-2009-0015+0+DOC+PDF+V0//EN - August 2011).

¹¹ The EESC is a consultative body that gives representatives of Europe’s socio-occupational interest groups, and others, a formal platform to express their points of views on EU issues. Its opinions are forwarded to the larger institutions - the Council, the Commission and the European Parliament. Members of the EESC are drawn from economic and social interest groups in Europe (e.g. employers, employees and various interests). The presence of the various interests group, alongside the employees and employers, ensures that the Committee is able to give full voice to the concerns of the various social, occupational, economic and cultural organizations that make up civil society. This third group is constituted by farmers’ organizations, small businesses, the crafts sector, professions, cooperatives and non-profit associations, consumer organizations, environmental organizations, associations representing the family, persons with disabilities, the scientific and academic community and non-governmental organizations.

¹² www.socialeconomy.eu.org/spip.php?rubrique181

¹³ “The set of private, formally-organized enterprises, with autonomy of decision and freedom of membership, created to meet their members’ needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote. The Social Economy also includes private, formally-organized organizations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them.” EESC (2006).

¹⁴ Cf. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:044:0129:0135:EN:PDF> (August 2011).

¹⁵ The Cotonou Agreement is a comprehensive partnership agreement between developing countries and the European Union. Since 2000, it has been the framework for the EU’s relations with 79 countries from Africa, the Caribbean and the Pacific. For information, please refer to http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/index_en.htm

Activities of ILO partners

Regional networks

Many African networks specific to a certain type of SSEO exist, or have existed, in Africa. For example, the ILO built a partnership with the African Social Entrepreneurs Network (ASEN). The goal of this platform is to facilitate the exchange of ideas, intellectual capital and other relevant information that will further the development of the social entrepreneurial space in Africa.

As a direct follow-up to the Johannesburg Conference, 14 African social economy networks (from Algeria, Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Gabon, Mali, Mauritius, Morocco, Niger, Republic Democratic of Congo, Senegal, Togo and Tunisia) met in Mehdia (Morocco, October 2010) to create a regional network on the SSE (i.e. *Réseau Africain de l'Économie Sociale et Solidaire*). This meeting, with the support of the ILO Regional Office for Africa, can be considered as an outcome of the commitment expressed by participants in the Plan of Action adopted in Johannesburg. As a matter of fact, the constitutive declaration of this regional network (i.e. *Déclaration Africaine de Kénitra sur l'Économie Sociale et Solidaire*) calls for the implementation of ILO R.193 (2002) and the Plan of Action adopted in Johannesburg (2009). The next meeting of the RAESS will take place in Tunis (Tunisia), on 15–16 December 2011.

Lessons from previous experiences on the continent should be taken into account when building networks to promote SSEOs. In the past, building such networks appeared to not be sustainable and remained as a declaration of intent because of the lack of long-term human and financial resources and the capacity needed to run such national or subregional networks.

At the regional and global levels, the Intercontinental Network for the Promotion of the Social Solidarity Economy (Réseau Intercontinental de Promotion de l'Économie Social Solidaire – RIPESS) connects SSE networks throughout the world. RIPESS is a network of networks bringing together continental networks that in turn bring together national and sectoral networks.¹⁶ RIPESS is composed of five regional networks on each continent (i.e. Africa, Asia, Europe, Latin America and the Caribbean, and North America).¹⁷

The New Growth Path in South Africa

Among other countries in Africa and in other regions of the world, the Republic of South Africa recently endorsed a new growth path that places employment at the centre of the Government's economic policy. In cooperation with social partners, this new economic growth path sets a target of creating 5 million jobs in the coming ten years or, in other words, reducing unemployment from 25 to 15 per cent. To reach this target, five "job drivers" were identified as "areas that have the potential for creating employment on a large scale and securing strong and sustainable growth in the next decade". Supporting the SSE and its enterprises and organizations was among them, by "leveraging social capital in the social economy and the public services" for more employment-intensive growth. New employment opportunities are targeted at 260,000 in the SSE.

Government support for SSE initiatives will be implemented through: (1) assistance (i.e. marketing, bookkeeping, technological and financial services); (2) training activities; (3) development and reinforcement within the SSE to encourage learning and mutual support; (4) cooperation with unions and community investment companies to develop a charter with commitments to job creation; and (5) increased state procurement from and service delivery through SSE organizations.

¹⁶ www.ripess.org/intercontinental.html (July 2011).

¹⁷ More information on RIPESS continental networks can be found at www.ripesslac.net/home.php (July 2011).

The microeconomic package involves ten programmes, including rural development policy in which SSEOs can contribute to improving livelihoods in rural communities and helping rural households increase their production.¹⁸

The International Forum on the SSE

The International Forum on the SSE (*Forum International de l'Économie Sociale et Solidaire* – FIESS) – to be held on 17–20 October 2011– was organized by the *Chantier de l'économie sociale* in Montreal, Quebec (Canada). The main theme of the FIESS will be to deal with “the need for dialogue between the State and civil society to develop enabling public policy for the social and solidarity economy”, and five sub-themes were defined (i.e. territories and local development, innovation and collective entrepreneurship, solidarity finance and trade, work and employment and food security and sovereignty).

The ILO has been actively involved in the preparations for this event. It has produced a background paper for the sub-theme on work and employment and has funded and supervised national case studies in Mali and South Africa.

The FIESS aims to bring together approximately 1,000 participants (e.g. promoters, researchers, funders, NGOs, government officials, civil society organizations and social partners) from Quebec, Canada and more than 50 countries from the Americas, Africa, Asia and Europe.

The Mont Blanc Meetings (Les Rencontres du Mont Blanc)

Organized every year by an association in France, the Mont Blanc Meetings bring together stakeholders leading the promotion of the SSE, such as CEOs of mutual societies, cooperatives, non-profit organizations, foundations, non-governmental organizations and international organizations (e.g. ILO, UNDP).

Beyond offering an international forum for SSE actors, the Mont Blanc Meetings are bringing together efforts to support and implement concrete SSE projects. Since 2004, over 30 projects have been launched in various areas including training, international monitoring, protecting and strengthening the SSE and creating an international observatory on SSE practices.¹⁹

The Reader and the Academy 2011

Based on the success of the 2010 SSEA (Social and Solidarity Economy Academy) the second edition (Montreal, Canada, 24–28 October 2011) aims to enhance the understanding of the SSE in relation to the four pillars of the Decent Work Agenda (i.e. employment creation, social protection, social dialogue and legal and policy frameworks).

This Reader is divided into two main parts. The first part intends to set the boundaries for the concept of the SSE and to deal with key issues related to its functioning and development. The second part of the Reader explores specific SSE issues from a case-study perspective. Topics in this second part have been suggested mainly by the participants of the 2010 Academy.

¹⁸ Source: *The new growth path: the framework* (www.info.gov.za/view/DownloadFileAction?id=135748 - July 2011).

¹⁹ For more information: www.rencontres-montblanc.coop/?q=en (August 2011).

The aim of the first chapter is to build a common understanding of the concept of the SSE. It begins by mapping the SSE through its most common types of enterprises and organizations. It then describes the common features of SSE organizations, demonstrating the coherence of the SSE concept while emphasizing the diverse forms in which the concept can be manifested. The chapter also gives an overview of some related concepts and approaches used in the SSE.

The second chapter deals with governance and management issues of SSEOs. Indeed, a common feature of SSEOs is that their governance and operations are influenced by collective ownership and participatory principles. The chapter also provides insights on the strengths and weaknesses in managing SSEOs and the opportunities for improving their efficiency. Several management and governance tools are described in the context of the daily reality of SSEOs.

The development of the SSE often requires public policies to recognize the particularities and added value of the SSE in economic, social and societal terms (e.g. forms of governance, outreach of vulnerable groups). Chapter 3 presents some public policies that have been created to support the development of the SSE at the international, national and local levels. The chapter also describes best practices in the elaboration of public policies.

The SSE cannot be developed or sustained by isolated organizations and enterprises. Chapter 4 addresses networking and partnerships, which are key factors in building a strong, recognized and visible SSE. SSEOs need to root themselves in community, mobilize various stakeholders and build strong alliances with social partners and public authorities. SSEOs also need to network among themselves at the local, national and international levels. Through their federations and networks, they enhance their representation and collaboration capacities.

Worldwide, our societies are facing huge social and economic challenges. At the international level, several international development frameworks have been elaborated to address these problems. Chapter 5 examines how SSEOs are contributing to one of these international development frameworks, i.e. the ILO Decent Work Agenda. It reviews the four objectives and pillars of the Decent Work Agenda and suggests areas of action for SSEOs.

Chapter 6 aims to specifically assess the role of social enterprises in promoting decent jobs. Drawing from the Italian experience and from German, Polish and Ukrainian case studies, the chapter demonstrates the variety of employment strategies developed by social enterprises to offer and guarantee decent work to youth, unemployed, women and people with disabilities.

Social enterprises are also at the heart of the seventh chapter. Based on the experience of the ILO pilot project "Social Entrepreneurship Targeting Youth in South Africa" (SETYSA), the chapter narrates how this project has been successful in supporting social enterprise development and putting social enterprises on the agenda of ILO constituents and other stakeholders by developing a systemic approach, combining interventions at the micro, meso and macro levels and integrating a focus on building the capacity of local institutions and networks. The chapter also reviews under which conditions such a project could be replicated and strengthened.

In developing countries, the persistence and growth of the informal economy raises questions about creating decent jobs and the possibility of formalizing the informal economy. Chapter 8 deals with the potential of the SSE to facilitate the transition of some informal activities to the formal economy. Based on two Kenyan case studies in the dairy sector, the chapter demonstrates this potential but also explores the hindrances and the determinants of success for making such a transformation.

One of the features of the SSE is that SSEOs pursue both economic and social aims. But what about environmental sustainability? Chapter 9 discusses the possible relationship between the SSE and environmental sustainability through creating green jobs, for example. The chapter illustrates this opportunity with examples from all over the world (e.g. Bangladesh, Brazil, Indonesia, Mozambique and South Africa), showing that green jobs encompass an array of occupational profiles, skills and educational training that are present in the SSE.

Because of their social and economic purposes, SSEOs are often vulnerable at the financial level; they have difficulty building financial reserves or covering their operating costs. Conventional private investors often see the SSE as being unattractive. SSEOs often have to rely on public subsidies which can present challenges for their autonomy. Chapter 10 examines the different kinds of finance (i.e. membership, funds, grants, debts, equity and quasi-equity finance) used by three SSEOs. Based on these case studies and on financial literature, the chapter proposes what could be the constitutive elements of a good and balanced model for financing SSEOs.

The final chapter of the 2011 Reader proposes to learn from Quebec's experience regarding community-based local development. This successful and innovative experience is characterized by an emphasis on bottom-up strategies and partnerships between civil society, SSE enterprises and local governments in both urban and rural contexts. The chapter will show how this strategy has created tangible results in terms of jobs creation, improved quality of life and stronger social cohesion.

Acronyms

AGM	Annual General Meeting
ASCA	accumulating savings and credit association
CSR	corporate social responsibility
DWA	Decent Work Agenda
EU	European Union
FBES	Fórum Brasileiro de Economia Solidária (Brazilian Forum for Solidarity Economy)
ILC	International Labour Conference
ILO	International Labour Office
LDCs	local development centres
NGO	non-governmental organization
NPO	non-profit organization
ROSCA	rotating savings and credit association
SEE	solidarity economy enterprise
SENAES	<i>Secretaria Nacional de Economia Solidária</i> (National Secretariat for Solidarity Economy)
SSE	social and solidarity economy
SSEOs	social and solidarity economy enterprises and organizations

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Chapter 1: Understanding the social and solidarity economy

1.1 Introduction

This chapter aims to explain the meaning and nature of the social and solidarity economy (SSE). The SSE is all around us and refers to familiar realities for everyone in the world: we are all members of at least one association, the vegetables we buy and eat are often produced or traded by people organized in cooperatives, many of us have bank accounts in cooperative or mutual banks. In various African, European and Latin American countries, health insurance is provided by mutual health organizations. We all have heard about famous social entrepreneurs like Mohamad Yunus who received the Nobel Peace Prize in 2006.

1.2 Mapping the SSE

The SSE refers to specific forms of enterprises and organizations. Cooperatives, mutual benefit societies, associations and social enterprises are the most common types but they are not the only ones. It is a dynamic and evolving group of actors that all promote and run economic organizations that are people-centred.²⁰

1.2.1 Cooperatives

Formalized by the Rochdale Society of Equitable Pioneers (Manchester, England, 1844), the cooperative enterprise spread rapidly and is now found all over the world. A cooperative is an “autonomous organization of persons united voluntarily to meet their common economic, social, cultural needs and aspirations through a jointly owned and democratically controlled enterprise” (ICA 1995; ILO 2002 Promotion of Cooperatives Recommendation 193, Section I, Paragraph 2). Not all cooperatives are legally registered; this

organizational form is often chosen by groups of producers or consumers without being legally recognized as a cooperative. Cooperative enterprises are found in virtually all branches of activity, such as agricultural cooperatives, insurance cooperatives, savings and credit cooperatives, distribution cooperatives, workers cooperatives, housing cooperatives, health cooperatives and consumers cooperatives.

The history of cooperatives in Africa, in former communist countries or during some South American dictatorial regimes, for instance, has been eventful, due in particular to the fact that they were highly exploited by States and that their autonomy and the voluntary involvement of their members were thus undermined. This economic structure is now being increasingly and frequently chosen by people who want to collectively run an organization. A study (Pollet & Develtere, ILO-COOP Africa, 2009) shows that the number of cooperatives is increasing again in several African countries: 7 per cent of Africans indeed belong to one or several cooperatives (Develtere, Pollet & Wanyama, 2008).

A similar revival of cooperatives is being observed all over the world. The Latin American continent is considered by the International Cooperative Alliance as the “fastest growing” region in terms of new cooperatives and membership (ICA Regional Conference, 2009). These phenomena are notable because of the recent crisis that questions the predominant economic and financial system. Various studies also show that the cooperative sector has been particularly resilient during the recent financial and economic crisis, which began in 2008 (Birchall & Ketilson, 2009).

²⁰ Some parts of this chapter are adapted from Fonteneau & Develtere (2009).

Box 1.1: The International Cooperative Alliance

The International Cooperative Alliance was founded in London in 1895. It currently has 223 members that operate in all sectors of activity, particularly in agriculture, insurance, banking, consumers, housing, industry, fisheries, health and tourism, with a total membership of some 800 million people throughout the world. The Mondragón Corporation in the Spanish Basque region is a well-known example of a territory-embedded enterprise. In the 1950s, the local population started work on a truly industrial complex in order to rebuild the regional economy which had been destroyed by the Civil War and the Second World War. Mondragón has now become an International Cooperative Group employing more than 92,000 people, mostly in industry and retail sectors (Mondragon CC, 2010). In the United Kingdom, the cooperative group includes about 75,000 employees and spends many resources on supporting new cooperatives and community initiatives.

In recognition of the potential of cooperatives to prevent and reduce poverty and to provide employment opportunities, the General Assembly of the United Nations has declared that 2012 will be the International Year of the Cooperatives in order to “encourage all Member States, as well as the United Nations and all other relevant stakeholders, to take advantage of the International Year of Cooperatives as a way of promoting cooperatives and raising awareness of their contribution to social and economic development” (UN Resolution A/RES/64/136, Operational Paragraph 3).

1.2.2 Mutual benefit societies

Organizations for mutual aid have existed for a very long time just about everywhere. Mutual benefit societies are organizations whose objective is essentially to provide social services for their individual members and their dependants. These societies – whether formal or informal – meet the need of communities to organize collective social

relief themselves by sharing a wide variety of risks: health care, medicines, illness (such as from sickness or accidents), material support for bereaved families, repatriation of a body, expenditures incurred in rituals (such as burial societies), poor harvests, poor fishing seasons, etc. Mutual benefit societies provide services through a mechanism where risks are shared and resources are pooled. The main differences between these and classical insurance companies is that mutual benefit societies are not-for-profit and they do not select their members nor calculate members’ premiums on the basis of their individual risks.

Many mutual benefit structures operate in the social protection sector. The *Association Internationale de la Mutualité* (AIM) was established in the 1950s. It unites 40 federations or associations of autonomous mutual benefit societies in health and social protection in 26 countries across the world. The AIM affiliates operate according to the principles of solidarity and non-profit, providing coverage for more than 170 million people throughout the world. In the insurance sector, the International Cooperatives and Mutual Insurance Federation (ICMIF) represents the interests of both cooperatives and mutual benefit organizations. The ICMIF has a current membership of 212 affiliates in 73 countries.

Some labour force rotation schemes or informal rotating savings and credit associations (also known as *tontines* in some parts of the world) can be associated with the mutual and benefit societies in the sense that they combine societal development and social interaction with economic or financial functions (labour force or savings and credit), where the participants decide on the conditions and rules. The service provided is part of a social relationship which creates and resolves reciprocal obligations and shared interests (Servet, 2006).

1.2.3 Associations and community-based organizations

Freedom of association is a recognized human right, but its practice depends on how it is safeguarded in national jurisdictions and on the acceptance and support of such undertakings. In practice, the SSE may be seen as a framework to realize different

forms of individual freedom of association as it aims to produce goods or services on a continuous basis without being primarily focused on profit (Develtere & Defourny, 2009). The countless numbers of associations, voluntary organizations, community-based organizations, non-profit organizations and economic interest



Portrait of a Bolivian villager.

groups form a heterogeneous group and operate in every possible field. Whether “modern” or “community-based” or “traditional”, they all operate on the same basis (e.g. negotiated rules and reciprocity guaranteed in particular by social control) and pursue similar aims (e.g. economic utility or creating and maintaining social bonds). One of the objectives of associations built up around community links in the SSE has been, and still is, to reduce the gap between individuals and the authorities. Associations have many advantages; for example, their establishment and operating methods are relatively flexible and they provide a basis for new forms of sociability (particularly in urban areas).

Considerable efforts have been made over the last ten years to increase our knowledge of associations,²¹ and particularly of the non-profit sector which, as suggested by a vast research programme coordinated by Johns Hopkins University, accounts for most of the association component of the social economy and part of the mutual aid component that has legal status. The

latest findings of this programme (Salamon et al., 2003) reveal that among the 35 countries examined most closely by the study, the non-profit sector accounts for about 39.5 million full-time workers, including 21.8 million paid workers and 12.6 million volunteers (Defourny & Develtere, 2009).

1.2.4 Social enterprises

Social entrepreneurship is a relatively recent concept and a strong emerging phenomenon. In Europe and in North America, the phenomenon emerged in the crisis context during the late 1970s as a response to unmet social needs and the limits of traditional social and employment policies to tackle social exclusion (Nyssens, 2006). This phenomenon grew from the will of some voluntary associations to create jobs for people excluded from the traditional labour market and from individual entrepreneurs who wanted to run businesses but with pronounced social purposes.

Social enterprises refer to a variety of situations. Different definitions are proposed. According to

²¹ The first studies to identify the contours of the social economy from an international comparative perspective, and to quantify its three components, were carried out by a group of researchers from 11 European and North American countries. These studies came under the patronage of the International Centre of Research and Information on the Public and Cooperative Economy (CIRIEC) (Defourny & Monzon Campos, 1992).

Thompson & Doherty (2006), social enterprises are “organizations seeking business solutions to social problems”. For the International Labour Office (ILO) SETYSA project in South Africa, social enterprises are defined as:

- having a primary social purpose, which is clearly stated as its core objective;
- using a financially sustainable business model, with a realistic prospect of generating sufficient income to exceed costs and of having a significant proportion of its income from earnings (as opposed to grants or donations);
- being accountable to its stakeholders, with an appropriate mechanism to ensure accountability to beneficiaries and to measure and demonstrate its social impact.

Social enterprises differ from the other types described above because they are not necessarily collectively owned. They also differ from profit-making enterprises because they do not solely aim to make financial profits but also seek to generate social benefits by virtue of the type of products or services that are marketed, the profile of the workers involved (e.g. low-skilled workers or workers employed under vocational integration schemes) and the allocation of the financial profits that are generated.

Social entrepreneurship stresses that the entrepreneurial mindset and behaviour can be manifested anywhere (Dees, 1998) and that economic activity combines profitability and social change. In that sense, they are often hybrid organizations since they are doing business while promoting social values. They also are often characterized by a multi-stakeholder governance and ownership (i.e. gathering users, founders, funders, local authorities, etc.) that somehow guarantee the social purpose of the enterprise. Social enterprises are also characterized by an economic democracy. This

economic democracy is often translated into limits in voting power and limits in return on capital shares (i.e. cap on distribution of profit and asset locks) (Nyssens, 2006).

Since the 1990s, social enterprises are recognized legal forms in various countries. Some of these legal frameworks are clearly inspired by the cooperative type (e.g. the pioneer Italian law on *Cooperative Sociali* in 1991). Other legal frameworks were developed, such as the Community Interest Company in the United Kingdom and the *Société à finalité sociale* in Belgium. In Italy, the *Consorzio Gino Mattarelli* (CGM) gathers 1,100 social cooperatives and 75 local consortia.

Social entrepreneurship is promoted by many networks and organizations such as the Ashoka Network and the Schwab Foundation, which have been launching major initiatives for several years to identify and encourage social entrepreneurs and social enterprises. Their approach of social enterprises is, to some extent, more open than other approaches (e.g. the European approaches) or legal frameworks since they mostly stress the role of individual social entrepreneurs and their social purpose without other criteria related to the collective ownership or the distribution of surpluses that are particularly important from a social and solidarity perspective.



1.2.5 Foundations

Foundations may be qualified partly as components of the SSE; however, not all foundations operate in such a spirit.

Some countries distinguish public benefit or charitable foundations from private foundations (Gijssels & Develtere, 2006). Public benefit or charitable foundations pursue non-profit, public-value goals and thus serve community interests. Private foundations also pursue non-profit goals, although they can be of a private nature which may or may not fall within the realm of the SSE. Furthermore, some authors consider activities that generate resources which are partially invested in philanthropic aims to be contradictory to a certain extent (these are often activities carried out by major multinational enterprises). The absence of participatory governance of most foundations and the classical criticisms levelled at this sector (including the presumed motives behind the creation of certain foundations such as marketing, tax evasion and vanity) (Prewitt, 2006) could provide arguments against affiliating foundations to the social economy.

Yet, some foundations are considered to be part of the SSE. An example is the European Foundation Centre (based in Brussels), whose mission is to strengthen the independent funding of philanthropic organizations in Europe. It unites over 230 organizations in 40 countries and explicitly includes its mission in the social economy. Another example is Social Economy Europe, a European network of cooperatives, mutual societies, associations and foundations. Its mission is to strengthen political and legal recognition of the social economy at the European level, and it explicitly includes foundations in its understanding of the social economy.

The affiliation of foundations to the social economy remains an open debate and there is probably no definitive answer because of the variety and sometimes contradictory nature of the different legal forms of foundations. To distinguish the ones belonging to the social economy from the others, we should refer to the common features of the social and solidarity organizations and enterprises,

especially the democratic nature of their decision-making process.

1.3 Common features of SSE organizations

1.3.1 Objectives

Despite the diverse organizational forms, social and solidarity economy organizations and enterprises (SSEOs) have common features that distinguish them from public and private enterprises and organizations. Academics, practitioners and policy-makers have relied on these features to identify these organizations and enterprises around the world.

The main distinguishing feature of a social and solidarity organization is that it produces goods and services. This feature is particularly important to differentiate some associations that, for example, may only gather some friends to play football from a non-profit sport club that is providing sport lessons and training facilities to the public.

Some definitions stress the fact that the purpose of the social economy is more about producing goods and services than maximizing profits. The slogan of the World Council of Credit Unions sums it up in a nutshell: “not-for-profit, not for charity, but for service”. Profits are essential for the sustainability and development of organizations and enterprises. But in SSEOs, benefits are not the primary goal, and their use or distribution must comply with specific rules inherent in the legal structures concerned and/or negotiated collectively by the organizations’ members. Of course, there is nothing to prevent SSEOs from generating surpluses. On the contrary, surpluses are necessary for the viability of these economic enterprises and organizations. But the differences between SSEOs and for-profit-making enterprises include that this objective is secondary; the way in which these profits or surpluses are produced (“near cost”); and the rules for redistributing them among the people who have helped to generate them by contributing labour, capital or any other resources.

Figure 1.1: Combined social and economic objectives

Since the economies of most countries operate according to market principles, goods and services supplied by SSEOs are traded in those markets and compete with the goods, products and knowledge supplied by other private operators. However, in certain cases, (particularly with social services), public service rules serve as a reference. The social economy may also have to create special markets – such as the fair trade market – where market economy principles (particularly competition) are combined with certain features (e.g positive externalities for a group of producers or environmental protection).

The fact that the SSE combines social and economic objectives is considered paradoxical by some economic actors. Some public authorities also find it difficult to position SSEOs in public policies that are often elaborated in silos more than in comprehensive approaches. Including the social, financial and environmental dimensions of sustainability is indeed a challenge for SSEOs.

1.3.2 Whose economy?

The social economy is sometimes confused with an economy of the poor or “for the poor and other vulnerable categories,” such as women, disabled persons, low-skilled workers, migrants or young workers. This is certainly not a criterion for distinguishing the social economy from other forms of economy. The social economy is not, by definition, an economy of the poorest or most vulnerable. It is, in fact, a choice that is made. People can choose to combine (economic, social, environmental or other) objectives, not maximize the financial return on investment and establish participatory governance.

However, this perception of the social economy is not altogether incorrect. By virtue of the solidarity principles and mechanisms involved, enterprises and organizations of social economy are often the only forms accessible to people who cannot mobilize sufficient capital or other resources to launch and develop economic activities. And, as Jacques Defourny (1992) has stated so aptly,

necessity is often a condition which prompts the emergence of social economy initiatives. Given the specific social purpose of this type of economy, it naturally tends to attract groups, users or clients who do not have access to employment or certain goods, products and knowledge, or whose access to them is limited.

In this way, the social economy develops as much by aspiration as by necessity (Lévesque, 2003). It is, however, in the interests of social economy organizations to ensure a mix in their membership as long as they guarantee that their members have common interests. For it does not make sense for a mutual health society, for example, to unite members whose profiles or economic activities would make them more vulnerable regarding health care. This would amount to establishing solidarity mechanisms among the poor or the vulnerable (distributive solidarity). On the contrary, it is very much in the interests of social economy organizations to have members from different economic and social categories in order to ensure greater economic viability and to provide a basis for redistributive solidarity. Organizations very often have to find a balance among economic interests, this solidarity mechanism and a mutually generating and reinforcing mechanism of social cohesion, which is essential to collective action.

1.3.3 Common operating principles

Participation

The members, users or beneficiaries of SSEOs have the opportunity to be either the owners of the organization or to actively take part in the decision-making process. By granting the membership or the beneficiaries/users the capacity to equitably take part in decisions, these organizations establish participative operating methods.

This participation can exist in diverse forms. In cooperatives, mutual benefit societies and associations, the principle is, in theory: "one person, one vote". This principle aims to ensure that the various contributions of individual members (e.g. work, contribution in kind, money) are given equal

recognition and that none of these forms of input (such as money) is valued any higher than others or given any more weight in the organization and in the decisions taken. In some SSEOs, the decision-making process may be different (e.g. decisions made by consensus). The degree of participation can thus vary widely from one type of enterprise or organization to another, even among organizations that share the same legal status. Some SSEOs will thus be more "democratic" than others. The forms of participation can be even more varied when additional stakeholders are involved (e.g. members, beneficiaries, users) or as a result of the particularities of some sectors in which SSEOs are operating (particularly in terms of, among others, efficiency, speed or user/client profile).

The possibility of control and of imposing sanctions, which is inseparable from participation, guarantees that the decisions that are taken are in line with the originally agreed goals and spirit of the organization. The participatory nature of decision-making distinguishes SSEOs from private for-profit-making enterprises or public enterprises, in which sanctions are imposed by the market or by vote. In the final analysis, these operating mechanisms and procedures guarantee the user, member or beneficiary confidence in the social economy organization and its leaders, whether they are elected (as is the case in cooperatives) or not (as is the case in social enterprises).

Solidarity and innovation

The operating methods of social economy organizations are often described as being based on solidarity. In fact, some authors prefer to use the term "solidarity economy" precisely to emphasize this dimension. Operating methods based on the solidarity principle aim to include rather than exclude; their goals are not limited to accumulating capital or generating profits, but include using resources to achieve objectives that will benefit the initiators as well as the workers and users/beneficiaries involved.

It is this solidarity aspect which also explains why flexibility and innovation are often features of these

organizations. The fundamental aim is to find solutions and to meet needs that are constantly changing and evolving. The close links that these organizations maintain with the users/beneficiaries (whether they are members of the organization or not) without confining themselves to “market signals” means that they focus constantly on adapting in order to continue to fulfil this function.

Voluntary involvement and autonomy

A distinctive feature of cooperatives, mutual benefit societies and other associations is that people are under no obligation to become involved; they do so freely on a voluntary basis. In some countries or under specific periods, social and solidarity organizations are not automatically associated with the concept of voluntary membership or collective action because these types of organizations have been used by governments or colonial authorities to organize the population in a compulsory way for production or political purposes.

Collective dimension

The emergence of SSEOs results from the will of people and/or groups to join forces in order to meet their own needs or those of others. This is why some authors (Defourny & Develtere, 1999) say that social cohesion and collective identity are virtually systematically associated with the social economy. Traditionally, this collective factor distinguishes SSEOs from private for-profit-making enterprises, where the entrepreneur (conceived as an individual)



Passepartout - a small local network of responsible tourism in Umbria Italy

is presented as the driving force behind the initiative.

The systematically collective dimension of SSEOs can be called into question. For cooperatives, mutual benefit societies and associations, the conditions in which they emerge (i.e. collective needs or commonly shared-needs) and their operating methods reflect a collective dimension, particularly in terms of pooling resources, decision-making methods and benefit distribution. However, in actual practice, this collective dimension does not exist to the same extent in all enterprises and organizations. It may be present at certain moments in the life of an organization (at the beginning, in particular) and then deteriorate (particularly when the organization becomes professionalized), although the organization need not necessarily lose sight of its initial objectives or philosophy. As previously mentioned, the collective dimension also can be questioned for particular enterprises and organizations, such as social enterprises or foundations.

This collective dimension sometimes conceals a key factor in the success of social economy organizations – the leadership of their founders or leaders. This leadership is conceived as an expression of legitimacy but also as a factor in enabling access to internal and external resources (e.g. confidence, commitment, equity capital, voluntary involvement) which are more difficult to mobilize by other means. Leadership is not intrinsically antinomial to the collective dimension of an organization. But, in practice, leadership that is too strong can lead to less collective forms of governance. In fact, this is how the concept of social enterprises or social entrepreneurs emerged. These social enterprises differ from the classical structures of the social economy in that they emphasize a feature that is typical of private profit-making enterprises – the individual entrepreneur, with his or her dynamism, personal commitment and innovative practices (Defourny & Nyssens, 2009).

Box 1.2: Corporate social responsibility and the SSE

The origin of the corporate social responsibility concept is rooted in the entrepreneurial philanthropy developed in the nineteenth century, but which was particularly promoted after the Second World War. Corporate social responsibility (CSR) is a way “in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with others. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law” (ILO Governing Body, 2006).

CSR programmes can be translated into a variety of activities and domains, such as donations and support to external organizations, social accounting, environmental social impact assessment, internal human resources management and risk management.

Is there a link between CSR and the SSE? If yes, what could it be?

So far, CSR has been a trend within some conventional for-profit enterprises as a way of redistributing parts of their surplus for social or environmental issues; improving their public image; compensating or mitigating some negative impacts generated by their activities; or improve the well-being, motivation and productivity of their employees. As far as it does not profoundly change an organization’s functioning and finality, it does not transform these enterprises into SSEOs. Yet, the link between CSR and the SSE can be established in various ways, such as when an enterprise promotes the SSE by supporting SSEOs or when a CSR enterprise creates a public benefit and participatorily managed foundation as a redistributing tool. Partnerships between SSEOs and private commercial enterprises are more frequent in the fair trade sector (e.g joint partnerships in procurement contracts and fair trade labelling related to commercialization practices) (Huybrechts, Mertens & Xhaufflair).

The link can also be made in the other direction. Some SSEOs, especially the oldest and most established ones (i.e in the finance and insurance sector), can also elaborate CSR policy that would go beyond their primary objective and would improve or complement their internal operations toward staff or members. It was in this spirit that the Mondragon Group created the Mukundide Foundation in 1999 to promote community and cooperative production initiatives for sustainable development in developing countries.

1.3.4 Resources

Resources are not, by definition, a criterion for distinguishing between the social economy and other forms of economy, but they provide a basis for determining where that economy stands in relation to others and identifying the issues in using various resources. The resources issue also raises the question of the autonomy of social economy organizations and indeed of any private initiative.

It must be stated first that there is no single model to represent the resources of the social economy. The social economy uses public resources and resources generated by trade and the market, as well as voluntary involvement and work – a resource to which few other forms of the economy have access.

SSEOs draw on resources that are provided in one way or another by their initiators and members. In a cooperative, these resources take the form of members’ shares. In an association or mutual benefit society, they take the form of members’ subscriptions. In social enterprises, this income would be in contributions to the capital or assets in kind. In foundations, endowments or bequests enable the organizations to achieve their goals.

It is generally said that autonomy is the factor which distinguishes the social economy from the public economy. Yet the social economy uses public resources in the form of subsidies from national governments and in official development assistance for countries in the South. The fact that public resources are provided in this way can indicate that public authorities recognize the existence and

function of the social economy (among other forms of economy) or it can amount to a form of “sub-contracting” or partnership in the implementation of public policies. One generally refers to the “non-market” economy (where the price of a product or service does not reflect the costs incurred) whenever at least 50 per cent of production costs are not covered by market-generated resources. The resources of associations in the countries of the South come mainly from international aid, either because the association wants to make its goods and services available in order to guarantee accessibility, or because the target group or members cannot pay, or because the organization is unable to generate adequate resources through subscriptions, sales, etc.

Since SSEOs have an economic mission by definition, many of them obtain a fairly large share of their resources by selling goods and/or providing services, in which case they often compete with other private operators. In competition (sometimes over the same products or services), the social economy sometimes may be at a disadvantage, since it can be more difficult for that economy to propose equivalent alternatives in terms of price (since it lacks economies of scale), responsiveness (since decision-making is participatory) or quality. One of the strategies of the SSE is to emphasize its comparative advantage from the microeconomic point of view (i.e. combined objectives, innovation, flexibility), as well as in macroeconomic and societal terms.

Voluntary work is a resource to which few private profit-making or public organizations have access. SSEOs are able to mobilize this resource because voluntary workers subscribe to the principles of a social economy organization, consider its aims to be relevant and its actions legitimate, and subscribe to the participation and control that can take place in the organization’s activities and decision-making bodies. Voluntary work is a special resource and a tremendous asset for social economy organizations. However, unless there is a balance among different types of resources, volunteerism can constitute an obstacle to the organizations’ development if professionalization, adequate skills or sufficient availability are not available from the voluntary workers.

1.4 Related concepts

In this reader, we use the term “social and solidarity economy organizations and enterprises”. This term is not the only one used to encompass the realities we describe. Social economy, solidarity economy, popular economy and non-profit organizations are related concepts. They all have certain geographic origins and other theoretical backgrounds and emphasize particular dimensions of this economic form. By briefly reviewing some of these concepts, we want to stress that despite their common features, SSEOs can differ in organizational forms and approaches.

1.4.1 Social economy

The term “social economy” is often presented as having been used for the first time in the late nineteenth century to describe the voluntary and self-help associations established by workers to face the consequences of the extension of industrial capitalism. The term was rediscovered in the 1970s when the French cooperative, mutualist and associative movements rediscovered their common features and increased their institutional recognition (Defourny & Develtere, 2009). Social economy is classically associated with cooperatives, mutual benefit organizations and associations. These organizations share the goal of gathering autonomous organizations that aim to place service to their members or the community ahead of profit and that incorporate democratic decision-making processes despite some differences in terms of benefit distribution (i.e. cooperatives allow distribution of surpluses in cash to their members while associations and mutual benefit associations prohibit it).

In some parts of the world (e.g. Belgium, France, Québec and Spain), social economy benefits from political and economic recognition among ministries and administration and supporting public policies. In these regions, social economy encompasses diverse organizations, including very established, large banks, insurance or agricultural organizations and, more recently, smaller initiatives supported or not by public policies.

1.4.2 *Economie solidaire* or *Economia solidaria*

“Solidarity economy” is a term especially used in France, Latin America and Québec. Clearly, the term stresses solidarity as the main feature of this kind of economy as opposed to the conventional capitalistic economy. In Latin America, this term is used to cover a broad range of initiatives. In other regions (France and Québec), this term has been promoted to make the distinction between established components of the social economy (i.e. cooperatives, associations, mutual benefit societies) and newer solidarity mechanisms and organizations.

This distinction does not aim to only differentiate older from newer initiatives. It stresses the fact that some older, large and established organizations (especially in the banking and insurance sectors) do not function anymore according to their theoretical common features because their linkages are too close with the conventional capitalistic economy (e.g. due to fusions and merging). Above all, the supporters of the solidarity economy approach want to shed light on innovative, more participatory and often smaller initiatives. These initiatives are often created to respond to contemporary societal and

social problems, such as child and elder care, environmental issues, local exchange trading systems and sustainable agriculture. These solidarity economy organizations or networks are also more embedded at the very local level and based on a reciprocity mechanism. They also rely on hybrid resources: monetary and non-monetary, market-based and non-market based, paid jobs and volunteering (Laville, 2007).

1.4.3 *Popular economy*

The term “popular economy” is rooted in Latin America and has been conceptualized by researchers such as Luis Razeto (Chile) or Jose-Luis Corragio (Argentina). Some African non-governmental organizations (NGOs) (e.g. ENDA in Senegal) also adopted this terminology.

As the term clearly states, this economy is seen as being developed by the popular class (i.e. the most vulnerable) and their *organizaciones de base* to address subsistence economic and social problems. The groups often share the same living situation, religious or political communities and intend to solve day-to-day problems through collective awakening



Woman working in an orchid farm nursery, Thailand.

processes and practical solutions. From a conceptual point of view, the emphasis is on the internal rationale of an economy self-managed by the workers. These organizations often have to rely on their non-monetary resources: labour force, organizational and mobilization capacity, imagination, creativity. In addition to the classic resources of labour and capital, Razeto suggests adding a third factor – a Factor C that stands for collaboration or cooperation – that popular organizations may rely on in addition to or instead of capital.

The popular economy is also correlated with a strong political agenda because this economy is seen as being an economic and political model which is an alternative to the prominent and – in their views – exclusionary (neo) liberal economy.

1.4.4 Non-profit organizations

The Anglo-American non-profit approach (see e.g. Salamon & Anheier, 1999) describes organizations that belong to neither the private for-profit sector nor the public sector. It encompasses a more restrictive group of organizations than the concepts previously described since it excludes any organization that practices the redistribution of surpluses. In this approach, the “constraint of the non-distribution of profits” actually excludes cooperatives, classing them with private profit-making organizations rather than with organizations where profits are not the primary goal. The advocates of the social economy, however, consider it perfectly feasible to class cooperatives with mutual benefit societies and associations, since they share the same spirit despite the fact that they operate on different principles (Defourny and Develtere, 2009).

In the United States and the United Kingdom, the exclusion of for-profit organizations such as cooperatives can be explained by the origins of the non-profit approach, where many associations (originally self-help ones) were created to address the problems related to building a society, urbanization, immigration or economic issues in a space not occupied by the State or by for-profit companies. One could say that the non-profit sector corresponds to the associative component of the social economy.



Swedish people from COOMPANION in LE MAT Verona.

1.4.5 Third sector

In some countries, the term “third sector” is used at the policy and practitioner level as a synonym for the non-profit sector or the social economy sector. Although this term does not explain well the concept of SSEOs, it gives added value to the social economy sector by placing it next to the public sector and private sector in discourse.

1.5 Comparative advantages of the SSE

The SSE is characterized by diverse organizational forms, domains of activities, approaches, geographic locations and even terminologies. This variety often leads to difficulty in gaining recognition, not only for some SSEOs themselves but also for public and private actors at the local, national and international level. Yet, the SSE presents several comparative advantages to address social, societal, economic and political challenges all over the world.

1.5.1 Social cohesion

Because our societies are constantly changing, social cohesion among people and communities is often at stake. Social cohesion programmes are established everywhere to create or maintain linkages and a sense of community among people sharing the same living areas, common facilities or destiny.

Through all of its operating principles, the SSE is based on social cohesion and contributes to social

cohesion. As Jacques Defourny (1992) explains, social cohesion – or the recognition of a collective identity – is one of the factors that make the SSE true. It is indeed because of this collective feeling that groups of people decide to address social and economic issues through social and solidarity organizations. In addition, the SSE generates social cohesion through its functioning principles, its social purposes intended to benefit the members and the community and its impact at the local level.

Box 1.3: The informal economy and the SSE

The informal economy is a fact of life that cannot be ignored in any economy. In some African countries, the informal economy generates incomes and “jobs” for more than 80 per cent of the urban population. How does the informal economy stand in relation to the social economy?

The ILO defines the informal economy as a set of activities carried out by workers and economic units who or which (*de jure* or *de facto*) are not covered, or are inadequately covered, by formal arrangements. Their activities are not covered by legislation, which means that laws are not applied or that laws discourage compliance because they are inadequate or involve ponderous procedures or excessive costs.

The primary feature of the informal economy is the tremendous vulnerability and insecurity of the people involved – whether they be employees, self-employed workers or employers – because of the lack of protection, rights and representation. In many countries, the informal economy overlaps with the private economic sector to a large extent, except for criminal or illegal activities, but cannot be included in official public statistics.

The informal economy may be different from the social economy in the legal sphere (Fonteneau, Nyssens & Fall, 1999). It is quite possible for an organization that operates according to social economy principles to have informal status because of the inadequacy of existing statutory instruments or difficulty in formally meeting those criteria. The informal economy and the social economy are more similar in the circumstances in which they emerge, the way in which they operate and the aims they pursue.

In both the social and the informal economy, necessity often prompts people to initiate their activities. People and organizations in these economies also operate in the same market context – a context which shapes the products and services and ensures that they are very accessible in terms of proximity and price. The operating methods of many of these activities do not resemble the characteristics of profit-making enterprises. On the contrary, they can be associated with an economy that combines relational concerns (Hyden [1988] refers to the economy of affection) with market practices. Also, while social economy organizations explicitly pursue both economic and social objectives, economic units in the informal economy may do so to a certain extent, although this is not explicitly or consciously expressed by the operators. To them, pursuing both objectives is more simply logical, since, in the context in which they develop, those organizations pursue strategies of sustainability, social cohesion, etc.

Basically, a distinction or connection can only be made between a social economy organization and an informal economy organization by observing the principles that govern the conduct of these economic units in spirit or practice. That is the basis on which one can judge whether the aims pursued by a unit in the informal economy are more akin to those of the social economy or those of a capitalist enterprise. This way of looking at informal economy units could also offer opportunities to help the formalization of some units under social and solidarity organizational forms.

Box 1.4: Social movements, civil society and the SSE

What do peasants' organizations, mutual health societies, savings and credit unions, cooperatives, associations fighting HIV/AIDS, social enterprises, certain foundations, associations operating in reforestation or programmes for integrating the innumerable jobless young graduates in African capitals have in common?

They all confine their activities to producing goods or services (which may or may not be supplied by other operators), and see their economic mission as achieving one of several objectives, such as: improving production conditions; making the services that are provided accessible to people who otherwise would not have access to them; or taking account of societal and environmental challenges. A further feature of these organizations is that they set landmarks in their operating principles, such as allowing control by members, workers or users; adjusting the rules for distributing and locating the surpluses generated; finding a balance between generating profits (necessary for developing any enterprise) and service to the members and/or community; ensuring a balance of power among the various stakeholders in decision-making, and so on. These concerns are certainly reminiscent of those of workers' organizations and demonstrate the natural links that exist between the social economy and the workers' and farmers' union movements.

Even where regulations provide a framework for these various components, the social economy is also a movement, since it aims to adjust and correct certain faults or trends. Forming a movement means adopting a more forward-looking approach, looking ahead to future trends in order to safeguard against risks (generated by the market and by the State) and to prepare to make the necessary adjustments in the sector. If social economy organizations were isolated in their sectors of activity or grouped solely on the basis of legal status, they would lose the advantage of sharing experiences and the visibility of an economic and social force that is supported by committed citizens.

Given the profile of the pioneers and the common features of these organizations, it is only logical that a more political approach would develop. These social economy movements have various concerns: combining economic and social objectives in societies where the economic and social sectors are often very segmented (as can be seen by the jurisdictions of the ministries concerned) and are financed by resources which come from very different sources (taxes and/or national and international solidarity in the first case and the market in the second case); the defence of certain practices in market economies (such as the non-profit nature of insurance or health care); the legitimacy and (legal and political) protection of certain forms of institution in a free market economy; or the detection of societal problems.

As a result, the social economy can take the form of social movements, which can be formal (i.e. platforms or federations), informal or ad hoc. Likewise, they can be the result of efforts to gather organizations together by sector, country, region, etc. Irrespective of the reasons for which they have united, these organizations are an economic, social and political force, and they have common concerns. Although, some of these movements are often fragile and far from global, organizations that can be affiliated with the SSE are part of civil society in the regional, national or international political arena.

1.5.2 Empowerment

Empowerment is an important factor that allows individuals and communities to have a voice and be represented. Empowerment can be built through a variety of processes and mechanisms. There is no

doubt that participation and membership in SSEOs contribute to an empowerment process. Members and users gain empowerment through their active involvement in the participatory decision-making process within the organization and outside the organizations when they bargain with external

stakeholders. At the collective level, SSEOs also contribute to the empowerment process of individuals and communities by demonstrating that all individuals can become active and productive economic and social actors.

1.5.3 Recognition of a plural economy

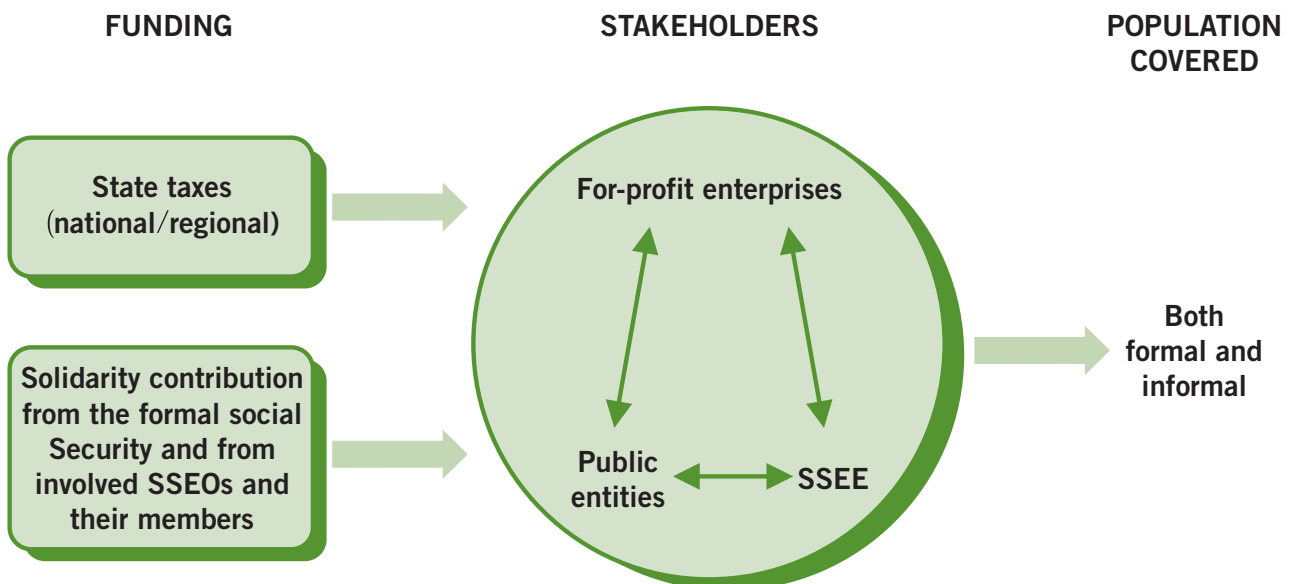
There are diverse mechanisms that can achieve similar objectives such as creating jobs, social protection, well-being, wealth, innovation, care, etc. Most societies are comprised of a plurality of public and private actors which may be oriented towards for-profit or not-for-profit. Social protection is a good example of how different mechanisms provided by different economic actors and based on different reasoning could be articulated to achieve a common objective, i.e. social protection for all. In many countries, these mechanisms coexist without linkages between them, but they could be articulated through a redistribution process (see Figure 1.2) to ultimately provide what the ILO calls a social protection floor.

In the broader perspective, taking the SSE into account leads to recognizing a plural economy comprised of different types of economic exchanges (e.g. monetary and non-monetary, market and non-market, public/private and for-profit/non-profit) and activities.

1.6 Key findings

- The SSE refers to specific forms of organizations and enterprises. The most common types are cooperatives, mutual benefit societies, associations, community-based organizations, social enterprises and some foundations. The SSE is indeed a dynamic and evolving group of organizations.
- SSEOs share common features that distinguish them from the public economy and from the conventional for-profit economy. They all aim to pursue combined social and economic objectives and they share specific operating principles based on participation, solidarity, innovation, voluntary involvement and collective ownership.
- The term social and solidarity economy is not the only one used to encompass these realities. Social economy, solidarity economy, popular economy and non-profit organizations are related concepts. They all have certain geographic origins and theoretical backgrounds and emphasize particular dimensions of this economic form.
- SSEOs offer several comparative advantages to address social, societal, economic and political challenges all over the world, including social cohesion, empowerment and recognition of a plural economy.

Figure 1.2: Illustration of a plural economy: holistic approach of social protection



Chapter 2: Governance and management of SSEOs

2.1 Introduction

Though SSEOs are heterogeneous, they operate on similar principles. To a large extent, the governance and management of these organizations has been influenced significantly by their collective membership and ownership. Driven primarily by social benefit motives as opposed to capital accumulation, these organizations are largely “people-centred”. Consequently, every member has the same right to participate in the enterprise and despite the different organizational structures, all of these organizations endeavour to give members the opportunity to participate in their governance and management.

The purpose of this chapter is to explain how SSEOs are governed and managed, paying attention to the nature of ownership and membership and the implications for member participation. This should give us insights into the strengths and weaknesses in the management of SSEOs and the possibilities for improving efficiency in their operations. Considering that SSEOs use a business approach to satisfy social needs and expectations, the chapter begins by comparing their governance and management with conventional capitalist enterprises.

2.2 Governance and management of SSEOs

2.2.1 Defining governance and management

Though the concepts of governance and management are sometimes used interchangeably, they carry slightly different meanings. Governance has often been defined in the context of exercising state power (see Hyden and Court, 2002: 13-33; Olowu, 2002: 4; Hyden, 1992: 7), yet in reality the concept applies to a much broader context of

human society. Rather than politicize the concept, we define governance here as the exercise of institutional authority to determine the use of resources in the conduct of a society’s affairs (World Bank, 1991). This definition implies that governance occurs in societal organizations of all forms and sizes and in private, public, for-profit and non-profit organizations. The rationale behind governance is normally to ensure that an organization produces worthwhile results while avoiding undesirable outcomes for the people concerned.

The concept of management has also attracted many definitions in the literature. For instance, a popular definition in the microfinance literature is that management is the process of getting things done efficiently and effectively with and through people (Churchill and Frankiewicz, 2006: 2). For our purposes, we define management as the organization and coordination of the activities and efforts of people in accordance with prescribed policies to achieve desired goals (Business Dictionary, <http://www.businessdictionary.com/definition/management.html>). As a process, managing involves planning, organizing, leading and supervising people to perform the necessary tasks for achieving prescribed goals (Churchill and Frankiewicz, 2006: 2-8). Clearly, management occurs in organizations of all forms and sizes.

The basic distinction between these two concepts is that whereas governance sets the framework for carrying out organizational activities, management deals with the day-to-day implementation of organizational activities as provided for in the framework. Thus, governance is broader than management because it provides the policies that form the basis for the work of management. In the context of SSEOs, governance has to do with formulating policies that identify activities and mobilize resources to achieve the aspirations or

goals of members and/or users; management deals with actually performing activities to realize the goals or aspirations of members and/or users. Box 2.1 attempts to simplify this distinction.

Box 2.1: Governance vs. management actions in organizations

When a group of people deliberate and decide on the kind of activities that they will engage in to achieve certain activities in order to realize a goal, they are playing a management role.

The determination of who plays which of these two roles in an organization is sometimes based on the ownership and membership of the organization. Whereas owners and members would be expected to act as the principals and play governance roles, non-members would be agents of the principals and would play management roles. In some cases, the size of the organization influences this issue: small organizations are more likely to combine these roles than large organizations.

The next section attempts to show how ownership influences the separation of governance and management functions in private enterprises and SSEOs.

2.2.2 Ownership and governance

Capitalist enterprises are business ventures that aim at earning profits from their activities for distribution to members. There are generally three forms of ownership in these enterprises: sole proprietorships, partnerships and corporations. Whereas a sole proprietorship is a business owned by a single person, a partnership is a business owned by at least more than one person. Corporations are legally constituted companies that are owned by shareholders who buy company stocks or shares in the capital markets (Kim and Nofsinger, 2007: 2).

Regardless of this distinction, the common practice in capitalist enterprises, with the exception of very small sole proprietorships, is the separation of governance and management functions. Whereas the owners play governance roles, management – consisting of executive staff employed by the owners – is in charge of the control function (Kim and Nofsinger, 2007: 3). Executive staff ranges from managers or executive directors through accountants and auditors to clerks, secretaries and office assistants. Thus, in most of these enterprises, those who perform governance functions are distinct from those who play management functions. Whereas owners are the principals and confine themselves to setting goals and policies for achieving them, executive staff works on a day-to-day basis for the owners to achieve prescribed goals.

The forms of ownership in capitalist enterprises are also discernible in SSEOs. Box 2.2 shows the forms of ownership in different types of SSEOs.

Box 2.2: Forms of ownership in SSEOs

Ownership	Type of SSEO
Sole proprietorship	Social enterprises, foundations
Partnership	Social enterprises, foundations, mutual benefit societies, associations, cooperatives
Corporate/shareholding	Cooperatives

However, unlike capitalist enterprises, most SSEOs have not effectively separated the performance of governance and management roles. This is partly because these organizations operate on collective and democratic principles that result in the prevalence of self- and collective management as opposed to hierarchical management which is typical in capitalist enterprises.

Self-management is also prevalent in some SSEOs partly because of their small size. In organizations like social enterprises, mutual benefit associations

and community-based organizations, the owners or members who set goals and make policies to guide the activities of the organization are the same people who participate in managing the organization by carrying out day-to-day activities necessary to achieve their goals. In this way, the same members switch back and forth between governance and management roles.

Hierarchical management also features in some SSEOs. However, open and voluntary membership and democratic leadership in these organizations reduces the hierarchy to a mechanism for sharing information rather than issuing orders or commands. A case in point are the cooperatives in Anglophone countries that have evolved with a legal framework requiring them to separate the performance of governance and management functions (Develtere, 2008; Wanyama, Develtere and Pollet, 2009), thereby resulting in a hierarchical structure that separates the members, management committee and management staff.

Thus, the separation (or non-separation) of governance and management roles in SSEOs has resulted in slightly different management styles, with implications for members' participation in the governance and management of their organizations.

The next section explores the forms of members' participation in different types of SSEOs.

2.2.3 Participation

The diversity among social economy organizations suggests that the form of governance and management adopted by any organization tends to be determined by its nature and context of operation. It is not unusual for the same type of organization in different locations and circumstances to have different governance and management structures and practices. While being conscious of these realities, it is useful to attempt some generalizations about the participation of members in the governance and management of different types of SSEOs.

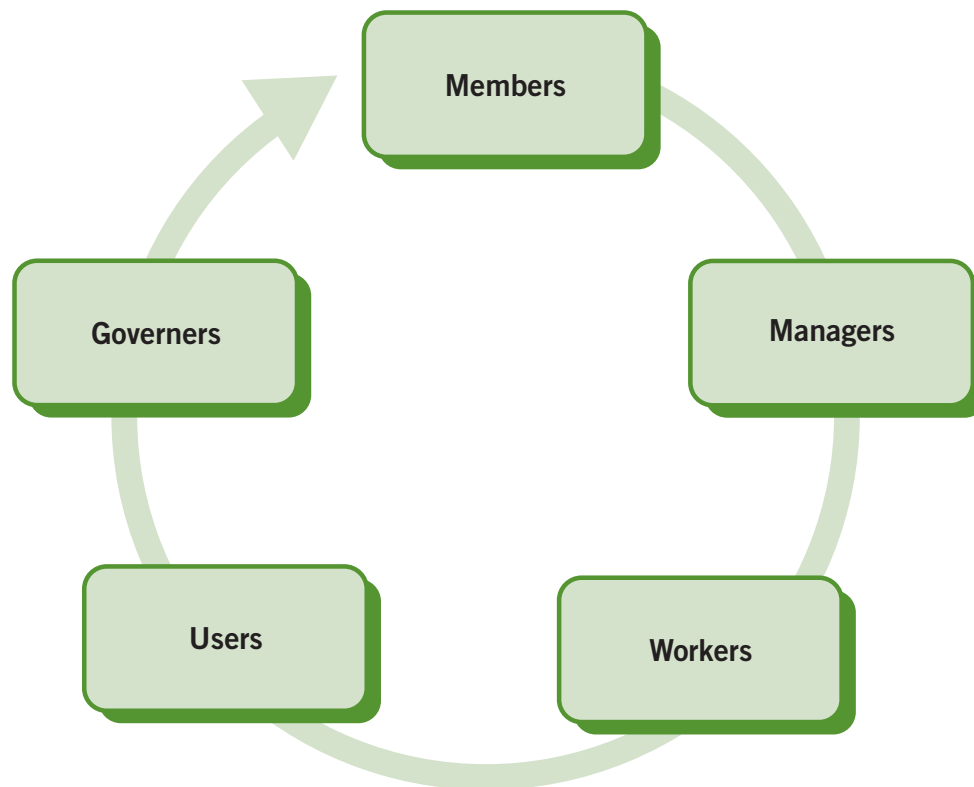
As already mentioned, collective ownership and democratic governance are typical of most SSEOs



Neela, 39 y.o., is the founder of a project of rural cooperative sustained by the ILO which gathers women from her village of Kesavarayampatti (Madras).

around the world, with the exception of some social enterprises. Such ownership and governance allows the members (and sometimes the workers, users and beneficiaries) to participate in decision-making equitably; that is, the various contributions of members are given the same recognition and value.

However, the degree of participation varies widely with the type of organization and the context of operation. For instance, some organizations may weight members' votes, not only to reflect the different degrees of activity of the group's members but also to acknowledge the differences among them in terms of rank and file membership numbers. Some organizations may turn out to be more democratic than others. Be that as it may, it can be generalized that some organizations allow their members to participate in both management and governance issues while others allow their members to participate in one or the other. To this extent, we can identify

Figure 2.1: Members' roles in a self-management model

self-management, collective management and hierarchical management in SSEOs.

Self-management

This is the epitome of the principle of democratic leadership in SSEOs. Self-management accords all members (and sometimes workers and users) the right to participate in the governance and management of the organization by voting on issues requiring decisions. Unlike in private enterprises where shareholders vote on the basis of their capital share in the firm, the members' votes in SSEOs are equal. The result of granting equality to all members is self-management that bestows control of the organization on each member. Solidarity structures are used to generate goods and services for the members and their dependants. Members rely on negotiated and reciprocal rules that are based on collective action and social control to carry out their activities. This fundamentally helps to establish a more-or-less flat leadership structure that de-emphasizes hierarchical authority in governance and management. Each member, therefore, assumes the responsibility of both governing and managing the organization from time to

time. Figure 2.1 below illustrates how members play different roles at different times.

This members' control model of management is typically applied in small-scale organizations where the members are also the workers and sometimes the beneficiaries. Examples include workers' cooperatives, mutual benefit societies, associations, social enterprises and community-based organizations. In Latin America and most Francophone countries, this form of management is the most common in SSEOs, not just because of the size of the organizations but also because of the emphasis on the empowering and liberating nature of the solidarity-based economy.

Collective management

Members' ownership of an organization sometimes results in sharing responsibilities among themselves without necessarily ceding the democratic controlling authority of all members. The result is that members collectively manage the organizations, but play different roles. This is what we refer to as collective management. This is widely used in medium and large social and solidarity

organizations, particularly in Europe, North America and Africa. This form of management arises from the fact that self-management may not be effective in a large-scale business (Davis, 2004: 92). As an enterprise grows in size, its management needs transform its governance and management structure to embrace specialization of roles. An example of social enterprises may help to explain this point.

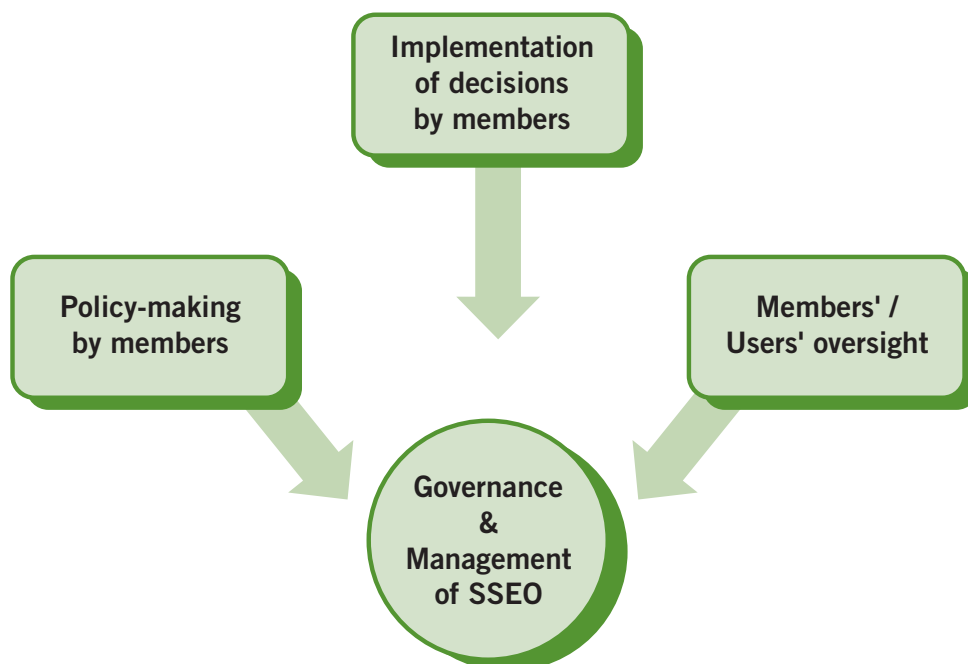
Social enterprises – organizations that seek business solutions to social problems (Thompson and Doherty, 2006: 362) – tend to start mostly as either sole proprietorships or partnerships. Consequently, ownership and membership tend to be small at the beginning. This makes it unnecessary to separate governance and management roles; the owners play both roles and the organization is self-managed. When the organization grows in size, changes are required in governance and management, which leads to the separation of the two roles in the performance of organizational activities. The organization then adopts collective management. The example of Suma Wholefoods in Case Study 2.1 clearly illustrates this transformation.

Collective management is also commonly used in foundations that are classified as SSEOs. Being largely philanthropic organizations, foundations start with the initiative of individuals and

subsequently expand ownership to others who share the same goals. With small ownership, the partners share the responsibility of governing the organization by constituting themselves into a board of directors. The composition and size of the board tend to depend on the number of partners: where there are few partners, all of them would most likely become board members, but where there are many partners, they would probably elect a smaller group to constitute the board. The board then engages professional staff to implement its decisions. In this way, the board plays the governance role while the hired staff plays the management role.

Mutual benefit societies and community-based organizations also exemplify collective management in the sense that participants negotiate and decide on the conditions and rules that govern members' conduct and group activities for achieving their goals. Procedures and leadership roles are also negotiated and agreed upon at the very beginning. Thereafter, leadership roles are assigned, either through simple elections or by selecting individuals based on their capabilities. In most cases, three leadership roles are created: the chairperson, secretary and treasurer. The chairperson is normally given the responsibility of acting as the figurehead of the group by calling and chairing meetings, the

Figure 2.2: A collective management model



secretary keeps a record of the group's activities and the treasurer serves as the custodian of the group's assets or resources. These leadership responsibilities tend to be regarded as giving a service among equals. A leader is viewed as the "first among equals" who is not expected to "command" his colleagues, but to "consult, facilitate and guide".

With this simple structure, all members collectively participate in the governance and management of their organizations, with the leaders only playing a facilitating role. This form of structure is particularly visible in rotating savings and credit associations (ROSCAs), accumulating savings and credit associations (ASCAs), mutual health insurance associations and small community-based organizations like women's groups and youth groups (Wanyama, 2001). Figure 2.2 illustrates an example of a collective management model in SSEOs.

Thus, in this management model, members and/or users share the responsibility of governing and managing the organizations without any one of them being necessarily superior to the others. As in self-management, the governance and management structure remains flat, but members play different roles.

However, the competitive environment in which the SSE finds itself is increasingly compelling some organizations in some parts of the world to adopt more formal and sometimes hierarchical structures of governance and management, without losing the collective and solidarity character. For example, micro-insurance organizations, which need professionalism to sustain their activities in a competitive environment, are increasingly hiring specialized staff to manage their activities while members retain the governing responsibility through elected boards (Qureshi, 2006). Cooperatives in Anglophone countries are also adopting this mode of governance, shifting from self-management or collective management to hierarchical management.

Hierarchical management



San Lorenzo's Cooperative in Sardinia.

Hierarchical management is typical in capitalist enterprises (or even in the public service) where a lay board of directors provides policy and leadership, and management is responsible for the day-to-day running of the business. This form of management also is slowly emerging in the SSE. The finest example is to be found in cooperatives in Anglophone countries and some large-scale social enterprises.

Hierarchical management in the SSE may result from demands for efficiency and competitiveness, while in some cases it is a response to the legal environment of the organizations. For example, in Anglophone countries that follow the British tradition of cooperative development, legal frameworks have been developed to guide the governance and management of cooperatives. Such legislation is informed by the notion that cooperatives have two parts: the enterprise side that makes the money and the social side that spends it. In this view, cooperatives are, on the one hand, associations of people and, on the other hand, economic undertakings to be managed like any other business (Davis, 2004: 91). This dualistic view of cooperatives is partly responsible for the idea of separating governance and management functions, which creates a hierarchical structure in the governance and management of cooperatives in the Anglophone world.

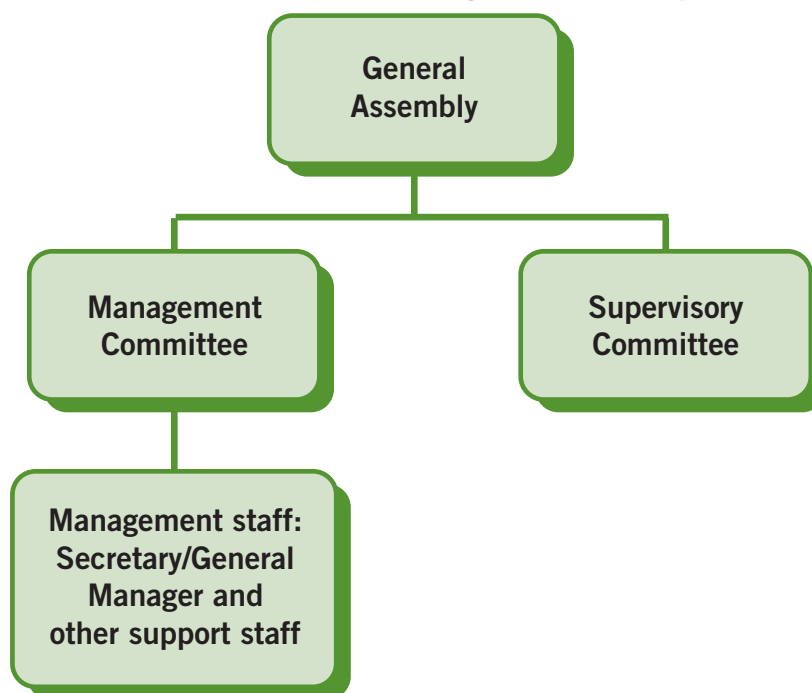
In accordance with the cooperative principles of open and voluntary membership and democratic

leadership, members are the owners of these organizations and they constitute the supreme decision-making body. Members, therefore, play the governing function in cooperatives. Consequently, all members participate directly or indirectly in the Annual General Meeting (AGM) or Assembly that cooperatives hold every year, which is the supreme authority of the organization. Where members participate indirectly, as is the case in large cooperatives, members elect delegates to represent them at the AGM. The Assembly democratically elects a Management Committee for a specified period of time to be responsible for the management of the cooperative.

The AGM also elects a Supervisory Committee to play an oversight or monitoring role in the management of the cooperative. This committee is responsible for ensuring that the Management Committee and employed staff carry out their functions in accordance with the by-laws of the cooperative, the provisions of cooperative legislation, the resolutions of the AGM and the best interests of the members.

It is the responsibility of the Management Committee to implement the decisions made by the General Assembly or AGM of the cooperative. To do this, the Committee is mandated to hire staff to assist it in carrying out management functions. Consequently, cooperatives' day-to-day activities are handled by management staff under the direction of the Management Committee. Such staff normally includes a manager, accountant(s), clerk(s) and secretary. The size of the staff varies with the nature and size of the cooperative. Thus, like in private enterprises, most cooperatives have separated governance and management functions. Figure 2.3 illustrates the hierarchical structure of

Figure 2.3: Governance and management in cooperatives



governance and management in cooperatives in Anglophone countries.

2.2.4 Regulations

SSEOs have been in existence for centuries, but many of them, especially small and/or informal organizations, have not been legally recognized in some countries. For instance, community-based organizations, communal associations and mutual benefit societies have been a feature of most societies (Defourny and Develtere, 2009: 2-8), but are rarely legally recognized under these names in most Anglophone countries. Consequently, there has not been a specific regulatory framework for the governance and management of these organizations in these countries. The regulations for public organizations and capitalist enterprises which offer similar services tend not to apply to SSEOs. Even in Francophone countries – where most of the mutualist SSEOs are widely recognized in law – the regulations for the provision of certain services tend to exclude some of the smallest of these organizations. The example of the application of “Code des Assurances CIMA” in West Africa (see Box 2.3) illustrates this point.

Box 2.3: Application of “Code des Assurances CIMA” in West Africa

In 1995, the Zone Franc countries of West Africa adopted the insurance regulatory framework of the *Conference Inter-Africaine des Marches d'Assurance* (CIMA) to govern the insurance industry. The “Code des Assurances CIMA” defines the 23 different classes of insurance business that can be practised; stipulates the licensing process for the different classes of insurance business; and sets standards (like minimum capital requirements, solvency ratios and bookkeeping requirements) for operators. Despite the existence of this legislation in the region, most countries do not apply it to mutual benefit societies that operate insurance schemes. Governments and CIMA officials are aware that these societies do not conform to the “Code” due to their inability to meet standards like minimum capital requirements and solvency ratios, yet they meet needs that commercial insurance companies do not. CIMA officials and governments have, therefore, opted to tolerate the non-complying mutual benefit societies, which continue to be governed outside any regulation.

Source: Aliber and Ido, 2002: 8

Nevertheless, there are attempts in many countries to formally recognize all SSEOs in law, which is paving the way to the development of regulatory frameworks for these organizations. For example, governments in Ethiopia, Rwanda and South Africa are developing legislation and regulatory agencies for cooperatives. In Francophone West Africa, there are attempts at legislating mutual benefit societies and associations, which may pave the way for a regulatory framework for their governance and management.

This should not be misconstrued to mean that the entire SSE does not have legislation and regulations on governance and management. In some countries, there are regulations for some organizations, but not others. For instance, reference has already been made to cooperatives in Anglophone countries in

Africa that operate according to legislative provisions and there are government agencies that regulate their registration, management and liquidation (Develtere and Pollet, 2008). Yet in the same countries, there is no legislation or regulation for other types of SSEOs, particularly the small and informal ones like community-based organizations and mutual benefit societies. Whereas cooperatives are managed and governed according to legal provisions that are enforced by a regulatory agency, the other kinds of SSEOs are not. Similarly, Francophone countries seem to emphasize the role of mutual benefit societies in their laws more than other forms of SSEOs, particularly cooperatives. As a result, there are regulatory frameworks for mutual benefit societies, but not for cooperatives. This kind of scenario has resulted in different practices across countries and regions of the world in the governance and management of the SSE.

2.2.5 Human resource management

Human resource management refers to the process of recruiting, developing and motivating people to work for the achievement of organizational goals. This involves developing the organizational structure to determine staffing needs; recruiting the required personnel; orienting and training recruited staff; career development; compensation or remuneration; and performance evaluation (Churchill and Frankiewicz, 2006: 200; Davis, 2004: 132). This definition implies, at least in theory, the separation of governance and management functions in the sense that there has to be an “owner” playing the governance role to determine staff needs and to recruit people into the organization to perform management functions. This suggests little application of human resource management in SSEOs since most of them tend to combine governance and management functions. It is only in those organizations which have separated governance and management functions that human resource management issues are clearly discernible.

In such organizations, the management committee or board of directors recruits staff to carry out managerial functions. Whereas the large organizations, particularly cooperatives, tend to apply a professional recruitment process by

following a typical procedure,¹ the relatively smaller organizations rarely follow such a process. This could be because of a variety of reasons, such as a lack of resources to meet the related expenses and the character of the board or management committee. After recruitment, few in the SSE train their staffs; the main exception once again being cooperatives. In some countries, such as Kenya, Tanzania and the UK, there are cooperative colleges where the management of cooperatives can obtain training. The other types of organizations do not have such specialized institutions that can train their staff. Low remuneration, relative to market rates, has caused many of the organizations to struggle to retain trained, competent and qualified staff as their turnover tends to be high.

Though the relatively smaller SSEOs do not have such elaborate human resource management systems, they use alternative ways of encouraging people to work towards the achievement of their goals. For recruitment, most community-based organizations, mutual benefit societies and associations search among their membership for qualified personnel and rely on the specialized talents of their members. As illustrated in the example of Suma in Case Study 2.1, social enterprises and worker cooperatives rely on their members' ingenuity to get their work done. The member-workers depend on self-awareness and continuous reflection on personal performance to identify areas where lessons may be learned for improved performance; they thereby develop what Davis (2004: 120120-122) calls "self-management skills". They turn the entire organization into a "learning hub" that develops the human resources for the enterprise. Capacity building is within the organization and systems for internal learning are based on democracy and empowerment. It should also be pointed out that the workers' remuneration is not just comprised of the traditional money and benefits package, but also includes goods and services generated by the organization.

¹ The procedure includes determining the need for staff; providing a job description of the position; clarifying the selection criteria; advertising the vacant position both internally and externally; evaluating the applicants; and selecting the best qualified candidate for the job.

2.3 Managing resources in SSEOs

2.3.1 Resource needs

Conditions of necessity in society tend to generate a host of responses from people, most of which end up as SSEOs. Having been born out of necessity (Defourny and Develtere, 2009: 18), the resource needs of the SSE are as diverse as the problems that confront human society. In their quest to cover the various risks that their members encounter, mutual benefit societies require resources to cover their members for illness, funeral expenses, poor harvests, school fees and other forms of precarious living conditions. Similarly, community-based organizations and associations have a host of problems to address in the quest to satisfy individual and communal needs: farm and pastoral labour deficits; educational, health, water, communication and household facilities; and innovations in various economic activities to improve living conditions, among others. Cooperatives and social enterprises in different sectors require working capital to operate and improve the productivity of their diverse business ventures to meet their social goals. In short, SSEOs require a variety of resources, ranging from human to financial, to produce goods and services for responding to the risks and scarcities that confront human society.

2.3.2 Resource sources

While SSEOs can draw resources from diverse sources, they largely depend on resources that are provided by their initiators and/or members. The resources provided by members in cooperatives take the form of shares, while in mutual benefit societies, community-based organizations and associations they are periodic subscriptions, assets in kind and voluntary work. In social enterprises, these resources take the form of contributions to capital or assets in kind. In foundations, supporters of the cause make philanthropic donations or bequests (Fonteneau and Develtere, 2009).

In addition to the resources generated from the initiators and members, SSEOs also obtain resources from their own activities. Being economic enterprises, many of them generate returns from selling goods and services to the public, often in competition with other private operators. The returns generated in this way tend to be reinvested in the activities of the organizations, if they are not required to provide a social service.

Because they rely on resources provided by their members and by returns from their activities, SSEOs are often said to be autonomously financed. However, these organizations also receive resources from public and philanthropic organizations to enhance their capacity to provide goods and services. Public resources take the form of subsidies from local and national governments as well as official development assistance from developed countries to countries in the South. Philanthropic contributions are donations from non-governmental organizations and foundations, mainly in the North.

It should, nevertheless, be emphasized that acceptance of public resources and donations does not necessarily usurp the autonomy of SSEOs. The organizations tend to accept the resources in the interest of supporting and upholding their own course. Typically, these organizations receive external resources because of the public's desire to increase the availability and accessibility of their goods and services, even when the target group cannot adequately pay for the production costs. Sometimes members' subscriptions cannot cover the cost of producing and providing the goods and services that are deemed desirable by the organization and the community.

2.3.3 Resource monitoring

Guarding against fraud, theft and misuse of resources is important in all organizations. Private organizations defend themselves against fraud and mismanagement by establishing management systems that include strong control or accounting processes, internal audits and strong governing boards to monitor the management of the organization (Biety, 2005: 239). Though SSEOs have accounting, auditing and monitoring systems, the

extent to which they are used in managing resources varies with different forms of organization.

Accounting

This refers to the function of gathering, compiling, reporting and archiving an organization's activities and resources. The information generated by this function helps individuals in the governance and management roles to make informed decisions (Kim and Nofsinger, 2007: 25). In private organizations, this information is not just important for internal use but also for outsiders: investors, bankers, creditors and employees have a keen interest in the financial health of the firm. Consequently, the accounting function is central to controlling the resources and activities of private organizations.

Accounting practices vary in SSEOs. Whereas the relatively formalized and large organizations use international accounting standards to generate, report and maintain information on the organization's resources and activities, the less formalized and smaller organizations do not. Those organizations use basic bookkeeping, in which an individual or an organization records financial transactions like sales, purchases, income and payments. Some organizations even rely on individual memory to generate and report information on their resources and activities.



Women Cooperative (project supported by the ILO): in the quarries of Mtongani (Dar Es Salaam), a mushroom and hen house project directed under cooperative form was proposed as an alternative to the stone breakage that used to be the principal activity of women in the district. The production is then sold in the markets.

This variation in accounting processes is partly due to the regulations (or lack of regulations) on these organizations. For instance, in most Anglophone countries, regulations require cooperatives to use international accounting standards to annually report their assets and liabilities to the members; however, there is no such requirement for community-based organizations, mutual benefit societies and associations and so their accounting procedures may involve using individual memory, keeping minutes of meetings or performing basic bookkeeping. In these situations, even members who have a fair knowledge of their organization's resources may have difficulty contributing all of their individual perceptions to the planning process. Consequently, leaders or members may make decisions based on erroneous premises from subjective or poor information.

Auditing

Generally, auditing refers to an evaluation of a person, organization, system, process, enterprise, project or product. Audits are performed to ascertain the validity and reliability of information and to provide an assessment of a system's internal control. The goal of an audit is to express an opinion on the person, organization or system in question.

In the management of capitalist enterprises, there are internal and external auditors. Internal auditors oversee the organization's financial and operating procedures; check the accuracy of financial record keeping; ensure compliance with accounting regulations; improve internal control and detect fraud and misuse of resources. Conversely, external auditors are accountants from outside the organization whose role is to review the organization's financial statements and its performance in meeting its members' needs and its social responsibility goals. External auditors attest to the fairness of the financial statements and their accuracy in materially representing the socio-economic condition of the organization ((Kim and Nofsinger, 2007: 27-28). Thus, whereas accountants are responsible for producing the organization's management information, auditors are supposed to monitor and check the accuracy of such information.

Auditing, like accounting, is sparingly applied in SSEOs. External auditing is widely used in cooperatives, social enterprises and foundations, but rarely used in mutual benefit societies, community-based organizations and associations. Whereas social enterprises and foundations occasionally seek external auditors to express their opinions on the soundness of their organizations for the sake of assuring themselves of their sustainability, cooperatives, especially in Anglophone countries, have had to produce external audit reports annually in order to comply with requirements in the governance regulations. Internal auditing is more prevalent in Anglophone cooperatives and, to some extent, social enterprises and foundations. The internal audit function in cooperatives is performed most of the time by the supervisory committee in Anglophone countries or by a *Commissaire aux comptes* in some Francophone countries, which is not found in the management structure of the other types of SSEOs.

It is apparent that mutual benefit societies, community-based organizations and associations do not have formal structures to perform the audit function. The implication is that these organizations may be weak in evaluating their operating procedures and checking the accuracy of management information. As much as all members tend to perform oversight of the management of these organizations, they may not be very able to detect fraud and misuse of resources since they are the ones who are involved in the management process.

Monitoring

Like in capitalist enterprises, members or owners of SSEOs primarily monitor the performance of their organizations; however, monitoring practices vary across different forms of organization and regions of the world. In Francophone countries and much of Latin America, where the mutualist and solidarity traditions emphasize empowerment and equality, all members directly monitor the activities of their organizations as part of their work processes. In Anglophone countries, monitoring varies with organizational forms. In social enterprises and foundations, monitoring is done by the board of directors, while in cooperatives, mutual benefit

societies, community-based organizations and associations, monitoring is the responsibility of the general assembly, sometimes through management as with cooperatives. The board of directors in social enterprises and foundations and the management committee in cooperatives use audit reports to assess the performance of the organization and take the necessary actions to safeguard the goals of the organization; however, the lack of audit reports in the other types of SSEOs may lead the general assembly to act on the basis of subjective opinions of the members. The situation could be worse where there is no regulatory framework to supplement the oversight role of the general assembly or the membership.

2.4 Financing mechanisms for SSEOs

In addition to their internal resources, SSEOs have traditionally been funded through grants and loans. Whereas grants are gifts given by donors, loans are funds that SSEOs borrow from financial institutions. Because donors retain the prerogative to provide grants, SSEOs don't have control over this source of financing and it has proved to be unsustainable. On the other hand, the availability of credit to SSEOs has been shrinking because financial institutions consider them to be high-risk borrowers. Also, financial institutions often have offered short-term loans rather than the more desirable long-term loans. These realities have combined to reduce the availability of financial resources to the SSE from outside the organizations in the midst of increasing financial demands.

These demands have led to financial innovation in many parts of the world. One of the innovations is the development of a customized financial sector that does not merely replicate or extend existing financial products and instruments, but offers a complex social investment landscape with diverse financial products that correspond with the needs and life cycle of SSEOs (including the start-up, or even pre-start up in some cases, consolidation and growth stages). Donors are also responding to this landscape with a strategic reorientation from gifts to investment by starting new funding streams like

venture philanthropy. The creation of new financial products and a new vocabulary (e.g. mission-related investment, impact investing, programme-related investment, social finance, solidarity finance, etc.) that leans towards ethical or socially responsible investment (SRI) could be a potential source of finance for the social economy (Mendell and Nogales, 2009: 97-98).

Some SSEOs also are moving to the stock market to raise capital for their operations. For instance, in Kenya, the Cooperative Bank, though licensed to do banking business under the Banking Act in 1968, has retained for a long time its tradition of being a cooperative by restricting ownership of the bank to the cooperative movement. To this end, 70 per cent of the bank's shares have been held by cooperatives while 30 per cent have been held by individual cooperators. However, this structure of ownership changed in 2008 when the bank opened up shareholding to the general public, following the conclusion of a successful initial public offer (IPO) of 700 million shares. The bank's shares are now trading at the Nairobi Stock Exchange to raise more capital, which has enabled the Cooperative Bank to boast of a capital base of over KES 13.5 billion (USD \$180 million), which makes it one of the strongest banks in Kenya.

Indeed, innovation to raise more capital for the social economy is going well beyond the capitalist stock market to the creation of social stock exchanges in countries such as Brazil and South Africa. This particular innovation has inspired the Rockefeller Foundation in the United States to fund research at Oxford University in Britain on the development of secondary markets and a social stock exchange for the SSE in other parts of the world (Mendell and Nogales, 2008).

It is also significant to note that networks of financial institutions that invest directly and, in some cases, exclusively in the social economy are being formed in some parts of the world. Until recently, for example, no long-term investment products were available in Quebec, Canada. This tended to limit all available finance to short-term lending. This significantly hampered the capacity of SSEOs to consolidate their activities and grow. In response to



2.5.2 Strengthening management

As already explained, management practices in SSEOs vary widely. Whereas large and more professional organizations employ trained staff to perform management functions like accounting and auditing, the small ones tend to rely on their member-workers to carry out these functions. This variation is partly because SSEOs have, in many parts of the world,

largely operated with limited performance reporting requirements, few accounting conventions and only minimal disclosure regulations (Nicholls, 2009: 758).

Nevertheless, SSEOs operate in the same environment with for-profit enterprises, and the resultant competition is increasingly triggering innovations in the management of SSEOs. Some organizations are becoming more competitive, increasing the specialization of their functions, employing professional staff to be in charge of their management functions and using conventional human resource management practices that include negotiating collective bargaining agreements with employees. Case Study 2.2 on Githunguri Dairy Farmers' Cooperative Society in Kenya clearly illustrates how professionalism has improved the efficiency of that organization.

Other organizations are, however, not moving in the direction of the private enterprise but rather are strengthening performance reporting by embracing social audits that focus on reporting progress towards mission objectives within core activities. Such social reporting typically acts as a longitudinal assessment of internal performance and tends to use descriptive metrics which are

this situation, *Chantier de l'économie sociale* recently established *Fiducie du Chantier de l'économie sociale*, a patient capital fund that provides long-term investment capital to SSEOs. Case Study 2.3 elaborates on this initiative.

2.5 Towards efficient management of SSEOs

2.5.1 Conceptualizing efficiency

Efficiency tends to be defined differently in different contexts and for different purposes. More generally, it is normally defined as a measure of how well an institution utilizes available resources (inputs) to maximize results (outputs). In business circles, this entails minimizing inputs while maximizing outputs or profits. Without necessarily restricting ourselves to measurements, we use the term here from its administrative perspective to mean getting the right things done in order to achieve the set goals. Given that SSEOs address social problems within the context of their identity and operating principles, the question that arises is how best can they govern and manage their activities?

typically human in scale. It looks at largely non-comparative, individual or community-level changes or developments (e.g. profiles of target populations or stakeholder characteristics) and some financial information. This audit information provides a narrative of particular actions and objectives and can be used to demonstrate progress over time. Social audits are usually qualitative, which means that they focus on impact measurement through accounting for specific – and, therefore, often partial – descriptive outcomes of strategic action (Nicholls, 2009: 761).

2.5.3 *Overseeing and monitoring*

The point has already been made that members remain the key overseers of their organizations. Organizations that have separated governance and management roles certainly require increased vigilance from their management boards or committees. These SSEOs particularly benefit from boards that are committed to the spirit of social entrepreneurship and the vision of increasing the production of goods and services to the members. Like private enterprises' boards of directors, the members of these organizations' management committees or boards need to put the interests of the members and the wider community before their own personal interests and exercise the duty of care by doing what an ordinary prudent person would do under the same position and circumstances. To execute the essential duty of supervision, the board or committee holds regular meetings to review the organization's operations and management. Once again, Case Study 2.2 illustrates how a committed board of directors can turn around the fortunes of the social economy.

However, in parts of the world where direct participation of members is the norm, the monitoring role is taking a different course. In Brazil, for example, management boards of cooperatives do not meet regularly – largely because these organizations are shunning this mode of governing in favor of direct member participation. The result is the emergence of workers' cooperatives – as in Argentina since the country's economic collapse. In this case, members are vigilantly exercising their oversight role while also playing the management role.

2.6 Key findings

This chapter set out to explain how SSEOs are governed and managed. It is clear from this analysis that these organizations are guided by the principle of democratic and participatory leadership to govern and manage their activities. This takes different forms, ranging from the direct engagement of members in the governance and management processes to the representative involvement of members in separate management and governance functions. Whereas the demands for efficiency and competitiveness are increasingly driving some of the organizations to professionalize their governance and management, others are responding to the same challenges with alternative innovative ways of financing and managing the organizations to keep them people-centered and oriented to their social cause. These innovations demonstrate the entrepreneurial ingenuity of the SSE that is accustomed to responding to emergent problems and crises in society.

Case Study 2.1: Suma wholefoods

Suma is an independent wholesaler of wholefoods based in Elland, UK employing around 150 people. It started in 1974 as a one-person business when the proprietor, Reg Tayler, moved from London to Leeds and opened a retail shop, Plain Grain. In August 1975, at a meeting attended by all the wholefood shops in the north of England, he proposed they set up a wholefoods wholesaling cooperative to supply each other.

Reg and his friends set up in the back kitchen of a house in Victoria Road, Leeds, from where they sold cereal flakes, dried fruits and brown rice. They soon needed more room, and so they rented a lock-up garage nearby – this is where the name ‘Suma’ was first used for the growing business. At the time, Reg was working as a delivery driver for Jonathan Silver, taking clothes to his chain of menswear shops around the north of England. Reg delivered the wholefood orders from Suma in between the “official” deliveries for his boss, who knew what was going on but turned a blind eye to it.

Within a year Suma needed proper premises and, in 1976, it acquired a tiny two-storey warehouse in Wharf Street, Leeds. In 1977, Reg sold the Suma business to the then seven employees, who became the founder members of Triangle Wholefoods Collective, a workers’ cooperative trading as Suma.

In 1978, Suma moved into a much larger three-storey warehouse at 46 The Calls, Leeds. It seemed huge, but rapid expansion of the wholefood market compelled Suma to move to a 70,000 sq. ft. warehouse shed in Dean Clough Mills, Halifax in 1986. There followed 15 years of steady growth in turnover and of the cooperative. There was a corresponding increase in the complexity and sophistication of the business, and the structure of the cooperative went through many modifications to manage this change.

In the early days, the partners would meet once a week to openly and freely discuss strategy and operations and make decisions by consensus. However, over time, acrimony ensued when individual employees started making day-to-day decisions and implementing them. Furthermore, decisions taken one week would be reversed the next week. In 1986, Suma reorganized and created an elected six-person management committee that meets weekly to routinely run the business on behalf of the members. The committee is supported by management staff specialized in personnel, finance and operations. The 150 employees are multi-skilled and all own a share of the business. There is no chief executive and any employee can submit a proposal for consideration by the management committee.

Source: Thompson and Doherty, 2006: 364-365; <http://www.suma.coop/about/a-brief-history/>

Case Study 2.2: Githunguri Dairy Farmers' Cooperative Society, Kenya

Githunguri Dairy Farmers' Cooperative Society was formed in 1961 by 31 dairy farmers in the Githunguri Division of Kiambu District in Central Kenya. Its goal was to collect and market milk from members. Like many other dairy cooperatives, state control over the marketing of milk and the management of cooperatives had stifled its operations to near-dormancy by the mid 1990s.

The liberalization of the cooperative movement since 1997, coupled with a focused and well-intentioned management committee that took office in 1999, significantly helped to turn around the performance of the Society. With the new power to hire and fire staff, the committee hired professional staff to steer the day-to-day management of the cooperative. It also used its power to borrow against the society's property to get a loan of about 70 million Kenya shillings (about Euro 880,000) from OIKO Credit of the Netherlands in 2003 to put up a dairy processing plant. There has been a tremendous turnaround in the fortunes of the cooperative since the commissioning of the plant in 2004.

Membership of the cooperative now stands at 17,000. It has an annual turnover of 3 billion Kenya shillings (about Euro 30 million) and collects an average of 170,000 litres of milk per day, up from 25,000 litres in 1999. It has several vehicles for transporting milk from 41 collection centres in the Githunguri Division of Kiambu District to its plant in Githunguri town. The plant produces four main branded products that are sold in Nairobi: packed fresh milk, yoghurt, ghee and butter.

Besides this activity, the cooperative also provides productive services to its members. These include artificial insemination, extension services and animal feeds in its 31 stores throughout its area of operation. These services are available to members on credit which is recovered from the sale of their milk. These activities have led to tremendous improvement in milk production by members, to which the cooperative has responded by offering competitive prices and promptly paying for members' produce. It sells some of the milk to other processors in Nairobi.

The expansive activities of the cooperative are taken care of by a staff of about 300 employees who are recruited based on an employment policy. Whereas the lower cadre staff is recruited from within the Division, management staff is sought nationally and appointed on the basis of professional qualifications. It is significant that employees have formed a trade union, which has entered into a collective bargaining agreement (CBA) with the management of the cooperative. This is increasingly enabling the cooperative to attract and retain staff more effectively than in the era of state control when there was no employment policy but only the discretion of the Commissioner of Cooperative Development.

Source: <http://www.fresha.co.ke/about-us/githunguri-dairy-farmers-cooperative/>

Case Study 2.3: La Fiducie de l'économie sociale and Finance Solidaire in Quebec

The Fiducie of the *Chantier de l'économie sociale* was established in 2007. For several years, social economy enterprises expressed the need for financial products other than traditional grants and loans and, at the same time, discussed ways to retain long-term capital in their businesses. They wanted new products that would take their social mission into account. Many private and institutional investors were reticent about engaging in the social economy. This, despite convincing evidence of lower loan loss ratios in social economy enterprises and a survival rate twice that of traditional private businesses.

The Fiducie is a response to these needs. It is an intermediary between the financial market and social economy enterprises. The Fiducie offers a product to complement those available on the market already: "patient" capital, in other words, loans with a 15-year capital repayment moratorium. These investments are offered in two forms: operations patient capital – to finance costs related to working capital, marketing of new products and the purchase of equipment – and real estate patient capital – to finance costs that are directly linked to the acquisition, construction, or renovation of real estate assets. The Fiducie works with an impressive network of stakeholders, increasing its capacity to effectively evaluate projects in a realistic and careful manner.

The Fiducie's initial supply of capital came from Economic Development Canada (a grant from the Government of Canada) and a number of investors including two large labour solidarity funds (the *Fédération des Travailleurs du Québec's Fonds de solidarité*, and the *Confédération des syndicats nationaux's Fondation, Fonds de développement de la CSN pour la co-opération et l'emploi*) and *Investissement Québec* (a loan from the Government of Québec). With this initial fund of CAD 52.8 million, the Fiducie can invest in and support the development of social economy enterprises. By attracting different investors, the Fiducie is able to pool risk and reduce the cost of financing for enterprises.

Since it was established in 2007, the Fiducie has invested CAD 11.43 million in 39 social economy enterprises in diverse sectors throughout the regions in Québec. These investments by the Fiducie have generated a total of CAD 66.2 million in investments that have created and/or consolidated more than 1,120 jobs. The leveraging capacity of the Fiducie is almost 1:6, demonstrating the significant impact of its initial investments in social economy enterprises.

Source: Mendell and Nogales, 2009. For more information visit <http://fiducieduchantier.qc.ca>

Chapter 3: Policy framework for developing the SSE

3.1 Introduction

The SSE is a phenomenon that has been gaining increasing economic, social and political visibility. One of its novelties is the way it has been impacting public policy planning, since its subjects – organizations and entities – seek recognition, institutionalization and support for projects and activities.

Public policies for the SSE are evolving and demand the strong and active participation of civil society in their planning, execution and monitoring.

This chapter begins by presenting the background on public policies in the SSE, including the main instruments and trends, as well as the relationship of these policies with “transverse” and “emancipatory” public actions. Following that discussion, some experiences from selected countries in Africa, Asia, Europe, Latin America and North America are presented.

3.2 Public policies for the SSE

3.2.1 Background

Initiatives for producing and rendering social and personal services, organized according to free association and principles of cooperation and self-management, can be found in many countries under many names. Indeed, the existence and growth of this field of practice have brought about programmes and actions in public agencies to promote these practices as choices regarding work, income, social and democratic participation and better quality of life (Gaiger, 2004; Morais & Bacic, 2009).

However, the SSE is characterized by difficulties and contradictions in its definition, conceptualization and measurement and in the delimitation of its activities and organizations. The SSE is a dynamic concept that has been defined differently in various historical and social contexts. Its meaning continues to evolve in response to changing conditions. But despite these difficulties, it is understood that from the economic, social, political and cultural points of view, the SSE has been playing a significant role. Globally, one can perceive this in the growing number of documents, statements, resolutions, conventions and recommendations that renowned international institutions have been producing in the field of the SSE.

Box 3.1: The SSE and its recognition at ILO

In a project to systematize ILO documents and legal instruments, the expression “social and solidarity economy” was found in five ILO documents, two declarations, sixteen conventions and six resolutions, besides other records and memoranda, including resolutions of the UN General Assembly. It is also interesting to note the direction of ILO technical activities that support SSE initiatives in Africa; there is recognition of the SSE and its relationship with advice on policy and law; improving and supporting access to finance; and capacity building (Poorter, 2010).

Another global reality is the considerable number of SSEOs. According to the definition of the ILO Regional Conference in Johannesburg (2009), which adopts a broad view of the SSE, the SSE is considered to be “enterprises and organizations, in particular cooperatives, mutual benefit societies,

associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity".¹

From this perspective, it is worth mentioning that:

- According to the International Cooperative Alliance² (ICA), there are almost one billion cooperative members and more than 100 million jobs in its 91 member countries. In Canada, Honduras and Norway, one in every three people is a cooperative member, whereas in the United States the ratio is 1:4, and in Kenya it is 1:5. In China, Argentina, Brazil and Malaysia, there are 180 million, 9 million, 6 million and 5.5 million cooperative members, respectively.
- According to the International Cooperative and Mutual Insurance Federation³ (ICMIF), the mutual market share at the end of 2008 increased from 2007 to 24 per cent. Of the largest ten insurance countries representing 77 per cent of the world market, five have over 30 per cent of their markets in mutual and cooperative businesses (the United States - 30 per cent, Japan - 38 per cent, France - 39 per cent, Germany - 44 per cent and The Netherlands - 33 per cent). This is derived from a sample of 2,750 mutual and cooperative insurers.
- The International Association of Mutuality⁴ (IAM) is a group of autonomous health insurance and social protection bodies operating according to the principles of solidarity and non-profit-making orientation. IAM has members in Europe, Latin America, North America and north and sub-Saharan Africa. In Europe alone, there are 102 million affiliates and 168 million beneficiaries.
- The **World Council of Credit Unions**⁵ provides its members with the opportunity to have their own financial institution and helps them create opportunities for starting small businesses, building family homes and educating their

children. It is present in 97 countries on all continents and has almost 50,000 credit unions and 184 million members. In 2009, they had surpassed US\$1 trillion in financial transactions (assets).

- The International Raiffeisen Union⁶ (IRU) is a worldwide voluntary association of national cooperative organizations whose work and ideas are based on Friedrich W. Raiffeisen's principles (i.e. self-help, self-responsibility and self-administration). It was founded in 1968 and has more than 900,000 cooperatives and 500 million members in over 100 countries.
- Events such as the World Social Forum, the International Meeting on the Globalization of Solidarity, the Intercontinental Network for the Promotion of the Social Solidarity Economy, the Asian Citizens Assembly for Solidarity Economy, the Forum for New World Governance and the International Conference on the Social Economy show us that many other "bottom-up" experiences are taking place all over the world, even if they have not been properly accounted or systematized yet.

Therefore, one perceives that the share of the SSE is growing in terms of employment, economic importance and societal penetration.

Bearing in mind these developments, the main concern at the outset might have been the conceptualization of the phenomenon; however, today, it is rather the question of the relationship with public policies. This topic is a challenge for both knowledge and action (Laville *et al.*, 2006).

The SSE is gaining more importance today with the unfolding of the global crisis and its only slightly inclusive and environmentally sustainable model of development. This crisis presents the opportunity to: 1) rethink the way of life in a society that suffers from exclusion, inequality, poverty and global

¹ Plan of Action for the Promotion of Social Economy Enterprises and Organisations in Africa, ILO, 2009.

² <http://www.ica.coop/al-ica/>

³ <http://www.icmif.org/>

⁴ <http://www.aim-mutual.org/>

⁵ <http://www.woccu.org/>

⁶ <http://www.iru.de/>

warming; and 2) plan more comprehensive and democratic public policies which comprise production inclusion, social equality, poverty eradication, reduction of wealth concentration and environmental sustainability.

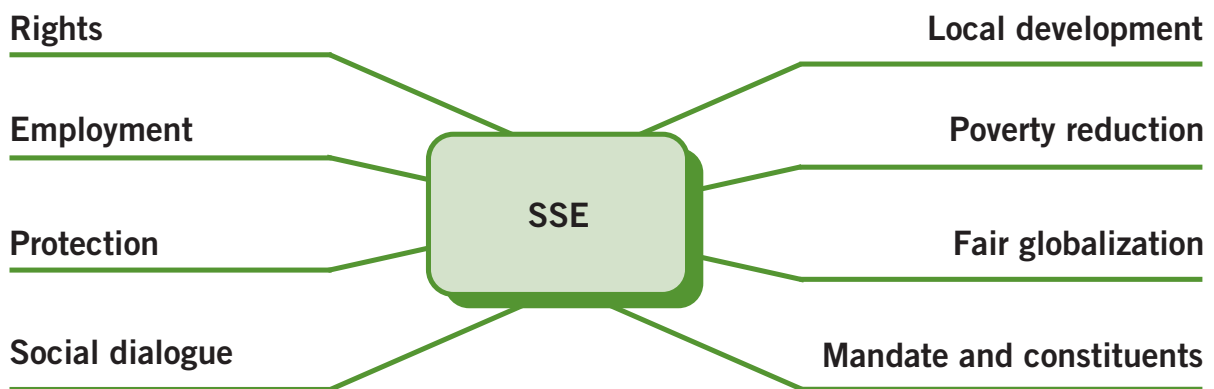
Box 3.2: Crisis and opportunities

This period of crisis in which we find ourselves is not only a threat, but also an opportunity to lay the basis of a better economic model. The SSE enterprises can contribute towards designing this new model as they represent another business format based on value like long-term benefit, the primacy of people over capital and respect for the environment (...). Therefore, it is all about working to generate a new growth model based on more transparent, more sustainable and in short, more responsible corporate action. A growth model that is committed to job creation, to investing in human capital and fighting social exclusion.⁷

These challenges had already been pointed out by Schwettmann (2006) when he discussed the role of SSE entities and the Decent Work Agenda (DWA).⁸ In his opinion, there is a perfect convergence between the objectives of the SSE and the aims of the DWA, because:

- the values and principles upon which SSE enterprises are based include respect for the fundamental principles and rights at work (rights);
- in a number of countries, the SSE provides employment to more than 10 per cent of the economically active population (employment);
- SSE enterprises have long proven their unique ability to extend social protection and social services to people and communities not covered by formal social security systems (protection);
- a large number of SSE organizations represent the voice and interests of those who are not normally represented by the traditional social partners, i.e. trade unions and employers' organizations, small farmers represented through agricultural marketing and supply cooperatives, informal economy operators organized in street vendor associations, etc. (social dialogue).

Figure 3.1: The SSE and the DWA



Source: Based on Schwettmann (2006).

⁷ Conclusions of the European Conference on Social Economy – Toledo, Spain, 2010 (<http://www.socialeconomy.eu.org/IMG/pdf/2010>).

⁸ DWA reflects the concerns of governments, workers and employers, who together provide the ILO with its unique tripartite identity. DWA is captured in four strategic objectives: fundamental principles and rights at work and international labour standards; employment and income opportunities; social protection and social security; and social dialogue and tripartism. The ILO works to develop decent work-oriented approaches to economic and social policy in partnership with the principal institutions and actors of the multilateral system and the global economy (<http://www.ilo.org>).



A social enterprise in tourism and cultural services in Genoa and in Liguria

3.2.2 Trends and instruments

The emergence of SSE policies initiates a phase of building a new model for the relationship between government action and civil society. The idea of “policy in progress” is related to the fact that these are recent experiences with “experimental” methodologies which are applied heterogeneously. On the other hand, there are great challenges in making public policies for the SSE effective, given their institutional fragility and vulnerability in relation to political conjunctures (França Filho, 2006).

Box 3.3: Public policies for the SSE: Heterogeneous actions

Based on analyses of international experiences, public policies for the SSE generally encompass:

- actions for professional qualification for informal segments;
- conventional initiatives to disseminate microcredit;
- promotion of popular cooperatives incubation;
- support for the organization of associativism;
- establishment of SSE public centres.

This “heterogeneity of actions” responds to the fact that different governments and their agencies are diverse in their understanding and recognition of this topic.⁹

Box 3.4: SSE issues to be addressed

This raises some issues, such as the ones enumerated by Schiochet (2006):

- How to institutionalize the SSE in governmental structures
- The centrality and interfaces of the SSE in other policies
- How to “territorialize” government action
- How to establish permanent and effective mechanisms for SSE participation in policy management

Given the character of building and experimentation in such policies, it is possible to identify some public policy instruments for the SSE:

- Training, basic education and professional qualification
- Technical advice and assistance for the establishment, incubation and consolidation of enterprises within the SSE
- Development of and access to appropriate technologies
- Access to solidarity credit and financing
- Definition of legal and regulatory frameworks
- Definition of governmental structures, at different levels, for SSE action
- Definition of specific and transverse programmes and policies for the SSE
- Constitution and organization of supply (logistics and infrastructure) and demand (public purchases and market) on the sector's production

These numerous instruments reveal the different “formats” in which public policies for the SSE have been designed and implemented internationally. Although this theme still needs more reflection, it

⁹ It suffices to analyse the place which the SSE occupies in some governmental structures. As França Filho observed (2006:264): “the level of conception and structuring in a solidarity economy policy depends directly on the sensitivity of the managers involved, who, on their turn, are directly influenced by the level of organisation in social movements”.

can be foreseen that public policies for the SSE differ in terms of:

- policies that affect SSE organizations directly in their legal and normative impositions, such as those that establish cooperatives and mutual societies;
- macroeconomic (fiscal and financial) policies that privilege SSE organizations, allowing for, as examples, subsidized interests and easier access to credit;
- policies designed to be implemented at different geographic levels (i.e. local, regional and/or national);
- policies designed to activate certain sectors of the economy and/or specific groups, such as policies to foster agriculture, low-income housing, youth employment generation, etc.

In many cases, as it will be seen, parts of these policies are not even considered as such; they are just supporting instruments/mechanisms for certain SSEOs.

For a systematized view on these instruments, Neamtan & Downing (2005) suggest four major categories for public SSE policies:

- 1) **Territorial policy:** This aims at supporting local communities to create networks, strategic planning processes and collective projects. Some examples include Spain's Community Strategic Guidelines; the United Kingdom's Community Interest Company; the United States' Low-profit Limited Liability Company; Quebec's Local Development; Australia's Regional Partnerships Programme; and Brazil Local.
- 2) **Generic tools for development:** These are employed to allow access to suitable investment tools, adequate markets, research and development and tools to help ensure efficient management practices and training and management systems.
- 3) **Sectoral policies:** These policies support the emergence or strengthening of particular economic sectors (including the environment,

personal services, housing, new technologies, communications, tourism, food services, culture and many others) and are important tools for the development of the SSE.

- 4) **Policies in favour of target populations:** These policies open up possibilities for integrating citizens considered unproductive into the work force and make it possible to support the socio-economic integration of target groups (e.g. youth, the disabled, recent immigrants). Some examples include Mexico's Priority Groups Assistance Fund; Senegal's Economic Interest Groups and South Africa's Second Economy.

3.3 Constructed from the bottom up

To be more effective, a fundamental aspect of public policies for the SSE is that they must be constructed based on "co-production"; that is, they must be conceived as a result of citizens' collective action. Governments do not have the same capacity as civil society actors to identify emerging needs and new practices to promote integrated development.

Box 3.5: Public SSE policies: Bottom-up idea

For successful public policy to emerge, government must play a role in supporting and allowing social economy actors to define their priorities and to negotiate the nature and the scope of government interventions in the field of the social economy. This process of co-production of public policy is an inevitable part of the challenge in identifying appropriate policy. (Neamtan & Downing, 2005: 19).

In other words, this should not be seen as the product of a "public" construction, but "as the result of processes of interactions between associative initiatives and public policies" (Laville, 2006:27). These are policies that must be designed based on "reciprocal interactions" from "the bottom up", as they suppose a dynamic relationship with civil

society. Civil society organizations have an accumulated knowledge of the SSE practical reality and can increase the scale of their activities based on the interaction with the public power either in conceiving or applying public policies to encourage, promote, support, monitor and disseminate the SSE.

This is why effective public policies for the SSE emphasize non-economic dimensions, such as aspects of social organization of groups in their territories. These policies represent a specific form of managing actions to generate job and income, since they are founded on a strategic concept of territorial development. Public policies for the SSE, when planned and implemented along these lines, are policies for the “organization of society”, with more extensive socio-productive impacts that articulate in a specific territory (França Filho, 2006a).

Box 3.6: The SSE and its territorial impacts

It concerns the attempt to operate new institutionalities or territorial regulatory frameworks, re-signifying the meaning of economic practices that are to function in close relationship with the very social, political, cultural and environmental life in their respective territories. The economic starts to make sense only in relation to other spheres of social life and as a mode of associative articulation between local producers and consumers to avoid exclusion processes. (França Filho, 2006 a: 266).

This planning and implementation profile for public policies is consistent with the territorial policies described previously. The policies to support local communities (to create networks, strategic planning process, etc.) refer to policies of local/municipal scope. Examples include:

- **Brazil:** Oportunidade Solidária [Solidarity Opportunity], created in 2001 by the Department

of Development, Labour and Solidarity of the government of the city of São Paulo, and the Diretoria de Economia Popular e Solidária [Office of Popular and Solidarity Economy], established by the municipal government of Recife

- **France:** the implementation of SSE policies in Rennes and Nantes
- **Canada:** the important Canadian Community Economic Development Network, a local programme to generate economic opportunity and enhance social conditions in the communities
- **United States:** the New Market Tax Credit, which provides credit for community investors
- **Australia:** the Area Consultative Communities, which work to “find local solutions to local problems” as part of the regional Partnerships Programme
- **New Zealand:** the Community Economic Development Action Research Project, which formulates local community projects.

3.4 Transverse actions

The SSE has a transverse character; that is, it can mobilize different areas of public action. In addition to its economic objectives (generation of job and income), social objectives (improvement of sociability conditions, strengthening of territorial ties) and political objectives (creation of public spaces for problem discussion and solving), the SSE can mobilize a cultural and environmental dimension.¹⁰

In fact, this transversal character is not fully effective in today's reality because there is a lack of articulation among government agencies at different levels. There are many reasons for this, including mere ignorance, political disputes and institutional fragility. The very novelty of the topic also matters, for it needs to be better explored by policy makers and the society as a whole.

However, it is possible to identify some experiences with sectoral policies in which actions based on SSE

¹⁰ As França Filho (2006 a:264) says: “It is in this sense that solidarity economy projects can be and are undertaken by different government departments, involving different themes, such as environmental education, transportation, sport and leisure, housing, food security, etc.”.



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Farm workers harvesting guava, Kurunegala District, Sri Lanka.

principles have been carried out to achieve other social and political objectives. In Canada, for instance, the Cooperative Development Initiative is a joint federal government cooperative activity that, in partnership with regional organizations, provides support for the establishment of cooperatives to act in priority areas, such as health care, home care, integration of immigrants, environmental challenges, etc. (Neamtan & Downing, 2005). A number of governments provide support to develop SSE entities that generate jobs: in the European Union for recycling and rendering of social services; in Nigeria for education (*Programme Décennal pour Le Développement de L'Éducation* [Decennial Programme for the Development of Education]); in Senegal for housing (*Bureau d'Assistance aux*

Collectivités pour l'Habitat Social [Office for Assisting Cooperative Housing Projects]); and in Brazil for socio-environmental sustainability (the approval of the National Policy on Solid Waste in 2010).

3.5 Possibilities of “emancipation”?

Another topic currently receiving a lot of attention is the potential for the emancipation of marginalized sectors after the establishment of businesses based on the SSE. An example of this is seen in transforming cash transfer programmes into “emancipatory” programmes.

Over the last ten years, programmes of conditional cash transfer have aimed to alleviate poverty and break its intergenerational circle.¹¹ These programmes usually provide cash transfer to poor families, conditional on children attending school and on children and pregnant women undergoing regular medical check-ups.

Soares et al. (2006) state that “these programmes have existed for decades and have passed through innovations and expansions since the end of the 1990s”. These innovations are related to more recent initiatives, which emphasize a new dynamic way to tackle poverty based on providing support for beneficiary families so that they find “exit doors”, or are “emancipated”, from their current state of poverty. For Soares & Britto (2008), this approach would imply integration with other policies and programmes derived from a strategy for more extensive development that would include economic opportunities, empowerment and activities to generate job and income.

In the international ambit, more conclusive investigations on the impact of such programmes are ongoing. In one example in Brazil, however, one can foresee that within the SSE, there is a favourable environment to attain policies and practices that

¹¹ Examples of these programmes are: *Programa Bolsa Família* [Family Allowance Programme] in Brazil; *Red Solidária* [Solidarity Network] in El Salvador; *Tekoporã* in Paraguay; *Chile Solidário* [Solidarity Chile] in Chile; *Oportunidades* [Opportunities] in Mexico; *Bono Solidário* [Solidarity Voucher] in Ecuador; and *Familias en Acción* [Families in Action] in Colombia.

meet the idea of beneficiaries' "emancipation" (Morais & Bacic, 2008; 2009).¹²

3.6 The SSE in selected countries

Building and strengthening supporting public policies is fundamental in the SSE. It is important for governments to recognize that the advancement of the SSE contributes to the socio-economic development of a country.

While it is not possible to discuss the whole range of experiences in public policies for the SSE in the international arena, we present here some examples from selected countries.

3.6.1 Africa

Given the history of poverty and social exclusion, as well as the urgency in development projects in a region marked by serious social, political, cultural, ethnic and racial conflicts, SSE practices are rather related with philanthropy and actions of non-governmental organizations (NGOs). However, today in some countries, there are advancements concerning the planning of socio-economic development projects that prioritize peace, democratic participation, governance and regional cooperation.

Box 3.7: The SSE and international recognition

The social economy is absolutely vital to the recovery of African economies. (...) Its importance is derived instead from the distinctive social goals and rationale of the social economy.¹³

- Ebrahim Patel, Minister of Economic Development, South Africa¹⁴

Most governments support some aspects of the SSE and have developed policy and legal frameworks for their promotion. For example, in Anglophone Africa (Kenya, Tanzania and Uganda) there are policies to support the development of the cooperative movement and mutual benefit associations to provide health insurance. These countries have also developed cooperative laws and have agencies to regulate the development of the cooperative movement.¹⁵ There are no specific policies for the development of mutual benefit societies, community-based organizations and social enterprises in Anglophone Africa, but their promotion is addressed in other broader policies on cross-cutting issues like poverty alleviation, gender, health promotion, environmental conservation, etc. There are also various government departments that support the development of these organizations.

Some countries, such as Mali, Nigeria and Senegal, have incorporated a commitment to develop the

¹² It is recommended to read the studies by the International Poverty Centre at <http://www.undp-overtycenre.org/>, and specifically for the Brazilian case, data from the Sistema de Informações da Economia Solidária-SIES [System of Information on Solidarity Economy] of the Secretaria Nacional de Economia Solidária-SENAES [National Secretariat of Solidarity Economy] at http://www.mte.gov.br/ecosolidaria/secretaria_nacional.asp

¹³ This recognition appears also in the "Outcomes of the Preparatory Meeting of Experts on the 1st African Decent Work Symposium on 'Together addressing the implications of the financial and economic crisis on Africa's people': "The constituents should use the potential of the social economy in creating alternative livelihoods, providing micro-finance solutions, boosting fair trade and establishing solidarity-based protection" (Addis Ababa, 2009), according to material compiled by Poorter (2010).

¹⁴ ILO Regional Conference "The Social Economy – Africa's Response to the Global Crisis", Johannesburg, 19-21 October 2009.

¹⁵ Further information at: www.ilo.org/coopafrika

SSE in their government structures.¹⁶ Mali, for example, created the Department of Economic Solidarity and, since 2003, has been counting on the support of a national network for the research and development of strategies for the SSE called *Réseau National d'Appui à la Promotion de l'Économie Sociale et Solidaire* (RENAPESS) [National Network for the Promotion of the Social and Solidarity Economy].¹⁷

Based on the objectives of the National Poverty Strategy, Senegal, through its *Ministère de la Solidarité Nationale* [Ministry of National Solidarity], develops programmes to reduce poverty and generate employment and wealth based on collective, collaborative and sustainable values. In the same manner, Nigeria develops the “Economic Empowerment Development Strategy”.

In North Africa, countries such as Algeria, Morocco and Tunisia count on SSE projects. Tunisia’s “Program for Tomorrows”, which was launched in 2004, prioritizes organizations that promote the “approach to solidarity”. In Tunisia, solidarity and participant efforts by the government and civil society aim to build mechanisms to face poverty, exclusion and inequality.

Box 3.8: Tunisian Solidarity Bank

Founded in 1997, the Tunisian Solidarity Bank (BTS) is a microfinance institution established by Tunisian President Ben Ali to finance private micro-projects in Tunisia. BTS approves loans of up to US\$9,500 with a maximum annual interest rate of 5%, a loan repayment schedule of up to seven years and a flexible grace period of three to twelve months.¹⁸

In Morocco, Solidarity and Development, Morocco (SDM) is a local association established in 1998 by volunteers to mobilize the skills of every person to launch a solidarity network among the inhabitants of discriminated districts. The Government of Morocco considers the SSE to be a key strategy to fight poverty and social exclusion and to improve living conditions. The department of the social economy within the Ministry of Economic Affairs established a strategic policy framework that takes into account the transversal, multisectoral nature of the SSE and its regional and local characteristics. Government policy recognizes the importance of respecting regional priorities. Government programmes support revenue-generating initiatives through funding and accompaniment. Other measures related to evaluation, adapting the legal framework, promotion and international cooperation are part of the government’s strategic SSE initiative.

3.6.2 Arab States

Many in the Arab region have enjoyed periods of stability that have supported socio-economic development and dialogue, while others (such as Iraq, Lebanon and the occupied Palestinian territory) have suffered from social and civil unrest which jeopardize sustainable economic progress and social development. While most enterprises suffer in times of conflict, the cooperative form of enterprises has demonstrated its resilience to economic crises, as cooperatives “aggregate the market power of people who on their own could achieve little or nothing, and in so doing they provide ways out of poverty and powerlessness” (Birchall and Ketilson, 2009, apud Esim & Omeira, 2009). In particular, people in rural areas can establish cooperatives to share risks, pool resources, accumulate savings and provide credit. Despite the potential of cooperatives to respond to the social and economic goals of their members and of society, the development of cooperatives in Arab States has faced many obstacles.

¹⁶ We recommend the reading of the already mentioned document, ILO Regional Conference, “The Social Economy” (2009), chapter 4.

¹⁷ Further information at: <http://www.ccednet-rcdec.ca/?q=en/node/927>

¹⁸ <http://www.microcapital.org/microcapital-story-tunisian-solidarity-bank-bts-receives-african-banker-magazine-trophy-for-micro-credit-bank-of-the-year/>

Box 3.9: The SSE in Arab countries

Reducing urban biases in economic policies and shifting focus to supporting rural employment generation, through mechanisms such as cooperatives, can support women and men in these communities to enhance their livelihood options and to improve the quality of life for their families and communities. An enabling environment for cooperatives necessitates better contextualized cooperative laws, facilitating the establishment of cooperative federations, encouraging related research and data collection, and legal and economic literacy on cooperatives for local communities. Support for cooperatives, however, needs to be on the basis of equal treatment with other forms of organizations, to protect cooperative autonomy and independence. (Esim & Omeira, 2009).

3.6.3 Asia

In Asia, the SSE is commonly referred to as the “people’s economy”, “compassionate economy” or “solidarity-based economy”. The first Asian SSE forum was held in the Philippines in 2007; it gathered delegates from more than 26 countries who were seeking articulation to favour an Asian solidarity economy and inclusion in the political decisions of their countries (Tremblay, 2009).

Among Asian countries, Bangladesh is an international reference regarding microcredit and forms of access to financial resources for the low-income population. Grameen Bank¹⁹ is an exemplary case, successful and world-known for the use of microcredit as a way to reduce poverty and generate opportunities for millions of socially and economically vulnerable people. This experience has been disseminated in other parts of the world, serving as inspiration for the planning of public policies in the field of the SSE.



Rural cooperative (supported by the ILO) gathering women from the district of Lahore, Pakistan.

¹⁹ <http://www.grameen.com>

In Japan, the SSE covers social enterprises, community business and non-profit finance including the microcredit system, fair trade, promotion of the local and neighborhood economy, advocacy for social regulation of the market system, etc. Through the “lost decade” of the 1990s, this new style of economic practice has developed enormously and resulted in the 1989 Law on Non-profit Organizations (NPOs), which for the first time officially recognized NPOs/NGOs as legal subjects. Since then, NPOs in Japan and their activities have been increasing constantly (NISHIKAWA, 2010).

3.6.4 Europe

In recent decades in Europe, there have been innumerable examples of public policies directed to the SSE. This reflects the SSE’s visibility and social and political recognition by policy-makers, who acknowledge its importance for the multidimensional (i.e. economic, social, democratic and cultural) development of their countries.

These policies are heterogeneous as a result of the different national contexts (political, economic, historical, social, cultural and institutional) in which they developed. According to Chaves (2002), public SSE policies in Europe can be divided into five main types:

- **institutional:** recognition of the SSE as a social actor and dialogue;
- **dissemination, education and investigation:** production of knowledge and dissemination of the sector;
- **financial:** availability of funds to finance projects;
- **support:** technical information, assistance etc.;
- **demand:** provision of services contracted by the public administration and rendered to the society.

Although there is still a lack of consensus in conceptualizing the SSE and defining its entities, it is interesting to observe that the SSE generated more

than 11 million jobs in the European Union from 2002–2003,²⁰ a number that certainly is even greater today.

In many European countries, regions actively support the SSE. The regional approach is facilitated by the decentralized management of the EU funds for regional development and social cohesion. The regions normally fund support structures and specific initiatives to promote the social economy. In Spain, regions can even improve with specific legislation to supplement the national cooperative law. In Andalusia, the regional government has signed a pact with the social economy organizations and the trade unions. This is replicated by local pacts in Seville and Cordoba. Support for innovation, training, investments, interest rates, credit guarantees, access to land and facilities as well as support to social enterprise are concrete measures of the pact. In Northern Ireland, the regional government has a strategy for 2008–2011 to support the social economy developed in partnership with the Social Economy Network. The strategy is focused on local development and social enterprise in cooperation with the public sector and private business. In France, the PACA region is illustrative; its Progress programme covers 20 support measures such as start-ups, solidarity finance, microcredit, workers buy-out, mentoring, experimentation and development agents.

The social economy in Spain has its own consolidated definition, besides a high degree of legal, economic, political and social recognition (Barea & Monzón, 2002; Montolio, 2002).²¹ In 2010, the government approved the *Proyecto de Ley de la Economía Social* [Social Economy Bill], which recognizes the importance of promoting, stimulating and developing social economy entities and their most representative organizations. The main goal of this Act is to establish a legal landmark to provide greater visibility and legal and institutional security for the sector, reiterating its economic and social recognition.

²⁰ Research carried out by Ciriec – International Centre of Research and Information on the Public, Social and Cooperative Economy, commissioned by the European Economic and Social Committee.

²¹ After a decade of discussions, it was established that social economy comprises “non-market” entities, such as associations and foundations, and “market” entities, such as cooperatives, worker-owned companies, agrarian processing companies, mutual societies and other non-financial commercial companies.

France was the first to recognize the SSE in its political and legal structure. In 1983, the *Délégation Interministérielle à l'Économie Sociale* [Interministerial Delegation on the Social Economy] was created and regulated by the Decree n. 81-1125. Since the Decree n. 2010-95, the Delegation has merged into the *Direction Générale de la Cohésion Sociale* [General Delegation on the Social Cohesion]. The new entity is also in charge with social and medico-social policies and gender equity. In 2001, the *Comité National de Liaison des Activités Mutualistes, Coopératives et Associatives* (CEGES) [National Liaison Committee for Mutual, Cooperative and Associative Activities]²² was founded, with the aim of inspiring the emergence and operation of collective organizations, in addition to providing them with an institutional and legal environment.

The Italian parliament was the first to introduce the expression “social solidarity cooperative” in 1991, followed by many other European countries such as Finland, Greece, Hungary, Portugal and Spain.

The Swedish local development agencies for the social economy (*Cooperation*) were based on an experience brought over in the 1980s from Great Britain (Cooperative Development Agencies) as an instrument to combat youth unemployment. The large traditional cooperative sector and the government agreed upon the new initiative. It focused on small-scale cooperative entrepreneurship for local development and social services. The local and regional authorities became supporters, funders and members of the new agencies, and other SSE organizations joined as well. After a few years, the government programme became a permanent budget line. This experience also led several regions and local authorities to establish social economy action plans in partnership with the sector.

In the United Kingdom, the British government encourages and supports the constitution of “social enterprises” as businesses run with economic and social purposes; they operate in a number of

economic sectors, such as industry, social services, recycling and agriculture, among others. Most of the social enterprises make profits and reinvest them in their own businesses and/or in the communities where they operate. Unlike commercial businesses, they are not driven by the need to produce profit for shareholders and owners, because they are businesses with primarily social objectives.

Box 3.10: The SSE in the European Union

According to the European Parliament Resolution, Social Economy Europe is the EU-level representative institution for the SSE, which was set up in November 2000, under the name CEP-CMAF.²³ At the European level, the SSE represents approximately 10 per cent of all European companies (approximately 2 million undertakings) and 6 per cent of total employment. In these times of crisis, it is appropriate to remember that the SSE provides stable jobs – difficult to relocate as a result of their territorial anchorage – and provides an opportunity to reintegrate vulnerable groups into society and working life.²⁴

3.6.5 Latin America and Caribbean

In this region, the importance of the SSE and its practical actions are growing. More recently, government policies in this field have been planned as a mechanism to face unemployment, poverty, social exclusion and inequality, which are structural characteristics of the region.

By 2003 in Argentina, there were a growing number of programmes to foster the SSE and initiatives to strengthen the structures that represent its movements. Among the main supporting activities, defined as “Commitment for the SSE”, is a system of regional technical assistance, financial help programmes and an education and qualification programme. Government actions also derive from

²² <http://www.ceges.org/>

²³ <http://www.europarl.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy>

²⁴ <http://www.eutrio.be/social-economy-conference>

resources made available by the Act n. 23.427, which created a fund for cooperative education and promotion and for the promotion of the solidarity economy, with a focus on more vulnerable population groups. For these groups, associated work cooperatives are seen as instruments of social inclusion and an answer to unemployment, informality and labour precarization (Vuotto, 2010).

The programme “*Manos a La Obra*” [Let’s get to work] aims to support local development initiatives in regions with few resources in order to improve their socio-economic conditions. Among its main tools are economic and financial support for viable and sustainable production and community initiatives; institutional strengthening for the advisory boards of civil society associations and organizations; and technical assistance and qualification for their participants.

In Bolivia, the strengths of local initiatives may provide alternatives to the conventional forms of poverty alleviation. In this country, since the Constitutional Reform by Evo Morales, the SSE has facilitated the participation of those normally excluded because of age, gender or physical handicaps. It offers them the advantages of social networks and paid work, which help them sustain their families. Furthermore, the SSE facilitates the return of the benefits of work to the community as a whole.

In Brazil, public policies for the solidarity economy were legitimized in 2003, with the creation of the *Secretaria Nacional de Economia Solidária* [National Secretariat for Solidarity Economy] (SENAES), an agency linked to the federal Ministry of Labour and Employment. SENAES consolidates a long history of mobilization and articulation in the solidarity economy movement. The *Fórum Brasileiro de Economia Solidária* [Brazilian Forum for Solidarity Economy] and the *Conselhos Estaduais e Nacional de Economia Solidária* [State and National Councils for Solidarity Economy] served as support for its emergence and strengthening. Consequently, the programme *Economia Solidária em Desenvolvimento* [Solidarity Economy in Progress] gained power,

marking the introduction of specific public policies for the solidarity economy at the national level.

Today, SENAES prioritizes the following areas as public policies for the sector:²⁵

- development and technical assistance for solidarity economic enterprises and networks of solidarity economy cooperation;
- promotion of local development;
- development of solidarity finances;
- education of trainers, educators and public administrators;
- organization of the national system of fair and solidarity trade;
- recovery of companies by workers organized into self-management.

Box 3.11: Public policy to develop the SSE

Among the programmes developed by SENAES in Brazil, *Brasil Local* [Local Brazil] encourages the organization of companies managed by workers, making it easier to access supporting public policies such as qualification, community credit and equipment. This programme is designed for the most vulnerable sectors of rural and urban areas, with a focus on women, youth, traditional peoples and beneficiaries of income transfer programmes.

In Colombia in 1998, Act 454 introduced remarkable transformations in the relations between the State and the SSE, especially concerning the functions of the new Superintendency of Solidarity Economy, a regulatory agency for the organizations that compose it. In 2006, Decree 4588 regulated the organization and functioning of public policies relating to associated work cooperatives, and derogated the Decree 468 of 1990. This meant some changes in the organizations that represent the cooperative sector, which started to operate jointly with the Presidency of the Republic, the Ministry of Social Protection and the Superintendency of Solidarity Economy (Davila & Medina, 2010).

²⁵ http://www.mte.gov.br/ecosolidaria/ecosolidaria_default.asp

In Colombia, there is progress in the process of *concertación* [concertation] between the financial cooperative sector and the government to reactivate Coopdesarrollo, which has merged with Coopecentral, creating a programme as a new entity, that operates based on a unified technological network. Another public policy tool developed in the country concerns the programme *Banca de Oportunidades* [Opportunity Bank], which promotes access to credit for citizens with few financial resources and no access to bank services.

In Ecuador, the 1998 Constitution linked the economy to principles of efficiency, solidarity, sustainability and quality. Some provisions were made to ensure protection of peasants and small farmers. Article 283 starts: “The economic system is social and supportive; it recognizes the human being as a subject and an end; seeks a dynamic and balanced relationship between society, state and market, in harmony with nature; and its goal is to guarantee the production and reproduction of the material and immaterial conditions that make the good life possible.” Distribution of wealth, full employment and responsible consumption are among its objectives; and economic stability is defined as the sustainably highest level of production and employment. These principles are very important to fostering public policies on the SSE.

In Mexico, the advancement of the SSE occurred after the Federal Act of 2004, conceived to promote activities carried out by civil society organizations. Government intervention actions in favour of these activities can be divided into four parts: production development fund; regional development fund; priority groups assistance fund; and community development fund.

Several community initiatives in Venezuela are all based on endogenous development, operating with the support of legislation that strengthens social transformations in the country. This legislation concerns the Act of Popular Economy and advocates the idea of integrating its economic,



Rice farming in the Kandal province, Cambodia.

social and cultural potential in favour of local autonomy and generating collaboration networks between production and consumption activities.

The *Banmujer*, the Institute for Rural Development, and the Institute for Cooperative Education were created as a result of this legislation. According to the legislation, the Solidarity Exchange Groups have been established “to develop practices of solidarity-based exchange of goods, services and knowledge to stimulate a communal identity and social relations inside the communities, strengthen the communities in their relation to the public institutions and develop sustainable production projects, especially food production”.²⁶ Moreover, one of the greatest innovations brought about by this legislation was the introduction of a “new communal currency” that circulates exclusively among Solidarity Exchange Group members.

3.6.6 North America

This region, especially Canada, shows the important role of an organized civil society in creating innovative strategies for socio-economic development and dynamization of degraded territories.

Canada has a long history of supporting cooperative development, particularly in the agriculture sector. In 2004, the Government of Canada launched a

²⁶ For further information, see: <http://venezuelanalysis.com/analysis/4458>

social economy initiative with four components: capacity building; start-up capital for investment funds; research; and adaptation of existing SME programmes to the specificities of social economy enterprises. A change in government brought an end to these programmes. The most dynamic public policy environment is in the province of Quebec, where the SSE is recognized as an integral part of the socio-economic infrastructure. A wide range of sectoral policies supports its development, including non-profit and cooperative housing, early childhood education, homecare, labour force integration of marginalized groups and recycling. Access to loans and equity is supported by direct government intervention and by fiscal policy.

The SSE is seen as an important part of regional and local development. A government action plan, involving eight ministries, was adopted in 2008 and is coordinated by the Ministry of Municipal Affairs and Regional Development. The Quebec Government works in close partnership with the *Chantier de l'Économie Sociale* [Social Economy Shipyard],²⁷ a civil society organization made up of SSE enterprises, social movements and local development networks.

The United States has no specific policies on the SSE, although it has presented laws for cooperatives. Resources come principally from private sources, membership involvement and market activities. However, certain fiscal tools have created an enabling environment for the SSE: The Community Reinvestment Act, enacted in 1977 and revised in 1995, requires financial institutions to help meet the needs of the entire community in which they do business. This was an incentive for the financial institutions to create partnerships with local associations to manage investment funds that benefited many SSE initiatives. A federal Community Development Financial Institutions (CDFI) Fund injects capital into local funds that provide capital grants, equity investment and technical assistance to private and SSE initiatives. The White House Office on Social Innovation,

created by the Obama administration, is exploring new ways to support social enterprise.

3.7 Key findings

- The SSE is a reality and from the economic, social, political and cultural point of view, the role played by the SSE is significant; its share is growing in terms of employment, economic importance and societal penetration.
- If the initial main concern was the conceptualization of the phenomenon, today's burning question relates to the relationship with public powers.
- It is possible to identify some public policy instruments for the SSE, including: definition of legal and regulatory frameworks; definition of government structures, at different levels, for SSE actions; definition of specific and transverse programmes and policies for the SSE; training, basic education and professional qualification; technical advice and assistance for the establishment, incubation and consolidation of enterprises within the SSE; development of and access to appropriate technologies; access to solidarity credit and financing; constitution and organization of supply (logistics and infrastructure) and demand (public purchases and market) on the sector's production.
- To be more effective, public policies for the SSE must be conceived as a result of citizens' collective action ("co-production").
- The SSE has a transverse character and concerns different areas of public action.
- Meeting the main challenges for a policy and legal framework supportive of the SSE requires: a major institutional role for the SSE; adequate legislation, regulations and norms; tools for impact assessments; better integration of policies among different government levels (sectoral and regional); a reinforced dialogue between civil society organizations and the political decision-makers.

²⁷ <http://www.chantier.qc.ca/>

Case Study 3.1: Secretaria Nacional de Economia Solidária SENAES (National Secretariat for Solidarity Economy) – Brazil

Major actors

- Organized workers in collective production projects; popular cooperatives; production, commercialization and consumption networks; financial institutions dedicated to popular solidarity enterprises; self-managing companies; family agriculture cooperatives; and service cooperatives
- Representatives from the *Fórum Brasileiro de Economia Solidária* – FBES²⁸ [Brazilian Forum for Solidarity Economy] and the *Conselho Nacional de Economia Solidária* – CNES²⁹ [National Council for Solidarity Economy];

The situation

In recent decades, world socio-economic changes have weakened standard work relationships, producing important consequences including an increase in informality, labour precarization and unemployment. This deepening crisis has opened up space for the emergence and advancement of other forms of labour organization, as a result of workers' need to find alternative sources of income.

What has been done

The space for national discussion and articulation of the SSE was opened at the first World Social Forum (WSF) in 2001 in Porto Alegre, RS, Brazil. During the organization of the third WSF, in 2002, in a conjuncture that was leading to the election of the candidate of the Workers' Party, a national meeting was held to discuss the role of the SSE in the future government. A letter to the President-elect was written, suggesting the creation of a National Secretariat for Solidarity Economy, and the first National Solidarity Economy Plenary Meeting was organized. It consolidated a "political platform" (i.e. a set of priorities related to: solidarity finances; legal framework; training; production, commercialization and consumption networks; and the social organization of the SSE and the "*empresas recuperadas*") to strengthen the SSE in Brazil. Later, in June 2003, FBES was created, in the same year as SENAES³⁰ in the *Ministério do Trabalho e Emprego* [Ministry of Labour and Employment]. The FBES became the interlocutor with SENAES to present demands, suggest policies and monitor the execution of public policies for the SSE.

Today, SENAES³¹ activities include supporting and developing solidarity economy enterprises (SEEs), solidarity finances, local development and popular cooperatives incubators and training programmes. They also work to define the legal framework and registration of SEEs and their supporting entities in the country. In an effort to measure the sector, the *Sistema Nacional de Informações da Economia Solidária* – SIES³² [National System of Information on Solidarity Economy], which is engaged in an updating process, has recorded about 22,000 SEEs in Brazil.

Today, the institutionalization of public policies for the SSE is one of the main strategies to consolidate the theme on the political agenda of different spheres of government and to guarantee their presence as policies of State. These joint government efforts have had an amplifying effect on the implementation of specific public policies for the SSE, including the promulgation of local and state legislation and the creation of local and state government agencies, such as secretariats and departments, and the institutionalization of local spaces of interlocution with civil society (such as councils). These actions aim at implementing, strengthening and systematizing local and regional policies for the SSE and spaces for social participation and dialogue articulated with other instances of labour and income policies.

What can be learned

We have chosen to focus on the policy environment to illustrate the innovative process of policy formation in Brazil that involves ongoing dialogue between SSE actors and different levels of government.

SENAES represents advancement in public policies for the sector and is part of the mobilization and articulation history of the existing SSE movement in Brazil.

²⁸ <http://www.fbes.org.br/>

²⁹ http://www.mte.gov.br/ecosolidaria/cons_default.asp

³⁰ http://www.mte.gov.br/ecosolidaria/secretaria_nacional.asp

³¹ Ruled by the Decree 5063 of 2004, which includes the fifteen competences of this agency and can be accessed at http://www.mte.gov.br/ecosolidaria/secretaria_nacional_atribuicoes.asp

³² <http://www.mte.gov.br/ecosolidaria/sies.asp>

Case Study 3.2: The establishment of local development centres (LDCs) in Quebec, Canada

Major actors

- Urban and rural associationist movement; regional and local government; *Chantier*; members of the Caisse d'Épargne Desjardins [Desjardins Credit Union] and of the *Réseau Québécois du Crédit Communautaire* [Quebec Network of Community Credit]

The situation

In the last two decades of the twentieth century, a number of local development organizations were established in Quebec, as a result of the initiative of several social and political actors who were fighting for the revitalization of their (rural and urban) surroundings, for job posts and income generation and consequently for better conditions of life.

What has been done

In 1997, the local and regional development policy adopted by the Government of Quebec allowed for the implementation of a network of local development organizations covering the entire Quebecois territory. The local development centres (LDCs) were conceived and funded by the Government of Quebec with the help of municipal governments. These centres offer basic orientation or technical support services to (individual or collective) entrepreneurs starting their activities.

The LDCs manage funds dedicated to developing small businesses. Among these funds, two specifically foster the SSE: the Local Development Funds (LDFs) and the Social Economy Enterprise Development Fund (FDEES). The LDFs aim at stimulating local businesses by favouring access to capital to start or expand traditional or social economy enterprises. However, in some centres, priority is given to SSE enterprises. The FDEES is specifically directed to designing projects of the solidarity economy and to supporting the creation of sustainable jobs. The resources come from the Government of Quebec and, as of 2002, each LDC can determine the amount dedicated to finance social economy enterprises.

As these local funds are essential instruments for the development of the SSE in Quebec, the LDCs make use of supplementary sources of solidarity finance, such as the Social Investment Network of Quebec (RISQ), the financial instrument of the *Chantier*; Desjardins Credit Union, a financial cooperative with strong territory ties; and the Quebec Network of Community Credit, established in 2000, which allows for the grouping of community funds which have been active since the mid-1990s.

What can be learned

Access to financing is one of the central challenges of SSE enterprise development. This case shows us the creation of financial instruments that allow for the development and consolidation of individual or collective enterprises that would hardly exist through traditional ways to access credit. It also shows us that there is a return guarantee on the part of those who received these loans.

This case points to the importance of establishing effective instruments of access to credit for those who do not have income, but who come up with ideas and projects for the development of sustainable businesses with positive impacts on their surroundings. These instruments need to be supported by an institutional, legal and regulatory apparatus in countries, regions or municipalities.

Chapter 4: Building the SSE through partnerships and networking

4.1 Introduction

SSEOs are born out of need and/or out of aspirations for a more just and equitable world. Despite their diversity, they share certain common characteristics upon which partnerships and networks are built.

Partnerships and networks are a key success factor for the development of the SSE. Sustainability of the SSE depends on its capacity to root itself in community, to mobilize various stakeholders and to build strong alliances with social partners and public authorities. This work cannot be achieved by individual enterprises or organizations. It requires combined long-term efforts and sometimes pooling of resources. For these reasons, networks and partnerships are an essential component of a strong SSE.

This chapter explains the why, what, where and how of partnerships and networks within the SSE across the world. Through diverse examples, it demonstrates the importance and the potential of these collaborative relationships and structures. Their various roles and mandates are explained and illustrated. A partial list of the major new and established SSE networks is presented for further reference and learning.

4.2 The importance of partnerships and networks

SSEOs have demonstrated a strong capacity to create constructive and lasting partnerships and networks. This is because of their commitment to



Women Cooperative (project supported by the ILO): in the quarries of Mtongani (Dar Es Salaam), a mushroom and hen house project directed under cooperative form was proposed as an alternative to the stone breakage that used to be the principal activity of women in the district. The production is then sold in the markets. Picture: Lazia (left), 50 years old and 6 children, now works at a mushroom cultivation place.

collaboration rather than competition, to bottom-up collective initiatives and to responding to community needs rather than financial gain. Adherence to these values creates favourable conditions for the creation of collaborative structures.

In the 2009 the Organisation for economic co-operation and development (OECD) publication, "The Changing Boundaries of Social Enterprises," the authors hypothesize that the innate capacity of SSEOs to create networks is an important factor in their rapid development:

"Among the explanations put forward (for the development of social enterprises (note of the editor)) one in particular attributes the development of social enterprises to their ability to network or to define strategies and suitable support structures for the creation of inter-organizational links which will grow ever more widespread, solid and articulated

Partnerships and networks are useful for almost all types of enterprises and organizations, but they are particularly crucial for the SSE. What makes them so important?

4.2.1 Recognition of specific realities

The primary reason that SSE actors create networks is to gain recognition for their specific characteristics and their contributions to development. By coming together, SSE actors are better able to create their own identity and resist being forced into silos that do not reflect their complex reality. Their key challenge is to gain recognition for the SSE's double mission: the SSE combines social and economic goals in a world that generally considers economic and social development as two separate endeavors. Thus, despite the fact that SSEOs create wealth and employment while responding to the needs of their members and the community (social output), their dual role is rarely fully recognized.

The need to work together for recognition and support began over a century ago. The International Cooperative Alliance was created in 1895. Today, on many continents, cooperatives have achieved

recognition as economic actors, but their contribution to social development has been ignored. In many countries, community-based organizations and other associations have gained recognition for their contribution to social development, but their increasing economic role is usually underestimated or misunderstood. Networks are crucial in promoting the specific characteristics of the SSE and the many dimensions that it embraces.

In Europe, there are active, established representative organizations for cooperatives, associations, mutual society and foundations. In addition to these networks based on juridical status, an EU-level representative organization for social economy was created in 2000.

Box 4.1: Social Economy Europe

Social Economy Europe was created in 2000 under the name of European Standing conference of cooperatives, mutual societies, associations and foundations. It aims to promote the role and values of social economy actors in Europe and to reinforce the political and legal recognition of the social economy and of cooperatives, mutual societies, associations and foundations within the European Union.

www.socialeconomy.eu.org

New networks have been established to represent emerging practices in the SSE in Latin America. In addition to traditional cooperative structures, strong national networks of the solidarity economy have been created in the past decade in several countries including Bolivia, Brazil, Colombia and Mexico. Some have succeeded in gaining recognition from governments and from social partners.

In Africa, a few national networks are emerging in countries in West Africa and other initiatives are springing up elsewhere.

¹ The Changing Boundaries of Social Enterprises, edited by Antonella Noya, OECD, 2010.

In North America, both established and young networks and federations exist, including the recently formed US Solidarity Economy Network.

Asia is only beginning to embrace the new SSE vocabulary, but has a long history of cooperative organizations.

Box 4.2: A new network for Asia

The first Asian Forum for Solidarity Economy took place in the Philippines in October 2007. Close to 700 delegates from 26 countries attended. Stakeholders from different sectors and regions met to articulate a uniquely Asian solidarity economy as a people- and eco-centred way of governance over the production, financing, distribution and consumption of goods and services.

www.aa4se.com/cms2/

4.2.2 Mapping its economic importance

Another major motivation for the creation of collaborative organizations within the SSE is to gain more visibility and recognition of its power within national economies. For decades, statistics have been compiled and international standards created to measure the scope and impact of private enterprise. Some countries and international associations maintain information systems for cooperatives and mutual societies. The size of the non-profit sector has been a subject of international studies, but these studies do not identify which non-profits carry out economic activities. Many emerging SSE initiatives, on the frontier of the formal and informal economy, are invisible in official statistics. Because of its diversity, the scope and impact of the SSE as a whole is still impossible to measure. By creating inclusive networks, SSE actors and promoters are better able to map their economic importance and demonstrate their contribution to socio-economic development.

Box 4.3: Mapping the solidarity economy in Brazil

In 2009, by mobilizing its members and partners, the Brazilian Forum of the Solidarity Economy (FBES) undertook a mapping of the social economy. By involving local and regional networks, the FBES was able to identify 22,000 solidarity economy enterprises, of which one-third have no official legal status and would never have appeared in official statistics. The mapping process is accessible through the FBES portal and is updated in a continuous process through members' participation.

www.fbes.org.br

Because of this lack of visibility, the ILO Action Plan for the SSE, adopted in Johannesburg in 2009, has called for the creation of an international observatory for the SSE to help map its complex realities.

Box 4.4: Statistical recognition of the SSE in Europe

Social Economy Europe and its members are calling for the statistical recognition of the social economy. A resolution of the European Parliament calls on the Commission and the Member States to support the creation of national statistical registers for SSEs, to establish national satellite accounts for each institutional sector and branch of activity and to allow for this data to be collated by Eurostat and by making use of capabilities available in universities. (Does that edit accurately preserve your meaning?)

http://www.socialeconomy.eu.org/spip.php?article1006&var_recherche=statistics

4.2.3 Responding to specific needs

In addition to the need for recognition, networks and partnerships serve an important function in helping SSEOs find answers to their specific needs. Because they follow another type of logic, SSEOs can rarely access traditional development tools. Governments'

economic development policies tend to focus on private enterprises based on the traditional capitalist model and seek to increase the country's commercial trade balance within global markets, whereas most SSE enterprises produce to meet local needs. Management training in business schools and technical expertise is primarily oriented towards private ownership models. Access to capital for the SSE is crucial. Yet, existing capital circuits are closed to SSE enterprises because private investors cannot buy voting shares in cooperatives, mutual benefit societies and associations nor can they expect a maximum financial return on investment. Through networks and partnerships, SSE enterprises collaborate to create tools that are tailored to their specific realities.

Box 4.5: A partnership to create a new financial institution in Italy

Banca Etica, the first institution of ethical finance in Italy, is the result of a partnership between MAG (Self-Management Mutual Associations) cooperative societies (self-management mutual associations) and 21 non-profit organizations. In 1994, they created *L'associazione Verso la Banca Etica* (The Association Towards Banca Etica). In 1995, a cooperative was founded with the purpose of gathering 6.5 million Euro needed to incorporate a popular bank according to Italian law. Following an important fundraising campaign in 1998, the Italian Central Bank granted Banca Popolare Etica the authorization to begin operations.

Since its creation, Banca Etica has been an important investor in the SSE and a key player in international networks dedicated to financing the SSE. Among the founding members are ARCI (National association of autonomous and pluralist social promotion) and ACLI (Italian workers Christian Association, the two large Italian NGOs, the social cooperative consortium CGM (Consortium of Gino Matarelli) and fair trade and ecological organizations. Banca Etica cooperates on various projects with the financial institutions Legacoop and Confcooperative, whose mission is to finance new SSE initiatives.

Box 4.6: A partnership in favour of the SSE in Central and Eastern Europe

CoopEst is a new financial initiative for the development of the social economy in Central and Eastern Europe. Launched in 2006 through a bond loan of 17 million euro, its founding members include Crédit Coopératif (France), IDES Investissements (France), MACIF (France), CFI (Italy), SEFEA (Italy), Bank BISE (Poland) and Soficatram (Belgium). CoopEst will intervene through local financial intermediaries and will focus particularly on the production and commercialization of small-scale handicraft industries and small business development, especially among unemployed or disadvantaged groups.

4.3 Forms of collaboration

Collaborative efforts take many different forms within the SSE. Depending on their objectives, cooperation among stakeholders is expressed through the creation of partnerships, networks or federations.

4.3.1 Partnerships

Partnerships are created as cooperative relationships among people or groups who agree to share responsibility for achieving some specific goal. They can take on many forms and involve a wide variety of stakeholders. They are crucial for the SSE, which must be able to draw on a range of resources and expertise for its development.

Box 4.7: A partnership between a municipal government and SSE actors in Canada

In 2008, the City of Montreal (Quebec, Canada) signed a partnership agreement with social economy actors (Partnership for Community-based Sustainable Development) and created a special division within the Department of Economic Development for the social economy. This partnership recognizes the social and economic capacity of the social economy to contribute to the city's development. The City of Montreal committed to supporting the development of the social economy while SSE actors pledged to increase their contribution to improving the quality of life for the city's population in a variety of sectors.

<http://ville.montreal.qc.ca/portal/>

4.3.2 Networks

Networks are non-hierarchical structures that bring together organizations or people with common interests or needs. They are often horizontal structures that link SSE actors and partners in a given territory.

Box 4.8: Combining efforts to fight poverty and social exclusion in Mali

Created in 2005, the National Network for the Promotion of the Social Solidarity Economy (RENAPESS) in Mali is a network that links 57 member organizations, including mutual benefit societies, cooperatives, associations, microfinance and solidarity finance organization and other structures of the SSE. RENAPESS' goal is to combine efforts to fight poverty and exclusion and to negotiate public policy in favour of the SSE.

renapessmali@afribonemali.net

4.3.3 Federations or confederations

Federations or confederations are formal structures with clear lines of authority and decision-making. They predominate in the cooperative sector as a manifestation of the sixth (cooperative principle, adopted by the International Cooperative Alliance (ICA) the principle of cooperation among cooperatives. The other six principles are voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information and concern for the community: The ICA explains the sixth principle in the following way "Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures."

Box 4.9: Worker cooperatives work together at a national and international level

The European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises (CECOP) is a European federation active in industry, services and crafts. It affiliates 25 national federations in 16 EU countries which represent approximately 50,000 enterprises employing 1.4 million workers. CECOP also affiliates 3 financial institutions. CECOP is the European section of Cicopa, the international organization of worker cooperatives.

www.cecop.coop

4.4 Key stakeholders

SSEOs respond to collective needs. Their profitability is not measured by financial benefit to individual investors but by social return to its members or to the community at large. They mobilize market, volunteer and public resources to achieve their goals. This is why a wide variety of stakeholders are involved in supporting the development of the SSE through partnerships and networks.

SSEOs represent the core component of partnerships and networks. They are both the major beneficiaries and the major players. Their principle motivation is to gain access to increased recognition, resources and opportunities for development. Their participation is also an expression of their fundamental values of solidarity and sharing.

National and regional governments are increasingly involved in partnerships in favour of the SSE. New public policy is emerging rapidly at a local, national and regional level in Europe and Latin America and in some regions of Africa, Asia and North America. Governments are interested in the SSE because of its capacity to mobilize resources from the community and within the marketplace to achieve public benefit. Its capacity to produce innovative solutions to complex problems has attracted the attention of certain public authorities, who are realizing that the SSE constitutes a powerful tool for inclusive growth.

Box 4.10: Networking to support policy-makers and managers in Brazil

In Brazil, the National Network of Solidarity Economy Public Policy Managers is a network of directors of social economy policies in municipal, state and federal government. Its aim is to widen the discussion on the most appropriate tools for the different levels of government to promote and stimulate the development of the solidarity economy. The network facilitates participation by civil servants in the debate on public policy.

www.fbes.org.br

Local development organizations and local governments are awakening to the importance of supporting SSEOs to revitalize rural and urban communities. A recent study in Honduras showed that regions and municipalities where there is a vibrant SSE are obtaining better results in fighting

poverty and improving overall development indicators than similar regions without a strong presence of the SSE (El Censo del Sector Social de la Economía, 2003, COHDESSE).

For municipal authorities, the advantages of the SSE are easy to understand. These enterprises create local jobs and are owned by community members, and their surpluses circulate at a local level. They often answer needs that the private sector ignores because financial return on investment is insufficient. They operate in sectors in which public authorities do not have the capacity or the flexibility to intervene. And they are not for sale to outside investors!

Box 4.11: Municipal authorities and SSEOs promote the SSE

The European Network of Cities and Regions for the Social Economy (REVES) is a unique European network based on partnership between local and regional authorities and territorial social economy organizations. Created in 1996, REVES members are from 11 countries. Members include local authorities or SSEOs that are developing or are willing to develop policies to promote the SSE for a fair, inclusive, participative and responsible society. REVES is a network that offers social innovation in methods and procedures which is based on co-construction and the shared capacities of its members and their territories.

www.revesnetwork.eu

Labour unions in many countries consider that the path to decent work and economic justice cannot be limited to political action and negotiating good collective agreements. They are demanding recognition as full economic actors with a say in the way businesses are managed, pension fund money is invested and economic development policies are defined. As they become more involved in economic development, they are also becoming important partners of the SSE. The following three examples show how and why labour unions are getting involved in developing the SSE.

Box 4.12: Union involvement in developing the SSE in Brazil

The Brazilian union, Central Unica dos Trabalhadores (CUT), is actively involved in supporting the SSE. Since 2001, CUT has supported over 100 workers' cooperatives representing 10,000 members. It also supports several savings and local cooperatives, including ECOSOL, a network of 4,500 members that manages US\$1.2 million in loans. This organization plays an important role with the CUT to help workers attain financial independence.

www.cut.org.br

Box 4.13: Labour federation creates a unique financial institution in Quebec

In 1971, union militants from the National Confederation of Trade Unions (CSN) in Quebec, Canada founded a credit union to respond to the needs of local trade unions but also to contribute to social transformation. Known today as the Caisse d'économie solidaire, this unique financial institution has focussed exclusively on lending to SSEOs with extremely successful financial results. With its 2,500 collective members, non-profit businesses, cooperatives, community-based organizations and unions and its over 7,000 individual members, this financial institution has played a key role in supporting the SSE and strengthening links between the union movement and the social economy in Quebec and internationally.

www.cecosol.coop

Box 4.14: A Latin American union leader explains his commitment to the SSE

At a Latin American meeting of solidarity economy networks organized by RIPESS-LAC (Intercontinental Network for the promotion of the social solidarity economy: Latin America and Caribbean section) in Medellin, Columbia, in July 2010, Luis Alejandro Pedraza, President of the Union Nacional Agroalimentaria de Colombia (UNAC) and member of the executive committee of the Latin American UITA, International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations made the following declaration:

"UNAC-UITA's fundamental goal is the defence and promotion of human rights, the freedom of association, the development and institutional strengthening of the rule of law and the pursuit of social justice and peace.

UNAC supports collaboration between trade unions and agricultural organizations in the creation and implementation of land reform through self-managed agriculture business and commerce.

We promote alternative forms of organization of displaced farmers, victims of violence and marginalization, through social enterprises based on agro-ecological production, in alliance with indigenous communities in urban and rural areas of Columbia. We thus implement the strategic objectives of the solidarity economy model through cooperatives and mutual associations."

Luis Alejandro Pedraza, July 2010, Medellin, Columbia

Employers associations often include SSEOs without realizing it! SSEOs create employment and wealth like any other enterprise. In some countries, they have created or acted as employer organizations and are recognized as such by other social partners. In France, social economy structures present candidates in the Prudhomale election

process to represent employers in labour relations discussions.

Because of their concern for economic and social development within their country or region, certain private sector employers' associations and certain large corporations are offering support for the development of the SSE.

Box 4.15: An employers' federation in support of the SSE in Italy

The Association for the Social Development of Entrepreneurship (Sodalitas) is a not-for-profit organization established in 1995 by Italy's largest employers' federation, Assolombarda. Corporate members include large multinationals and 90 voluntary consultants from the private sector, who work free of charge, part-time, for not-for-profit organizations including cooperatives. Sodalitas works as a bridge between the for-profit and not-for-profit sectors, and has supported more than 80 not-for-profit bodies. It aims to raise standards in the not-for-profit sector and to promote links between civil society and corporations, promoting sustainability and social responsibility and arguing the business case for pursuing these goals. It also encourages corporate investment in social goals and communicates corporate best practices. It also promotes the sale of goods and services produced by social cooperatives to corporate members.

www.sodalitas.it

Social movements, including the women's movement and the environmental movement, have become staunch allies and partners of the emerging SSE. Since maximizing profit is not its goal, the SSE has great potential to reflect true sustainable development. The World Social Forum, which brings together a broad range of social movements, has given an important space to the SSE in its agenda. The first Women's March against Poverty,

held in Quebec in 1995 and organized by the Quebec Federation of Women, included support for the SSE among its eight demands and launched the SSE into the political arena. Women's organizations in other countries are attracted to the SSE because its basic values and collective forms of ownership are attractive for many women. Many new SSE entrepreneurs emerge from these social movements.

Box 4.16: Spanish social movements network to develop the SSE

Spain has a long history of cooperative structures that reflect the force and the depth of the social economy in Spain. But those involved in new initiatives which emerged from social movements saw the need to create another network. *Red de redes de economía alternativa y solidaria* (REAS) is a network of networks of the alternative and solidarity economy, comprising more than two hundred entities organized in regional and sectoral networks.

Founded in 1995, REAS emerged from a common need to facilitate and promote sustainable economic alternatives in Spain. Among its initiators were actors from the environmental, fair trade and international solidarity movements. REAS members are principally organizations and enterprises that have emerged since the 1980s; they are present in a wide range of sectors, including recycling, microcredit, environmental education, social integration and fair trade.

www.economiasolidaria.org

International NGOs have played an important role historically in supporting the SSE. Many are convinced that one of the most efficient strategies to achieve the Millennium Development Goals is to empower local communities through sustainable SSEOs, and so many are actively involved in partnerships with SSEOs.

Table 4.1: Stakeholders in networks and partnerships

Key stakeholders	Interests	Obstacles
Social and solidarity enterprises	Gain recognition and access to resources and development opportunities	Immediate needs and limited resources take priority over building networks
National and regional governments	Capacity for SSE to produce innovative solutions to socio-economic development challenges and to mobilize a wide range of resources	Tend to work in silos. Public policies are either economic or social. Difficulty in situating the SSE within existing government structures
Local development organizations and local governments	Contribution of the SSE to local development: local jobs, local control, local products and services, circulation of surpluses within the community	Lack of knowledge of the SSE. Accustomed to relying on private capitalist enterprises models to sustain economic development
Workers' organizations	Contribution of the SSE to economic justice and job creation. Strategy to respond to needs of members	Conception of the role of trade unions gives priority to negotiating collective agreements and political action
Employers' associations	Contribution of the SSE to economic activity and wealth creation	Perception of the SSE as unfair competition
Social movements	Contribution of the SSE to fighting poverty and social exclusion	Hesitation to become involved in economic activity for fear of weakening their political or social role
International NGOs	Contribution of the SSE to achieving the Millenium Development Goals	Funding criteria often restricted to relief work or social development initiatives and not to empowering communities through the SSE
Academic institutions and researchers	Social innovation within the SSE creates the possibility to create new, useful knowledge	Academic institutions do not give full recognition to the SSE and to working in partnership with SSE actors

Box 4.17: The Swedish cooperative movement supports the SSE in Latin America

The Swedish Cooperative Centre a non-profit NGO set up by the Swedish cooperative movement, works in partnership with organizations in developing countries to improve the living conditions of the poor.

Examples of its work include training for (Landless Workers Movement coordinators in Bahia, Brazil to manage the land and improve their capacity to negotiate with local authorities; empowering women in Bolivia through the creation of a rural women's organization to combat poverty; and supporting a housing cooperative for poor families in Asuncion, Paraguay. The latter project was so successful that the Government of Paraguay decided to finance a more ambitious housing programme.

www.sccportal.org

Academic institutions and researchers, attracted by the social innovation that is at the heart of most SSE initiatives, are investing increased resources to measure and understand the dynamics of the emerging SSE. They are important partners in helping to better understand what works, what doesn't work and why. By systematizing and analysing diverse practices, they create the basis for training and educational programmes that are so important for the future of the SSE.



A small group of social coops in a very beautiful corner of Sicily.

Box 4.18: An international research network on the SSE

The International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC) was created in 1947. Its headquarters are in Liège, Belgium and it has branches in 15 countries. Its members include researchers and SSEOs. CIRIEC's goal is to assure and promote scientific research and publications on economic sectors and activities serving the common and collective good. CIRIEC organizes international conferences on research in the social economy.

www.ulg.ac.be/ciriec/

Table 4.1 summarizes the interests and obstacles faced by the various stakeholders in networks and partnerships of the SSE.

4.5 Different types of networks and partnerships

Networks and federations within the SSE are very diverse and exist at local, regional, national, continental, intercontinental and international levels. They respond to a variety of needs and pursue many different goals. Some are young and very informal; others have become institutionalized over the years and operate within a formal and sometimes hierarchical structure. Despite these differences, they can be categorized according to their composition and to the mandates they are given by their members.

Territorial networks or federations are generally multi-stakeholder structures that bring together different actors committed to the development of their local community, their region or their country through the SSE. They are motivated by their conviction that the SSE is a strategy that will benefit their territory. They may be composed exclusively of SSE organizations and enterprises or they may include representatives of labour unions, social movements, foundations, researchers, local associations and even government. They are often

involved in strategic initiatives that call on a wide variety of actors to support the development of their territory.

Sectoral networks bring together SSE enterprises or organizations involved in one specific sector of activity, such as agricultural cooperatives, health mutual benefit organizations, financial cooperatives, microcredit institutions, community radios or social tourism. The members of these networks are motivated by the need to develop their enterprise through collaboration with similar organizations and through the reinforcement of the entire sector. Their activities are often concentrated on supporting better management practices and creating common tools and enabling conditions for the development of each enterprise or organization.

Juridical-based networks or federations bring together enterprises that have a common legal status. Networks or federations of cooperatives, mutual benefit and non-profit organizations co-exist in some countries with little or no collaboration; in others they are actively engaged in promoting and developing a broad vision of the SSE. In countries that have created a new specific legal framework, social enterprise networks are emerging.

Case Studies 4.1, 4.2 and 4.3 at the end of this chapter provide examples of effective networks.

4.6 Networks' roles and functions in supporting the SSE

Networks emerge as a response to needs that cannot be met by an individual enterprise or organization. The members of the network identify their common needs and build the type of structure that can best reply to these needs. Some networks have a very limited mandate, which is often linked to limited resources. Others are more structured with

considerable resources and take on more operational activities, including direct services to members. The main functions of SSE networks are described below.

Representation, promotion and advocacy

Gaining recognition for the SSE's current and potential contribution to development is a major challenge. This is true at a local, national and international level. It is not surprising that most existing and emerging SSE networks are involved in promoting the SSE, representing its interests with other social partners and negotiating public policy. The following two examples show how advocacy can be carried out by networks from a sectoral and a territorial perspective.

Box 4.19: International networking of community radios

Through service to members, networking and project implementation, the World Association of Community Radio Broadcasters (AMARC) brings together a network of more than 4,000 community radios, federations and media stakeholders in more than 115 countries. The main global impact of AMARC, since its creation in 1983, has been to accompany and support the establishment of a worldwide community radio sector that has democratized the media sector. AMARC advocates for the right to communicate at the international, national, local and neighbourhood levels and defends and promotes the interests of the community radio movement through solidarity, networking and cooperation.

www.amarc.org

Box 4.20: A national network rooted in territory in Brazil

The Brazilian Forum for the Solidarity Economy (FBES) is a young and vast network that is rooted in local and regional forums. The FBES was officially created in 2003 after a process of mobilization and social dialogue with the newly created National Secretariat for the Solidarity Economy (SENAES) within the Brazilian federal government. Twelve national organizations representing national networks promoting the SSE and social movements complete its national coordination committee. Public officials working within local governments to support the solidarity economy are also part of the local, regional and national structures.

The FBES maintains communication among members through a dynamic portal and organizes national meetings on a biannual basis. They are recognized and supported by the Brazilian government and represent the sector in the National Council of the Solidarity Economy, created by the SENAES.

www.fbes.org.br

Common services

Many sectoral and some territorial networks offer direct services to their members. Training, technical support, promotion, marketing and other business services are the most frequent services developed by SSE networks.

Box 4.21: Mutual societies benefit from working together

The Union Technique de la Mutualité Malienne (UTM) was created in 1996 in order to provide support to mutual health organizations (MHOs). Today, 32 MHOs with a total of 40,000 beneficiaries are members of the UTM. The services offered include support for the development of new MHOs, feasibility studies, monitoring, representation with government and ensuring an enabling legal and regulatory framework. The UTM launched its own product, voluntary health insurance which has attracted many members from urban areas.

www.ecosoc-afrique.org/utm.htm

Exchanging expertise

Many managers or administrators of SSEOs feel isolated or misunderstood by established business support services which orient them towards more traditional for-profit models. Therefore, many SSE networks come together to learn from each other, because they all share a common goal of combining social and economic objectives to achieve results for their members or the community. Networks are also being created for government or other partners involved in the SSE.

Box 4.22: A network to learn from others

In Poland, where recognition of the SSE is only beginning, actors in the region of Malopolskie created the Social Economy Pact (MSEP) in 2007. The Pact began informal operations in 2007 and was officially signed by 25 entities in 2008. The MSEP facilitates the exchange of information but has no role in decision-making or power-sharing.

Creating new development tools

Most SSEOs have great ideas and huge ambitions for their members or communities; however, they all do not have the capacity to carry them out on their own. SSE networks can be important strategic tools for scaling up because they can provide pooled resources and ideas to carry out major initiatives. The most common development tools emerging from SSE networks include the development of new financial instruments, information networks and strategic partnerships with funders or governments. Some SSE networks are mapping the SSE in their communities. Others are creating tools for e-commerce.

Box 4.23: A multi-stakeholder partnership in Quebec

The Chantier de l'économie sociale in Quebec, Canada is a network of networks made up of cooperatives, community-based organizations, social movements and local development organizations. Through this multi-stakeholder partnership, the Chantier has created a 10,900,000 euro loan fund for collective enterprises, a \$39M euros patient capital fund, an information and networking portal, a collaborative research partnership and labour-force development tools. It has negotiated important public policies in support of the SSE with the Quebec and Canadian governments.

www.chantier.qc.ca

Improving access to markets

Improving access to markets has been one of the most common roles for networks within the cooperative movement, but it is also being taken up by other types of networks. Many cooperative federations, particularly of producer cooperatives, were created with this specific purpose. Over the years, they have created strong institutions to support this function and are active in global

markets. Emerging networks often focus on fair trade principles and circuits. There is a growing trend towards increased "business-to-business" transactions among SSE enterprises as an expression of common values and interests.

Box 4.24: Accessing markets through networking in Burkina Faso

The Union des groupements de productrices de produits du karité des provinces de la Sissili et du Ziro (UGPPK-S/Z) is based in Léo, Burkina Faso. The Union of Léo brings together 2,884 women members scattered in 67 groups from 39 villages and sectors. A partnership with a Canadian NGO (CECI) trained 1,800 women producers on improving the quality and hygiene of their butter. Moreover, 40 local women facilitators and 596 women harvesters of shea nuts were trained on harvesting techniques and on processing and preservation of the nuts.

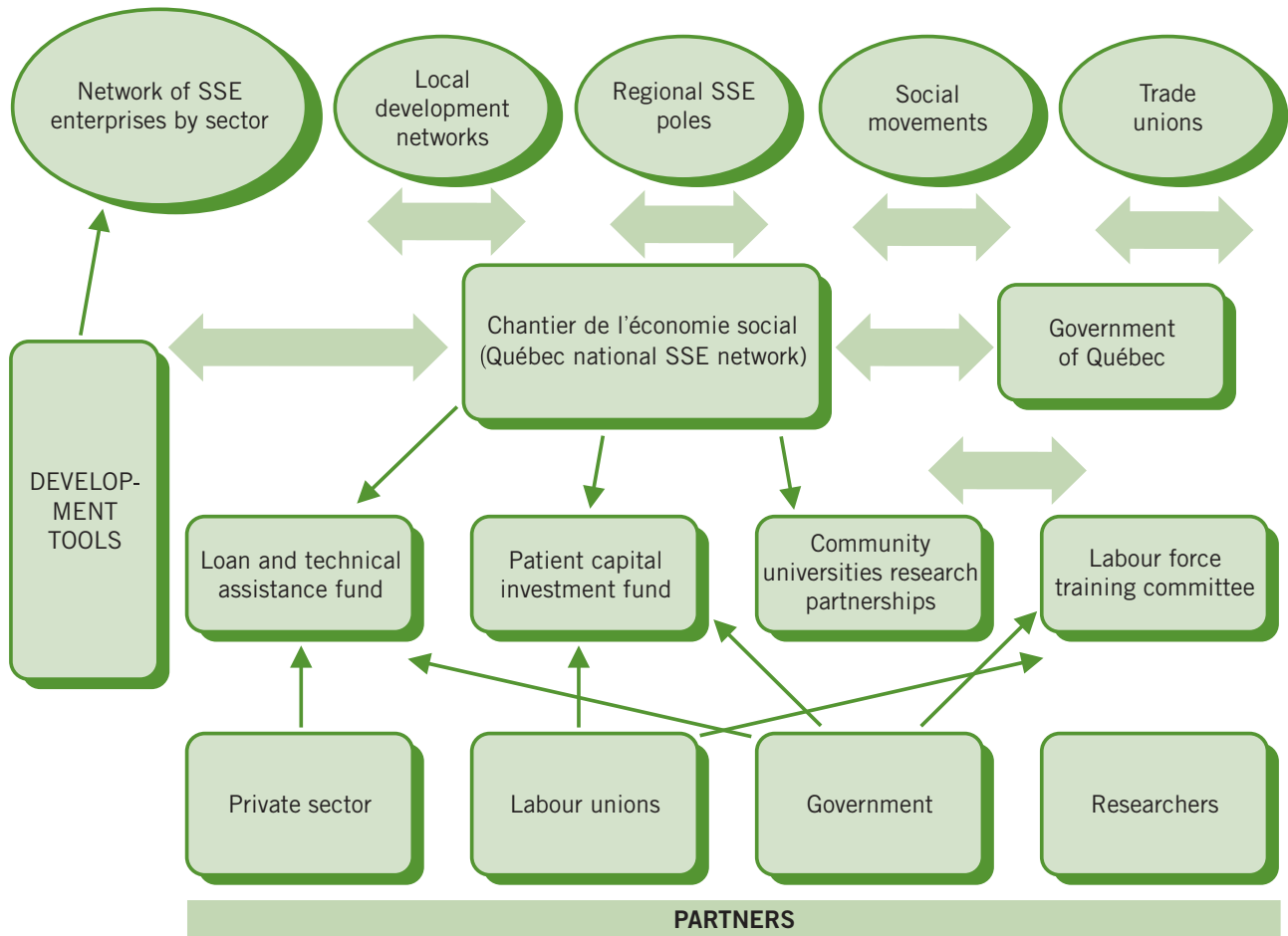
In 2007, this Union produced 102 tonnes of butter, of which 95 tonnes were exported to Canada and France, whereas in 2001 they only had exported 5 tonnes. Their current total production capacity is estimated at 250 tonnes per year and could amount to 500 tonnes before 2011.

www.afriquekarite.com

Conducting research and creating knowledge

The SSE is a laboratory for social innovation. This creates many challenges, including the need to better understand the SSE and how it works. To respond to this need, networks of researchers, working in partnership with SSE actors, play a strategic role in creating new knowledge. This knowledge is essential to the development of the SSE.

Figure 4.1: Members of the Chantier de l'économie sociale



Box 25: Collaborative research in Canada

The Canadian Social Economy Hub, based at the University of Victoria in British Columbia, Canada, was created in 2005 with the support of the Social Science and Humanities Research Council. It is a partnership among over 300 researchers and hundreds of SSE practitioners and their community partners. The hub acts as a facilitator in promoting collaboration among six regional research centres and creating opportunities and exchanges with international networks. Over 200 research projects have been carried out and numerous publications, conferences and training events have been organized, including tele-learning sessions.

www.socialeconomyhub.ca

Strategic planning on a local, regional and/or national level

Developing the SSE is not an overnight miracle; it requires a long-term vision and a strategic plan that allows different stakeholders to work together successfully. Some SSE networks have been very successful in winning support because of their capacity, through local or national plans, to demonstrate the contributions of the SSE to the socio-economic development of their community.

4.7 Building an action plan

An action plan for the SSE cannot be built by one person or organization nor can it be a theoretical exercise prepared by outside experts. The process of building an action plan is almost as important as its contents. To produce significant results, an action plan must be rooted in community mobilization and must draw upon a wide variety of skills and

resources. The following suggested steps for building an action plan are based on several successful experiences by SSE networks:

- 1) **Map the SSE:** Even though the concept of the SSE may be new, chances are that SSEOs already exist in the area. Who are they? Are statistics available on their role in the economy? What sectors do they cover? What impact do they have? What are their strengths and weaknesses?
- 2) **Review the development challenges:** The SSE is a means to respond to community needs. An action plan must aim to increase the capacity of SSEOs to respond to these needs. What major development challenges face the community?
- 3) **Analyse SSE's potential role in meeting these challenges:** The SSE can be an effective strategy to respond to many, but not all, challenges. Where can the SSE be most effective in answering key societal challenges? Is it possible to consolidate and expand existing organizations to take on new challenges? What new sectors have potential for development?
- 4) **Determine what is required to create an enabling environment:** SSEOs require development tools and public policies adapted to their specific realities. Which tools are required for the SSE to answer the challenges identified? What already exists and where are the gaps? Possibilities to consider include community mobilization, financial instruments, access to markets, public policy, networks, training, collaborative research and technical assistance.
- 5) **Identify the key stakeholders:** Many people or organizations in an area share a common commitment to community development and can contribute, directly or indirectly, to the advancement of the SSE. It is important to establish a dialogue with the greatest number of stakeholders and identify the arguments that will convince them to become involved, even in a modest way.
- 6) **Develop long-term goals and priorities:** This is the most exciting step: visioning the future for the community with a thriving SSE. How do we see its role in the next decade? What sectors will have developed? What outputs will it have created? What are the priorities in this overall vision?
- 7) **Develop short-term goals and priorities:** The most important criteria in establishing short-term goals and priorities is their capacity for success. It is better to target three to five priority goals and succeed! Positive results, no matter how modest, create the conditions to create more ambitious goals and a longer list of initiatives. They help convince the sceptics and attract new partners and funders. Remember that even in the SSE, success builds on success.
- 8) **Coordinate and monitor the plan:** In an ideal situation, all stakeholders should be involved in coordinating and monitoring the implementation of a local or national plan. In some communities and countries, civil society and public authorities work together every step of the way. The coordinating body must have the moral authority to question the various stakeholders and to encourage them to meet their commitments to implement the plan. If not, there is a danger that the plan will be only a theoretical exercise.
- 9) **Evaluate progress:** We can measure the number of organizations and enterprises, the number of jobs, the quantity of products or services sold or delivered, the generated surpluses, the number of beneficiaries. Qualitative evaluation must answer questions that are important to improve practice, such as the quality of services or products or the efficiency of governance and management practices within the SSE. Participatory evaluation, involving managers, beneficiaries and funders, is the ideal process to use in SSE evaluation.

4.8 International structures of the SSE

International structures of the SSE have existed for over a century. The International Cooperative Association was founded in 1895. Over the years, several have become important institutions that participate actively in social dialogue at a continental or international level. They represent, through their affiliates, hundreds of millions of members. These structures are generally based on common legal status.

Some international networks bring together SSEOs in the same sector. Other networks are made up principally of SSEOs but have a broader mission that is related to their sector.

Over the past decade, new international networks have emerged to give a voice to new forms and new actors in the SSE. These networks are generally more informal in their structures and have access to fewer resources. They defend a broad and inclusive vision of the SSE by bringing together actors with a wide range of practices. They strive for more visibility for these new practices and build alliances with social movements in support of the emerging SSE.

Several international bodies have begun work in support of the SSE in response to a renewal of interest in its contribution to development. The Organisation for Economic Co-operation and Development's (OECD's) Forum on Social Innovation is actively involved in supporting OECD countries interested in developing public policy in support of the SSE. The ILO's adoption of an action plan for the SSE represents a major step forward in recognizing its potential contribution to sustainable development. The United Nations Development Programme's (UNDP's) training branch has also begun work on the theme of the social economy and local development.

The most important institutionalized networks are:

- The International Cooperative Alliance, founded in 1895, promotes the cooperative identity and works to create favourable conditions for

cooperative development. Its 223 members are national and international cooperatives operating in all sectors of activity. They are particularly concentrated in agriculture, insurance, banking, consumer affairs, housing, industry, fisheries, health and tourism. (www.ica.coop)

- The World Council of Credit Unions (WOCCU) is the main structure for social economy institutions operating in micro-finance. It networks over 54,000 savings and credit cooperatives with a total membership of 186 million people in 97 countries. It offers support to the sector, particularly in monitoring and evaluation. (www.woccu.org)
- The International Cooperative and Mutual Insurance Federation (ICMIF) is the largest organization representing cooperative and mutual insurance organizations in the world. It has 212 affiliates in 73 countries. (www.icmif.org)
- The Association Internationale de la Mutualité (AIM), established in the 1950s, unites 40 federations and associations of autonomous mutual benefit societies in health and social protection in 26 countries. The AIM affiliates provide coverage for more than 170 million people across the world. (www.aim-mutual.org)

Some international networks are organized by sector of activity. Some examples include:

- The World Association of Community Radio Broadcasters (AMARC) brings together a network of more than 4,000 community radios, federations and community media stakeholders in more than 115 countries through service to members, networking and project implementation. The main global impact of AMARC since its creation in 1983 has been to accompany and support the establishment of a worldwide community radio sector that has democratized the media sector. (www.amarc.org)
- The International Association of Investors in the Social Economy (INAISE) is a global network of socially and environmentally oriented financial institutions. Created in 1989, INAISE brings together social investors from European and non-European countries to exchange experience, disseminate information and demonstrate that investors can achieve positive social and

environmental change. INAISE members, through their investment policy, foster and promote the development of SSEOs.

(www.inaise.org)

- The Financial Alliance for Sustainable Trade (FAST) is a global, member-driven non-profit association that represents lenders and producers dedicated to bringing sustainable products to market. FAST brings together this diverse group of stakeholders to work collectively to increase the number of producers organized in cooperatives in developing nations who can successfully access quality trade finance, tailored to their needs, as they enter sustainable markets. (www.fastinternational.org)

- The International Center of Research and Information on the Public, Social and Cooperative Economy (CIRIEC) was founded in 1947 in Switzerland. Its members are researchers and social economy actors who collaborate to produce research, organize activities and produce publications on the social and public economy. (www.ciriec.ulg.ac.be)

- COPAC (Committee for the Promotion and Advancement of Cooperatives) is a committee comprised of the cooperative movement, farmers' organizations and the United Nations and its agencies. Members include the Food and Agriculture Organization of the United Nations (FAO), the International Cooperative Alliance (ICA), the International Federation of Agricultural Producers (IFAP), the ILO and the United Nations. Members work together to promote and coordinate sustainable cooperative development by promoting and raising awareness on cooperatives. Technical cooperation, advocacy, policy dialogue and knowledge- and information-sharing are its main activities. (www.copacgva.org)

New global networks are being built to respond to the needs and aspirations of the emerging SSE. These include the following examples:

- The overall mission of the Intercontinental Network for the Promotion of the Social and Solidarity Economy (RIPESS) is to build and promote the SSE. Initiated as an informal network in Peru in 1997, RIPESS incorporated in

preparation for the Dakar Meeting on the Globalization of Solidarity in 2005, which brought together SSE actors from over 60 countries. RIPESS supports the creation of national and continental networks and works to build links among the many actors and partners of the SSE. It organizes intercontinental events every five years. RIPESS is well-established in Latin America and North America and has begun to be structured in Africa, Asia and Europe.

(www.ripess.org)

- From the initiative of five chief executive officers from large French social economy organizations, the Mont Blanc Meetings bring together leaders of the social economy from different countries with the aim of developing international projects and helping to build a stronger social economy. The purpose of this new network, created in 2003, is to answer the challenges of globalization by demonstrating that it is possible to do business differently and to promote an economy that respects humanity and the environment. International meetings are held every two years on a topical subject, but the forum is also a permanent platform of actors and projects. (www.rencontres-montblanc.coop)

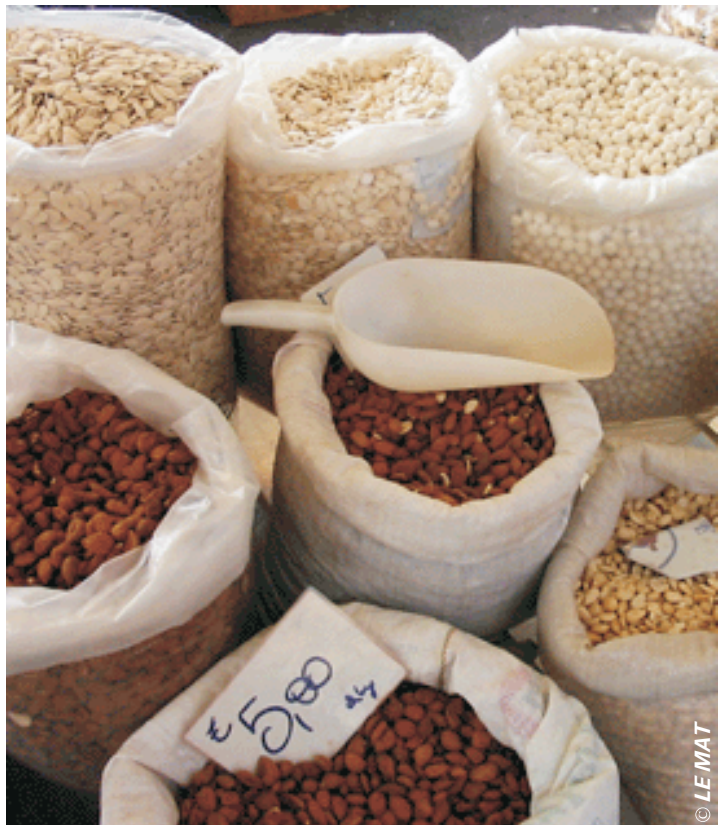
4.9 Key findings

- Because of shared values, SSEOs have a long history of creating networks, partnerships and more formal federations. In return, these structures support their members in many different ways.
- SSE actors choose the most appropriate forms and mandates for working together in a given historical and geographical context, but it is clear that emerging networks are more horizontal than institutionalized federations, which have developed vertical structures to take into account their size, various mandates and organizational traditions.
- Diverse structures play a central role in gaining recognition for the SSE through advocacy and promotion of their members' immediate or long-term interests. In countries where there is formal recognition of the SSE (or of a component of the SSE based on juridical status), these

networks play a role in social dialogue. In certain cases, networks help to build bridges with social movements, including labour organizations.

- Over the past decade, the networks that practice inclusiveness have been the most successful in developing new public policy and creating development tools for the emerging SSE. Because they are better able to show the scope and the depth of the SSE, networks that have brought together a wide variety of SSEOs and other stakeholders have been able to initiate social dialogue with government and other social partners.
- Different national experiences show that the emergence of new networks is often the result of a lack of flexibility by existing SSE structures to take into account new realities and new approaches. Partnerships between the institutionalized SSE and the emerging SSE are still the exception rather than the rule.
- Building from the bottom up is characteristic of successful networks and federations; successful networks are rooted in communities and territorial realities. The strongest networks are those that are based on local and regional structures. They benefit from the support of a wide range of partners and their contribution to socio-economic development can be clearly demonstrated in the field.
- The strength of networks is also related to their capacity to respond to the priority needs of their members. Most networks begin as advocacy groups, but rapidly create their own services and/or development tools to attain common objectives. These initiatives, in return, strengthen the networks and create a greater capacity to act, as they become useful or even indispensable for their members.

- Transparent, participatory governance is a characteristic of dynamic networks, particularly in the case of new networks. Member participation is the basis for the activities of emerging networks and continues to be essential for established networks to be able to identify priorities and to satisfactorily carry out mandates of representation and promotion.
- All networks play a role in reinforcing the SSE through peer learning or learning from international experience. Learning from other SSE experiences – locally, regionally or nationally – has clearly been an enriching process for SSE actors across the globe.



Case Study 4.1: Building a new national SSE network in Bolivia

Major actors

- SSEOs, community-based organizations, small producers, fair trade organizations, NGOs

The situation

In 2005, Bolivian SSE actors participated in the Intercontinental Meeting on the Globalization of Solidarity, organized by RIPESS in Dakar, Senegal and in regional SSE events in Cochabamba (2005) and Havana, Cuba (2007). Inspired by these learning experiences, the Red Nacional de Comercialización Comunitaria (RENAC) initiated a process to create a national SSE network.

An important enabling factor for the creation of this network was the new Bolivian government's concern for economic democratization. Strengthened by this favourable context, the idea of creating a national structure for the SSE and fair trade organizations in Bolivia emerged at a national meeting in 2007. In 2008, the Bolivian Movement for the Solidarity Economy and Fair Trade (Movimiento de Economía Soliaria y comercio justo de Bolivia, or "MES y CJ") was officially created.

What has been done

This multisectoral network connects 75 organizations and 5,000 community-based associations. Together they represent over 80,000 small producers. Established organizations (e.g. the National Union for Popular Art, the Federation of Bolivian Coffee Growers and the National Council of Quinoa Producers) are members of the network. Its mission is to promote, develop and disseminate solidarity economy and fair trade practices. It seeks to promote a national dialogue on policies for the SSE and fair trade. Its goal is to become a national and international reference for Bolivia. Solidarity, transparency and mutual respect are the basic principles and values of this movement.

Despite its limited resources, the MES y CJ has carried out numerous initiatives. It has organized events to promote and raise awareness, produced communication tools and organized meetings to develop collaboration between government officials and members of the network. Inspired by the Brazilian National Secretariat for the Solidarity Economy, the MES y CJ proposed the creation of a National Department for the Social Economy as part of the Ministry for Small and Micro Enterprises. A strategic plan was developed to clarify the main actions and priorities of the network.

The MES y CJ seeks to respond to the many difficulties small producers face in producing and selling their products. Over 60 per cent of agricultural enterprises are so small that they are not officially registered. They are therefore marginalized and ignored by public policy. The members of MES y CJ identified the SSE as an opportunity to win favourable public policy and to define a legal framework that gives them access to fair trade markets.

The network has taken up the task of creating a common understanding of the challenges and a common message among its members and of representing this perspective to government. Despite the fact that its members must concentrate their energy on immediate issues of survival, the network has been successful in developing training activities and opening up access to new markets.

In collaboration with partners (e.g. a Canadian NGO, the Centre for International Studies and Cooperation, (CECI) and the Bolivian Ministry of Production and Micro-enterprise), training has been organized, including training of trainers whose role is to help member associations better understand the basic concepts and principles of the SSE. An important goal of these initiatives is to reinforce internal capacity for advocacy and political dialogue.

Case Study 4.1 (contd.): Building a new national SSE network in Bolivia

The creation of a national network also has allowed Bolivian SSE actors to participate in regional SSE initiatives in Latin America. It has reinforced the capacity to dialogue with government and other stakeholders. Its members have taken up new initiatives, including the creation of a common commercial brand for exporting its product – *Sariwisa*, which means in the indigenous Aymara language “Our road, where we come from, who we are and where we are going”. This commercial brand has been tested with success in Canadian markets for products made from llamas and alpacas.

What can be learned

The building of a national network in Bolivia is a vibrant illustration of how collaboration among SSEOs can reinforce their collective capacity to contribute to fighting poverty and improving people’s livelihoods. The new network faces important challenges to strengthen the SSE in Bolivia. However, the Bolivian experience illustrates that it is possible to structure a significant network in a relatively short period of time when there is a favourable context. The election of a national government supportive of the SSE was a major factor in accelerating the network’s development. The contact with other national networks in the region was another supporting factor.

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Shaw Trust is one of the largest third sector providers of employment services for disabled people in the UK providing employment and training opportunities.

Case Study 4.2: Strengthening community forestry in Nepal

Major actors

- Community-based forestry user groups

The situation

Community forestry is a widespread practice in Nepal. It has succeeded because of provisions for the inclusion of, participation within and devolution through community-based user groups. The social and physical capital generated by the synergy of action, defence of rights and collective resources has been instrumental in creating the constituency for a national voice for the SSE in the forestry sector.

Non-timber forest products (NTFPs), especially medicinal plants, constitute a range of forest-based resources with the potential of enhancing the livelihoods of rural people. Many areas of Nepal, in particular the high mountains and middle hill region, are endowed with valuable NTFPs. Some NTFPs are commercially profitable, with an established collector-trader-producer marketing and commodity chain. However, the potential returns from most NTFPs are unrealized, because of the lack of value-added technology or capital, excessive taxes or royalties and unfair terms of trade for local collectors. This undermines local incentives to protect and sustainably harvest NTFP resources.

What has been done

The seeds for forming a national federation were planted in study tours and networking and training events. In 1991, a few community forestry user groups in Dhankuta District in eastern Nepal organized an event for all user groups in their district. This idea was later replicated in other districts and eventually integrated into district-level networking workshops for Direct Forest Offices' preparation of annual work plans. The first national seminar was held in 1993. The growing number of district-level networking workshops helped build momentum for the creation of the national network in 1995.

The Federation of Community Forest Users of Nepal (FECOFUN) is a national federation of forest users which advocates for community forestry user group rights locally, nationally and regionally. FECOFUN's membership stands at about 5 million people. This comprises rural based farmers – men, women, old and young – from almost all of Nepal's 75 districts. Since its establishment in 1995, FECOFUN has been instrumental in representing concerns of community forestry user groups in deliberations about policy formulation and forest futures. It works to improve livelihoods through the creation of new community and cooperative enterprises. FECOFUN is an autonomous, non-partisan, socially inclusive, non-profit organization. It is Nepal's largest civil society organization.

FECOFUN's mission is an ambitious one. It seeks to promote and protect the rights of community forest users through capacity strengthening, economic empowerment, sustainable resource management, technical support, advocacy and lobbying, policy development and national and international networking. It upholds the values of inclusive democracy, gender balance and social justice.

FECOFUN is particularly concerned about the role of women in community forestry and disadvantaged groups, whose potential has not been realized in Nepal. Patriarchal traditions, caste hierarchy, discriminatory laws, social exclusion of ethnic groups and poverty combine to limit voices and choices. User groups consist of mutually-recognized collectors of forest products, but not all forest users are equal in terms of their access to private resources or degree of dependence on the community forest. Given the traditional divisions, hierarchies and other forms of exclusion prevalent in Nepalese society, FECOFUN believes that it is essential that different kinds of users – especially women, the very poor, the landless, members of low castes and ethnic groups – are empowered to participate in deliberations and establish procedures for equitable access and distribution of forest resources.

Case Study 4.2 (contd.): Strengthening community forestry in Nepal

In its strategic action plan for 2010, FECOFUN identified a series of actions to become institutionally capable, efficient and economically sustainable to ensure users rights and to support them to fulfil their basic forest needs. Among the key strategic goals are the creation of a database, the strengthening of managerial capacity among forest user groups and the creation or consolidation of community cooperatives and community enterprises based on forest products.

What can be learned

The formation of FECOFUN as a forest user advocacy organization has shown how networks are essential tools for representing local people's rights in national debates about strategic issues such as resource management. As a representative organization, FECOFUN's emphasis on being inclusive, institutionally effective, self-reliant and democratic has been a major factor in its success. It has been recognized by stakeholders as an innovative and strong civil society organization in national resource management, social campaigns and proactive policy development and practice.

www.fecofun.org

Case Study 4.3: From local networking to international solidarity: the case of CGM, a consortium of Italian social cooperatives

Major actors

- Social cooperatives, the Italian cooperative movement

The situation

In 1991, a new Italian law on social cooperatives was passed and led to the rapid development of this innovative form of cooperatives. An **Italian social cooperative** is a particularly successful form of multi-stakeholder cooperative. A “type A” social cooperative brings together providers and beneficiaries of a social service as members. A “type B” social cooperative brings together permanent workers and previously unemployed people who wish to integrate into the labour market. Today there are approximately 9,000 social cooperatives with more than 300,000 members, 30,000 volunteers and 25,000 disadvantaged people undergoing integration.

Social cooperatives are restricted to providing service or employment in only one locality. They are therefore fairly small; studies show a typical workforce of 33 employees per cooperative. This created certain obstacles to scaling up and obtaining access to business services and support. The solution to this problem has been the creation of geographic consortia which link all the social cooperatives of a locality or region. These social cooperatives are most often members of one of the four different Italian cooperative federations. The consortia differ from other networks in that they are based on a joint agreement among members with firm commitments to cooperate.

What has been done

The national consortium CGM (Consorzio Gino Mattarelli) was created in 1987 and is today the largest Italian consortium of social cooperatives. CGM is active in promoting and supporting the development of social cooperatives. It offers support for skills development through the transfer of best practices and information sharing. It carries out research to study and improve the operations and development of social cooperatives. CGM and its regional members are particularly active in opening up new markets through negotiations with public authorities and private enterprises interested in purchasing goods and services from social cooperatives.

Over the years, CGM has brought together 75 territorial consortia and created six specialized subsidiaries. In 1998, CGM created the CGM Finance Consortium. Its activities include direct funding to members through partnerships with members, financial institutions and non-profit lenders. CGM Finance, as a national organization, is able to support members in regions where interest rates remain very high and access to credit is more difficult.

The CGM community solidarity consortium brings together members involved in services for the elderly, the disabled and those suffering from problems of mental health. Other sub-networks are organized around environmental initiatives and crafts.

CGM partnered with the Consortium CTM Altromercato for Fair Trade and the Federation of Christian Organizations for International Voluntary Services (FOCSIV) to create SolidaRete, a foundation for international solidarity. Based on its belief in the need to create a worldwide movement for the SSE, this foundation is active in supporting the development of social enterprise outside Europe.

Case Study 4.3 (contd.): From local networking to international solidarity: the case of CGM, a consortium of Italian social cooperatives

What can be learned

CGM is an interesting example of how a network can support its members by opening up access to markets and by creating strategic instruments for development despite the fact that its members are small enterprises. It also shows how a network can practice solidarity by intervening, in a national context, in certain regions where the development context is less favourable and through international solidarity actions.

www.consorziocgm.org

Chapter 5: Contributions of the SSE to the ILO Decent Work Agenda

5.1 Introduction

Through its combined social and economic objectives and its functioning principles, the SSE is well-placed to contribute to development policies and challenges (e.g. poverty reduction strategies and millennium development goals) by fulfilling different essential functions, including reaching out to vulnerable populations, delivering services, representing various groups and lobbying.

In this chapter, we will focus on how SSEOs are contributing or could further contribute to implementing a specific international framework, i.e. the ILO Decent Work Agenda. According to the ILO, the Decent Work Agenda offers a basis for a more just and stable framework for global development. Through a systematic review of the four pillars of the Decent Work Agenda, we will try to demonstrate that there is indeed a clear congruence between the objectives pursued by SSEOs and the aims of the Decent Work Agenda.



Box 5.1: What is decent work?

Decent work sums up “the aspirations of people in their working lives – their aspirations for opportunity and income; rights, voice and recognition; family stability and personal development; and fairness and gender equality. Ultimately these various dimensions of decent work underpin peace in communities and society. Decent work reflects the concerns of governments, workers and employers, who together provide the ILO with its unique tripartite identity.

Decent work is captured in four inseparable, interrelated and mutually supportive strategic objectives: fundamental principles and rights at work and international labour standards; employment and income opportunities; social protection and social security; and social dialogue and tripartism. These objectives hold for all workers, women and men, in both formal and informal economies; in wage employment or working on their own account; in the fields, factories and offices; in their home or in the community. The ILO considers decent work as central to efforts to reduce poverty, and a means for achieving equitable, inclusive and sustainable development. (...) The ILO is developing an agenda for the community of work, represented by its tripartite constituents, to mobilize their considerable resources to create those opportunities and to help reduce and eradicate poverty.”

www.ilo.org/global/About_the_ILO/Mainpillars/WhatisDecentWork/lang-en/index.htm

5.2 Promoting and realizing labour standards and rights at work

Defining, promoting and guaranteeing labour standards and rights at work is one of the four pillars of the Decent Work Agenda. The ILO has adopted more than 180 ILO conventions and 200 recommendations covering all aspects of the world of work. In 1998, the International Labour Conference (ILC) adopted a Declaration on Fundamental Principles and Rights at Work defining a set of core labour standards (i.e. freedom of association and freedom from forced labour, discrimination and child labour) to be considered as basic human rights and a central plank of decent work. More globally, the ILO 2008 Declaration on Social Justice for a Fair Globalization states that ILO's commitment to the advancement of the SSE is grounded in the conviction that in a globalized world "productive, profitable and sustainable enterprises, together with a strong social economy and a viable public sector, are critical to sustainable economic development and employment opportunities".

SSEOs, through their social values and participatory operations, can indeed play a role in promoting labour standards and realizing labour rights. In the Southern countries, this is particularly true for the informal workers, who constitute the major part of the labour market. By organizing and providing services to informal economy workers, SSEOs, often in collaboration with employers' and workers' organizations, tackle the lack of respect for informal workers' labour rights and inappropriate measures and address some of the workers' day-to-day individual and collective problems. In addition, the ILO's promotion of SSEOs offers the opportunity to further extend and strengthen labour standards within the informal economy.

5.2.1 The role of cooperatives

Cooperatives offer a variety of advantages for counteracting the difficult challenges in the informal sector, which include tremendous competition among workers, poor working conditions, poor pay

Box 5.2: The National Union of Taxi-Moto Drivers in Benin

Created in 1995 in Benin, the National Union of Taxi-Moto Drivers (Union Nationale des Conducteurs de Taxi-Moto or UNACOTAMO) is an independent organization affiliated with the Beninese Trade Union Confederation (CGTB), which also helped to start this organisation. UNACOTAMO aims to address the fundamental labour-related problems faced by its driver members, including bad working conditions (professional diseases), lack of training and labour relations between the drivers and their so-called "employers" (i.e. owners of the motorbikes). UNACOTAMO tackles these problems through social and solidarity initiatives (e.g. mutual health organizations) and through lobbying public authorities and "employers" in order to improve the labour rights of the drivers.

Source: Social Alert, 2005

and insufficient time for getting involved in collective organizations. Cooperative structures can unite the economic and commercial concerns of workers in the informal sector and can also strengthen workers' actions and support their common demands to other economic actors and public authorities.

In 2010, a general survey of ILO member-states' contributions reaffirmed that the promotion of cooperatives within the ILO is in-line with the 1998 Declaration on Fundamental Principles and Rights at Work and other Conventions. In particular, the survey clearly established that promoting the role of cooperatives to achieve the social inclusion of all of its members, including those who are disadvantaged, contributes to the objectives of the ILO Employment Policy Convention 122.¹

Migrant workers are a particularly vulnerable group since they are often obliged to accept jobs in very bad working conditions and/or in the informal economy, especially in times of crisis when economic systems are disrupted. Coordination

¹ General survey concerning employment instruments in light of the 2008 Declaration on Social Justice for a Fair Globalization, ILC (2010).

between the ILO's constituents and migrants' organizations could be stepped up to ensure compliance with Conventions Nos. 111 (Discrimination – Employment and Occupation) and 97 (Migration for Employment).

Box 5.3: A migrant workers' cooperative in Indonesia

In Malang City, Indonesia, (one of the main areas for migrant workers in the country), a group of returned migrant workers decided in 2005 to establish a cooperative called *Koperasi TKI Purna Citra Bumi Mandiri*. This cooperative offers financial products and services tailored to the needs of people who cannot have access to the banking institutions. In 2009, this cooperative provided a wide range of products from food and agricultural goods to fertilizers and microcredit. With a total of 29 members covering 100 migrant families, the cooperative now holds total assets of US\$13,000. Its membership continues to grow as they benefit from the productive use of remittances, credit for health and education and income-generating activities. Since last year, the cooperative has been formally registered at the Malang District Cooperative Office.

http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Feature_stories/lang—en/WCMS_110094/index.htm

5.2.2 Eliminating child labour

The elimination of child labour is another area in which SSEOs can add value. The ILO International Programme on the Elimination of Child Labour has been working for years in cooperation with SSEOs whose activities are in line with the multidimensional approach that is necessary to eliminate child labour.

Box 5.4: Cooperatives' role in the effective abolition of child labour

Cooperatives have an important role to play in the elimination of child labour, and their capacity should be strengthened to ensure that they can support their members and communities in adopting child-labour free production processes.

In particular, cooperatives can help their members eliminate child labour by raising awareness and providing information and technical and financial services. Cooperatives, through democratic participation of their members, can strengthen social dialogue processes by enabling the voices of small farmers to be heard in decisions affecting the governance of supply chains and broader policy. Through support of cooperatives, supply chains can adopt voluntary standards and ensure that production processes are free of child labour.

Beyond influencing and supporting their members, the cooperative movement can advocate for the elimination of child labour at national, regional, and international levels, including by lobbying for the ratification and application of relevant ILO Conventions (e.g. Convention No. 138 on Minimum Age and Convention No. 182 on Worst Forms of Child Labour). The ILO has produced training materials to build the capacity of cooperatives to eliminate child labour (e.g. the "Training resource pack for agricultural cooperatives on the elimination of hazardous child labour" (2009)).

Box 5.4 (contd.): Cooperatives' role in the effective abolition of child labour

Cooperatives across the world have distinguished themselves through a range of initiatives aimed at eliminating child labour. Some examples of these initiatives include:

- improving livelihoods of their members and people in the communities they serve to prevent the use of child labour (e.g. coffee marketing cooperatives in Costa Rica and Nicaragua, a cocoa marketing cooperative in Belize);
- helping the communities in which they are located to root out all forms of child labour in collaboration with the private sector and through supply chains (e.g. fair trade cocoa in Bolivia, Farmapine Ghana Limited in Ghana, MIGROS Switzerland and school projects in India, a handicraft cooperative in Kenya, a carpet weaving cooperative in Pakistan, sewing cooperatives in India);
- ensuring that their product supply chains are free of child labour (e.g. the Mountain Equipment Cooperative in Canada, Cooperative Group in UK, Coop Italia in Italy, Coop Norden in Denmark, Toys Made Without Child Labour in Sri Lanka).

Extracted from the report *“Cooperating Out of Child Labour: Harnessing the untapped potential of cooperatives and the cooperative movement to eliminate child labour”* (ILO, 2009), developed by the ILO Cooperative Programme in collaboration with the ILO’s International Programme on the Elimination of Child Labour (IPEC) and the International Cooperative Alliance (ICA).

Box 5.5: A new economic model in Lima, Peru

In the Programme to Eliminate Child Labour in the Brick Sector in Huachipa, near Lima (Peru), the ILO’s International Programme on the Elimination of Child Labour (IPEC) is working with an NGO called AIDECA, which has experience in the field of development, focusing on social and technological issues and forging strong public-private alliances, to provide a new economic model for families making bricks. AIDECA has developed a plan for a new kind of kiln and production system that combines efficiency with ease of operation, low maintenance costs and low energy consumption. A new community NGO has been established, managed by the beneficiaries, for community governance and management of a “social development brick factory” for families whose children are not allowed to work. Fifty per cent of profits are reinvested and the other half goes to social and educational projects. AIDECA has established programmes in governance and decision-making to raise beneficiaries' capacity to run the brickworks.

<http://www.ilo.org/ipec/Partners/NGOs/lang—en/index.htm>

greater need to put employment at the centre of economic and social policies”. With regard to employment, the 2009 report of the ILO Director-General points out that “developing countries have been particularly hit by job losses in formal, mostly export-oriented, industries. These job losses will tend to further inflate the ranks of informal workers, including in agriculture, thereby raising competition among low-income occupations” (ILO, 2009, p.8).

The ILO estimates that approximately 73 per cent of workers in sub-Saharan Africa are in vulnerable jobs. The economic and financial crisis represents a serious threat to investment in infrastructure and producer goods, which is vital if the region is to continue to develop. Furthermore, the harm that could be caused by global protectionism and a

5.3 Securing decent employment and income

The second pillar of the Decent Work Agenda relies on creating greater opportunities for women and men to secure decent employment and income. According to the ILO, “there has never been a

decrease in foreign direct investment as a result of the crisis must not be underestimated (ILO, 2009b). In Ghana, for instance, the number of jobs generated by foreign investment decreased by 126 per cent between 2007 and 2008 (Willem te Velde, 2009). In rural areas, there is a serious shortage of decent work (ILO, 2008), a malfunctioning rural labour market, a low level of rural worker organization/representation, underemployment and low incomes. The feminization of agricultural activities, which has resulted from the migration of men in search of activities generating better incomes, is increasing. The ILO 2010 Global Employment Trends report confirms that despite some signs of recovery, high unemployment levels will continue in 2010 in every part of the world, reflecting continued uncertainty in the labour market, deteriorating working conditions and quality of employment, increasing part-time work and discouraging labour markets leading to reduced participation (ILO, 2010, p. 42).

As SSEOs pursue both economic and social objectives, they play a major role in creating and securing decent employment and income. Within the SSE, cooperatives have been major employers for years in several Northern and Southern countries. According to the International Cooperative Alliance (Chavez, 2008):

“Cooperatives are the largest private employer in Switzerland, the second largest employer in Colombia; in India the dairy cooperatives alone generate nearly 13 million jobs for farm families, while in France and Italy they provide for over a million jobs to cite a few salient facts. At the state, provincial and local levels, they are also significant as for example in Quebec (Canada) where a financial cooperative, The Desjardins Group, is the leading employer or in the United States’ State of Wisconsin, where 71 per cent of all jobs are attributed to the cooperative sector.”

Opportunities to create jobs and generate income are very dependent on having access to needed resources. The social microfinance services offered

by many SSEOs (e.g. self-help groups, credit unions, financial service associations, savings and credit cooperatives and rotating savings and credit associations) allow people with limited access to classical financial services to save, secure and borrow money at affordable conditions from institutions that they control or partially control. This mechanism was recognized in the 2002 ILC resolution on the informal sector that presents microfinance as a bridge to help informal operators find their way into the mainstream economy. Social and solidarity microfinance institutions contribute to decent work by creating conditions for wage and self-employment, reducing vulnerability (e.g. with reducing irreversible coping strategies) and empowering vulnerable people through participatory decision-making processes.

Decent jobs also depend on existing and potential markets. This is another area in which the SSE can play a major role. The fair trade sector, in particular, has provided a means of creating not only new domestic markets but also foreign markets, and of creating jobs that fulfil the conditions of decent work. There are numerous areas in which the SSE can create new markets. SSEOs create a large number of “green jobs”, i.e. jobs which aim to attenuate and prevent the countless environmental threats that are hanging over the planet. They should be supported in this endeavour not only because they provide a means of



A retail worker who has benefited from Shaw Trust's services. Shaw Trust is the UK's largest third sector provider of employment services for disabled and disadvantaged people, London, UK.

offsetting job losses, but also because of the added value created by such activities in the long term.

Box 5.6: Local organizations creating jobs in Ghana and Nepal

Kuapa Kokoo in Ghana is a symbol of success and hope. This collective enterprise, which was set up in 1993, now has almost 40,000 members in 1,650 village societies and employs over 250 people. It is a producers' cooperative, a cocoa marketing company (the cocoa is produced by the members of the cooperative) and a trust company which manages the surpluses from sales to free trade marketing channels. A very special feature of this collective enterprise is that it was launched during the liberalization of the cocoa markets in Ghana, a process which the founders identified as an opportunity for creating a profitable enterprise (Wanyama, 2008).

In another part of the world – Nepal – Mahaguthi (Craft with a Conscience) is a fair trade organization which produces, markets and exports Nepalese crafts. Mahaguthi serves both the domestic and international markets and has three shops based in the Kathmandu Valley. This organization gathers more than 1,000 individual producers, 50 per cent of whom are from remote and mountainous areas. Many of these producers are women who are given the chance to employ traditional skills in their own homes, thus enabling them to generate extra income.

www.mahaguthi.org

The informal sector remains a big challenge for the Decent Work Agenda. As the ILC 2002 (ILO, 2002, p.4) report states, “the most meaningful way of looking at the situation of those in the informal economy is in terms of decent work deficits; poor-quality, unproductive and unremunerative jobs that are not recognized or protected by law, the absence of rights at work, inadequate social protection, and the lack of representation and voice are most pronounced in the informal economy, especially at the bottom end among women and

young workers”. Considering the particular organizational principles of some informal economy units – see chapter 1 – there are opportunities to help the formalization of some units under social and solidarity organizational forms.

Box 5.7: The Self-employed Women Association in India

In India, the Self-employed Women Association (SEWA) is a trade union which was registered in 1972. It is an organization of poor, self-employed women workers who earn a living through their own labour or small businesses. Among many other services, SEWA organized 84 cooperatives (e.g. dairy cooperatives, artisan cooperatives, service and labour cooperatives, land-based cooperatives, trading and vending cooperatives), gathering 11,610 members. Women provide the share capital for the cooperatives and obtain employment from them. One woman may be a member of one or more cooperative. Each cooperative is run by a democratically elected executive committee of workers. The largest cooperative is SEWA Bank with 125,000 members.

www.sewa.org

Education and training are key factors to goals of the Decent Work Agenda. SSEOs, such as cooperatives, can play a specific role – not only in implementing the cooperative principle of education/training and information, but also in developing innovative approaches in the field. The development of the SSE can be promoted among future leaders and entrepreneurs. The cooperative colleges in the United Kingdom and in several African English-speaking countries (e.g. Ethiopia, Kenya and Tanzania) and structures such as the African University for Cooperative Development (AUCD) (formerly the *Institut Supérieur Panafricain d'Économie Coopérative* (ISPEC) in Cotonou) run training courses connected with cooperatives and an increasing number of more general courses that are geared to the social economy as a whole. From a broader perspective, various SSEOs offer

professional training activities to enrich the opportunities for workers to find jobs.

SSEOs pay particular attention to vulnerable groups (e.g. women, people living with AIDS, migrant workers, people with disabilities) who face barriers in accessing the labour market. For example, social enterprises may develop services to address the needs of vulnerable groups, but they may also hire people – on a temporary or permanent basis – who have greater difficulty accessing the labour market. By doing so, social enterprises play a major role in labour integration.

Local development and the SSE are seen as complementary tools that both strive for democracy, partnership and empowerment (Schwettman, 2006). Like the SSE, local economic development provides opportunities for innovative approaches in addressing the employment crisis. Local economic development focuses on local competitive advantages. It provides means of identifying new opportunities for creating jobs and generating incomes and helps to improve job quality in general through the participation of local stakeholders, and



Building repairs at one of the central streets in Moscow (without proper security measures).

by basing an economic activity in a given location. The distinctive feature of local economic development is that participatory processes are involved, in which both public and private actors are invited to take part. The effects of this social dialogue are measured not only in terms of new economic partnerships but also in terms of social cohesion and institutional transparency.

Box 5.8: The Jupiter Foundation creates jobs in Finland

In Finland, the Jupiter Foundation (a work orientation centre) was founded in 2001 by social economy enterprises, non-profit organizations, public authorities, the regional waste management company and a parish with the aim to bring together different experiences, knowledge, skills and other resources in order to develop the best possible employment and inclusion services for disadvantaged parts of the population. The objective of “inclusion into society and into the labour market” was combined with principles of environmentally sustainable development. Recycling became the main business of the foundation.

Jupiter’s mission is to support youngsters, long-term unemployed, immigrants, people in need of mental or physical rehabilitation prior to entering the labour market and others who need help in finding a job, training or rehabilitation. Work departments include: the EKOCENTER (dismantling and repairing electronic household and office machines, recycling construction materials, managing the city reception point for problematic waste and washing trucks and other vehicles); handicrafts (e.g. upholstering furniture, recycling clothes, fabricating Jupiter-brand textile products and printing cloth); carpentry and construction (renovating wooden furniture, fabricating new wooden products, small-scale construction and house restoration); management of the Jupiter Recycling Boutique and Café Jupiter (140 lunches and café products for Jupiter staff and for clients outside); and cleaning services.

http://www.revesnetwork.eu/public/Local_Partnership_and_Recycling.pdf



Child fruit seller in the streets of Addis Ababa, Ethiopia.

5.4 Enhancing and broadening social protection

The 1997 financial crisis highlighted the importance of social protection in several Asian countries where social protection mechanisms had been seriously neglected. It was recognized that if such mechanisms had existed before that crisis, the economic recession would not have hit their populations quite as hard (Norton *et al.*, 2001). As a result, in recent years, there has been increasing attention to social protection. What would happen to about 80 per cent of the world's population who do not have access to adequate social security benefits? And what would happen to the people who have only minimum social coverage and benefits which are limited solely to occupational risks, maternity and pension?

The ILO points out that the austerity that has been imposed in many countries may affect the quality and availability of public services and that women and girls, in particular, are liable to suffer the consequences in terms of social benefits. Incomes lost by women will have more negative effects in the long term than income losses suffered by men. Also,

measures to combat the HIV/AIDS pandemic could suffer because of waning efforts by the international community (particularly regarding funding for AIDS treatment) and, as a result, the disease is liable to progress where it has receded in the last few years (World Bank, 2009).

The SSE's involvement in social protection is easy to understand since SSEOs are often member-based and their activities often focus on people who do not have access to the goods and services produced by the orthodox economy. As member-based organizations, they are often well-placed to detect emerging economic and social problems, emerging risk groups and new needs. Most SSEOs involved in social protection schemes:

- manage insurance mechanisms, such as micro health insurance schemes;
- facilitate their members' access to insurance mechanisms, such as cooperatives (e.g. health cooperatives), mutual benefit societies (e.g. mutual health insurance), associations (e.g. trade unions) and microfinance institutions.

In many Northern countries, SSEOs are major players in providing health insurance schemes. Mutual benefit societies provide competitive insurance schemes (in comparison with the private sector) and other additional services, such as patient representation and prevention services, health education, information and advice to members (AIM, 2008). These additional services not only empower the patients by allowing them to make better decisions, but also reduce individual and pooled health-related costs.

In developing countries, finding ways of providing relevant and effective coverage to informal workers and their families is a priority.² The ILO considers that a strategy to extend social security coverage should be based on two different types of individual rights: i) a right that devolves from the payment of contributions or taxes; and ii) rights comprising a “threshold”, or basic social security, for all. Such a threshold gradually can be consolidated as economic development progresses and/or when new needs arise. In collaboration with the World Health Organization and other UN organizations, the ILO is leading the development of the concept of a social protection floor that should be developed to protect people during and after a crisis. A social protection floor could consist of two main elements to help realize human rights:

- Essential services: ensuring the availability and continuity of and access to public services (e.g. water and sanitation, health, education and family-focused social work support);
- Social transfers: a basic set of essential social transfers, in cash and in kind, paid to aid the poor and vulnerable; these would enhance food security and nutrition and provide minimum income security and access to essential services, including education and health care.

For more than 20 years, SSEOs in developing countries have provided, for example,

community-based health insurance schemes, especially to rural and informal workers not covered by national social security systems. In some countries, these health insurance initiatives have been integrated into national health insurance schemes. Other socio-economic groups (e.g. teachers) also have created mutual health organizations to benefit from complementary health insurance schemes. These kinds of organizations are found especially in Central and West Africa. An increasing number of these initiatives are organized in networks and federations in order to better represent their movement and to offer supporting administrative and financial services.

Box 5.9: Drafting legislation on mutual social organizations

The West African Economic and Monetary Union (WAEMU) member countries have seized the opportunity that the SSE presents for the future. In 2004, WAEMU launched a large-scale project, together with the ILO and the French International Cooperation Agency, to draft legislation on “mutual social organizations” (covering health risks and not excluding extension to other social risks such as life insurance and retirement insurance) for the entire WAEMU area.

The ILO conducted the preparatory work on this draft legislation, adopting a participatory approach (including health authorities, mutual health societies and their support structures as well as national public authorities) with a view to identifying needs in the sector and determining what the various actors expected of the legislation. Once the project had been completed, the WAEMU Council of Ministers adopted draft regulations for mutual social organizations within the WAEMU in June 2009.

² A fair globalization – The role of the ILO, Report of the Director-General on the World Commission on the Social Dimension of Globalization (92nd Session, 2004).

Box 5.10: Health insurance schemes in Ghana

Formal health insurance is relatively new in Ghana, even though support in times of need (e.g. for health care and bereavement) has been provided for many decades through traditional informal networks based on social capital and solidarity. While health care has been available, largely on a cash-for-service delivery basis, the growing inequalities inherent in the system have long been troubling, and have led most recently to the implementation of the National Health Insurance Scheme (NHIS).

Three major types of health insurance exist in the country: (1) district mutual (or community-based) health insurance schemes (operating across a district with membership open to all residents of the district); (2) private commercial health insurance schemes (private for-profit schemes that are not restricted to a particular region or district, but whose membership is open to all Ghanaian residents); and (3) private mutual (community-based) health insurance schemes (serving specific groups of people – for example, members of a club, a church or any other organization).

Data from the Ghana NHIS headquarters in Accra indicate that in 2008 some 12.5 million Ghanaians, or 61 per cent of the total national population of 20.4 million, had registered with the NHIS (NHIS, 2009). The largest numbers of members, in absolute terms, are from the Ashanti region (2.8 million), the Brong Ahafo region (1.5 million), the Greater Accra region (1.4 million) and the Eastern region (1.4 million). Of the total enrolled, some 6.3 million (or slightly more than 50 per cent) are children under 18 years of age; 867,000 (or 6.9 per cent) are over 70 years of age and 303,000 (or 2.4 per cent) are classified as “indigent”, all of whom are, in principle, exempted from contribution payments.

The Ghanaian experience shows that it is possible for a country – whose workforce in the informal economy is 90 per cent of the total workforce – to successfully address challenges such as insufficient funding, low service quality and exclusion, by introducing multiple social health protection schemes ranging from community-based schemes to a national health insurance scheme for different groups of the population and bringing them progressively into alignment. The experience here indicates that an important key to success lies in ensuring access to all citizens while simultaneously targeting the poor.

ILO, 2010, p.97

The HIV/AIDS pandemic is a major concern in the social protection field, and in the context of the Decent Work Agenda. It is well-known that civil society organizations have made major efforts in response to the pandemic. In particular, associations and other community-based organizations have set up general (psychosocial and medical) care facilities for people infected with the virus and living with HIV/AIDS. In many countries, the public sector has clearly drawn inspiration from these innovative practices when designing national policies. The links between these public and private actors should be strengthened in efforts to provide care for HIV patients and to combat the disease.

Box 5.11: Helping those with HIV/AIDS in Uganda

The AIDS Support Organisation (TASO) the famous Ugandan organization which was set up in 1987, has enabled over 20,000 people living with HIV to receive anti-retroviral therapy; this has been achieved mainly through the efforts of some 1,500 AIDS community workers living with HIV/AIDS, who have been trained to provide counselling and to promote awareness among their peers of the importance of persevering with their treatment. In view of the success of its action, TASO has become a key partner in national policies to combat HIV/AIDS in Uganda and has no doubt helped to reduce the seroprevalence rate (which is still estimated at 6.7 per cent in adults in the 15–49 age group).

UNAIDS, 2008; www.tasouganda.org and Sidaction/UNAIDS/WHO, 2005

5.5 Strengthening and extending social dialogue

ILO defines social dialogue as all types of negotiation, consultation or exchange of information between or among representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. The main goal of social dialogue is to promote consensus building and democratic involvement among the main stakeholders in the world of work. Successful social dialogue structures and processes have the potential to resolve important economic and social issues, encourage good governance, advance social and industrial peace and stability and boost economic progress. Social dialogue is a crucial factor of social cohesion among actors in a society. Especially in difficult economic times, social cohesion may deteriorate as the result of stronger competition among workers.

Since SSEOs are often community-based and thus close to the concerns of people and communities, they are often well-placed to detect emerging economic and social issues, emerging risk groups and new needs. SSEO practices, which are inclusive and encourage transparent decision-making and operating methods, develop a culture of dialogue that could cast new light on governance issues. It could be in the interests of the classical tripartite social dialogue structures to involve or consult SSEOs, as well as other civil society actors representing vulnerable populations in the world of work (e.g. women, migrant workers, groups with no social protection, people who do not have decent jobs). Better cooperation between SSEOs (e.g. cooperatives) and other membership-based organizations (e.g. trade unions or employers' organizations) can foster mutual advantages. For instance, Palestinian trade unions are establishing an interface with cooperatives because they are interested in unionizing the members of cooperatives. Meanwhile, cooperatives can tackle the problems of informality, still an unfamiliar territory for many trade unions, as they can contribute to achieving some semblance of job protection and social security, especially in rural areas (ILO, Regional Office for Arab States).

As for the ILO, the International Cooperative Alliance (ICA) signed a Memorandum of Understanding (2003), and it benefits from a consultative status at ILO organs (Governing Body and International Labour Conference, as stated in the ILO Constitution (Article 12, §3). At the European level, Cooperative Europe (European Region of the ILC) is leading various actions to improve the participation of cooperatives in the European social dialogue and to gain recognition as a European cross-sector social partner by the European Commission (Cooperative Europe, 2007).

Periods of crisis are accompanied by recovery plans and plans for reforming systems that contributed to the crisis. To ensure that these reforms are relevant, these plans should be elaborated with social partners, as well as in consultation with other economic actors, including SSE actors. When reforms are designed in this manner, there is greater adherence on the part of the various stakeholders, which in turn will facilitate implementation. Associating social partners and SSEOs in the measures to monitor and evaluate these public policies and other negotiations at the inter-sectoral, sectoral or company level can only enhance the appraisal of the results and the adjustments to be made. Processes recently launched to draft, implement and evaluate poverty reduction strategies demonstrated that SSEOs – and cooperatives, in particular – have not always been involved in the proceedings (Develtere & Pollet, 2008); this can be explained because cooperatives may face a lack of federative (vertical) structures. However, it is of particular importance to consult SSEOs in the current negotiations on recovery plans, since they focus on economic and social development in the long term, sometimes to a greater extent than other civil society actors, and they are sustained by the confidence of their members, beneficiaries and users.

Finally, it is important to extend social dialogue, by consulting with SSEOs, beyond the national level, to the supra-national and international levels. It is through negotiations at these levels, and through innovative social dialogue practices, that joint solutions can be found to the economic and financial crisis in the short and medium term.

5.6 Key findings

- SSEOs, through their combined social and economic objectives and their functioning principles, are well-placed to contribute to development policies and challenges, such as poverty reduction strategies and millennium development goals.
- SSEOs are contributing or could further contribute to implement a specific international framework, i.e. the ILO Decent Work Agenda and its four pillars: labour standards and rights at work, decent employment and income, social protection and social dialogue.
- As employers, SSEOs are promoting labour standards and rights at work by establishing participatory organizational mechanisms. They are also playing a key role with vulnerable groups to whom labour rights are denied (e.g. informal workers, migrant workers, children at work).
- Because SSEOs pursue both economic and social objectives, they play a major role in creating and securing decent employment and income. Within the SSE, cooperatives have been major employers for years in several Northern and Southern countries. SSEOs also contribute significantly to accessing resources (social finance) and creating markets (fair trade, green jobs), education and training. There are also plenty of opportunities to help formalize some informal units under social and solidarity organizational structures and to enhance the development of local economies.
- In Northern countries, SSEOs are already major players in providing social protection schemes (e.g. health insurance). In Southern countries, where there is a huge deficit in terms of social protection, SSEOs (e.g. mutual health organizations) strive to make social protection schemes effective, affordable and accessible to a wide range of people who are not covered by the existing social security schemes. In some countries, these efforts are articulated with overall reform of social protection systems at the national level. In other domains also (e.g. HIV/AIDS), SSEOs provide innovative services to people living with HIV/AIDS and contribute to the implementation of public health policies.
- The inclusive and transparent decision-making and operating methods that characterize SSEOs establish a culture of dialogue that could cast new light on governance and social dialogue issues. It could be in the interests of the classical tripartite social dialogue structures to involve and consult SSEOs, as well as other civil society actors representing vulnerable populations in the world of work. Collaboration between classical social partners and SSEOs could be enhanced in joint efforts towards the resolution of social economic issues.

Chapter 6: Social enterprises and decent work

6.1 Abstract

The concept of decent work captures the goal of integrating social and economic objectives and highlights the importance of sustainable enterprises in creating greater employment and income opportunities for all. Nevertheless, not all human beings have the same possibilities to work. Within the labour market, there are always individuals and groups whose characteristics – physical, social or demographic – influence the extent to which they are able to participate (Smith and Twomey 2002) and might prevent their full access to income-earning opportunities.

The economic and financial crises have weakened further the capacity of the main socio-economic model to generate decent jobs, including in those economic sectors that traditionally have been dominated by public agencies (e.g. social service and community care) which are not appealing to for-profit enterprises. These fields of activity are at great risk of being absorbed by families and the informal economy.

From a historical perspective, since its very beginning, the social economy has played a significant role in supporting decent jobs. Nevertheless, as a result of the development of modern welfare states, the social economy's role in promoting the interests of the most disadvantaged groups decreased and remained marginal until the 1980s, when a marked and persistent slowdown of economic growth took place (Ranci, 2004). The re-emergence of the social economy was stimulated by the growing limitations of the traditional welfare state, which gradually became apparent and stimulated an active reaction from the civil society through the bottom-up establishment of new types of organizations (Borzaga and Defourny, 2001).

The re-emergence of the social economy has been coupled with the evolution of innovative entrepreneurial dynamics, including the development of social enterprises. This new form of enterprise is characterized by an explicit general-interest orientation, which overcomes the traditional member-interest approach that distinguishes the social economy (e.g. cooperatives and mutual aid societies). The declared community orientation of social enterprises has encouraged their expansion in providing general-interest services that are addressed to the entire community. Drawing on recent research focused on social enterprises, the aim of this paper is to assess the role of social enterprises in promoting decent jobs in contemporary societies.

6.2 Introduction

In the search for innovative paths of economic development that can support social inclusion and balanced economic development, the social economy is an unconventional development paradigm that strongly relies on the self-organization of civil society and therefore shows significant development potential. The main argument of this paper is that one of the components of the social economy – social enterprises – provide a solid foundation for promoting decent work and more specifically for adapting and implementing the decent work agenda to the specific characteristics of local contexts.

Historically, social enterprises played a crucial role in supporting development and especially in promoting the interests of the weakest stakeholders in society who otherwise would have been at risk of being excluded from mainstream economic life. The concept of social enterprise, as something capable of encompassing national differences in Europe, was developed by the EMES European Research Network, which identified a common approach to

the study of social enterprises. It proposed a definition of social enterprise¹ that sheds light on entrepreneurial dynamics focused on social aims within the social economy and also captures evolutionary trends involving the social services sector (Borzaga, Defourny, 2001).

Empirical evidence shows that economic solidarity strategies set up at the local level have played a major role in emancipating disadvantaged groups and deprived communities in various parts of the world with totally different geographical, cultural and political backgrounds. Thus, as sustainable initiatives, social enterprises appear as a structural dynamic, enabling growth and income creation, improving the quality of life for local communities and advancing social progress.

Generally speaking, social enterprises are likely to work in any field of activity that is of interest to the community as a whole or to specific disadvantaged segments of the population. Social enterprises are engaged in a number of different fields, some of which have experienced labour market failures resulting in severe social exclusion and high unemployment for certain segments of society. In addition, global and regional economic trends have rendered national and local governments incapable of dealing with certain welfare issues and economic challenges. For the excluded and vulnerable, social enterprises have proven to be strong forces for social change and economic advancement. Indeed, in the context of mainstream labour policies' inability to ensure a balanced allocation of the available labour force, social enterprises have emerged as innovative institutional solutions for supported employment favouring those workers who are discriminated against by conventional enterprises.

Departing from a review of the literature on social enterprises and its links with the concept of decent work, this paper presents the Italian experience of social enterprises as an interesting case that can contribute to arguments for recognizing and

supporting the development of social enterprises in other countries. A number of case studies describe representative social enterprises that operate in various contexts (i.e. Germany, Italy, Poland and Ukraine) and to the advantage of different types of stakeholders (i.e. immigrant women, disabled people and unemployed youth).

6.3 Adapting the decent work agenda to local contexts: the potential of social enterprises

Social enterprises have gained steady momentum as a global dynamic cutting across countries that are characterized by different levels of economic development, welfare systems and degrees of democratization. From an international perspective, social enterprises have interested policy-makers and scholars from different disciplines because of their capacity to deal in an innovative way with current problems and challenges that have a strong impact upon society. Their attractiveness is confirmed by the many new legal frameworks and support policies aimed at regulating the sector which have been recently introduced – or are in the process of being discussed – in some European Union countries (e.g. France, Italy, Poland, Slovenia and the United Kingdom) (Galera and Borzaga 2009).

However, as bottom-up initiatives, social enterprises operate on a relatively small scale and are primarily “creatures of social contexts”, whose characteristics depend on the interplay of economic, social, political, cultural and anthropological factors. Consequently, it is difficult to elaborate a synthetic definition that can be shared at an international level. Analyses that contribute to pinpointing the endogenous and exogenous enabling factors that allow for the development of social enterprises would be important.

¹ The concept of the social enterprise was worked out by a group of researchers – the EMES Research Network (The Emergence of Social Enterprise in Europe). It refers to both socio-economic entities that are newly created and existing organizations refashioned by a new dynamic (Borzaga and Defourny, 2001).

Despite the existence of many definitions of the social enterprise in the international literature,² a growing convergence in meaning has emerged in Europe, where the concept of social enterprise is increasingly used to identify a “different way” of doing business that occurs when institutional structures are created to pursue specifically social goals. As such, the specific character of social enterprises stems from the type of goods and services they supply to the community, as well as from the production and allocation processes they provide for vulnerable groups.³

The academic and policy debates have so far mostly focused on the main outputs produced and/or management modalities adopted by the social economy and social enterprises. The occupational dimension of these types of institutions has been largely overlooked.

Nevertheless, when analysing the potential of social enterprises from an ILO perspective, these types of organizations seem to have an edge over other types of institutional structures (e.g. for-profit enterprises and public agencies). Given their local dimension, social enterprises are especially suited to tackling local problems and taking stock of local resources, including economic and non-economic ones that would not otherwise be directed to welfare and development issues. Further, social enterprise concepts and practices cut across all four strategic dimensions of the ILO Decent Work Agenda, which include: 1) job creation; 2) rights at work; 3) social protection; and 4) social dialogue. In particular, social enterprises help to implement the decent work agenda at the local level:

1) **Job creation:** Social enterprises complement the supply of general-interest services that

public agencies and for-profit enterprises fail to deliver for a number of reasons (e.g. budget constraints, their incapacity to identify new needs arising in society and possible solutions, and market failures such as those induced by information asymmetries or positive externalities). The expansion of social enterprises was stimulated by the growing limitations of the traditional welfare state (Borzaga and Defourny, 2001). This growth was especially impressive in countries where the provision of these general-interest services was underdeveloped and almost exclusively public, such as Italy. In countries where private non-profit organizations (mainly associations) were already involved in providing social services, there has been an increasing shift towards a more entrepreneurial stance and autonomy from public agencies (Bacchiega and Borzaga, 2003). As a result of their of new services – i.e. the social and community services that show high employment potential – social enterprises contribute to creating new employment. In particular, social enterprises can employ unoccupied workers, such as women with children, who seek flexible or part-time jobs.

2) **Rights at work and social protection:**

Notwithstanding the range and number of measures implemented, disadvantaged people throughout the world continue to be subjected to violations of their human rights. People with disabilities are the most deprived and neglected human beings in the world (Sen 2006). The available statistics indicate that unemployment rates among workers with disabilities tend to be twice or three times that of other workers, with the highest levels being among those who are mentally ill (O’Reilly 2003).

² The concept of social enterprise is making amazing breakthroughs on both sides of the Atlantic, especially in European Union countries and the United States. It is also attracting increasing interest in other regions of the world, such as former Soviet Union countries, Eastern Asia and Latin America (Defourny and Nyssens, 2008). Nevertheless, various approaches and definitions of social enterprises are used in the literature with little consensus so far among scholars. From an international perspective, social enterprises tend to be either regarded as: i) profit-generating activities supporting the pursuit of social goals by a non-profit organization; or ii) specific types of institutions which manage to combine economic and social dimensions. This paper, drawing on the EMES approach, follows this second approach.

³ Social enterprises are collective entities; this characteristic is in stark contrast with the supposed absence of democratic processes in these forms of enterprise, which is stated or implied a number of times in various policy documents.

Furthermore, globalization and changes to the division of labour have negatively affected employment opportunities and labour markets. While raising the level of unemployment and making work more precarious, these trends have also increased the conditions for social exclusion of disadvantaged workers in the labour market (Spear and Bidet 2005). At the same time, traditional employment policies designed to support disadvantaged workers have become less effective. Clearly, labour market failures have been compounded by policy failures, which have opened the way to new initiatives for the most disadvantaged (Aiken and Spear 2005), including the creation of social enterprises specifically aimed to integrate disadvantaged people to work (e.g. youth with low qualifications, minority groups, homeless people, convicts and former convicts). In contrast to other policy measures, social enterprises that facilitate work integration are new initiatives explicitly created for training and employing disadvantaged workers directly, either in a stable or temporary way (Nyssens, 2006). These enterprises have an entrepreneurial character that empowers vulnerable workers, stimulates their productivity (at least to cover their labour costs), allows for effective enforcement of their fundamental rights and promotes decent conditions of work.

- 3) **Social dialogue:** Social enterprises contribute to innovative models of industrial relations (Borzaga and Tortia, 2007; Borzaga and Depedri, 2005). The social enterprise model plays a role in developing new forms of work organization which can enhance workers' participation in decision-making processes. The governance structures of social enterprises allow workers to be actively involved and contribute to defining effective policies on wages and earnings, hours and working conditions. One characteristic of work integration social enterprises is that disadvantaged workers are encouraged to actively participate, which gives them an opportunity to reassess the role of work in their lives and to gain control over their own personal projects. This concept implies assisting

disadvantaged workers in developing an occupation and acquiring specific values through democratic management structures (Borzaga et al. 2008). Moreover, because of their social motivations and democratic governance systems, social enterprises are seen as organizations that can be trusted by communities, public institutions, for-profit firms and, in some cases, trade unions. For this reason, these enterprises have the capacity to gather additional resources, such as voluntary work, which can support the viability of the enterprise (Borzaga 2006).

Social enterprises use tools, such as networking, inclusive governance models and local partnerships, to promote social dialogue, build consensus on employment and decent work strategies and influence public policies. One emerging trend has been overcoming the traditional model of cooperatives, which is based on a single stakeholder system. Social enterprises sometimes develop multi-stakeholder governance models involving, for example, local authorities, for-profit enterprises and sometimes trade unions (even though, at times, they may remain suspicious about the activity of social enterprises). In most social cooperatives, different stakeholders (e.g. worker members, user members, voluntary members, subsidizing members and legal entities, both public and private) are involved. This makes it easier to tailor the supply of services to users' needs and contributes to strengthening the local embeddedness of the enterprise.

6.4 What can be learned from the Italian experience?

A number of factors render the Italian experience with social enterprise particularly interesting, including:

- the early use of the social enterprise concept;⁴
- the long valued history of social enterprises in Italy;
- the availability of data and research; and
- the advanced legal regulation characterizing social enterprises in Italy.

In Italy, the first social enterprises emerged at the end of the 1970s, mainly from the efforts of small groups of volunteers and workers who were dissatisfied with the public supply and market provision of social and community care services. These new initiatives were aimed at meeting the needs of groups of people who had been disregarded by the public welfare system.

The welfare system, which was established in Italy after World War II, was a mix of the corporatist and universalistic models; it provided limited services, given the strong prevalence of cash benefits managed by the central government.

Following the 1973-1975 oil crisis, the slowdown of economic growth pushed unemployment levels up and fuelled demand for income support. At the same time, the elderly population grew, new needs arose and the role of the family in providing social support declined, given the increase in female participation in the labour market. All of this could hardly be tackled by providing cash benefits.

In this situation, groups of citizens, heavily reliant on volunteers, attempted to bridge the gap between the demand for and the supply of social services by devising new services and new organizational forms.

Many such new initiatives were set up as cooperatives. These new types of cooperatives were recognized in 1991 through the introduction of Law 381, as a result of the organizational and lobbying

capacity of the new cooperatives, their clear social orientation and the support provided by the cooperative movement. Law 381 did not only recognize a new form of cooperative; it introduced a new type of enterprise with a distinctive purpose, namely “to pursue the general interest of the community in the human promotion and social integration of citizens”.⁵

In concrete terms, Law 381 recognizes two types of social cooperatives: those that manage social welfare and educational services (type-A social cooperatives) and those that undertake other agricultural, manufacturing or commercial activities or deliver services for the work integration of disadvantaged persons (type-B social cooperatives). Type A cooperatives are entrepreneurial in nature, although they can only operate in social services. Type-B cooperatives focus on providing occupation for ‘disadvantaged workers’, who must constitute at least 30 per cent of their employees. Disadvantaged members integrated by Type-B social cooperatives are exempted from paying contributions to national insurance.

Over the years, social cooperatives have become key players in the Italian welfare system and an important sector of the Italian economy.

The capacity of social cooperatives to promote rights at work can be seen from various perspectives (Borzaga, Mongera and Giovannini 2009; Galera 2010):

- In spite of the low rate of female employment which characterizes Italy, 80 percent of the workers in social cooperatives are women, who seek flexible jobs. A high percentage of the women voluntarily decide to work part time.⁶
- Employees of social cooperatives have high intrinsic and altruistic motivations.

⁴ The social enterprise concept was employed in the 1990s to name a journal, edited by a consortium of social cooperatives – *Impresa Sociale* – with the goal of identifying and analysing those economic initiatives pursuing social aims that had developed over the previous decade.

⁵ Law 381/1991

⁶ This is corroborated by a survey carried out in 2006 on a sample of 310 Italian social cooperatives, involving 320 managers and more than 4,000 workers.

- Job satisfaction is determined by the features of work (especially autonomy, low control, intrinsic interest of the job), the context (relationships and organizational effects) and workers' motivations and perception of fairness.
- The effect of wages on job satisfaction is quite low and often not significant, while job stability is more important.
- Differences exist between social enterprises and other types of organizations, especially public organizations, where satisfaction and loyalty are lower than in social cooperatives.
- "Normal" workers (workers who are formally not disadvantaged) employed by Type-B social cooperatives are often former long-term unemployed, who are poorly qualified (Depedri 2011).

One of the main strategies adopted by social enterprises is to group into second-level organizations (e.g. consortia and federations) as a form of integration and promote partnerships with different local stakeholders. Since their very first years of development, many social cooperatives have served the growing demand for services by spinning off new initiatives, rather than by increasing the size of the cooperative. This approach pursues a specialization strategy, and reaps the advantages of large size by grouping into local consortia. These consortia are formed mainly at the provincial level and then again at the national level. An integrated entrepreneurial system has been developed following the implementation of this strategy. In general, a consortium can be defined as an "inter-organizational agreement which requires an intermediate level of coordination among enterprises" (Pavolini, 2002). It is therefore the main form of collaboration among cooperatives which join together to pursue business and productive

ends and to benefit from the advantages small- and large-scale operations.

Since the approval of Law 381, which introduced the social cooperative legal form, these organizations have registered an average annual growth rate ranging from 10 to 20 per cent. In 2008, 13,938 social cooperatives comprised 19.5 per cent of the total number of cooperatives and 0.3 per cent of the total number of Italian enterprises. These cooperatives employed 340,000 workers (out of which 300,000 were hired with a permanent contract). About 40-45,000 disadvantaged workers were integrated (i.e. 7 per cent of the total number of disabled people looking for a job). About 40-50 per cent of all social services were provided by social cooperatives, with a total turnover (the value of the goods and services that a company sells in a particular period of time) amounting to EUR 9,000 million. While impressive, this development of social cooperatives has not prevented other types of third-sector organizations from developing social entrepreneurial activities. Recently, a law on social enterprise (Law 118/2005) was adopted.

6.5 Case studies of successful social enterprises⁷

The evolutionary dynamics of social enterprises are very context-specific. The types of activities carried out and problems addressed by social enterprises vary dramatically from country to country, depending on the level of income and type of welfare system present. The following brief description of four representative case studies, drawn from very different contexts and dealing with different problems, will provide a general picture of the diversity and potential of social enterprises.

⁷ Three case studies (Krasnianochka, EKON Association and Graefewirtschaft) were collected in 2011, following the launch of a call to early-stage researchers and young practitioners jointly promoted by Euricse and the EMES European Research Network.

Case study 1 (Ukraine): Krasnianochka, a social enterprise integrating youth

Context

The social enterprise Krasnianochka functions in a rural area strongly affected by underdevelopment, a severe lack of social services and severe unemployment. Ukraine presents a rather unfavourable environment for the development of social enterprises, although it has paved the way for a number of innovative institutional responses to overcome legal inconsistencies and rigidities that hamper social enterprise activities. Krasnianochka is an interesting case about a local NGO which has managed to give birth to a social enterprise-like initiative. Against the background of severe structural problems affecting the local area, including political instability and a lack of financial resources and qualified staff, Krasnianochka was set up by a local NGO – Avant Garde – with the goal of supporting local development and especially youth employment.

History/background

Avant Garde, in order to implement its statutory goals, founded Krasnianochka in 2006 as a union of citizens' enterprise in order to provide new jobs and stable funds that could support the activities of the NGO. At the beginning, the social enterprise provided hairdressing services and tailoring workshops. Over time, the demand for these kinds of services declined, and marketing surveys revealed a strong desire among the local population for a café. Krasnianochka redirected itself to provide the services of a café and constantly considers new business opportunities, including the possibility of expanding into the fields of tourism and agricultural production. Current activities include a catering service, organized youth events and community initiatives of various kinds.

The social enterprise is being developed with its own funds derived from its business activities. Its partners are local stakeholders, including the village council, the local council and an umbrella organization SESP (NGOs "Socio-economic Strategies and Partnerships"), to which Avant Garde belongs). Krasnianochka provides an opportunity for local inhabitants to be actively involved in tackling crucial social and economic problems. It attracts about 20-40 villagers – members of unprotected categories – who work there as volunteers. Krasnianochka is still at an early phase of development, and yet it is characterized by strong local embeddedness and the commitment of various local stakeholders.

The annual turnover of the social enterprise is from 3,755 up to 7,500 USD. Most (97 per cent) of its income comes from its business activities (i.e. revenue from sales) and the remaining 3 per cent is provided by the village council. The social enterprise donates money to Avant Garde, which provides social services to the local population. Krasnianochka so far has been unable to generate employment, but it actively involves disadvantaged people, and so it can be regarded as an embryonic social enterprise.

Case study 2 (Poland): EKON Association, an association employing disabled workers

Context

One of the main social problems in Poland is the high risk of poverty and social exclusion, which is caused mainly by the low level of education and high rate of unemployment and disability (14.3 per cent of the population in Poland is disabled).

History/background

In 2003, EKON Association was established to help people threatened by social exclusion, especially mentally ill people. Since 2004, the association has conducted its activities together with two sheltered workshops, based on an agreement of mutual business activity. EKON was empowered by an amendment to the Act on Professional and Social Rehabilitation, which allowed enterprises to obtain subsidies for employing and paying disabled people. EKON created the idea of eco-work, which aimed to create green workplaces for people with disabilities. The enterprise's main activities are packaging waste management; employment exchange and labour force outsourcing; psychological and vocational care; and training and educational services.

EKON's first pilot programme was enabled by a subsidy from the Regional Environmental Protection and Water Management Fund in Warsaw. The programme began by employing 56 disabled people, and this number has increased over the years. In 2008, 879 people were employed, of whom 469 were mentally disabled (the disabled represent 80 per cent of the total workforce). EKON collects waste from several housing estates and municipalities, and collects over 31 per cent of the packaging waste recycled in Warsaw.

These activities add value in two ways: (1) they increase Warsaw residents' ecological awareness; and (2) they offer the local community the opportunity to change its approach towards disabled people and especially mentally ill people, who continue to be severely stigmatized. On the negative side, noteworthy is the very high percentage of disadvantaged workers integrated by EKON over the total workforce employed (80 percent), which appears to be less effective in empowering disadvantaged workers when compared to other initiatives with a lower threshold (e.g. B type social cooperatives in Italy must employ at least 30 percent of disadvantaged workers over the total workforce). These activities generate cost savings in collecting and storing wastes, and they also lower the costs of limited hospitalizations for the mentally ill people employed. Interestingly, EKON is not paid for waste collection, either by the municipalities or the private estates that benefit from its services.

Case study 3 (Germany): Graefewirtschaft, a social enterprise supporting the work and social integration of immigrant women

Context

The settlement of Werner-Duettman-Siedlung is characterized by high long-term unemployment. Almost 57.5 per cent of the tenants live on social benefits, and 28 per cent of the population is in debt. Seventy-nine per cent of the population comes from a migrant background, especially from Arab countries, Turkey and former Yugoslavia. Most of the families have no access to vocational training/education or regular employment.

A social enterprise was set up by unemployed migrant women from nine different countries, who, for a long time, had been working only in short-term or intermediate assignments. Its goal was to promote work integration for women and improve the neighborhood's living conditions by supplying needed services.

History/background

Since 2007/2008, a self-initiated group of migrant women has met periodically to combine their capacities in areas such as sewing, embroidery, knitting and cooking, in order to find useful work to improve the quality of life in their neighborhood and become independent from welfare-state benefits. The Berlin Development Agency for social enterprises and neighborhood economy (BEST) supported the group in setting up an enterprise. In 2009, Graefewirtschaft was founded by 14 people, nine of whom were unemployed (seven of them were migrants from different countries and two were German). Graefewirtschaft operates a restaurant that offers healthy, multicultural, inexpensive meals; provides intercultural catering services for events (with traditional cooking from, for example, Arab countries, Ecuador, Sri Lanka and Turkey); and offers sewing workshops and vocational training.

Graefewirtschaft partners with "Die Weltküche" and works with the association "Positive Aktion" in supporting migrants who are HIV-positive. All of these social enterprises are locally based.

Graefewirtschaft engages a well mixed staff of disadvantaged and non-disadvantaged people and relies on a financing mix of different incomes, including volunteer work. The enterprise uses a multi-stakeholder governance model, involving interested inhabitants, local traders, borough departments and other organizations. Migrant women own the enterprise and learn "on the job" how to conduct and run it. Graefewirtschaft helps to recover informal jobs, reduce language barriers and enhance social capital at the local level.

The social enterprise has three volunteers and employs five worker-members, three of whom have a fixed contract and two of whom are employed on the basis of a so-called "mini-job" (job with monthly gross earnings of up to EUR 400). The financing plan for 2011 foresaw a turnover of EUR 798,321 over two years, of which EUR 435,065 is to be obtained from sales by the various enterprise units.

Case study 4 (Italy): In Concerto, a second-level organization comprising 21 social cooperatives

Context

After working to rehabilitate and educate people with psychiatric disabilities, the cooperative l'Incontro saw the need to provide them with access to the labour market. Against this background, it committed to create new cooperatives, which were then grouped into a consortium. In 2010, the consortium, In Concerto, employed 1,350 people, 350 of whom were disadvantaged workers. The consortium provided care and rehabilitation to more than 1,000 people, with an annual turnover exceeding EUR 44 million. The consortium currently comprises five Type-A cooperatives providing social, health and educational services; 15 Type-B cooperatives offering integration in the workforce; and a consortium for property investment called "*Quartieri della Solidarietà*" (solidarity neighbourhoods).

History/background

The consortium In Concerto was established in 2002 to facilitate access to the labour market for people who previously had been beneficiaries of occupational day-care centres. The consortium was created to bring together cooperatives that had been working along the same lines and principles, in order to weave an internal and external network of solidarity and services for the local community. Over time, the philosophy of the consortium consolidated a close-knit network, approximating very much an industrial cluster ("social cluster"). In Concerto has managed to develop strong links with local authorities, trade unions and private organizations engaged in labour services. It has contributed to creating a real labour market, integrating public and private stakeholders to meet the growing needs of the region, and has had a role in creating new opportunities for social job placements.

To increase its occupational impact, the consortium created a social employment agency that acts as an interface between public and private employment services, social services and traditional businesses. Its partners are municipal social services, employment placement agencies, job centres, for-profit businesses, Service for Labour Integration, and occupational training centres.

Within this framework, a memorandum of cooperation was signed with the temporary job agency, UMANA spa, to facilitate the placement of some disadvantaged workers with physical and mental disabilities. Based on its experience, the consortium does not need to limit itself to responding to social needs identified by public bodies; it also suggests paths of social partnership targeted to the main community priorities.

Following the global economic crisis, In Concerto promoted and obtained the agreement of local trade unions for a project named "New Poverties", developed in cooperation with seven municipalities in the Region Veneto and with the region itself. In this project, the municipalities agreed to develop specific activities that could integrate unemployed people who lack any form of social safety net. The project is co-funded by the Region Veneto, which has pledged EUR two million in 2010 and EUR one million in 2011. Another interesting agreement was recently formalized with trade unions, following the closure of a factory which used to employ about 800 workers. Thirty people who had been dismissed were reintegrated by the consortium as a result of the launching of a new product line.

6.6 Closing remarks

Social enterprises' contribution to promoting decent work is corroborated by the history of social enterprises, aggregate data (e.g. the Italian experience) and specific case studies, all of which demonstrate that social enterprises are a structural trend cutting across countries with diverse characteristics. The selected case studies confirm the diversity and flexibility of these kinds of institutions and illustrate their contribution to local economic development and social cohesion. They describe organizations that operate in countries that differ in their recognition of the social enterprise concept, the context of development, the types of recipients and employment strategies. Social enterprises emerge as innovative institutional structures, despite the lack of supportive policies and enabling environments.

The selected organizations also differ in their integration strategies. Nevertheless, they appear to have identified innovative work integration paths and networking policies with both public and private actors (e.g. public agencies, for-profit firms and trade unions).

However, new research is needed to fully understand the potential of social enterprises, especially regarding:

- policies and legal frameworks adopted to facilitate the development of social enterprises;
- the impact of social clauses in public procurement; and the effectiveness of specific incentives for employing disadvantaged workers in the traditional labour market.

Chapter 7: Supporting social enterprise development in Africa – the experience of a pilot ILO project

7.1 Abstract

Social enterprise is an emerging concept that is attracting increasing interest worldwide as a way to apply business approaches to social challenges. Put simply, a social enterprise is an organization that is run like a business but which has a social purpose. In October 2009, a tripartite regional conference on the social economy as a response to the economic crisis in Africa identified social enterprises as a component of the social economy.

Despite increasing interest around the world, the social enterprise concept remains in its infancy, and its potential remains largely untapped. There are few examples of policy frameworks or supporting institutions that focus on social enterprise; public awareness and understanding is very limited; and representative organizations and networks are still emerging and fragile in many parts of the world. Against this background, the ILO implemented a pilot project from 2009 to 2011 in South Africa – the first ILO project to focus on social enterprise and its contribution to the decent work agenda.

The project used a systemic approach, recognizing the need for interventions at various levels that would be mutually reinforcing. These included activities that sought to: raise awareness and develop the capacity of local institutions to continue to host and stimulate informed debate; facilitate the design and implementation of a conducive policy, legal, regulatory and institutional framework for social enterprise development; and ensure that social enterprises have access to appropriate development and support services.

The project appears to have been successful in getting social enterprise on the national policy agenda and presenting a model of development that

can be used to successfully combine social and economic objectives. A social enterprise development approach offers significant potential in linking at least two of the ILO's strategic objectives, namely employment creation and social protection. The project developed tools and approaches that are replicable and are now being rolled out in South Africa and elsewhere in the region within the context of a regional social economy strategy.

The project also highlighted the need for: further conceptual clarity regarding social enterprise and the social economy; practical mechanisms to identify social enterprises; and an integrated approach to social enterprise development.

7.2 Introduction

Social enterprise is an emerging concept that is attracting increasing interest worldwide as a way to apply business approaches to social challenges. Put simply, a social enterprise is an organization that is run like a business but which has a social purpose. Social enterprises occupy the middle ground between conventional charities or non-governmental organizations (NGOs) and conventional businesses.

Social enterprises differ from conventional enterprises in that they have a primary social purpose and consider social impact to be more important than maximizing profits. Indeed, most of the profit generated by a social enterprise is used for a social purpose rather than to generate income for its owners. Social enterprises are unlike conventional charities in that they earn a substantial proportion of their income rather than depending on grants.

In October 2009, a tripartite regional conference on the social economy as a response to the economic crisis in Africa identified social enterprises as a component of the social economy.¹ The definition suggests that social enterprises are a distinct category within the social economy, separate from cooperatives, mutual societies, foundations and associations. This is potentially misleading, as social enterprises can be set up with a variety of legal and organizational forms, including all of these. In this paper, a set of defining characteristics for social enterprise is proposed, which in practice is also relevant for most, if not all, social economy organizations.

Over the last two decades, social enterprise has received increased attention. Three of the factors that have encouraged this are:

1. NGOs with charitable or social purpose missions are under pressure from their donors and supporters to become more efficient and financially sustainable and to maximize the social 'return on investment' (Alter, 2006: 206). This has led to a new generation of NGOs that are adopting business-like operations and techniques in order to improve their efficiency and/or are looking for ways to generate at least a portion of their own income rather than depending solely on grants or donations. Some philanthropic financiers, who in the past funded NGOs through grants, are starting to seek investments in social enterprises from which they anticipate both a social return and a high chance of a financial return, allowing them the opportunity to reinvest their capital in more social causes. Such investment is sometimes referred to as 'impact investment'.
2. Governments around the world are under pressure to improve the efficiency and effectiveness of service delivery to their citizens. This has led to debates about the relative benefits of contracting out some elements of public services to external suppliers. Social

enterprises have been proposed as a pragmatic response to this often ideologically and politically charged question, as they can offer the efficiency of a private-sector service provider and a guarantee to serve the public interest, rather than private ones.

3. The recent economic crisis and the financial crisis that preceded it have triggered a process of reflection on business models that has questioned the sustainability of conventional private-sector approaches and has increased interest in alternative business models that seek to combine social and financial goals. As the South African Minister of Economic Development, Ebrahim Patel, says, the "very extremes of profit-fundamentalism have so distorted economic actions and incentives that the essential purpose of economic activities became subverted. Society is paying a high price for the lack of balance, with the economic crisis. There is recognition that such a model is not sustainable ... There is now also an increased interest in a better mix between private and social enterprises as a further response to the lack of development in the past" (Patel, 2009: 14).

Social enterprises can contribute to the decent work agenda in various ways. By creating sustainable, market-based solutions to social problems, they contribute to creating employment in sustainable enterprises. Some social enterprises specifically seek to provide skills development and employment opportunities for people who are distant from the labour market, including people with disabilities, the long-term unemployed or minority groups. Some focus on empowering women or youth. Some provide a bridge for people operating in the informal economy to move towards the formal economy, or offer basic social protection where there would otherwise be none. Social enterprises tackle a wide range of social problems, including those related to the environment, education, health, human rights, community cohesion and animal welfare, among others.

¹ The social economy was described as "a concept designating enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity" (ILO, 2009a).

In some countries, governments have made efforts to encourage the growth of the social enterprise sector, recognizing its significance and the value that it brings to society.² In countries where it has not yet received significant policy recognition or support, social enterprise could be a new growth area that offers a politically attractive “win-win” opportunity – new job creation and better service delivery.

Despite increasing interest around the world, social enterprise remains in its infancy and its potential remains largely untapped. There are few examples of policy frameworks or supporting institutions that specifically focus on social enterprise; public awareness and understanding is very limited; and representative organizations and networks are still emerging and fragile in many parts of the world.

It was against this background that the ILO implemented a pilot project from 2009 to 2011 in South Africa – the first ILO project to focus on social enterprise and its contribution to the decent work agenda. The remainder of this paper describes the project and the lessons that can be drawn from it.

7.3 Experiences

The Social Entrepreneurship Targeting Youth in South Africa (SETYSA) project ran from January 2009 to February 2011. It was designed as a pilot project that would develop and test a range of interventions intended to support the ILO’s constituents and partners in South Africa in their efforts to promote social enterprise development. It operated at the national level, with pilot activities in selected communities in two provinces – Eastern Cape and Western Cape. It was supported financially by the Government of Flanders.

The project used a systemic approach, recognizing the need for interventions at various levels that would be mutually reinforcing:

Level of intervention	Objective
Meta level: The implicit norms, values and perceptions held towards social enterprise	To encourage a public mindset that is more appreciative of the role of social enterprises in contributing to social and economic development
Macro level: The policy, legal, institutional and regulatory framework as it applies to social enterprise	To encourage a more conducive enabling environment for social enterprise development
Micro level: The ‘marketplace’ in which individual social enterprises and organizations interact with their members, clients, beneficiaries, service providers and other stakeholders	To improve the efficiency of these interactions, resulting in the establishment, growth and improved effectiveness of social enterprises

Meta-level activities

As in other parts of the world, social enterprise in South Africa is an emerging and little-known concept, but interest in it is rapidly growing. Of course, there have been examples of what might be described as social enterprises in South Africa for decades, often strongly linked either with the cooperative movement or with civil society initiatives. There are many organizations that do not regard themselves as social enterprises, but could be described as such. In general, there is a relatively shallow level of understanding but, in many cases, a desire for increased knowledge and information on the topic.

² For example, estimates suggest that there are over 60,000 social enterprises in the United Kingdom, contributing GBP24bn to the economy and employing 800,000 people (Social Enterprise Coalition, 2009: 3).

The project made a concerted effort to raise the level of informed debate on social enterprise in South Africa among representatives of government, workers, employers, social enterprises, academics, business development service facilitators and providers and other stakeholders. This involved national and community-level research, awareness campaigns, a study tour and other structured dialogue, such as focus group discussions.

The project also supported the production and dissemination of a wide range of information resources related to social enterprise, including various research reports and a set of 25 case studies of social enterprises in South Africa. The project supported the establishment of an online resource and networking platform at www.asenetwork.org, which was used to host e-conferences and share information. It also supported the host of this site, the African Social Entrepreneurs Network, to run a series of breakfast seminars and other networking events, which it has continued to do so since the project's closure.

By commissioning research,³ the project supported the establishment of a new Centre for Social Entrepreneurship and Social Economy at the University of Johannesburg. The Centre went on to host the Social Enterprise World Forum in April 2011, the first time this global event had been held in Africa.

These activities helped to raise awareness at various levels and developed the capacity of local institutions to host and stimulate informed debate. The final evaluation of the project found that it "introduced the concept of social enterprise and social entrepreneurship as a model of development that is relevant to meet the economic and social development challenges faced in South Africa" (White, 2011: 25).

Macro-level activities

When the project started, there was no South African policy on social enterprise or related

concepts. The project commissioned policy research which confirmed that there are many existing policies, regulations and initiatives that affect the enabling environment for social enterprise development, including those related to the registration and obligations of companies and non-profit organizations; tax law; broad-based black economic empowerment; corporate social investment and provision of business development services.

Given this situation, social enterprises currently exist as a number of different kinds of legal entities which are governed by various pieces of legislation and authorities. The policy research identified opportunities to influence the integration of these various strands as they relate to social enterprise, which would significantly improve the enabling environment for social enterprise development.

A national conference was held in October 2009 on the enabling environment for social enterprise development in South Africa, resulting in a conference statement⁴ that set out an agenda for designing, institutionalizing and implementing a more conducive policy, legal, regulatory and institutional framework. An interdepartmental and multi-stakeholder technical working group was established to take this forward.

The work of this group became increasingly aligned with the development of the government's New Growth Path, which was approved by the Cabinet in late 2010. The New Growth Path identifies the social economy as a driver of job creation and notes the need for a variety of interventions to meet its job-creation target of 260,000 jobs in the social economy. The National Youth Development Agency included social entrepreneurship in its strategic plan, with the intention of establishing a social entrepreneurship fund for young people, and the Western Cape Provincial Government committed resources to promoting social enterprise development.

³ Steinman (2009).

⁴ ILO (2009b).

The final evaluation of the project found that it “helped policy-makers better understand the danger of policy silos and presented a model of development that can be used to successfully combine social and economic objectives” (White, 2011: 26). Despite this progress, challenges remain at the macro level. Policy and institutional frameworks remain divided, and implementation of the interventions identified in the New Growth Path has yet to take place.

Micro-level activities

There are a few institutions that provide dedicated support to social enterprises or social entrepreneurs in South Africa. Some are international organizations, notably Ashoka⁵ and the Schwab Foundation for Social Entrepreneurship,⁶ which both provide support to selected social entrepreneurs through their networks. Others are attached to academic institutions, notably the Network for Social Entrepreneurs at the Gordon Institute of Business Science,⁷ the Centre for Social Entrepreneurship and Social Economy at the University of Johannesburg⁸ and a new centre being established by the University of Cape Town’s Graduate School of Business. There are also independent organizations, including the social enterprise incubator Heart,⁹ the African Social Entrepreneurs Network (ASEN)¹⁰ and the nascent UnLtd South Africa.¹¹ There are, of course, many other organizations whose work overlaps with the social enterprise space and which provide support to social enterprises, even if they are not labelled as such.

Significantly, there is increasing interest among established facilitators and providers of conventional business development services (BDS) in extending their services to include those tailored for social enterprises. These include the National

Youth Development Agency (NYDA) and the Small Enterprise Development Agency (SEDA), whose interest in the subject was reflected in the inclusion of social enterprise as one topic in its call for abstracts for its flagship publication, *Small Business Monitor*. They also include independent or provincial-level institutions, such as The Business Place and Red Door.

The project worked closely with these BDS institutions and explored ways in which social enterprise could be promoted. It developed a series of tools and approaches and tested these on the ground with partner institutions. These tools included guides to finance and legal forms for social enterprise in South Africa and training materials for potential social entrepreneurs.

The main micro-level intervention developed and tested by the project was a social business plan competition (SBPC). This is a contest in which social business plans submitted by contestants are compared and judged. However, an SBPC, as developed by the project, is much more than a one-off round of judging. It is a process that also involves awareness raising, capacity building of trainers, training and coaching of entrants and considerable after-care and support to the winners. It therefore contributes to the meta-level objective of changing mindsets, raising awareness and improving services for social enterprises at the micro level. The pilot competitions were also used to develop and test the social enterprise training materials mentioned above. Competition entrants were taken through a series of training workshops and given support to develop their social business ideas and plans.

The reasons for running an SBPC will vary, but typically the ultimate objective is to unlock the

⁵ www.ashoka.org/africa.

⁶ www.schwabfound.org.

⁷ <http://www.gibs.co.za/dialogue-circle/network-for-social-entrepreneurs-.aspx>.

⁸ <http://www.uj.ac.za/management/>.

⁹ www.heartglobal.org.

¹⁰ www.asenetwork.org.

¹¹ www.unltdsouthafrica.org.

potential of social enterprise to create social value in the target community. The immediate objectives include:

- to raise awareness of social enterprise as a concept among the public in the target community, and to encourage members of the community to come up with viable social business ideas – business solutions to real social problems;
- to give potential social entrepreneurs the help they require to develop social business plans that describe how their ideas could work;
- to help successful entrants access finance and other services required to put their plans into practice;
- to educate existing BDS institutions currently serving the target community about social enterprise, and provide them with appropriate tools so that they can support social enterprises as well as conventional businesses. The intention is to give these BDS institutions the opportunity to expand their service offer and increase their developmental impact.

The project helped to run three pilot SBPCs:

- **The 2009 Cape Flats Social Business Plan Competition**, coordinated by The Business Place Philippi, targeted residents of the Western Cape Province area commonly known as the Cape Flats.
- **The 2010 Nelson Mandela Bay Social Business Plan Competition**, coordinated by the National Youth Development Agency, targeted residents of Nelson Mandela Bay Municipality.
- **The 2010 Cape Town Social Entrepreneurship Business Plan Competition**, coordinated by the Department of Economic Development and Tourism of the Provincial Government of Western Cape, targeted residents of the Cape Town Metropole area, including Atlantis, Paarl and Stellenbosch.

Based on the experience of these competitions, the project developed a Social Business Plan Competition Handbook for those who wish to organize SBPCs as a way of raising awareness about social enterprise and stimulating its development.

The pilot competitions indicated a significant level of interest in social enterprise development among the target communities. The notion of tackling a social problem using a business approach proved appealing. The competitions appealed equally to men and women and to youth to a lesser degree, indicating the possible need to specifically target youth in future competitions if this is a key target audience. Interestingly, however, the majority of finalists and award winners were women. This is in line with some international experience which suggests that “social enterprises are a natural home for women entrepreneurs” (Social Enterprise Coalition, 2009: 7).¹² The dominance of entrants over the age of 35 is also interesting and adds to the international debate on the importance of life experience in the profile of the typical social entrepreneur.¹³

The competition experience suggests the need for supportive interventions by BDS institutions at various stages. Firstly, the positive response to the competitions suggests the value of these kinds of outreach and awareness campaigns in identifying and attracting new clients. Secondly, these potential clients require support in understanding the concept of social enterprise. Thirdly, they may benefit from support in generating a viable social business idea and turning that idea into a social business plan. And finally, many clients are likely to require ongoing coaching and guidance as they establish, consolidate and grow their social businesses.

The entries included two distinct types of social enterprise – those with a community-based organization background whose managers understand the need to become financially self-sustaining, and those that fit more closely with

¹² This research finds that 26 per cent of social enterprises could be described as ‘women-led’ – almost twice as many as compared with conventional small businesses.

¹³ The literature on this issue is more equivocal; some authors suggest that social entrepreneurs are likely to be younger (Van Ryzin et al., 2009:129) while others suggest the importance of exposure to social experiences, beliefs of self-efficacy and access to social support, which are arguably more likely to be associated with more mature people (Mair & Noboa, 2006: 129-131).

conventional start-up enterprises but which have a social purpose. The needs of each group will differ based on their areas of expertise and the types of support to which they are accustomed. This highlights the need to integrate the types of support currently offered to NGOs by agencies that focus on social development and by conventional BDS institutions, which traditionally focus on economic development. This should include broadening advisors' knowledge about the range of registration options, possible business models and financial services available across the spectrum of social enterprises.

The competitions successfully exposed conventional BDS institutions to the concept of social enterprise and enhanced their capacity to identify and serve social enterprises in addition to their traditional clientele. The competitions also succeeded in raising awareness of and interest in social enterprise among the target population. As such, the SBPC approach proved highly appropriate and could easily be replicated wherever BDS institutions wish to explore the potential for providing tailored services to social enterprises.

7.4 Potential for replication

The final evaluation found that the project "performed well in producing outputs and outcomes that can be sustained beyond the life of the project ... it worked with existing partners and stakeholder organizations and appeared reluctant to establish its own systems or structures, which may have faltered as the project came to an end" (White, 2011: 28).

The social enterprise development tools and approaches developed by the project are highly replicable. The training tools and the Social Business Plan Competition Handbook follow a generic approach and could be applied in most contexts. The case studies, guide to finance and guide to legal forms would need to be adapted for specific local or sectoral conditions and regulations.

The ILO Pretoria office is now working with partners to roll out the tools and approaches across South Africa and in other countries in the region. This is in

the context of an emerging regional strategy for social economy development that is being coordinated by the Regional Office for Africa.

7.5 Conclusions

The project succeeded in developing and testing a range of interventions intended to support the ILO's constituents and partners in their efforts to promote social enterprise development. Its systemic approach, combining interventions at the meta, macro and micro levels, proved useful, and its focus on building the capacity of local institutions and networks maximized the potential for sustainability. The main contribution appears to have been getting social enterprise on the national policy agenda and presenting a model of development that can be used to successfully combine social and economic objectives. As such, support for social enterprise development offers significant potential in linking at least two of the ILO's strategic objectives – employment creation and social protection. The project also highlighted the following specific policy lessons:

7.5.1. *The need for conceptual clarity*

Social enterprise, and related concepts such as social entrepreneurship and the social economy, are not well known or understood. To assist the ILO's constituents in understanding these concepts, the terminology needs to be precise, consistent and intuitive. For example, the ILO definition of social economy developed at the October 2009 regional conference suggests that social enterprises are a distinct category within the social economy, separate from cooperatives, mutual societies, foundations and associations. This is potentially misleading, as social enterprises can be set up with a variety of legal and organizational forms, including all of these.

In some countries, special legal forms have been established to suit the needs of social enterprises, but even so, most social enterprises in these countries still choose to register as any of a range of existing for-profit or non-profit legal entities. It is important to note that social enterprises might be

legally registered as cooperatives, mutual benefit societies, associations or foundations – indeed, as any of the legal forms used by social economy enterprises and organizations. In fact, one could argue that most (if not all) social economy enterprises and organizations could be described as social enterprises, and vice versa.

In most cases, it is not possible to identify a social enterprise just by its legal form; in fact, to determine whether an organization is a social enterprise, it is necessary to understand what the organization does and why and how it does it. In particular, it is necessary to know who benefits from its operations and what impact it has on society. In practice, therefore, it is important to have a set of defining characteristics of social enterprises, rather than relying on legal form as an identifier. We propose using the following defining characteristics:

- **has a primary social purpose, which is clearly stated as its core objective.** This distinguishes a social economy enterprise from a conventional business, whose primary purpose is to maximize financial value for its owners;¹⁴
- **produces goods or services and, in doing so, earns a substantial proportion of its income.** This distinguishes a social economy enterprise from a conventional charity or non-profit organization, which relies on grants and donations for its income;¹⁵
- **is independent.** This distinguishes a social economy enterprise from the conventional public sector, including state-owned enterprises, and from a dependent project or initiative of a private corporation or other entity that is not in the social economy;
- **is accountable to its stakeholders,** with an appropriate mechanism to ensure accountability to members or beneficiaries, and to measure and report on whether and how its social objectives are being achieved.

¹⁴ One indicator of primary social purpose is how any profit is used or distributed – a common benchmark is that at least 50 per cent of any profit should be used in line with the social purpose. Another indicator is what would happen to any assets if the enterprise were dissolved, specifically whether they would be distributed in line with the social purpose.

¹⁵ A common benchmark is that at least 50 per cent of income should be earned.

¹⁶ The complete list of principles is: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community.

It should be recognized that some forms of social enterprise have additional specific characteristics or requirements, including those related to stakeholder accountability, ownership, profit distribution or governance. These will depend on the particular legal entity and the local context. For example, one of the cooperative principles is democratic member control, which clearly goes beyond stakeholder accountability.¹⁶

Going forward, it would be useful for the ILO and its constituents to consider whether the above defining characteristics could also apply to all social economy enterprises and organizations, in which case the definition could be clarified accordingly.

7.5.2. The need for straightforward mechanisms for identifying social enterprises

Because legal form alone is an insufficient indicator to identify social enterprises, it is difficult for policy-makers, financiers, regulatory authorities, service providers and customers to identify and recognize social enterprises. If the sector is to grow to its full potential, straightforward mechanisms are required to help these stakeholders identify social enterprises; this would promote the visibility of the sector and encourage market acceptance. Such mechanisms can also support policy objectives that relate to social enterprise, including data collection and efforts to encourage public procurement from the sector.

One possible approach is third-party certification and labeling for social enterprises. Certification and labeling is a common approach in markets in which a guarantee is required by stakeholders as to the attributes of a product or service, or how it has been produced. It sets certified products or producers apart from uncertified or unlabelled competitors in the marketplace.

There are emerging examples of social enterprise certification around the world which could offer lessons for South Africa and other countries in the region.¹⁷ The ILO's experience in South Africa suggests the value of developing a social enterprise identification and certification initiative in the region. This would facilitate the successful implementation of policy objectives where they already exist (particularly those related to public procurement from and linkages within the social economy, such as in South Africa), and stimulate similar policy development and market recognition in other countries.

7.5.3. The need to ensure integrated support for social enterprise

As noted above, policies and institutional support mechanisms are divided in South Africa, particularly between for-profit and non-profit enterprises, but also between cooperatives and other forms of social economy enterprise. Most support institutions are not aware of social enterprise, and it is common to hear of social entrepreneurs being told that they don't fit into either the for-profit or non-profit mould, and therefore they fall through the cracks. Support institutions do not understand the range of legal forms that are possible for social enterprise, nor

their implications, so they can't provide informed advice. Social enterprises are often pushed (or incentivized) into a legal form that may not be the most appropriate. The very high mortality rate of registered cooperatives in South Africa is evidence of this.¹⁸

There is therefore a critical need to ensure more balanced and integrated support for social enterprise. Although dedicated support institutions for social enterprise are emerging in South Africa, their capacity and reach is likely to remain limited, and it is therefore necessary for mainstream business support institutions and non-profit support agencies to extend their service offer to include social enterprise.

The experience of this pilot project indicates that this is not only possible, but that such institutions can significantly stimulate the demand for social enterprise support services. The challenge then is to ensure that these existing institutions have the capacity and tools to reach out to identify and serve social enterprises alongside their traditional clientele, and to do so within a highly supportive environment.

¹⁷ In the United Kingdom, a certification process designed specifically to identify products and services supplied by social enterprises was launched in February 2010, following an earlier regional pilot. The Social Enterprise Mark is an independent certification and labelling scheme managed by The Social Enterprise Mark Company, which is a community interest company and itself a social enterprise. The Company has stated that "we believe it is beneficial to our economy and society to have a strong social enterprise movement and we believe the sector will grow in size and strength if more people – from consumers, to businesses, to the government – are able to easily identify what a social enterprise is". See www.socialenterprisemark.org.uk.

¹⁸ The mortality rate is estimated to be approximately 90 per cent. As fewer than 1 per cent of registered cooperatives actually fulfil their reporting obligations, it could be even higher than this. The Department of Trade and Industry acknowledges that this rate is in part caused by cooperatives tending to "be established for the purpose of accessing free money (Cooperative Incentive Scheme grant), instead of genuinely building a co-operatives movement" (DTI, 2011: 35).

Chapter 8: Social and solidarity economy and the informal economy

8.1 Abstract

There has been a lot of interest in formalizing the informal economy, especially in developing countries, as a result of its persistence and growth. The ILO has been particularly interested in making this transition, largely because decent work deficits are more common in the informal economy than in the formal economy. In debating how this transition can occur, the ILO has argued that the social and solidarity economy (SSE) is not an end in itself, but a tool for bridging workers and/or enterprises from the informal to the formal economy. This vision has, however, not been supported with empirical evidence. The purpose of this chapter is to provide such evidence using the example of dairy cooperatives in Kenya. Two case studies (the Githunguri Dairy Farmers' Cooperative Society and the Limuru Dairy Farmers' Cooperative Society) show that cooperatives, by establishing dairy processing plants to provide a market for members' milk, have significantly contributed to transforming milk marketing from an informal economy into formal businesses which have created and secured jobs. These firms also have ventured into guaranteeing rights at work and increasing workers' representation through the promotion of social dialogue. It is evident that the cooperative that had better starting capital is performing better than the poorly capitalized one. This implies that although the SSE has the potential to transform the informal economy into formal businesses, starting capital may be a major determinant of the success in this transformation. Therefore, there is a need to explore the challenges that the SSE has faced in its efforts to integrate the informal economy into the formal economy and design interventions that will sustain such initiatives.

8.2 Introduction

The heterogeneity and complexity of these closely related concepts (i.e. the social and solidarity economy (SSE) and the informal economy) have triggered debate for a long time about their meaning and their relationship in the development process. Discussions over the years have helped to shape the emerging consensus that the SSE denotes democratically controlled, voluntary enterprises and organizations that produce goods, services and knowledge while pursuing economic and social aims and fostering solidarity among members and the larger society. In particular, this concept has been understood to refer to cooperatives, mutual benefit societies, associations, foundations and social enterprises. On the other hand, a clear definition of the informal economy has yet to be agreed upon, and we still need to refer to its characteristics to enhance its appreciation.

The concept of the informal economy emerged in the 1970s and has been defined differently over the years. We use the term here to refer to the unregulated and unincorporated portion of the market that produces goods and services for sale or other forms of remuneration (Becker, 2004). This entails enterprises and employment opportunities that are, in law or practice, not sufficiently regulated by the state and market arrangements in situations where similar activities are regulated (Castells and Portes, 1989: 12). Some of the basic features of the informal economy include:

- small-scale operations and low income;
- low entry capital and professional qualifications;
- skills often acquired outside of formal education and mostly through apprenticeship;
- labour-intensive methods of production and adapted technology;

- irregular payment or non-payment of wages;
- exclusion of workers from the social security system;
- lack of recognition within a legal and regulatory framework;
- lack of organization, and therefore a voice, for workers;
- workers' vulnerability to intermittent government harassment over their working spaces;
- lack of employment security and occupational safety; and
- workers' lack of access to public benefits and services, such as loans, training, business information, etc.

Based on these features and some of the contributions that surrounded the initial conceptions of the informal economy,¹ four fundamental attributes of the informal economy can be described.

First, the informal economy includes businesses which are legal and provide employment, but which are not regulated. The enterprises, employers and self-employed individuals do not comply with standard business and employment practices, regulations and reporting requirements, but they are not engaged in criminal activity that would make them illegal. Even though it is not part of the underground economy, which may include trade in drugs and other illicit commodities, the informal economy operates at low levels of visibility. The enterprises may or may not have licenses, are often engaged in casual hiring of labour, irregularly pay or don't pay wages, don't report income, can be easily moved, opened or closed at will and can hide from regulation (Edgcomb and Thetford, 2004: 12-13).

Second, the informal economy includes both employed and self-employed workers, with some of them engaged in both kinds of work. The majority of informal economy participants are employees

working for others for a wage, but many are self-employed. Some of the self-employed are irregularly hired by others or work in the formal sector, but retain their part-time businesses in the informal economy to supplement their incomes.

Third, cash transactions are the most common medium of exchange; bartering also occurs. Receipts are not issued for the sale of goods and services, and employers do not keep or file employment records. This enables participants to evade regulation and hide income from taxation.

Fourth, conditions for the workers are often inferior to those found in the formal economy. There are lower earnings and less security and environmental protection at work. Working hours are long, equipment may be unsafe or outdated, workers are less unionized and not represented and workers are not protected from exploitation (Ibid.).

The informal economy includes street traders, construction workers, motor vehicle mechanics, workers in micro-enterprises, rickshaw drivers, metal workers, carpenters, construction workers, waste pickers and hawkers, among others. It includes men and women (although women comprise the majority), youth and adults, the least educated and the fairly well-educated, persons with disabilities, the poor and marginalized and relatively rich members of society. Most of the poor are found in the informal economy (Becker, 2004). While the informal economy may be said to be inclusive, it is less empowering for its workers. Workers suffer from inadequate labour legislation, protection and social security schemes; their incomes are low and irregular; they have limited bargaining power to improve their wages; there are numerous work-related risks like less secure contracts, fewer benefits and poor working conditions, among others.

¹ For instance, Social Alert (2004: 8) has correctly asserted that "Over the past decades, several adjectives have been used to describe the same phenomenon: traditional, non-modern, black, parallel, alternative, popular, marginal, autonomous, clandestine, shadow, illegal, secret, underground, etc. These words show the changing perceptions of a single phenomenon. Some people have tried to define the informal economy by using a "neutral" statistical perspective (e.g. unregistered economy), or by highlighting the "hidden" character of the activity (e.g. clandestine, underground) or by regarding it as an alternative to capitalism (e.g. parallel, counter economy, popular economy). These different perceptions show the underlying complexity and heterogeneity of the informal economy, which cannot be granted a clear-cut definition."

Clearly, some elements of the SSE can pass as the informal economy. For instance, some social enterprises in many countries are not formally incorporated or strictly regulated, and most of them are self-owned. Similarly, cooperatives in some countries are not regulated by the state. Nevertheless, not all informal economy activities share characteristics with the SSE. For instance, a key feature of the SSE is the pursuit of social and economic aims, but not all informal economy enterprises have concern for social goals.

8.3 From the informal to the formal economy

The persistence and growth of the informal economy, especially in the developing countries, has defied its initial conception as a “survivalist” and temporary phenomenon that would eventually disappear after its absorption into the modern formal economy. With its significant potential to generate jobs and income – which has helped meet the needs of poor consumers by providing accessible and affordable goods and services – the informal economy is increasingly being viewed as part of a continuum from the traditional to the modern, or formal, ends of the economy (Becker, 2004: 8-10). This implies a clear interdependent relationship between the informal and formal economies that can operate in both directions. For instance, while the informal economy produces for, trades with, provides services to and distributes for the formal economy, a decline in the formal economy (e.g. a reduction in formal employment and the incapacity of formal firms to absorb labour and provide goods and services) contributes to the growth of the informal economy.

There has been growing interest in economic transition from “informality” to “formality”, partly as a result of the poor working conditions and vulnerability of informal economy workers. Following the adoption of the Decent Work Agenda for all workers, the ILO has been particularly keen to bring about this transition largely because decent work deficits are more common in the informal economy than in the formal economy. Reducing decent work deficits, especially in the informal

economy, implies reducing unemployment by creating jobs, guaranteeing rights at work, extending social protection and increasing the voice of workers by promoting social dialogue. One way of applying these decent work concerns to those working in the informal economy is to formalize it. As argued at the 89th Session of the International Labour Conference in June 2001, the fundamental challenge posed by the informal economy is how to integrate it into the formal economy.

Despite this interest in the “formalization” of the informal economy, there has not been agreement on how the transition from the informal to the formal economy can be realized. The thinking about this issue has led the ILO to consider the SSE as a mechanism for promoting the “formalization” of the informal economy. From this point of view, the SSE is not an end in itself, but a tool for bridging workers and/or enterprises from the informal to the formal economy. This vision has not yet been supported with empirical evidence about the actual contribution of the SSE to the formalization of informal work and enterprises.

To provide such evidence, we present the example of dairy cooperatives in Kenya. To put this contribution in context, it is useful to describe the dairy sector in Kenya, with a view to delineating the extent of the informal economy in the marketing of milk. Thereafter, we will explore the contribution of cooperatives to the formalization of the informal dairy market in Kenya.

8.4 The dairy sector in Kenya

The Kenyan dairy sector is one of the largest in sub-Saharan Africa. The sector contributes about 6 per cent of the country’s gross domestic product (GDP) and supports the livelihoods of about 1 million households. The sector is composed of four main actors: smallholder farmers, large-scale farmers, cooperatives and self-help groups and milk processors and traders.

Milk production in Kenya is dominated by smallholder farmers. There are about 650,000

small-scale dairy farmers located mainly in the central highlands and Rift Valley. Smallholders own 3.3 million of the estimated 3.5 million cattle that comprise the national dairy herd, and each smallholder has, on average, four dairy cows. Total production of milk is estimated by the Kenya Dairy Board to be over 3.8 billion kilogrammes per year, over 80 per cent of which is produced by smallholders (Omondi, 2009: 10). Dairy is the main source of income for almost half of the smallholders in the sector, and they treat it as a business. Nevertheless, these farmers are a diverse group. They use different management practices and production techniques, mixing dairy farming with other agricultural crops. Because they own small herds, most of them increase productivity by purchasing a grade cow, using artificial insemination and veterinary services, purchasing feed for zero grazing and making related investments. They only commercialize about 64 per cent of their production, but many also provide for their own consumption and sell to neighbours, local outlets, traders and the cooperative. In deciding how to market their products, they balance the return per litre, the certainty of purchase, the immediacy of payment, the risk of non-payment and the need to maintain transaction records with the cooperative for access to services during the peak production period.

Large-scale farmers have substantial dairy herds, and they commercialize their farming and maximize productivity from each cow. Given their much larger quantities of production, they must have a reliable market, and so they produce primarily for the large market or dairy processors. Large farmers tend to be more vulnerable than small farmers when demand from the processors drops because they pay for labour, animal feed and all other services. Therefore, it is not unusual for large farmers to also sell to the lower-end market.

Partly in an effort to improve their productivity and marketing, small-scale and large-scale farmers have often formed cooperative societies and self-help groups. They were initially developed to supply milk to the Kenya Cooperative Creameries (KCC), but many of the early cooperatives were highly mismanaged. Though they survived very well when they were the principal source of supply before the

market liberalization in the early 1990s, many have suffered the consequences of increasing competition from other private marketing channels, the traders and processors, which have siphoned off much of their intake. Many cooperatives are now adapting by trading raw milk directly into the cities. While the number and size of dairy cooperatives appears to be growing, the statistics might reflect the new, privately run and focused cooperatives (showing the resurgence of the smallholder dairy farmer), but not the disappearance of the old-line cooperatives.

There are 29 licensed milk processors in Kenya. The largest eight of these handle about 80 per cent of the processed milk. Large processors appear to be increasing their market share at the expense of the smaller ones, which is pushing the smaller processors to specialize in a limited range of high-value products, such as yoghurt and fermented milk. The key milk processors in Kenya include Brookside, Spin Knit, Premier, KCC and other smaller cooperative processors like Fresha Dairies and Limuru Milk processors. They mostly process and sell dairy products like fresh pasteurized milk, yoghurt, butter, Ultra High Temperature (UHT) pasteurized milk, ghee, cheese and powdered milk.

Finally, there are various categories of milk traders. The large retailers deal only with products supplied by processors, and thus they sell items such as refrigerated packaged fresh pasteurized milk, cheese, yoghurts, butter, UHT pasteurized milk and powdered milk in large urban centres. There also are specialist milk retailers (i.e. milk bars) in many urban areas that sell raw milk, fermented milk and yoghurt in poly-bags. While these require specific licences from the Kenya Dairy Board (KDB) to operate, it would seem that many do not have them. The KDB has licensed about 300 milk bars nationally, but in the slum areas of Nairobi there are many more of these milk retailers, as well as many small kiosks that sell raw milk. Another group of traders are the mobile milk traders that transport milk from the surplus areas or the farm to the market or areas with milk scarcity. These traders normally sell raw milk to milk bars, kiosks, direct consumers or hawkers. Hawkers are another category of milk traders. They sell raw milk at the market place and in residential areas.

Forty-five per cent of the milk produced in the country is consumed at the household level, while the remaining 55 per cent is marketed through the formal and informal channels described above (Basson, 2005: 29). The formal market channel consists of the milk processors that take in about 15 per cent of the marketed raw milk, the large retailers and some cooperatives that collect raw milk for the processors. The other marketing channels fall into the informal market, which is composed of milk traders who buy and sell raw milk. They include mobile milk traders, self-help groups, cooperatives, milk bars, shops, kiosks and hawkers at local markets. Some of the mobile milk traders and hawkers are actually producers who take their milk, buy more from others and sell to milk bars or consumers like hotels and schools. It is estimated that the informal market accounts for over 70 per cent of marketed raw milk in Kenya (Sinja et al., 2006). Thus, the informal economy is helping significantly to boost the dairy industry in the country. The informal economy in the dairy sector keeps about 350,000 people in full-time employment and over 40,000 in milk marketing jobs (CTA, 2009: 9).

Mobile milk traders comprise most of the informal economy in the dairy sector, largely because of the ease of entry into and exit from the business. Most of these traders begin with very small quantities of milk that they transport to the market on foot, by bicycle or by public transport for sale to milk bars, shops, kiosks or other middlemen who collect milk to sell to processors. As their business grows, their quantity of milk increases, and some of these traders graduate from transporting milk on foot or by bicycle to using hired transport and then to buying their own transport vehicles; eventually they may set up their own milk bars (Sinja et al., 2006: 3-4).

8.5 The rise of the informal economy in the dairy sector

The dairy sector in Kenya has been under the regulation of the KDB since 1961 when it was created by the Government through an Act of Parliament. The main role of the Board is to set and enforce standards of milk production and marketing. Funded through a levy that has been said to be

inadequate, it has had limited resources and has struggled to carry out its mandate. Up to 1990, the Board had mandated KCC to be the sole milk processor in the country. This made KCC a monopoly in the marketing of milk; it collected milk mainly from cooperative societies for processing and sale to consumers. There was little informal vending of milk and the few vendors were mainly middlemen who collected milk from farmers to deliver to dairy cooperative societies for delivery to KCC.

The burgeoning of the informal economy in Kenya's dairy sector started in the early 1990s because of two main factors. The first of these, which is the most significant, was the dismal performance and collapse of KCC which had monopolized the processing and marketing of milk up to the early 1990s. The giant cooperative's poor financial performance in the late 1980s and early 1990s – which was a result of mismanagement, inefficiency in collection and processing operations and political directives regarding prices of milk for producers and consumers – led it to start paying cooperatives (and subsequently producers) milk prices that did not keep pace with the cost of production. Further, KCC delayed payments to cooperatives, sometimes for several months. This forced producers to shift more sales to the local raw milk market (Staal et al., 1997: 785; Owango et al., 1998: 174), which triggered the growth of the informal economy in the dairy sector. The persistent poor performance of KCC eventually led to its sale to politically connected private investors in 2000, after it failed to pay Kshs. 220 million (about €2.75 million) to its employees and a bank loan of Kshs. 400 million (about €5 million). The Government repossessed KCC from the private investors in 2003, and it is being rehabilitated as a state corporation before being handed back to the cooperative movement. It was in these circumstances that some of the dairy cooperatives – like Githunguri and Limuru dairy farmers' cooperative societies – started toying with the idea of setting up their own milk processing plants.

The second key factor had to do with the liberalization of the economy in the early 1990s, which allowed producers to sell their products to the best bidder at the market. This ended the monopolistic tendencies that had chained producers

to specific buyers. The immediate impact on the dairy sector was that much more raw milk found its way to the local market than ever before. The relatively better prices at the local market and instant payments for the milk augmented the growth of the informal economy in the marketing of raw milk in the country.

While milk marketing is legally regulated by the KDB, it does not have the capacity to effectively enforce its rules and regulations across the country. This gave the milk vendors the opportunity to trade outside the regulations, which also significantly contributed to the growth of the informal economy in the dairy sector.

Therefore, while the informal economy has been dominant in raw milk marketing in Kenya, the challenge is how to transform the informality into formal businesses that can guarantee decent work for all workers in the sector. To explore how the social economy has dealt with this challenge, especially in central Kenya, we present two examples: the Githunguri Dairy Farmers' Cooperative Society and the Limuru Dairy Farmers' Cooperative Society. These examples illustrate how the social economy has contributed to the Decent Work Agenda by formalizing the informal marketing of milk to create jobs, guarantee rights at work, extend social protection to more workers and increase the voice of workers through the promotion of social dialogue.

Githunguri Dairy Farmers' Cooperative Society²

Background

The Githunguri Dairy Farmers' Cooperative Society was formed in 1961 by 31 smallholder dairy farmers in Githunguri Division of Kiambu District in Central Kenya. The cooperative was formed as an initiative to help the smallholder dairy farmers market their milk. Its initial business was to collect milk from members and sell it to KCC. By 1965, the cooperative was selling 4,275 litres of milk per day to KCC. It improved its bargaining power in selling milk when UNICEF donated milk coolers to preserve milk in return for the cooperative providing skimmed milk to children in the nearby nursery school. With the cooling facilities, the cooperative could bargain for better prices because the quality of its milk had improved. In 1975 when the cooperative introduced banking services to give members credit for enhancing milk productivity, milk production increased significantly. The cooperative's growing business subsequently attracted more members to join the society.

Like many other dairy cooperatives, Githunguri went through good and bad times. While the 1960s and 1970s were years of growth, the next two decades would turn out to be its worst times. For the better part of the 1980s, the cooperative was bogged down by local politics and poor governance. At the same time, KCC – the cooperative's sole buyer – was facing the problems described earlier (i.e. it started offering lower prices for milk and sometimes delayed payments). This demoralized farmers who were trying to increase their milk production. Some of the cooperative's members started to sell their milk to middlemen and at the local market where they would get instant payment for their produce. State control over the price of milk and the management of cooperatives further stifled Githunguri's operations to near-dormancy by the mid-1990s.

By the late 1990s, the cooperative faced many challenges including: (1) the lack of a market for its milk after KCC ceased operations; (2) the risk of having inadequate quantities of milk to attract private

² For more information on the cooperative, visit: <http://www.fresha.co.ke/about-us/githunguri-dairy-farmers-cooperative/>

processors for business; (3) a lack of appropriate facilities for milk collection and transportation to the cooperative's cooler in Githunguri town; and (4) the inability of the cooperative to offer attractive incentives for dairy farmers in the area to join the society. These challenges led most of the members to either join the informal market to sell their milk or abandon dairy farming altogether. Though its books showed a membership of about 9,000 by 1998, only 600 were still involved with the activities of the cooperative. That means that if all members were still practising dairy farming, about 8,400 members had become informal milk traders.

The establishment of Fresha Dairies Plant

In 1997, the cooperative movement was liberalized, and in 1999 a well-intentioned management committee took office; these events significantly helped turn around the performance of the Githunguri Dairy Farmers' Cooperative Society. The new management committee resolved to revive the cooperative by streamlining management and establishing a market for members' milk by setting up a milk processing plant. With new power to hire and fire staff, the committee hired new professional staff to steer the day-to-day management of the cooperative.

With a streamlined management, the management committee embarked on building the milk processing plant that would offer a market for the members' milk. It organized marketing to the private processors which had entered the market following the liberalization of the dairy sector and used this opportunity to start raising funds from members for the project. Members were convinced to contribute one Kenya shilling for every litre of milk that was marketed through the cooperative towards the construction of the milk processing plant.

In addition to these contributions from members, the committee also used its power to borrow against the society's property to get a loan in 2003 of about 70 million Kenya shillings (€80,000) from OIKO Credit of the Netherlands to purchase equipment for the dairy processing plant which would later be renamed Fresha Dairies. The cooperative subsequently commissioned its plant in 2004, and the increased milk supply that followed encouraged management to further expand the capacity of the plant. In 2006, OIKO provided a second loan of €670,000 to fund the purchase of additional equipment.

There has been a tremendous turnaround in the fortunes of the cooperative since the commissioning of the plant. Cooperative membership now stands at 17,000 and demand from new dairy farmers to join is overwhelming. The cooperative has overstretched its capacity, but is reluctantly accepting new members, who must meet membership requirements.³ Members' loyalty to the cooperative has improved because it can now provide an available market, better prices for members' milk and other desirable services.

The cooperative has an annual turnover of over 3 billion Kenya shillings (€30 million) and collects an average of 170,000 litres of milk per day – up from 25,000 litres in 1999. It has several vehicles to collect milk from 41 centres that straddle Githunguri Division of Kiambu District to its plant in Githunguri town. The milk is processed into six main branded products – pouch fresh milk, yoghurt, ghee, butter, cream, fermented sour milk and long life milk – which are sold in Nairobi and other towns. The cooperative's products have a 30 per cent share of the market in Nairobi and its environs and a 14 per cent share

³ To qualify to be a member of the society, one must: be from Githunguri Division of Kiambu district; be over 18 years of age and of sound mind; own a dairy cow that can produce milk; and pay a registration fee equivalent to €32 and buy the prescribed number of shares of the plant.

nationally. It is worth noting that Githunguri was the first to introduce pouch packaging for milk in Kenya, which has since been copied by most of the other milk processors that previously used Tetra Pack packaging only. This shows that the cooperative is actually revolutionizing milk processing in the country.

Githunguri also became the first milk processor and cooperative society to be certified in June 2011 as complying with the globally recognized Food Safety Management System based on the ISO 22000:2005 standard. The ISO 22000:2005 standard certification means that the cooperative is benchmarking its food chain operations to the highest international level of food safety by systematically identifying, assessing, anticipating and controlling risks arising from biological, chemical and physical hazards along the food chain, from the reception of raw materials to processing, storage, distribution and sale. This is consistent with the cooperative's desire and commitment to deliver high quality and safe products to its customers and members.

To ensure a constant supply of quality milk to its processing plant, the cooperative provides productive services to its members. These include artificial insemination, dairy extension services, members' education and training, an animal health laboratory and supply of animal feeds. The cooperative has 46 stores spread over its catchment area, from which members get animal feeds, animal health products, farm inputs (e.g. seeds, fertilizers, chaff cutters) and basic human consumables. These goods and services are available to members on credit, which is recovered from the sale of their milk on a monthly basis. These activities have led to tremendous improvement in milk production by members, to which the cooperative has responded by offering competitive prices and promptly paying for members' produce. The cooperative has made an arrangement with the local branch of Kiambu Unity Finance Cooperative Union for all members to open accounts through which to channel their payments. This has helped to simplify paying members for their produce.

The cooperative's activities are managed by a staff of about 300 employees who are recruited based on an employment policy. The lower cadre staff is recruited from within the Division, and management staff is sought nationally and appointed on the basis of professional qualifications. The Management Committee of the cooperative believes in professionalism and excellence in its staff and has invested in some of the best trained management staff in the country. All the senior managers hold Masters Degrees in their respective disciplines. There is also continuous training of staff to ensure that they produce excellent results. The Human Resources Department develops an annual plan for all staff training.

Besides staff training, the cooperative also respects workers' rights and representation through the promotion of social dialogue. Employees have been allowed to organize themselves into an association that operates like a trade union in that it enters into a collective bargaining agreement with the cooperative's management. This is increasingly enabling the cooperative to attract and retain competent staff.

With a membership of 17,000 and a full-time staff of slightly over 300 employees, it is clear that the cooperative has secured 17,300 decent jobs in the region: in addition to the 300 salaried jobs, all 17,000 members are sure of selling their milk easily and receive their payment through their accounts

at the Githunguri Branch of Kiambu Unity Finance Cooperative Union. For the first time in the region, dairy farmers now walk to their bank accounts to get monthly payments for their milk just like salaried workers! In addition to these direct jobs, the cooperative has also generated indirect jobs, i.e. the distributors of its products and suppliers of goods and services required in the processing of milk. Though it is difficult to obtain statistics about indirect jobs created in this way, the fact that the cooperative has distributors in Nairobi, Mombasa, Nakuru, Naivasha, Kisumu and Eldoret implies that there is a chain of retailers in these towns who earn a living from the activities of the cooperative. Nairobi alone has over 150 distributors who supply the cooperative's processed products to several retailers. The manager of the cooperative estimated that about 100,000 people could be earning an income as a result of distributing the cooperative's products and supplying it with goods and services.

To sum up, the Githunguri Dairy Farmers' Cooperative Society has developed two interdependent operations: the mainstream cooperative society that collects and markets members' produce and provides productive goods and services; and a milk processing plant that operates in accordance with international standards. The plant has been instrumental in transforming the informal economy in the marketing of milk into a formal economy, complete with a structure for production, processing and distribution of milk products. The cooperative has subsequently contributed to the ILO's Decent Work Agenda by creating more jobs; guaranteeing workers' rights; and respecting the voice of the workers by promoting social dialogue.

Limuru Dairy Farmers' Cooperative Society⁴

Background

Like Githunguri, the Limuru Dairy Farmers' Cooperative Society was formed in 1961 by 76 members in Limuru Division of Kiambu District on the outskirts of Nairobi who were seeking a market for their milk. At that time, KCC had not established a milk collection centre in the vicinity, and the motivation was to draw KCC to the area to get a market for their produce. The main activity of the cooperative subsequently became collecting and marketing members' milk to KCC. With time, the cooperative extended its membership to farmers from the neighbouring Divisions, and its activities to Ngecha, Ndeiya, Tigoni, Ngarariga and Kikuyu regions. To facilitate collecting milk from these areas, the cooperative acquired plots in the regions where it operated, which became its key assets.

Throughout the 1960s and 1970s, the cooperative was well served by KCC's regular collection of milk and timely payment for produce at good prices, and so the cooperative's membership grew. However, the management problems that crept into KCC from the mid 1980s adversely affected the growth of Limuru. In the 1990s, KCC offered lower prices for milk and delayed payments, which demoralized farmers and adversely affected the growth of the cooperative society. As in Githunguri, some members started to sell their milk to middlemen and at the local market where they would get instant payment for their produce. State control over the price of milk and the management of cooperatives further stifled its operations to near-dormancy by the mid 1990s. Though most members had become informal milk traders, selling raw milk at the local market, in Nairobi and to middlemen who transported it to Nairobi for sale, they were not comfortable with the volatility of the informal economy that manifested in price fluctuations for milk.

Establishment of Limuru Milk Processors Ltd.

Following the liberalization of the dairy sector and the cooperative movement, the cooperative responded to the collapse of KCC by establishing its own milk processing plant in 1997. This followed consultations between the management committee and the members, who volunteered to contribute towards the project through deductions on their milk sales through the cooperative. Additional capital was obtained from the cooperative's other investments. The plant has the capacity to process 60,000 litres of milk per day and it makes five products – fresh milk, sour milk, yoghurt, butter and ghee. These products are mainly sold in supermarkets and retail outlets in Nairobi and its environs.

The milk processing plant has helped to formalize the marketing of milk and improve the cooperative's performance. The cooperative collects an average of 36,000 litres of milk per day during the rainy season and 27,000 litres per day during the dry season. It collects milk from its 31 collection centres that are staffed with qualified milk attendants with dairy training. It has an average annual turnover of Kshs. 340 million (about €3.4 million). The cooperative has 9,700 members, although 5,482 are the active ones. It has employed 141 permanent staff who work in the milk processing plant and its three departments of veterinary services, extension services and stores.

It is apparent that the cooperative is not fully utilizing the capacity of its processing plant. Whereas the plant can process up to 60,000 litres of milk in a day, the cooperative can deliver a maximum of just 36,000

⁴ There is limited information on the cooperative at <http://kenyadairy.com/processor/limuru-milk-processors>

litres per day. To improve the members' productive capacity, the cooperative has introduced a number of services and additional activities.

First, the cooperative's extension services department trains farmers on new dairy farming methods. Given that most of the farmers are smallholders who use just about a quarter of an acre of land for dairy farming, training focuses on fodder acquisition and preservation and modes of livestock breeding. Besides visiting farmers to offer group training and advice on a quarterly basis, the cooperative has set up a demonstration farm where farmers go to learn more on how to plant fodder and effectively utilize the small pieces of land they own to increase their milk production.

Second, the cooperative's veterinary department provides artificial insemination services to improve dairy breeds. It also educates farmers on better animal husbandry and provides other veterinary services to individual farmers when needed.

Third, the cooperative's stores supply farmers with animal feeds, animal health products, farm inputs (e.g. seeds, pesticides and fertilizers) and basic human consumables. These goods and services are available to members on credit, which is recovered from the sale of their milk on a monthly basis.

Fourth, with support from ILO's COOPAfrica Project, the cooperative commissioned an animal feeds processing plant at its premises in Limuru town in December 2010 to process and supply quality animal feeds at an affordable cost. The cooperative had determined that the low productivity of some of its members was partly because animal feeds had been too expensive for farmers and sometimes were of poor quality. With this plant, the cooperative can provide better quality and lower priced feeds to farmers, which can help them improve their milk production and generate more income for the cooperative. For instance, a poor quality, 70 kg bag of animal feed currently retails at Kshs. 1,700 (€17), but the cooperative sells the same amount of a better quality feed to farmers at Kshs. 1,300 (€13). Moreover, members are able to buy the feeds on credit and save on transport costs because they are distributed to farmers through the cooperative's 31 milk collection centres.

With 5,482 active members and 141 full-time permanent staff, the cooperative has created 5,623 decent jobs. Like Githunguri, the cooperative has made an arrangement with the Limuru branch of Kiambu Unity Finance Cooperative Union for all members to open accounts through which to channel their payments. The cooperative's members are sure of selling their milk and can walk to their bank accounts to get monthly payments just like salaried workers. In addition to these direct jobs, the cooperative has generated indirect jobs in the form of distributors of its products and suppliers of goods and services required in the processing of milk. Limuru's distributors are concentrated in Nairobi and its environs; the furthest town is Naivasha, located 70 kilometres from Limuru. The manager of the cooperative estimated that about 50,000 people could be earning an income as a result of distributing the cooperative's products and supplying it with goods and services.

To sum up, the Limuru Dairy Farmers' Cooperative Society has developed two interdependent operations: the mainstream cooperative society that collects and markets members' milk and provides productive goods and services; and a milk processing plant that operates as a separate company. The milk processing plant has been instrumental in transforming the informal marketing of milk in Limuru into a formal business, complete with a structure for production, processing and distribution of products. Though the cooperative has yet to address one of the core elements of ILO's Decent Work Agenda (i.e. guaranteeing workers' rights and representation by promoting social dialogue), it has created more secure jobs.

8.6 Conclusion

The main purpose of this discussion has been to distinguish between the informal economy and the SSE and to illustrate the contribution of the SSE to the Decent Work Agenda by formalizing the informal marketing of milk to create jobs, guarantee rights at work, extend social protection to more workers and increase the voice of workers through the promotion of social dialogue. Whereas the informal economy and the SSE have related characteristics, such as being unregulated with both self-employed and employed workers who enjoy less social protection and job security, the two phenomena are different. The major distinction is that the SSE is founded on social values and operates along prescribed principles like democratic governance and voluntary membership, while the informal economy is solely driven by economic gains for the participants.

This distinction has guided the relationship between the two, with some observers arguing that the SSE is not an end in itself, but a tool for bridging workers and/or enterprises from the informal to the formal economy. It is in this regard that the SSE positively contributes to the ILO's Decent Work Agenda by creating jobs, extending social protection, guaranteeing rights at work and increasing workers representation through the promotion of social dialogue.

The case studies of Githunguri Dairy Farmers' Cooperative Society and Limuru Dairy Farmers' Cooperative Society seem to support this proposition. It is evident that by establishing dairy processing plants to provide a market for members' milk, the cooperatives have significantly contributed to transforming milk marketing from an informal economy into formal businesses that have guaranteed over 26,000 members a stable and regular income from their produce. These members are paid for their milk through branches of a saving and credit cooperative union where they have accounts. The formal businesses also have created permanent employment opportunities for over 450 people, with regular salaries and other benefits. The businesses also occasionally hire casual workers during peak seasons to support their activities. In addition, it is estimated that about 150,000 people

could be earning an income by distributing and marketing these firms' products and by supplying them with goods and services. Clearly, the formal businesses that have been nurtured by these cooperatives are significantly contributing to creating jobs.

These firms are not only creating jobs, but also are venturing into guaranteeing rights at work and increasing workers' representation through the promotion of social dialogue. This is particularly the case with Githunguri, where workers have been allowed to form their union-like association that enters into collective bargaining agreements with the cooperative's management. Professional management and a motivated staff have steered the cooperative to the internationally acclaimed ISO 22000:2005 standard certification. Indeed, this certification is an indicator that the social economy can actually nurture formal businesses of international repute that respect workers' rights and promote social dialogue, thereby advancing the Decent Work Agenda.

Nevertheless, it is also clear that there is a great difference in the performance of Fresha Dairies and Limuru Milk Processors. Despite the fact that Limuru Milk Processors was established before Fresha Dairies, Fresha Dairies has emerged as the best among cooperative dairy processors in the country. While there could be many explanations for this difference in performance, the starting capital seems to be important. Whereas Limuru relied on members' contributions and its investments to establish the milk processing plant, Githunguri was lucky to obtain a loan of over €1.5 million within three years to build a modern milk processing plant. Githunguri's performance changed forever and it went on to bypass Limuru's initiative. Limuru's major innovation that Githunguri has yet to undertake is the establishment of the animal feed plant, but this was only possible through a grant of starting capital. This suggests that although the SSE has the potential to transform the informal economy into formal businesses, starting capital can be either a hindrance or a major factor in the success of this transformation.

Therefore, we conclude that the SSE can play a major role in integrating the informal economy into the formal economy and thereby significantly contribute to creating jobs, guaranteeing rights at work, extending social protection to more workers and increasing the voice of workers through the promotion of social dialogue. However, the SSE faces some hurdles – like the lack of adequate

starting capital – to fully realize its potential. There is a need to explore the challenges that the SSE has faced in its efforts to integrate the informal economy into the formal economy and design interventions that will sustain such initiatives to enhance the realization of the Decent Work Agenda.

Chapter 9: Social and solidarity economy and green jobs – the quest for environmental sustainability

9.1 Abstract

In recent years, there has been an increasing number of organizations in the productive and social and personal services industries that are based on principles of cooperation, self-management and free association. Indeed, the expansion of these kinds of organizations has led to programmes and actions in both the public and private sectors and consideration of actively promoting them as a means of generating income and improving the quality of life (Morais & Bacic, 2009).¹

The social and solidarity economy (SSE) refers to specific forms of organizations and enterprises, the most common of which are cooperatives, mutual societies, associations, community organizations, social enterprises and some foundations. The SSE offers many advantages to address social, economic, political and environmental challenges worldwide, including social cohesion, empowerment and the recognition of a plural economy (Fonteneau et al, 2010).² It is undoubtedly a sector worth studying in greater depth, bearing in mind its contribution in dealing with the present socio-economic reality and in creating green jobs, income, social inclusion and environmental awareness.

In this context, this article discusses the possible relations between the SSE and environmental sustainability. Green job generation is clearly visible within the SSE, contributing to economic growth

with social inclusion and environmental sustainability. Many programmes aim to combat inequality, reduce poverty and, as a consequence, improve the standard of living for a large part of the population. The article also mentions some structural problems that impede the appearance, fomentation and dissemination of practices that involve SSEs and sustainable actions.

9.2 Introduction

“From a new awareness, a new world, more just and sustainable, can arise. We are referring no less than to re-inventing ourselves, re-focusing our perceptions, remodeling our beliefs and our behavior, fertilizing our knowledge, restructuring our institutions and recycling our societies.” (Hazel Henderson).

Two enormous problems of the contemporary world – social exclusion and environmental degradation – comprise the context for a discussion about possible relations between the SSE and the environment. The current hegemonic model of production and consumption has neglected environmental considerations. Further, material, productive and technological progress has led to, among other things, the emergence of an excluded and poverty-stricken mass. On the other hand, times have changed, and governments, entrepreneurs and workers may have to adopt new postures.

¹ Morais, L. & Bacic, M. *Economía Social y Solidaria y políticas públicas en Brasil: notas preliminares*. In: ANAIS do 53 ICA. México, 2009 (CD ROM).

² Fontaneau, B.; Neamtan, N. N.; Wanyama, F.; Morais, L.; Poorter, M. *Social and Solidarity Economy: building a common concept*. Reader 2010 – 1st. International Academy of SSE. ITCILO - Turin, 2010.

Box 1 - Sustainable development and poverty eradication

“Moving towards a green economy has the potential to achieve sustainable development and eradicate poverty on an unprecedented scale, with speed and effectiveness. This potential derives from two concurrent changes. First, there is a changed playing field in which our world and the risks we face have materially changed. These changes require a fundamental rethinking of our approach to the economy. Second, there is a growing recognition that the natural environment forms the basis of our physical assets and must be managed as a source of growth, prosperity and well-being”.

Source: UNEP, “Towards a green economy: pathways to sustainable development and poverty eradication” (2011:622)³

The extent of social exclusion can be seen in just these facts: at the beginning of this century, 75 per cent of world production was concentrated among only 25 per cent of the population, and fewer than 250,000 families (0.2 per cent of the population) accounted for almost 50 per cent of global wealth. From another standpoint, 94 per cent of world income is destined for 40 per cent of the population, while the remaining 60 per cent of the people have to survive on only 6 per cent of the income. Half of the world’s population lives on roughly US\$2 a day (Yunus, 2008).⁴

As for environmental degradation, we are disturbed on a daily basis by recurrent scenes of natural and environmental catastrophes worldwide. Everybody suffers, but those who live in the most vulnerable conditions experience the effects in diverse spheres

of their lives (e.g. work and income, housing, health, nutrition).

Box 2 – Environmental degradation and social exclusion: the great challenges of our century

“Environmental degradation, including the pollution of water, land and air, the irreversible loss of biodiversity, the deterioration and exhaustion of natural resources like water, fertile agricultural land and fish, is one of the most serious threats facing economic and broader sustainable development. The environmental and health costs already often outweigh the gains from the economic activity causing the damage.”

“The social challenge looms just as large: a staggering 1.3 billion people, over 40 per cent of the global workforce, and their dependants are condemned to a life in poverty and insecurity because their earnings are too low and they are relegated to the informal economy. There are 190 million unemployed and tens of millions of young job seekers who cannot find a place in society.”

Source: Green jobs: Towards decent work in a sustainable, low-carbon world (2008)⁵

It is becoming increasingly apparent that if we wish to survive, we must develop more intelligent ways to connect diverse economic, social and environmental objectives and to collaborate among the various players who participate in the social construction of these goals (Dowbor, 2007).⁶

It is possible to incorporate sustainability and environmental considerations as part of the SSE’s proposals and developmental model. A recent study on this subject by Crystal Tremblay⁷ affirms that

³ <http://www.uncsd2012.org/rio20/index.php?page=view&type=400&nr=7&menu=45>

⁴ Yunus, M. *Um mundo sem pobreza: a empresa social e o futuro do capitalismo*. São Paulo: Ática, 2008, p. 263.

⁵ A report commissioned and financed by the United Nations Environment Program (UNEP) and produced in conjunction with the International Labour Organisation (ILO), the International Employers Organization (IEO) and the International Trade Union Confederation (ITUC). More information in: www.ilo.org.

⁶ Dowbor, L. *Democracia Econômica: um passeio pelas teorias*. Fortaleza: Banco do Nordeste do Brasil, 2007, p. 196.

⁷ Tremblay, C. *Advancing the social economy for sócio-economic development: international perspectives*. In: Canadian Social Economy Research Partnerships – Public Policy Papers Series, no. 1, September 2009.

literature is emerging to show how the SSE will be able to contribute to environmental sustainability. With cooperation, self-management and solidarity based on common interests, objectives and efforts, it is possible to foment sustainable practices, capable of advancing the production of goods and services with social and environmental responsibility.

Achieving solidarity within the SSE and in its relations with local, regional and national society will be important to improve the standard of living by aligning work and income generation with economic growth, income distribution and conservation of eco-systems.

In urban areas around the world that face fast, unstructured and chaotic growth, it is necessary to rethink the pattern of development, with its productive and consumptive aspects, to address the environmental agenda. Progress could be made by considering projects that include:

- conservation and reutilization of components;
- incentives to use energy systems that make use of local resources (e.g. eolic and solar);
- planting of community allotments with a view to stimulating agro-ecology, observing aspects of food safety and reducing the production and consumption circuits;
- social technologies as inclusive objectives and as an answer to territorial problems.

These projects should be conceived from the perspective of participative and integrated management, in such a way as to combat waste and open spaces for social innovation and learning with a view to environmental sustainability.

9.3 Practical SSE actions and their environmental consequences

“The world stands in need of a new era of social justice inspired by an ideal of sustainable

development. An era in which policies are formulated according to people’s needs, to the care of our planet and equity; an era in which the benefits of globalization can be shared on equal footing; one in which youth can have its hopes renewed, where creativity is generated in our societies and credibility given to our policies and institutions, both in the private and public sector; one in which the dignity of work is promoted and respected; one in which the capacity to express participation and democracy prospers” (ILO, 2011).⁸

Many examples of enterprises in the SSE are located in rural areas and are not yet well-known or systematized; however, some experiences are already showing positive outcomes for society.

One such example is scavenging for recyclable material. This activity generates income for many people who live in cities and cannot find employment. While this activity is back-breaking and has little social prestige, society’s regard for this kind of work is changing. Such was the experience about 15 years ago with the Association of Paper, Cardboard and Reusable Material (*Associação dos Catadores de Papel, Papelão e Material Reaproveitável*)⁹ in the region of de Belo Horizonte (MG), Brazil. Men and women, previously considered to be living on the wrong side of the law, engaged in work that is gradually becoming structured, gaining in social value and providing a monthly income. From the environmental point of view, the scavengers’ work benefits both society and nature, since each kilo that they remove from the streets reduces the amount of trash, which in turn reduces the risk of flooding and water pollution. Further, each tonne of recycled paper saves approximately 22 trees, economizes 71 per cent of electricity and reduces air pollution by 74 per cent (UNEP, 2008).

Another benefit of the scavengers’ work is that they have developed partnerships with businesses, schools and public entities and have created awareness about the importance of collecting recyclables and its socio-environmental impact. The Association developed a series of workshops that

⁸ ILO. *Una nueva era de justicia social*. Memoria Del Director General. CIT – 100^a reunión. Ginebra, 2011 (http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_155844.pdf).

⁹ www.asmare.org.br

deal with recycling, as well as economic, social, political and cultural topics. These workshops have been qualifying people, who previously had no prospects, to spread environmental education and collect garbage in carpentry shops, paper mills and dress shops (Morais, 2010¹⁰; Tuzel, 2010¹¹).

According to UNEP (2011), recycling employs 12 million people in only three countries (Brazil, China and USA). The report suggests that if an average of US\$143 billion were invested each year in waste management over the period 2011–2050, a total of 25–26 million jobs could be created in the waste sector by 2050, which represents 2–2.8 million more jobs than the 23 million projected under a business-as-usual scenario. However, it is important to improve the labour conditions in the waste collection sector. The activities involved in collecting, processing and redistributing recyclables are usually performed by workers with few possibilities outside the sector. Thus, while creating jobs, the sector also needs to be sure to provide the requirements of decent work, such as matters relating to child labour, occupational health and safety, social protection and freedom of association.

In Bangladesh, where more than 70 per cent of the population had no access to electricity, an economic, social and eco-friendly alternative was created in the electricity distribution network by Grameen Shakti (GS).¹² This SSE enterprise installed photovoltaic solar systems in more than 100,000 rural establishments in the country, and its goal by 2015 is to install more than 1 million solar systems. This initiative greatly contributed to improving quality of life while providing income-generating opportunities for people who previously did not have a source of energy or income.

GS offers small loans which allow low-income families to buy a solar system and to learn installation and maintenance techniques. People who complete the technical courses offered by GS receive

a certificate that allows them to repair and maintain the photovoltaic systems. The existence of electrical energy also makes it possible for local entrepreneurs to open new businesses; this generates employment and additional income, such as in electronic stores, cell phone centres powered by solar energy and repair stores for electronic equipment.

Box 3: Grameen Shakti and green solutions

Rural electrification through solar PV technology is becoming more popular, day by day in Bangladesh. Solar Home Systems (SHSs) are highly decentralized and particularly suitable for remote, inaccessible areas. GS's solar programme mainly targets those areas which have no access to conventional electricity and little chance of getting connected to the grid within five to ten years.

It is one of its most successful programmes. Currently, GS is one of the largest and fastest growing rural-based renewable energy companies in the world. GS is also promoting Small SHSs reach low income rural households. SHSs can be used to light up homes, shops, fishing boats, etc. They can also be used to charge cellular phones, run televisions, radios and cassette players. SHSs have become increasingly popular among users because they present an attractive alternative to conventional electricity, such as no monthly bills, no fuel cost, very little repair, maintenance costs, easy to install anywhere, etc.

GS has developed an effective strategy for reaching people in remote and rural areas with solar PV technology. It involves: soft credit through installments which makes SHSs affordable; advocacy and promotion; community involvement and social acceptance; effective after-sales service and blending technology with market forces.

Source: Grameen Shakti¹³

¹⁰ Morais, L. Empreendimentos Econômicos Solidários e a agenda ambiental: possibilidades e entraves no Brasil atual. In: Mercado de Trabalho: conjuntura e análise. Brasília: MTE / IPEA, no. 42, fevereiro de 2010, pp.65-71.

¹¹ Tuzel, L. Asmare: uma inovação socioambiental. In: Morais, L.; Borges, A. (Orgs). *Novos Paradigmas de produção e consumo: experiências inovadoras*. São Paulo: Instituto Pólis, 2010.

¹² <http://www.gshakti.org/>

¹³ (<http://www.gshakti.org/> - accessed on 18th May 2011).

Besides solar energy, GS is also active in other areas that involve SSE and eco-friendly undertakings, such as the Improved Cooking Stove Programme (a programme to promote improved cooking stoves in Bangladesh to address the high demand for biomass fuels and indoor air pollution caused by cooking on polluting, traditional stoves); the Biogas Programme (a financial mechanism based on credit, which makes biogas plants affordable to the villagers); and the Organic Fertilizer Programme (a programme to develop organic fertilizers from slurry and market these as a supplement to chemical fertilizers through entrepreneurs).

In South Africa, a programme started in Cape Town called “Programmatic CDM Project in Low and Middle Income Housing” allowed local artisans and unemployed youth in the municipality of Kuyasa to be trained to carry out activities related to: insulating the roof to avoid the need for heating in winter; installing water-heating equipment through thermal solar energy; and techniques to substitute more energy-efficient lamp bulbs. These activities contribute to energy-saving, jobs, employment and income-generation and improved the quality of life for the inhabitants of the poorest regions.

According to *SouthSouthNorth*,¹⁴ the programme was extended to almost 2.5 million homes through financing from the central government of Cabo Verde, based on the Cape Town Urban Reform Programme. A community fund was created that supported the development of a community-owned sustainable enterprise to provide energy services; this generated permanent jobs and enabled the monitoring of emissions reduction. The income obtained from the sale of carbon emissions reduction certificates, together with the contributions of the beneficiaries, expanded the Fund’s operations, which enabled the creation of small and micro local enterprises and financing initiatives for community development.

Other initiatives of *SouthSouthNorth* include the following:

a) **Krueng Kala micro hydropower in Indonesia**
The project involves i

This project installed 30–40 kw micro hydropower systems in Krueng Kala to supply electricity to the people living in that village and two other nearby villages, including tsunami refugees. Prior to the installation, a cooperative was established by the villagers which will hire two operators locally to run the power plant on a daily basis. The cooperative will sell electricity to the villagers, and the profit generated will be used to improve the villagers’ welfare in ways decided upon by them (e.g. by providing scholarships for underprivileged children or low interest credit for local farmers and entrepreneurs).

b) **Micro hydroelectricity for Zege village electrification in Tanzania**

This project aims to produce electricity from the Kidabwa stream in Zege village in the Usambara Mountains, about 50 km southeast of Lushoto. The village has 3,118 inhabitants (according to the 2003 census). The power plant will cost USD 231,000. It is expected that 300 households (out of a total of 607) will be connected to the hydropower plant and will pay USD 4 every month for electricity. According to the project’s feasibility study, about 60 per cent of the villagers are capable of paying electricity bills of up to USD 5 per month. This means that while the investment cost is currently unaffordable to Zege villagers, the costs of maintenance and operation are within their reach. The project will build a micro hydropower plant with an output capacity of 70 kw and distribution lines to the consumers (e.g. households, social services institutions and small enterprises). A meter will be installed on the main line, and readings will be obtained every 24 hours to establish the amount of electricity used. The revenue from the supplied electricity will be used by the villagers for plant maintenance and development activities.

¹⁴ SouthSouthNorth is an NGO that helped in structuring the programme and received resources from the Clean Development Mechanism created in the ambit of the Kyoto Protocol in 2008. www.southsouthnorth.org

c) **Biogas for household energy in Tete province in Mozambique**

The project aims to use manure from livestock to generate household energy in the province of Tete (Changara District), where livestock is abundant and forests are becoming scarce. The most common fuel used for household lighting is kerosene, followed by diesel. Both of these energy sources are fossil-based refined fuels that potentially emit carbon dioxide to the atmosphere. Therefore, the project will help to avoid emissions of methane and nitrous oxide and will replace the increasingly intensive use of firewood and liquid fossil fuels for cooking and lighting.

Since biogas is a renewable energy source, there are no net carbon dioxide emissions, and the baseline will be considered mostly from what would happen in the absence of this initiative. In fact, the most probable scenario would be to reduce the release of methane (from anaerobic degradation of swine manure.)

On the African continent, another noteworthy programme involves young people in one of the largest slums of sub-Saharan Africa: the Kibera Community Youth Programme.¹⁵ This programme offers jobs to young local residents in a solar energy production line of small, low-cost solar panels. The energy generated by these panels fuels radios and recharges mobile phones in Kibera, and this technique has been disseminated to other parts of Kenya and even to other neighbouring countries.

In Germany, a programme thought to be extremely ambitious has been undertaken, based on the initiative of the German Alliance for Work and the Environment. This partnership – among the German Government, workers from the civil construction sector, trade unions and non-governmental organizations – began as a consequence of the recession in civil construction that hit the country in 2001. The Alliance launched a programme in 2001 to help retrofit over 300,000 apartments with improved

insulation for roofs, windows and walls, improved heating and ventilation systems and new renewable energy equipment. From 2001–2006, the programme helped create about 140,000 new jobs and reduced annual emissions from buildings by about 2 per cent. The scheme involved about USD 5 billion of public subsidies, which stimulated an investment of about USD 20 billion. About USD 4 billion of this was recovered through tax, and the need for unemployment benefits was averted. Retrofitting buildings has become one of the main features of the German Government's strategy to reduce carbon dioxide emissions by 40 per cent by 2020.¹⁶

9.4 Conclusions

According to the ILO, green jobs are those which reduce the environmental impact of companies and economic sectors to levels considered sustainable. Green jobs can be found in agriculture, industry, services and public administration. They also may be found in energy supply – in recycling and in approaches to civil construction and transportation.

Generally speaking, green jobs reduce consumption of energy, raw materials and water by using more efficient mechanisms that lead to a reduction in greenhouse gases and by minimizing or preventing certain forms of waste and pollution. All of this contributes to protecting and restoring ecosystems and biodiversity.

It is important to bear in mind that “the notion of green jobs is thus not absolute, but there are ‘shades’ of green and the notion will evolve over time” (UNEP, 2008). Despite the lack of data and more precise systematizations in many countries, the UNEP report shows that millions of green jobs already exist in a number of countries, with different levels of development. According to the UNEP report (2011:622), “in a number of important sectors, such as agriculture, buildings, forestry and transport, a green economy delivers more jobs in

¹⁵ Kibera is considered to be one of the largest and poorest slums in sub-Saharan Africa.

¹⁶ (<http://www.greeneconomycoalition.org/node/22> - accessed on 18 May 2011).

the short, medium, and long terms than business as usual”.

Box 4: “Shades of green”: Potential green jobs in major segments of the economy

- Energy supply: integrated gasification; co-generation (combined heat and power); renewables (wind, solar, biofuels, geothermal, etc.);
- Transport: more fuel-efficient vehicles; hybrid-electric, electric and fuel-cell vehicles; public transport; non-motorized transport;
- Manufacturing: pollution control (scrubbers and other tailpipe technologies); energy and materials efficiency; clean production techniques (toxics avoidance);
- Buildings: lighting, energy-efficient appliances and office equipment; solar heating and cooling, solar panels; green buildings;
- Materials management: recycling; extended producer responsibility, product take-back and remanufacturing; durability and reparability of products;
- Retail: use of eco-labels; store locations closer to residential areas; minimization of shipping distances (from origin of products to store location);
- Agriculture: soil conservation; water efficiency; organic growing methods; reducing farm-to-market distance;
- Forestry: reforestation and afforestation projects; agroforestry; sustainable forestry management and certification schemes; halting deforestation.

Source: UNEP Report (2008; 2011)

Within the SSE, the possibility of green job generation is clearly visible, contributing to both economic growth with social inclusion and environmental sustainability. Many programmes include measures to combat inequality, reduce poverty and, as a consequence, improve the standard of living for a large part of the population. The jobs created, as well as the businesses generated, may be in the hi-tech and highly qualified

sectors, but they also can affect millions of unemployed youth with no prospects, women, slum-dwellers and members of the poorest rural communities, who join together, either formally or informally, in associations, cooperatives and social enterprises.

The potential and, in some cases, existing green jobs encompass an array of occupational profiles, skills and educational training. In other words, the creation of green jobs is viable both for the simplest manual work and for more specialized labour, ranging from artisans to highly-qualified technicians, engineers and managers. It is a reality that can be developed further, in many economic sectors, in urban areas as well as rural, since some green jobs are totally new and others are based on traditional professions and occupations, albeit with modified competencies and content.

This analysis is confirmed by several well-known SSE projects and local initiatives, such as: (1) the renewable energy supply for people below the poverty line in Bangladesh, India, Sri Lanka, Kenya and Mali; (2) the projects for energy efficiency and reduced atmospheric pollution with the use of two stroke engines in the Philippines; (3) the energy-economizing projects that reduce air pollution in closed environments by improving stoves in domestic and commercial and/or community restaurants; (4) the clean public transport projects generating employment in India; and (5) more efficient recycling methods in Brazil that generate jobs and stimulate a cleaner work environment.

Despite these highly successful ventures, the levels of investment in these programmes by the public and private sectors still remain significantly low. To intensify these practices will require innovative funding mechanisms, a more suitable regulating system and a legal framework. It will be important to ally jobs, employment and income generation within the SSE in sectors that contribute to improving environmental concerns, and consequently, well-being.

From this perspective, it is important to mention some problems that impede the appearance,

fomentation and dissemination of practices that involve SSEs and sustainable actions, with a view to confronting these weaknesses more efficiently.

These vulnerabilities include:

- lack of adapted mechanisms to finance production;
- difficulty in maintaining productivity, quality and regularity in the supply of products and services;
- conflicts that emerge in the management of enterprises;
- limits in keeping long-term links with consumers;
- tensions between the logic of the operation of given commercialization circuits and the values and principles that give the enterprise an identity; and
- low capacity of functioning in a network.

Chapter 10: Social finance for social economy

10.1 Abstract

The purpose of this paper is to gain a better understanding about the financing of social economy organizations (SEOs). The article examines the different kinds of finance used by SEOs in three case studies. It is argued that irrespective of geographical location, SEOs need to diversify their finance base to mitigate risk. In addition, SEOs must know the types of finance appropriate to meet their needs and know how to combine them. The case studies also highlight the fact that SEOs require different kinds of finance at various stages in their life cycles. Finally, it is argued that mismatches in the supply and demand for funding cause disequilibria in both the equity and loan markets for SEOs. Therefore, there is a need for further examination of the demand and supply of funds in the social economy, by looking at the legal structures of these organizations and the available types of finance.

10.2 Introduction

There is a growing interest in social economy organizations (SEOs) that pursue a double or triple bottom line – economic, social and environmental goals. These organizations do not seek profit maximization at the expense of social and environmental concerns. This makes SEOs relatively unattractive to commercial investors. At the same time, the double or triple bottom line makes it difficult for SEOs to raise capital in the capital market. Obviously, this raises a question about how cooperatives, mutual benefit societies, associations, foundations and social enterprises finance themselves so that they can continue to play a role in the societies of various countries. In Europe, this

role is significant: the sector represents about 10 per cent of all European companies (i.e. about 2 million undertakings) and 6 per cent of total employment (Chaves and Monzon, 2007). In Quebec, more than 125,000 people work in the social economy, which generates over 17 billion CAD\$ (17,2 billion USD) annually, accounting for about 6 per cent of Quebec's gross domestic product (Chantier de l'économie sociale, 2009).¹ In the United Kingdom (UK), there are an estimated 62,000 social enterprises, contributing 24 billion GBP (39,7 billion USD) to the economy and employing 800,000 people.²

For the International Labour Organization (ILO), social economy is a key element in its Decent Work Agenda because of its potential for job creation and social protection. The ILO Declaration on Social Justice for a Fair Globalization stresses the need for a strong social economy: "convinced that in a world of growing interdependence and complexity and the internationalization of production: (...) productive, profitable and sustainable enterprises; together with a strong social economy and a viable public sector are critical to sustainable economic development and employment opportunities" (ILO, 2008:3). To guarantee the development of a strong social economy, it is necessary to have adequate access to financial resources.

The purpose of this paper is to gain a better understanding about the different ways of financing SEOs by examining how they actually use various financial instruments in carrying out their operations. It is based on a desk review and case studies and included annual and financial reports from SEOs and their funders. Data used in this study cover the period from 2000–2010. The three case studies are: The Wise Group from the UK, Alimentation Coop Port-Cartier from Quebec and Githunguri

¹ This is based on the currency exchange rate of 1 USD = 0.9 CAD\$. Also, 1 GBP = 1.6 USD, 1 EUR = 1.4 USD and 1 USD = 92.5000 KES. These are the rates applied throughout this paper.

² Annual Survey of Small Businesses UK 2005-2007.

Cooperative from Kenya. Each was chosen because of its creativity in combining different funding streams.

The paper first discusses access to finance for SEOs, and then presents the three case studies which illustrate the different kinds of finance used by SEOs and how these finance types are combined to ensure better results.

10.3 Social economy organizations

Social economy refers to economic activities that in terms of ownership or goal cannot be attributed clearly to the public or the private sector. The

general goal of organizations operating in the social economy is to balance the satisfaction of social and economic needs rather than to maximize profit. The double bottom line is common to the various organizations which make up the social economy. The definition of the social economy adopted at the ILO's Conference "The Social Economy: Africa's Response to the Global Crisis" acknowledges a range of institutional types which make up the social economy:

"enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity" (ILO, 2009:3).

Table 1: Main characteristics of social economy organizations

Cooperatives	<ul style="list-style-type: none"> • voluntary and open membership • equal voting rights – resolutions carried by majority • members contribute to the capital which is variable • autonomy and independence • sectors of agriculture, manufacturing, banking, retailing and services particularly important
Mutual societies	<ul style="list-style-type: none"> • voluntary and open membership • equal voting rights – resolutions carried by majority • members' fees based on insurance calculations (where relevant) – no capital contribution • autonomy and independence • medical, life and non-life insurance; guarantee schemes; home mortgages
Associations / voluntary organizations	<ul style="list-style-type: none"> • voluntary and open membership • equal voting rights – resolutions carried by majority • members' fees – no capital contribution • autonomy and independence • service providers, voluntary work, sports and advocacy/representative • important providers in health care, care for elderly and children and social services
Foundations	<ul style="list-style-type: none"> • run by appointed trustees • financial resources supplied through donations and gifts • financing and undertaking of research, supporting international, national and local projects; providing grants to relieve the needs of individuals, funding voluntary work, health and elderly care
Social enterprises	<ul style="list-style-type: none"> • no universally accepted definition • social and societal purposes combine with the entrepreneurial spirit of the private sector • surpluses reinvested to achieve a wider social or community objective • registered as private companies, cooperatives, associations, voluntary organizations, charities or mutuals; some are unincorporated

Source: European Commission, Enterprise and Industry Directorate-General, Unit E3 Craft, Small Businesses, Cooperative and Mutuals.

Terms like “social economy”, “solidarity economy” and the “third sector” are often used interchangeably. In Latin America, the term “solidarity economy” is more commonly used, in Anglo-Saxon countries, the “third sector” is used and in continental Europe, the most widespread term is “social economy”.³

10.4 Access to finance for social economy organizations

SEOs – and cooperatives in particular because of their governing structure in which all members have equal voting rights – find it difficult to access resources in the competitive financial market and therefore need internal and external financial resources to function effectively.⁴ While this does not categorically exclude cooperatives and other SEOs from obtaining external finance, it constitutes an additional burden and often entails additional capital costs as a result of risk premiums charged by prudent lenders. SEOs are not-for-profit organizations, and their main goal is to generate social and economic benefits, not to maximize profit. This logic is often alien to commercial banks. These problems led to the emergence of social investors who are willing to provide the funds needed by SEOs to permit them to achieve the double or triple bottom line.

Another challenge is that several grant funding programmes do not permit SEOs to generate surpluses which could create sufficient levels of working capital or build up financial reserves. The lack of working capital and financial reserves means that some SEOs are exposed to fluctuations in cash flow and are not protected against the effects of a time lag between funded programmes (Thake and Lingayah, 2009).

Furthermore, SEOs’ fragile sustainability and their continued dependency on public sector subsidies

and grants add to their challenge in securing stable, affordable and flexible financial resources. Thus, the issue of finance remains a main concern to SEOs, irrespective of the country in which they operate, their legal structure or line of activity.

10.5 Case studies illustrating the types of finance used by social economy organizations

Rather than systematically examining each type of SEO or the major financing instruments and how they fit the various SEOs, this paper proposes an illustrative presentation based on case studies. By so doing, we move from the abstract and see how SEOs actually use various financial instruments in carrying out their operations. Concrete examples illustrate opportunities for innovation and improvement.

Several criteria were taken into consideration before choosing the case studies. First, in order to produce a balanced overview and to make comparisons, case studies were chosen from developed and developing countries. Second, in order to gain a historical perspective, “old” and “modern” SEOs were examined. The “old” SEOs illustrate the traditional mix of finance vehicles that have been predominant among SEOs which are more than 20 years old, while the “modern” SEO illustrates innovations in using different kinds of finance. Third, consideration was given to the financial health and growth potential of the SEOs.

The case studies were chosen from the UK, Quebec and Kenya. The UK gives insight into the Anglo-Saxon structure of the social economy; Quebec provides a perspective into the long-standing social economy tradition found within Francophone countries and the Kenyan case study portrays social economy from the perspective of a developing country. Once the countries were selected, a list of SEOs in each country was

³ In the UK, the third sector comprises non-governmental organizations which are value-driven and principally reinvest their surpluses to further social, environmental or cultural objectives. It includes voluntary and community organizations, charities, social enterprises, cooperatives and mutuals (HM Treasury, Charity and Third Sector Finance Unit. www.hm-treasury.gov.uk).

⁴ Other ILO documents refer to these as social and solidarity economy enterprises and organizations (SSEEOs).

analysed. The SEOs were divided by the number of years they had been in operation, the types of activities they conducted and the financial instruments they used. This enabled us to finally choose three organizations which are representative of the sector —The Wise Group, Alimentation Coop Port-Cartier and Githunguri Dairy Farmers’

Cooperative from the UK, Quebec and Kenya respectively. The case studies illustrate the accessibility of different kinds of finance (e.g. membership funds, grants, debt, equity and quasi-equity), how they are combined and how they are used.

Case study 1: The Wise Group

The Wise Group was established in 1983 originally as an energy conservation initiative. Over the past two and a half decades, it has grown from a small SEO in Glasgow to a solid social enterprise, with a 2009 turnover of 20 million GBP (33,1 million USD). Today it is one of the UK's leading social enterprises providing employment-focused services and support for thousands of people, employing over 400 staff and operating from over 200 premises across Scotland and Northeast England. It focuses on the delivery of three key services - employability and skills training, community regeneration and sustainable development. In 2008, it celebrated its 25th anniversary and won the UK Social Enterprise of the Year Award (The Wise Group, 2009).

At present, The Wise Group does not receive core grant funding from the government. Over the years, it has combined grants from several sources (e.g. European Regional Development Fund, local and central government grants) and debt finance to carry out its operations. Table 2 below highlights examples of its finance streams.

Table 2: Finance streams used by The Wise Group

Grants	Funder: The Big Lottery
	Amount: 2 million GBP (3,3 million USD)
	Time line: July 2008–December 2010
	Conditionalities: <ul style="list-style-type: none"> • Acknowledge the use of grants in annual reports and account; • Present regular reports as required; • Be available for meetings with funder; Allow access to records and offices.
	Uses: Used to finance the Routes out of Prison project. Funds restricted to specific uses such as to partially fund staffing costs, project overhead and other running costs.

Soft loans	Funder: Scottish Investment Fund
	Amount: 900,000 GBP (1,4 million USD) (June 2009)
	Time line: 10 years
	Conditionality: It is a mix of a loan and a grant. While the grant is non-repayable, the loan is repayable over ten years at an interest rate of 8%.
	Uses: It can be used for almost anything that builds capacity, capability and financial sustainability, thereby enabling the institution to deliver more contracts and generate surplus that will be reinvested in the institution to continue its social mission.
Other debt products	Bank loans and overdrafts: 144,024 GBP (239,191 USD) (December 2000)
	Other loans falling due after more than one year: 268,000 GBP (445,145 USD) (December 2000)
	Hire purchase: 113,413 GBP (188,417 USD) (December 2000)

Note: Data were gathered from financial statements and other reports from 2000 – 2009.

During the last decade, The Wise Group has had to depend heavily on various funding sources to carry out its operations, including grants from the government and other sources. At present, it receives grants from funders such as the European Social Fund and the Big Lottery UK. These funds are provided for specific projects and are restricted to well-defined uses, as shown in Table 2 above. For example, grants from the European Social Fund were to finance its Transitional Employment project while those from the Big Lottery were to finance the Routes out of Prison (Roop) project. These grants are limited to a specific timeframe, raising the need to have other sources of finance. To ensure flexibility and to minimize the negative effects of grants, The Wise Group used debt products such as bank loans, overdrafts (especially from 2000–2005) and hire purchase.⁵ It uses hire purchase on land, buildings and other items, and these operating leases are spread over several years, which permits the enterprise to better manage its financial resources. Hire purchase permits The Wise Group to make use of what it needs without spending huge sums of money at one time. The last time it used the overdraft facility was in 2006. To ensure its sustainability, The Wise Group is now focused on generating its own revenue, so that it can rely less on external sources of finance.

This explains why The Wise Group is tendering to deliver many programmes and services for the government. For instance, in 2009 The Wise Group and its partners won a five-year contract worth more than 120 million GBP (199 million USD) to deliver the government's Flexible New Deal employment programme in Scotland. The contract states that The Wise Group is to deliver a fully integrated approach to employment and skills, delivering tailored, innovative and flexible support for each customer in the target communities. The surplus generated from these contracts makes it possible for The Wise Group to repay its debts and to reinvest to continue its mission. On 31 December 2009, its surplus totalled 66,392 GBP (110,279 USD).

⁵ As security for the overdraft, the Bank of Scotland holds a standard security over its premises at 72 Charlotte Street, Glasgow and a bond and floating charge over the whole assets of The Wise Group postponed to that held by City of Glasgow Council for a debt of 268,000 GBP (443,631 USD), including creditors falling due after more than one year. Also, the loan from the City of Glasgow Council (in the year 2000) had no fixed period of repayment and was interest-free.

The Wise Group's track record and solid asset base permits it to continually get the different kinds of finance required to carry out its operations. In 2006, it had tangible assets worth 4,375,660 GBP (7,267,485 USD) which increased to 6,925,326 GBP (11,501,840 USD) in 2009. Its efficient combination of grants and debt finance, coupled with its increasing use of contractual funds, ensures growth and long-term sustainability. This has also enabled it to establish a steady relationship with funders and attract fresh investment.

In the past decade, The Wise Group has gradually reduced its reliance on grants. Presently it receives no core grant from the government; whereas in 2000 it received 1,032,892 GBP (1,715,371 USD) from this source. In 2000, grants totalling 14,469,443 GBP (23,964,732 USD) constituted a major finance stream; in fact, grants made up about 90 per cent of all external finance received. Today grants constitute a lower percentage of financial resources. It has closed this gap by generating its own revenue through the delivery of various contracts, as described above. The Wise Group also experienced a steady decline in capital grants, from 312,814 GBP (517,975 USD) in 2004 to 256,738 GBP (425,107 USD) in 2005, 66,780 GBP (110,590 USD) in 2006 and finally 10,000 GBP (16,558 USD) in 2007 (see Figure 1).

Figure 1: Capital grants received by The Wise Group



Source: The Wise Group's financial report (2005- 2008)

Table 3: Capital grants expressed as percentage of gross operating surplus

Year	Per cent
2004	252.6
2005	109.8
2006	14.8

Case study 2: Alimentation Coop Port-Cartier

Many residents of Port-Cartier had been dissatisfied with the goods and services offered by Provigo, a grocery retailer in Quebec with over 300 stores and franchises throughout the province. It is for this reason that Alimentation Coop Port-Cartier was set up in 2004 to provide better goods and services to the residents of Port-Cartier. It has over 1,200 members, and 40 per cent of them are from households within Port-Cartier. Its projects so far have been conducted in partnership with various institutions such as the Economic Development Agency of Port-Cartier, the Federation of Food Cooperatives of Quebec, the Fiducie du Chantier de l'économie sociale, Investissement Quebec, the Caisse d'économie solidaire and the Caisse populaire Desjardins of Port-Cartier.

Alimentation Coop Port-Cartier, a “modern” cooperative with innovative finance streams, uses membership subscription, subsidies, debt finance and quasi-equity finance to carry out its activities, as illustrated in Table 4 below.

Table 4: Finance streams used by Alimentation Coop Port-Cartier

Membership funds	Amount: 450,000 CAD\$ (454,591 USD) (2007)
	Time line: Continuous
	Uses: Day-to-day functioning of the cooperative
Debt finance	Funder: Caisse d'économie solidaire Desjardins
	Amount: 900,000 CAD\$ (909,182 USD)
	Time line: Repaid after 8 years
	Interest rate: 8.5%
	Uses: Purchase of equipment
Quasi-equity	Funder: Fiducie du Chantier de l'économie sociale
	Amount: 750,000 CAD\$ (757,652 USD)
	Time line: 15 years capital repayment moratorium
	Interest rate: 7.37%
	Conditionality: Loans are granted on the basis of financing packages in which the loans represents no more than 35% of project-related costs.
	Uses: Purchase of land, building of supermarket and working capital

	Funder: Sobey's
	Amount: 700,000 CAD\$ (707,142 USD). 500,000 CAD\$ (505,101 USD) is to be repaid without interest.
	Time line: Repayable after 10 years
	Uses: Building of supermarket, purchase of equipment
Subsidies	Funder: Local Development Centre and Sobey's
	Amount: 20,000 CAD\$ + 91,652 CAD\$ (92,587 USD) respectively
	Time Line: Receive subsidies for at least 10 years
	Uses: Operational expenses, purchase of equipment, support for mortgage financing

Source: Réseau d'Investissement Social du Québec for the Fiducie du Chantier de l'Économie Sociale (2007).

Alimentation Coop Port-Cartier gets funds from members through a subscription of 250 CAD\$ (252 USD) per member. In 2007 it collected a total of 420,000 CAD\$ (424,285 USD). The funds from this source are used for the day-to-day functioning of the cooperative. Membership funds are flexible, easy to access and manage and not subject to complicated reporting requirements. These funds permit it to carry out activities related to the sale of its products (e.g. bakery products, meat, fish, prepared food, fruits and vegetables, wine and tobacco). Furthermore, Alimentation Coop Port-Cartier receives subsidies from the Local Development Centre and Sobey's. Subsidies play a significant role by partially covering operating costs. In addition to membership funds and subsidies, the cooperative uses debt finance. Most of its loans are subsidized and need to be repaid at least after five years. In 2007, it received a loan of 900,000 CAD\$ (909,182 USD) from the Caisse d'économie solidaire Desjardins to be repaid after eight years at an interest rate of 8.5 per cent. Other loan packages have to be repaid after five or ten years. Long-term loans ensure stability and give the cooperative the ability to conduct long-term planning since it has the financial resources.

In addition to the above-mentioned financial streams, Alimentation Coop Port-Cartier uses quasi-equity or patient capital. Quasi-equity or patient capital is a mixture of grant and loan or equity, most often with flexible repayment terms. In 2007, it received 750,000 CAD\$ (757,652 USD) from the Fiducie of the Chantier de l'économie sociale in the form of patient capital with no capital repayment for 15 years. Of this amount, 500,000 CAD\$ (505,101 USD) was offered as real estate patient capital to fund costs directly associated with acquiring buildings or renovating real estate assets, while the remaining 250,000 CAD\$ (252,550 USD) was offered as operations patient capital to fund costs linked to working capital, the launch of new products or the purchase of equipment. The use of patient capital ensures better capitalization of the cooperative. In that same year, it also received 700,000 CAD\$ (707,142 USD) in the form of quasi-equity finance from Sobey's. Of this amount, 500,000 CAD\$ (505,101 USD) is interest-free, and the total amount has to be repaid after ten years. Debt finance and quasi-equity constitute the main financial streams used by Alimentation Coop Port-Cartier.

Case study 3: Githunguri Dairy Farmers' Cooperative

Kenya has a long track record of cooperative development, characterized by robust growth and meaningful contributions to the national economy. According to the Ministry of Cooperative Development and Marketing, the number of registered cooperatives increased from 9,443 in 2000 to 11,968 in 2008. About 80 per cent of Kenyans receive their income directly or indirectly from cooperative activities (Ministry of Cooperative Development and Marketing, 2009). In the agricultural sector, cooperatives have handled over 72 per cent of coffee sales, 95 per cent of cotton sales and 76 per cent of dairy produce sales (Wanyama, 2009). Kenya has one of the largest dairy industries in sub-Saharan Africa, which explains why we decided to focus on a case study in this industry.

Githunguri Dairy Farmers' Cooperative was chosen because of its long history of carrying out dairy activities in Kenya. It was registered in 1961 with a membership of 31 smallholder dairy farmers in Githunguri Division. It is representative of a cooperative from a developing country that has overcome many difficulties over the years and has finally successfully established itself in the market. According to a USAID report (2008), it is the most successful dairy farmers' cooperative in Kenya. It plays an important role in marketing its members' milk, which is processed and packed in the form of packed fresh milk, yogurt, butter, ghee and cream under the brand name of "Fresha". In 2004, it set up its own milk processing plant, enabling it to access a wide market through value addition. This transformed it into one of the largest dairy processors in Kenya. Githunguri Dairy Farmers' Cooperative has grown to 17,000 registered members with an annual turnover of KES 3 billion (32,4 million USD).

Table 5: Finance streams used by Githunguri Dairy Farmers' Cooperative
Membership funds Funder: Members of cooperative

Membership funds	Funder: Members of cooperative
	Time line: Continuous
	Uses: Construction of milk processing plant
Debt finance	Funder: Oiko Credit
	Amount: 1,367,524 USD (2002)
	Time line: Payable in six years
	Interest rate: 9%
	Uses: Building milk processing plant and purchasing equipment for the plant It received more concessional loans from the same funder in 2003 (1,266,936 USD) and 2006 (964,599 USD). This loan was used to purchase additional equipment.

Grants	Funder: Rotary Clubs (north of the Netherlands)
	Amount: 115,176 USD
	Conditionality: Farms of grant recipients are to serve as training farms for other farmers in the district
	Uses: Upgrade farming facilities

Source: USAID, Oiko Credit and Githunguri Dairy Farmers' Cooperative

As shown in Table 5, Githunguri Dairy Farmers' Cooperative has access to three finance streams: membership funds, grants and debt finance. Members pay membership fees and buy at least 50 ordinary shares at KES 20 (0.2 USD) nominal value each. It also has shares paid by members to meet specific needs of the cooperative, which are redeemed to members after an agreed period. Funds from members were used to construct its milk processing plant. Although Githunguri Dairy Farmers' Cooperative dates back to 1961, its tangible business took shape in 2002 when, in the middle of uncertainty, the Africa Project Development Facility (APDF) – a World Bank small- and medium-scale support initiative – helped to develop a feasibility study and finance sourcing. The APDF-sourced financier, Oiko Credit, a Netherlands-based financial institution, offered a 950,000 EUR (1,367,524 USD) soft loan, payable in six years.⁶ Since then, this cooperative has been using debt finance on a regular basis. In 2003, Oiko Credit provided another loan package of 880,000 EUR (1,266,936 USD) to purchase equipment for the milk processing plant. These loans permitted it to expand its activities. Because of the cooperative's unprecedented growth, Oiko Credit disbursed an additional loan of 670,000 EUR (964,599 USD) in 2006 to fund the purchase of additional equipment. Its high degree of capitalization and revenue generated from the sale of its dairy products has allowed it to continually expand operations and repay the loans.

The cooperative also has benefited from grants provided by the Rotary Clubs north of the Netherlands. The Rotary Clubs supplied 40 farmers with 2,000 EUR (2,879 USD) each to upgrade their farming facilities. In addition, they provide technical and managerial assistance needed for the cooperatives' sustainability.

⁶ Oiko Credit provides credit to microfinance institutions, small and medium size enterprises and trade organizations.

10.6 Conclusions

These case studies shed light on the different kinds of finance used by SEOs, how they are combined and how sustainable they are. Irrespective of geographical location, SEOs need to diversify their finance base to mitigate risk. In addition, SEOs must know the types of finance appropriate to meet their needs and how best to combine them.

These case studies also highlight the fact that SEOs require different kinds of finance at various stages in their life cycles. Mindful of its stage in the life cycle, Alimentation Coop Port-Cartier sought long-term resources to finance its growth. The 750,000 CAD\$ (757,652 USD) patient capital provided by the Fiducie du Chantier de l'économie sociale with a 15-year capital repayment moratorium ensures a solid foundation which is vital for its sustainability. Funders have to develop an understanding of SEOs in order to structure the funds to best suit them. This is precisely what the Fiducie du Chantier de l'économie sociale in Quebec has done. Failure to take this into consideration pushes SEOs to survive "hand-to-mouth" and adopt short-term and often expensive stop-gap measures.

SEOs all focus on a double bottom line, but differ in legal structure, governance, function and funding

needs. These factors come into play when analysing their funding mechanisms. Generally SEOs with a membership base generate some funds from membership fees and shares. Membership fees are a very convenient and symbolic way to access finance, and they give the SEO more flexibility about how to use the funds. This is because the SEO is answerable to its members who believe in the work of the organization. However, membership fees fall short of resolving operational needs. Other sources of finance, such as grants, debt, quasi-equity and equity, are required. However, using these external sources of finance can lead SEOs to lose sight of their original mission and become more inclined to satisfy their funders.

In real life, there are more mismatches than matches between the supply and demand for funding. For instance, there is a substantial amount of loan capital available and little equity or quasi-equity, causing disequilibria in the equity and loan markets for SEOs. The supply of loan capital, especially on market terms, usually exceeds the demand, and the supply of equity capital usually falls short of the demand (OECD, 2009). There is a need to further examine the demand and supply of funds in the social economy by looking at the legal structures and types of finance.

Chapter 11: The social economy and community-based local development - lessons from the Quebec experience

11.1 Abstract

Over the past few decades, local development and support for the social economy have emerged in many countries as important strategies for successful socio-economic development.

Governments and civil society organizations have adopted a wide range of policies and practices to further a decentralized approach to development that integrates diverse means and objectives.

The experience in Quebec (Canada) has been particularly innovative. Its approach has emphasized bottom-up strategies, partnership between civil society and local governments, application in rural and urban contexts and use of social economy enterprises as a development tool.

The following case studies drawn from Quebec illustrate the potential of a community-based approach to local development that encompasses the contribution of the social economy. It shows how partnerships among diverse stakeholders have created both concrete and intangible results, including job creation, improved quality of life and stronger social cohesion. It describes the Quebec experience in urban settings, with the establishment of community economic development corporations, and in rural settings, with rural development policy elaborated in collaboration with stakeholders.

The article concludes with the presentation of certain lessons learned and the challenges for policy-makers and civil society organizations.

11.2 Background

The challenges raised by the ILO's Decent Work Agenda are complex and require a wide variety of actions and interventions at all levels by public, private and civil society actors. The goals of the ILO Agenda (i.e. creating jobs, guaranteeing rights at work, extending social protection and promoting social dialogue) cannot be achieved simply through government interventions; neither can they be left exclusively to market forces in the hope that the effects of economic growth will trickle down to improve the quality of life in local communities. This is particularly true for vulnerable groups, including youth, women and the disabled, who historically have been excluded from the positive impacts of traditional economic development strategies and from the development processes themselves. Local development and the social economy offer opportunities for including and empowering groups that have suffered from social and economic exclusion.

The role of sustainable socio-economic development emerged in the field of public policy in the 1980s and has become stronger since then. Local development strategies have been implemented in many countries, notably to support job creation through small and medium-sized enterprises (SMEs) to integrate the unemployed and to decentralize certain public services. These strategies have allowed the flexibility and innovation required to produce effective, concrete results.

In addition to the very measurable impacts of these processes, local development has also played a key role in building social cohesion and strengthening social capital. More recently, the need to respond to environmental concerns has reinforced the

importance of place-based strategies. In many countries, the importance of local purchasing, local food sovereignty and the rising movement in favour of more local control over resources have all contributed to underscoring the strategic importance of local development approaches.

Today, most countries in the Organisation for Economic Co-operation and Development (OECD) and many African, Asian and Latin American jurisdictions have adopted local development strategies as an integral part of development strategies or decentralization processes.

What are the conditions for the emergence of successful local development processes? How can the social economy achieve its full potential as a tool for building healthy communities? The Quebec experience is an interesting illustration of this phenomenon.

11.3 The role of community-based local development organizations

Research and practice show that local development organizations play a central role in mobilizing a wide variety of resources to create or consolidate jobs, to integrate marginalized groups and to build social cohesion.

Local development organizations have different forms of governance, depending on the national context. In some countries, elected officials play a central and sometimes exclusive role in governing these entities. However, lessons from the Quebec experience have shown that the most effective local development organizations involve active participation of non-governmental stakeholders, including community-based associations, local businesses, social economy enterprises and social movements that can include workers' organizations and other local institutions. Consequently, these types of organizations are referred to as community-based local development organizations (CBLDOs).

In Quebec, as elsewhere, the mandate or mission of CBLDOs is generally focused on stimulating job creation and overall socio-economic development. However, these organizations distinguish themselves from traditional economic development agencies by their potential to reinforce social cohesion and to mobilize local resources in a process of community empowerment. Because of their proximity to local realities they are strategically placed to be able to implement integrated approaches to development, to combine social, economic and environmental objectives and to respond to unmet needs. In this sense, CBLDOs often are the best equipped to implement true sustainable development strategies in favour of sustainable livelihoods and poverty reduction, because links between the environmental, economic, social and cultural impacts of development are easier to identify and to reinforce at the local level.

11.4 The role of the social economy in local development

Historically, social economy organizations and enterprises have been a central component of community-based local development. Cooperatives, mutual societies and associations emerge in response to the needs and/or collective aspirations of communities. The basic characteristics of social economy organizations are in harmony with community-based local development processes: collective ownership, benefits to the community democratic governance and combined social and economic goals. Local development strategies rely on endogenous development and local entrepreneurship; collective enterprise is well-adapted to these processes.

Depending on the national and local context, social economy organizations and enterprises play different roles in local development. Although these enterprises operate in a wide range of sectors, some of the most common examples are:

- responding to basic needs: health care, food production, collective kitchens, housing, childcare, literacy, home care;
- developing natural resources: agriculture, community forestry, alternative energy;
- improving quality of life: culture, recreation, local commerce, community media;
- supporting marginalized groups: social and work integration, services for the handicapped; and
- creating jobs and economic development: worker cooperatives, social tourism, handicrafts, financial cooperatives and mutual societies (manufacturing, second and third transformation of natural resources).

CBLDO's have been successful in revitalizing communities when they are able to stimulate endogenous development through the mobilization of local resources. Social economy is at the heart of this development strategy. However, in order to succeed, there is a need for social economy enterprises to have access to appropriate development tools, including financing and investment products, market opportunities, training and capacity building, and research and development.

In summary, for social economy organizations to flourish and to assure substantial impact on local development, a favourable policy environment is essential.

Case study: Local development and the social economy in urban Quebec

In the early 1980s, the City of Montreal was facing severe economic difficulties. Industrial decline, the impacts of the economic crisis and urban sprawl had resulted in a severe rise in poverty and unemployment in many urban neighbourhoods. New social policy inspired by short-term work for welfare strategies was emerging. This was opposed by community-based and labour organizations that demanded sustainable and decent employment for the local population.

Traditional social actors began a process of community economic development that led to the creation of the first community development economic corporations (CDECs) in three neighbourhoods. These organizations expressed opposition to the economic theories that promised that strong economic growth would 'trickle down' to poor communities and solve socio-economic problems. It was clear to the initiators of this local development movement that only community action and new types of partnerships in economic development could respond adequately to local challenges, even in an urban setting. They reached out to local business people, local institutions and municipal, regional and federal authorities to support a process of community revitalization based on community mobilization and partnerships.

These community-level collaborative partnerships represented a major cultural shift in Quebec. At the same time, a similar and very important cultural shift occurred within the union movement which resulted in the creation of labour-sponsored pension funds. Today those funds manage over \$8 billion¹ of pension fund assets with the expressed goal of creating and maintaining employment in SMEs, including social economy enterprises, across Quebec. Important debates took place before there was wide acceptance of the idea that a union could do more than negotiate better collective agreements and should become involved in economic development.

Over 25 years later, these local organizations – begun by community groups involved in health, housing, welfare and other issues – have become major non-profit associations with membership and governance involving unions, the private sector, community groups, cultural actors, institutions and local residents. The model has been replicated in all major urban areas of Quebec. The CDECs are

¹ All monetary references are in Canadian dollars, which are approximately at par with the US dollar

involved in diverse activities, including entrepreneurial development support through the social economy and traditional SMEs, management of local investment funds, urban planning, training, social integration and cultural development support.

The CDECs receive support from all three levels of government. The Government of Canada encourages their activities in the field of SME development through its Quebec regional development bureau, *Développement économique Canada*. The Quebec (province or region) Government offers substantial support in collaboration with the City of Montreal as part of Quebec's local development policy. This policy, adopted in 1997, supports the creation of local development centres (CLDs) across Quebec. The CLDs assist traditional and collective forms of local entrepreneurship through social economy enterprises. The governance of these CLDs is determined by local elected officials; the law requires, at a minimum, participation of representatives from the private and social economy sectors. However, the CDECs have been able to maintain their original governance structure based on the participation of diverse civil society actors.

There are currently 13 CDECs in Quebec's cities, covering territories with a total population of 1.6 million. Their voluntary boards are comprised of over 400 people from different backgrounds (e.g. community organizations, businesses, cultural organizations, labour unions, municipalities and local financial institutions). They are elected by members through a process of electoral colleges.

CDECs offer support for local entrepreneurship by providing technical assistance, training, advisory services and networking. They support business development in collaboration with specialized services at a regional level. They also have been important agents of social cohesion through their involvement in development processes to reconcile diverse concerns and interests and improve quality of life. They become involved in issues of urban planning, cultural vitality, etc. An important aspect of their work involves labour force development and integration of target populations, which is carried out in collaboration with decentralized public employment services.

The impact of CDECs was evaluated in a study of the period from 2007-2008. During that time, nine CDECs in Montréal supported 2,250 enterprises through advisory services and invested \$7,053,000 in 254 enterprises, of which \$2,410,000 were invested in social economy enterprises. These funds leveraged a total of \$39,147,000, creating 1,397 jobs. The CDECs in four other smaller cities supported 245 enterprises, creating 1,372 jobs.

The Quebec experience of local development in urban communities through CDECs benefited from a particularly favourable context for social dialogue among a wide variety of stakeholders. Quebec is a small French-speaking nation within North America. Its survival has depended on its collective capacity to assert its cultural identity (which goes beyond linguistic issues to embrace an overall political culture influenced by European and North American traditions) and integrate waves of new immigrants and new cultural realities. In this context, social dialogue is perceived to be an essential part of political culture.

However, this experience offers valuable lessons for other jurisdictions because of the social innovations inherent in its development. The processes initiated by social organizations and movements, the broad local alliances and multi-stakeholder forms of governance, the integrated approach to development, the support from all three levels of government and the flexible financial, technical and training tools under local control are all elements that can be applied and adapted to other contexts. However, these innovations depend on the capacity of public authorities and social partners to open up to new forms of collaboration and new approaches to development.

Case study: Local development and the social economy in rural Quebec

In Quebec, as in many industrialized societies, rural communities declined when agricultural mechanization led to a reduced demand for labour and a subsequent exodus of rural populations. However, rural regions have not been confined to agriculture for many years. In effect, the agricultural population became a minority in Canada in 1956. Rural Quebec is made up of people with different profiles, skills and interests. The socio-economic infrastructure of these communities has changed, and they face many challenges, such as addressing the exodus of the population, particularly youth; creating jobs; maintaining the vitality of proximity services; and ensuring successful cohabitation between residents and nature.

At the same time, there was a sharp decline in the influence and role of the church in Quebec, which eliminated an important pivot for social networks. Rural Quebec was forced to reinvent itself and to affirm its will to maintain dynamic rural communities. This desire met resistance. In the 1960s and 1970s, rural Quebec was marked by village closings when the government shut down local services, judging them too costly for the sparse population. Buildings were demolished to prevent residents' return, and people were relocated to mid-size cities. These closings left deep scars and led to an unprecedented citizen mobilization called 'Operation Dignity'. Rural communities refused the government's plans and decided to take responsibility for their own development, creating collective projects. Today these government practices have ended, but rural communities still have to find ways to revitalize their communities.

The government also learned from the failure of the drastic solutions adopted 40 years ago, and it has adapted its approach. In order to accompany rural communities in their search for promising solutions to development, the Government of Quebec, supported by the 'Partners of Rurality', created a National Policy on Rurality (NPR). The first version of this policy was implemented from 2002–2007, and the second version covers 2007–2014.

The objectives of the NPR 2007-2014 are to:

1. Reinforce the role of municipal elected officials and the Regional Municipal Councils (MRCs) in favour of rural development.
2. Assure that each territory has the means to act.
3. Encourage dynamic development for each territory.
4. Continue the multiform development of rural communities.
5. Favour cooperation and complementarity between rural and urban areas.
6. Promote the rural way of life.
7. Offer concrete support to government in processes, strategies and projects in rural communities.

Concretely, the NPR represented an injection of \$280 million by the Quebec Government over seven years. The policy covers 1,011 municipalities and 34 First Nations communities for a total population, in 2005, of 1,913,910.

Social economy enterprises are important partners in rural development in Quebec. Private entrepreneurs often judge rural markets as too small to be profitable. Social economy enterprises that emerge from citizen mobilization are thus the only option. They are recognized as being particularly suited to the challenges of rural communities. Social economy enterprises help revitalize villages and allow citizen engagement, making the villages attractive places to live. They allow rural populations access to proximity services. They have a strong presence in retail, (e.g. food co-ops, multiservice commerce with groceries, restaurants and petrol), health cooperatives, early childcare centres, etc.

Social economy enterprises also play an important role in helping the elderly stay in their milieu through homecare services and residences for seniors. They are essential in tourism and recreation, contributing to the quality of life. They are very present in the cultural sector, creating museums, interpretation centres, festivals, infrastructure for concerts, etc. These initiatives are often developed by artists and citizens groups, and the cultural infrastructures are often multifunctional. In many villages, a cultural café will double as a restaurant or a meeting place, or may offer access to high-speed Internet service.

The social economy is active in other sectors as well. In the communications sector, community radio is often the only source of local information. Social economy enterprises also are developing projects to revitalize the forestry sector (e.g. non-wood forest production, energy production with forestry biomass, recreo-tourism). Through cooperatives and non-profits, affordable housing is also available in rural communities.

Social economy enterprises are consequently an important source of job creation. For example, Multi-Services, a social economy enterprise in the homecare business (which is part of a network of 100 social economy enterprises that employ over 6,000 people), employs over 200 people and is one of the biggest employers in the MRC Côte-de-Gaspé.

Several measures in the NPR have contributed to reinforcing the capacity of social economy enterprises in rural communities. In fact, the entire policy is based on a participatory approach in which elected officials and citizens play an active role. Among the various development tools, the first NPR created 'rural pacts'. These are agreements between the Quebec Government and MRCs to strengthen the capacity for rural communities to control their own development. An MRC, made up of local elected officials from all municipalities, must commit to identifying the most promising development initiatives, which must be open and participatory. In return, the government provides funds to support these initiatives. The 'rural pact' funds can be used to support municipal projects or social economy enterprises. Projects are selected using a decentralized process by which local municipal officials stimulate citizen participation in local development. Municipal authorities also have great latitude in managing these funds.

Since 2007, the results of the rural pacts include:

- 5,011 projects supported;
- \$80 million contributed by the Quebec Government, leveraging \$680 million in investment from other entities, including local development investment funds, labour pension funds, grants and traditional private investment;
- 6,900 jobs created or maintained;
- \$135,683 average cost per project; and
- \$17,402 contribution from the rural pact funds per project.

Another part of the NPR creates a network of 180 rural development agents. Their mandate is to mobilize and offer technical support for the collaborative process within communities and to support project promoters in developing their initiatives.

Rural laboratories were a new measure in the 2007-2014 NPR. These laboratories are pilot projects that carry out innovative initiatives in sectors that have not been sufficiently studied and which represent potential solutions for rural communities. The chosen laboratories have the mission of producing new knowledge and expertise that, when successful, can be transferred to other rural communities. The rural laboratories are managed by municipalities, development organizations or social economy enterprises. Fifteen of the 33 rural laboratories are led by social economy enterprises, and several focus on citizen mobilization; others focus on technical aspects and new economic sectors; while some combine both elements. Several territories insist on a strong link between citizen participation and the creation of successful projects, opening the door to the development of the social economy.

In conclusion, the overall approach of the NPR is based on the autonomy of local communities and the empowerment of local elected officials and citizens. This corresponds to a social and solidarity economy vision and strengthens the support and recognition for the social economy. As Quebec prepares its third NPR, the role of the social economy will no doubt continue to grow in rural Quebec.

11.5 The challenges for policy-makers

Creating a favourable environment for the social economy and for place-based development strategies has raised important challenges for policy-makers in Quebec. However, the efforts have been rewarded – these integrated local development strategies have improved government policy performance at all levels. They have helped close the gap between the intention of policy-makers and the capacity to achieve corresponding results. They also have led to public investments that have the unique capacity of achieving economic and social objectives simultaneously. It is interesting to note that the Canadian economy, and specifically Quebec, has been the least affected by the latest economic crisis of all OECD countries. One of the contributing factors has been its diversified economy (in terms of sectors and types of economy, such as public, private and social) and size (a strong SME component). Community-based local development strategies have contributed to this success.

Based on the Quebec experience, there are four major challenges for policy-makers addressing local development and the social economy:

- Since local development and the social economy are rooted in an integrated approach to development and are based upon community capacity building and empowerment, they often conflict with more traditional economic development strategies. Local development and the social economy raise the need to define a new paradigm for approaching economic and social development. They force a broader analysis of the economy, embracing a vision of a pluralist economy in which each form of organization has its role to play – the public economy, the private sector and the social economy – producing the goods and services necessary for the well-being of communities.
- There is a need for a flexible, bottom-up approach to policy development and appropriate evaluation tools. Social economy and local development are community-based, bottom-up approaches to development. As each community

is different, it is impossible to use a uniform approach in defining appropriate policy initiatives. It is also impossible to set clear funding parameters, because social economy initiatives use a combination of private or market resources, public funds and volunteer resources. The proportions of these different types of resources vary across sectors and communities and evolve over time. Using appropriate evaluation tools is essential for this approach to policy development.

- Public policy in local development and the social economy must involve a wide variety of government actors within municipal, regional and federal jurisdictions, encompassing social, economic, environmental, cultural and other ministries and public bodies. For this reason, successful public policy initiatives must base themselves on a strong partnership among civil society, elected representatives and public administrators, each of whom must agree to move beyond the traditional negotiating pattern into a constructive, inter-sectorial partnership process.
- A final challenge stems from the innovative content of social economy initiatives. Traditionally, public policy-makers will define a problem, establish a programme to respond to it, and then design an appropriate delivery model. However, the social economy is, in many ways, a continual process of innovation within communities, often based on learning by trial and error. New approaches to economic development, new forms of partnership and new social initiatives are being tested, and best practices are constantly emerging and being replicated. This is extremely challenging for policy-makers and providers, who must be able to ensure responsible use of public funds without discouraging innovative solutions from emerging. Whereas traditional public policy steers away from creating precedents, social innovation and the social economy require continual precedent-setting in the field of public policy.

11.6 The challenges for civil society organizations

Successful community-based local development also raises challenges for civil society organizations. For example, these organizations must go beyond traditional adversarial relations to become active developers. Fortunately, this cultural shift is progressing rapidly on all continents as the social economy emerges as a central strategy for many social movements seeking to fight poverty and social exclusion. The creation of emerging national and continental civil society networks, such as the Asian Solidarity Economy Network and the Intercontinental Network for the Promotion of the Social and Solidarity Economy, Latin America and Caribbean are examples of this growing civil movement.

Another challenge for civil society organizations is building the capacity to initiate and manage

economic initiatives, understanding complex problems and proposing appropriate solutions using a wide variety of tools and resources. Often this means learning new skills and knowledge. Researchers, universities and, more broadly, formal and informal education networks are crucial to meet this challenge.

The final important challenge for civil society organizations is to be able to create the intermediary spaces capable of establishing a constructive and broad policy and development dialogue with governments. Where these spaces exist, the results have been very positive for both parties, and more globally for the common good. In an increasing number of countries, support for social and solidarity economy networks is an integral part of public policy.

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