

The Reader 2010

**“Social and
Solidarity Economy:
Building a Common
Understanding”**

In support of the First edition of the Social and Solidarity Economy Academy,
25 -29th October 2010, ITC ILO, Turin, Italy

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THE READER 2010: "SOCIAL AND SOLIDARITY ECONOMY: BUILDING A COMMON UNDERSTANDING"

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Foreword

The Social Economy plays a significant and growing role in our economies and societies, by providing employment, social protection as well as others social and economic benefits.

Because of their distinctive features and comparative advantages, among others their democratic governance and autonomous management, the social enterprises and organizations are supported, or are about to be supported, by an increasing number of States. Policy frameworks for the development of the social economy at the national and regional levels are being implemented across all regions of the world. This builds on partnerships between governments, social partners and civil society.

The social economy promotes values and principles focusing on people's needs and their community. In the spirit of voluntary participation, self-help and self-reliance, and through the means of enterprises and organizations, it seeks to balance economic success with fairness and social justice, from the local to the global level. The constitutional ILO concepts of justice and of peace are endorsed by the social economy enterprises and organizations, together with other private sector enterprises and the public sector as acknowledged by the ILO and its Constituents in the Declaration on Social Justice for a Fair Globalization (2008), which calls for a focus on people.

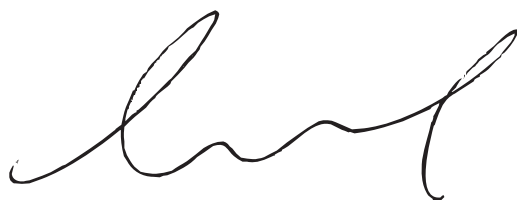
The ILO has been involved in the promotion of the social economy since its establishment. In 1920, the ILO Director-General created a Cooperative Branch, now the ILO Cooperative programme (EMP/COOP). The first ILO official document making reference to the social economy dates back to the proceedings of the 11th Session of the Governing Body (January 1922). In the 1980's the ILO developed the concept of 'social finance', which covers a broad variety of microfinance institutions and services. In 2001, the ILC set a New Consensus on social security that gives the highest priority to extending coverage to those that have none, leading the ILO to further increase its support to community-based protection schemes and mutual benefit societies. More recently, the ILO has started to promote 'social enterprises' and 'social entrepreneurship'.

The concept of social economy is already an integral part of many ILO initiatives and programmes, such as labour-intensive programmes, the promotion of eco-tourism and fair trade, support to indigenous minorities, local economic development projects, ILO/AIDS, green jobs and, more broadly, sustainable enterprises and the social protection floor. The ILO has developed over decades an extensive expertise in social economy, and developed a comprehensive set of strategies and tools for serving people in their quest of social justice through Decent Work. However, these strategies and tools do not cater for the need to define enterprises and organizations of the social economy as part of a coherent, integrated whole. Such action is necessary to enhance and increase the efficiency of these enterprises and organizations taken individually, as well as their combined efficiency in terms of the goals pursued.

Promoting social economy is about contributing simultaneously and in a mutually reinforcing manner to each dimension of the Decent Work Agenda. Enterprises and organizations of the social economy create and sustain jobs and livelihoods, extend social protection, strengthen and extend social dialogue for all workers, and promote the application and enforcement of standards for all. In this time of crisis recovery, the promotion of social economy within the Decent Work Agenda framework is a significant ally for implementing the Global Jobs Pact, from local to global levels.

The ILO Regional conference ***The social economy – Africa’s response to the crisis*** organized in 2009 in Johannesburg confirmed the rising interests of ILO Constituents, and this conference led to a tripartite consensus with the adoption of the ***Plan of Action for the promotion of social economy enterprises and organizations***. During the 99th ILC Session, Constituents stressed the need to strengthen the work of the Office on the social economy as important area of Decent Work creation. On the impetus of ILO Regional Office for Africa, the ILO International Training Centre further decided to support the needs of ILO constituents and other social economy stakeholders by organizing a yearly Interregional Academy.

This Reader will serve as a basis to the first edition of the Academy, which will provide a unique interregional opportunity for policy makers to advance the development of social economy, for workers to better sustain and improve their economic and social conditions, and for entrepreneurs to develop their competitiveness in a fairer environment. This Academy will contribute to ILO’s work on the promotion of social economy for Decent Work for all and, by learning and exchanging; the ILO will improve its capacities to better focus on people, towards Social Justice for all.



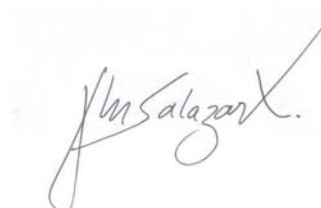
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Introduction

The social and solidarity economy (SSE) refers to organizations and enterprises that are based on principles of solidarity and participation and that produce goods and services while pursuing both economic and social aims. We all know cooperatives, mutual benefit societies, associations or social enterprises that are active in the social and/or economic sector. The SSE encompasses a variety of organizations and enterprises that all share social and economic objectives, values and operating principles.

The paradox of the SSE is that it refers to familiar realities although the concept is not always very well known or commonly understood. The overall objective of this reader is to build a common understanding of the SSE - although there are, of course, multiple ways to describe it. The following five chapters offer some definitions but also present different visions of the SSE from an international perspective.

The aim of the first chapter is to build a common understanding of the concept of the SSE. The chapter begins by mapping the SSE through its most common types of enterprises and organizations. It then describes the common features of social and solidarity 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 social and solidarity economy enterprises and organizations (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 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 (i.e. labour standards and rights at work, job creation, social protection and social dialogue), and describes and suggests fields of action for SSEOs.

This is the first edition of this reader. The participants in the 2010 ILO Social and Solidarity Academy in Torino will certainly contribute reflections, analysis and experiences to fine-tune the content and approach of this reader and to improve its future editions. We are really looking forward to these exchanges!

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	Secretaria Nacional de Economia Solidária (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.¹

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).

¹ 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,



Portrait of a Bolivian villager.

non-profit organizations and economic interest 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,² 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.

² 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).

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

Figure 1.1: Combined social and economic objectives

helped to generate them by contributing labour, capital or any other resources.

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



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

SSEOs from private for-profit-making enterprises, where the entrepreneur (conceived as an individual) 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

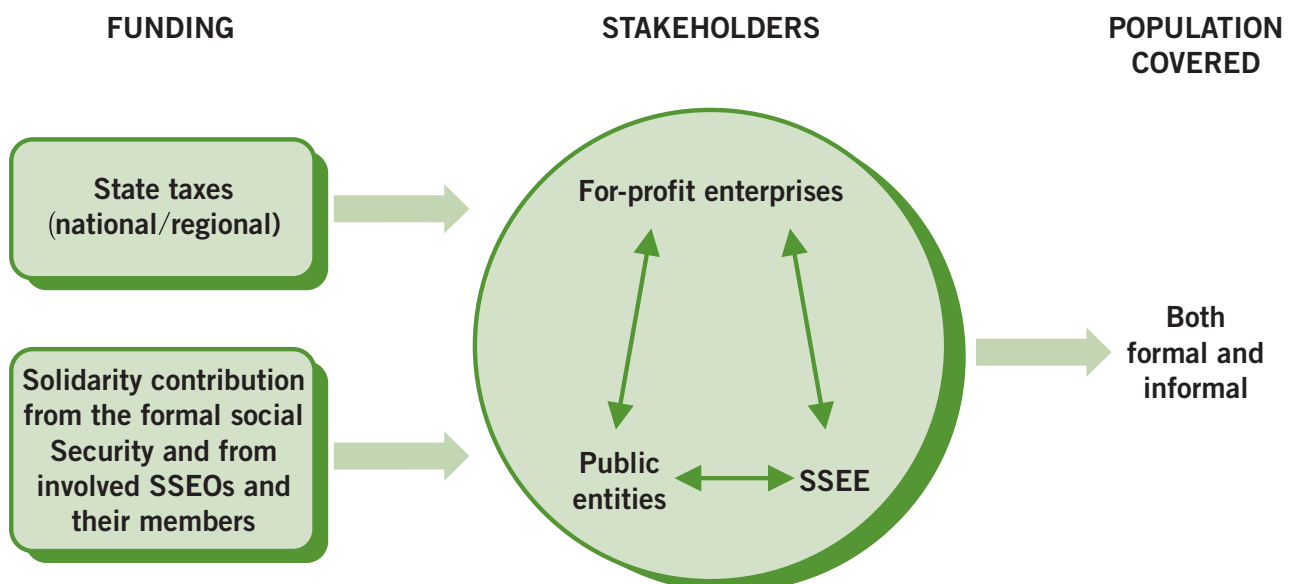
There are diverse mechanisms that can achieve similar objectives such as creating jobs, social protection, well-being, wealth, innovation, care, etc. Most societies are comprised of a plurality of public and private actors which may be oriented towards for-profit or not-for-profit. Social protection 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 carrying out the chosen 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

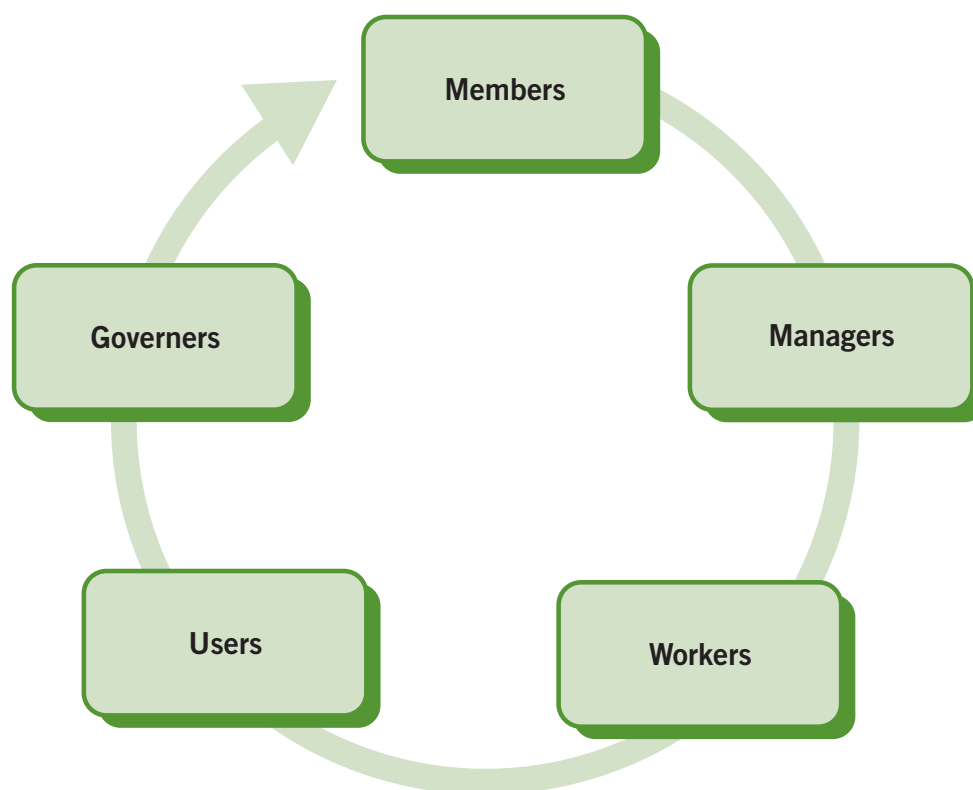
The diversity among social economy organizations suggests that the form of governance and management adopted by any organization tends to be determined by its nature and context of operation. It is not unusual for the same type of organization in different locations and circumstances to have different 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.



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).

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

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

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 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.

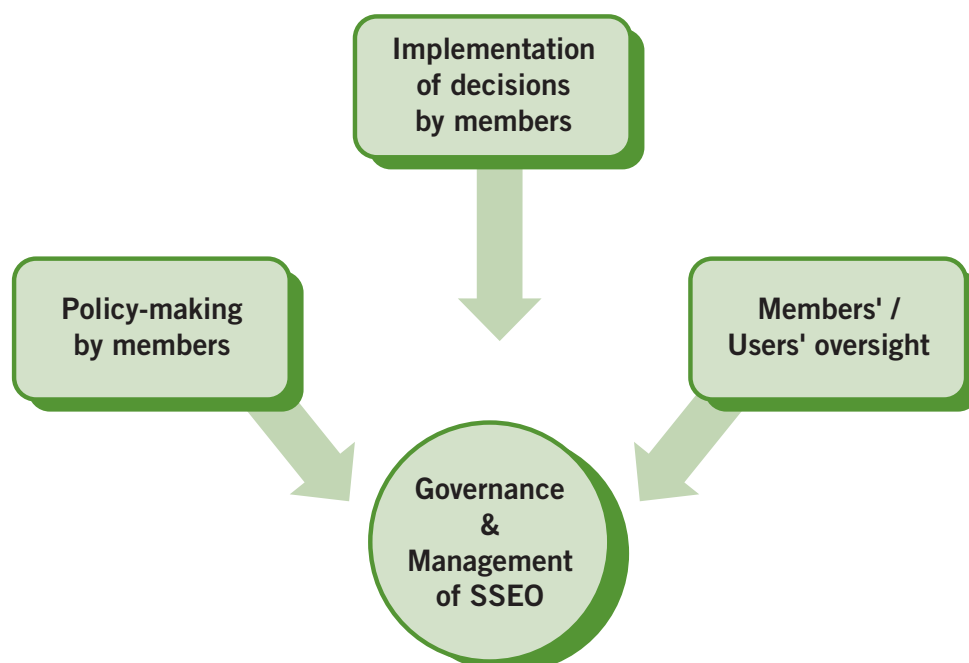
Social enterprises – organizations that seek business solutions to social problems (Thompson and Doherty, 2006: 362) – tend to start mostly as either sole proprietorships or partnerships. Consequently, ownership and membership tend to be small at the beginning. This makes it unnecessary to separate governance 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

Figure 2.2: A collective management model



given the responsibility of acting as the figurehead of the group by calling and chairing meetings, the 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.



San Lorenzo's Cooperative in Sardinia.

Hierarchical management

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.

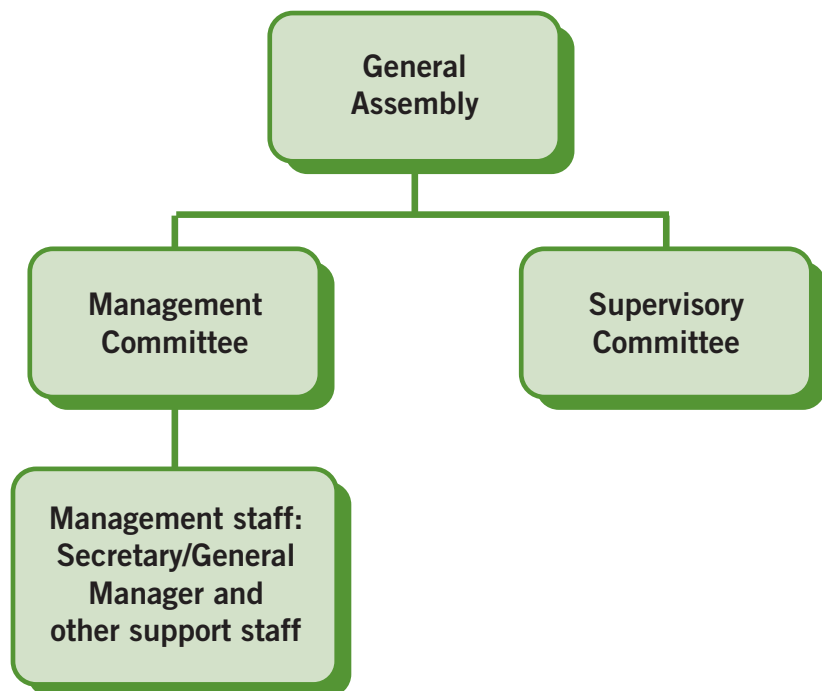
Hierarchical management in the SSE may result from demands for efficiency and competitiveness, while in some cases it is a response to the legal environment of the organizations. For example, in Anglophone countries that follow the British tradition of cooperative development, legal frameworks have been 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.

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).

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.

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,

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?

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

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.

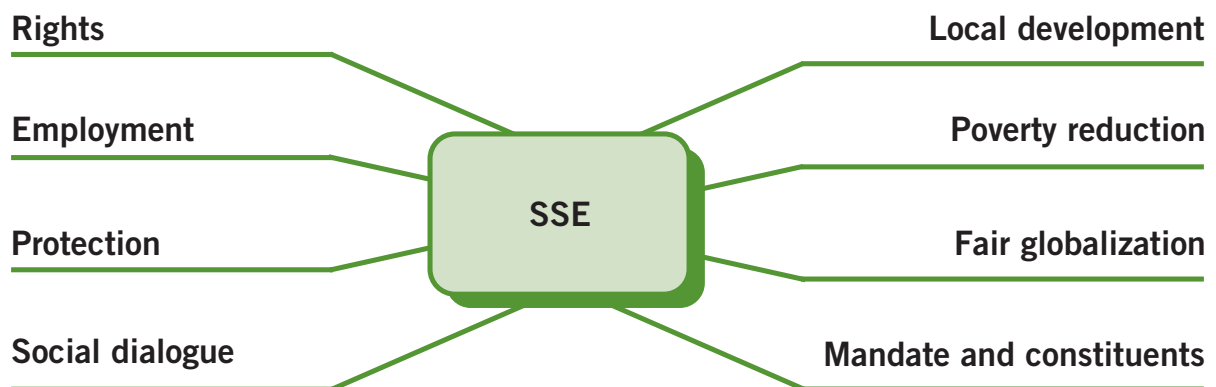
Box 3.2: Crisis and opportunities

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.

¹⁰ As França Filho (2006 a:264) says: “It is in this sense that solidary 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.”.



Farm workers harvesting guava, Kurunegala District, Sri Lanka.

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

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 Solidario* [Solidarity Chile] in Chile; *Oportunidades* [Opportunities] in Mexico; *Bono Solidario* [Solidarity Voucher] in Ecuador; and *Familias en Acción* [Families in Action] in Colombia.

environment to attain policies and practices that 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-overtycetre.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 (**Coompanion**) 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

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>

programme. Government actions also derive from 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

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

Social Protection and the Superintendency of Solidarity Economy (Davila & Medina, 2010).

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



Rice farming in the Kandal province, Cambodia.

transformations in the country. This legislation concerns the Act of Popular Economy and advocates the idea of integrating its economic, 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.

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

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

Further reading

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Web sites:

- www.oibescoop.org
- www.ipea.gov.br
- <http://www.ciriec-revistaeconomia.es/>
- <http://www.coraggioeconomia.org/>
- www.acldq.qc.ca
- www.cecosol.coop
- www.socialeconomy.eu.org/IMG/pdf/2009_05_11_Conference_conclusions_AJ_web.pdf

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 Veso 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 Soficatrarm (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 Prudhomme 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 Millenium 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

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

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.

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

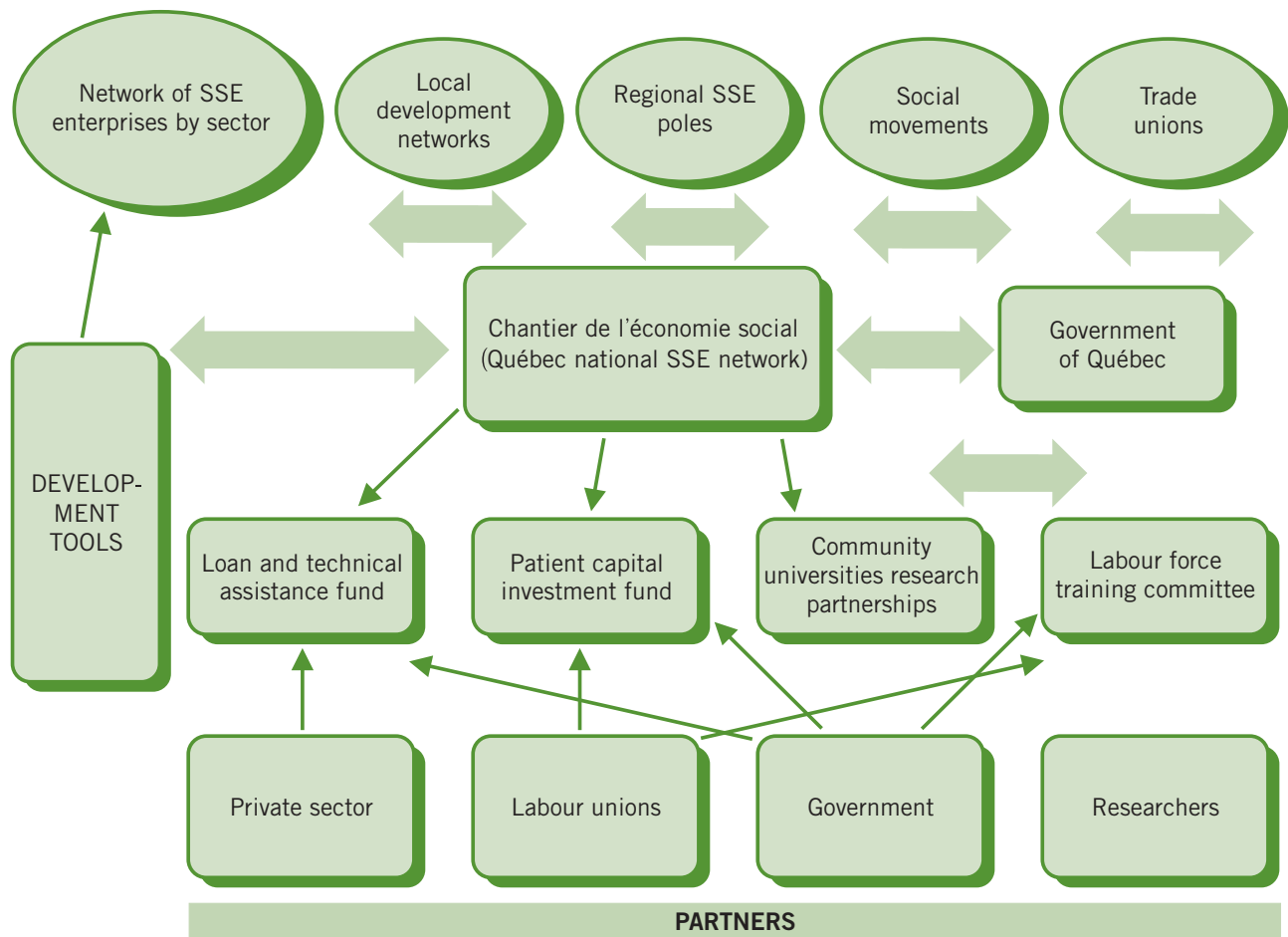
The Union des groupements de productrices de produits du karité des provinces de la Sissili et du Ziro (UGPPK-S/Z) is based in Léo, Burkina Faso. The Union of Léo brings together 2,884 women members scattered in 67 groups from 39 villages and sectors. A partnership with a Canadian NGO (CECI) trained 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.ripest.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>

According to the ILO, “there has never been a 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

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.

could be caused by global protectionism and 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



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.

endeavour not only because they provide a means of 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'Economie 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.

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