

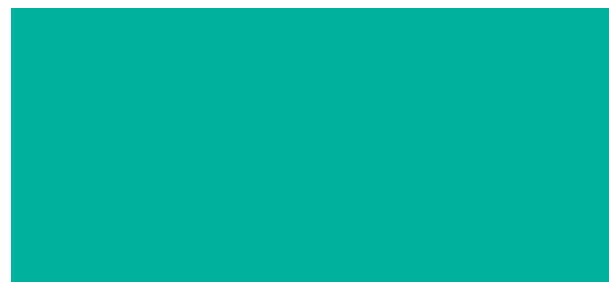
With 21,500 members, Cooperative Café Timor produces organic certified coffee and is Timor Leste's largest employer during the coffee season.

# Promoting Social and Solidarity Economy through Public Policy



Social and solidarity economy (SSE) has a potentially important role to play in reorienting economies and societies toward greater social and ecological sustainability. Its principles and practices aim to reintroduce values of justice, humanize the economy and contribute innovative solutions that are grounded in people's agency. As such, it is crucial that it is factored into discussions on the means of implementation of the 2030 Agenda and the Sustainable Development Goals (SDGs). Scaling up SSE and realizing its transformative potential requires a range of supportive public policies at different levels, effective participation, innovative forms of financing, as well as learning from—and adjusting—implementation experiences on the basis of research, monitoring and evaluation.

Chapter 4 addresses implementation of SDGs



## 1. Introduction

Key aspects of the economy and wealth creation seem no longer to serve humanity. This is reflected in the spread of terms like casino capitalism, corporate greed, financialization, tax havens, land grabs, jobless growth and “the 1%” targeted by the Occupy Wall Street movement. Over several decades, markets and business corporations have been given freer rein. With economic liberalization, they have tended to become detached from their social moorings and responsibilities—“disembedded” in academic parlance.<sup>1</sup> Furthermore, the rise of market forces can displace or stretch the limits of other institutions, such as the state, community or household, that play an important role in social protection.<sup>2</sup>

From the perspective of poverty eradication, equality and sustainable development, humanizing the economy is perhaps the greatest challenge facing the international development community.<sup>3</sup> The mainstream response has tended to centre on innovations and practices related to public-private partnerships, philanthropy, corporate social responsibility, social impact investment, the promotion of small- and medium-sized enterprises, and integrating small producers in the supply chains of global corporations. But such approaches often result in piecemeal or incremental reforms that do not fundamentally improve well-being, empower vulnerable groups or challenge the drivers of social exclusion and insecurity.<sup>4</sup>

This chapter discusses another approach to re-embedding markets and promoting forms of production, exchange and consumption that protect both people and the planet. It involves economic activities and market relations whose objectives and practices contrast with those of the conventional for-profit firm, self-interested individuals and charity. This form of economy is increasingly being described as “social and solidarity economy” (SSE). It comprises organizations and enterprises with social and often environmental objectives, guided by principles and practices of cooperation, solidarity and democratic self-management. While SSE organizations and enterprises often have comparative advantages in particular activities, such as basic needs provisioning, broadening access to finance, management of common pool resources and the environmental retrofitting of economies, some are also active in more capital-intensive forms of manufacturing and processing.

These and other features of SSE organizations and enterprises are identified in box 4.1. SSE activity is often associated with localized circuits of production and exchange that are conducive not only to basic needs provisioning but also local economic development, as income and profits boost local demand and investment,<sup>5</sup> and organized SSE interests tend to lobby local governments for infrastructure and services.<sup>6</sup> Furthermore, localized circuits can have positive environmental implications<sup>7</sup> and facilitate women’s economic empowerment.

Interest in SSE within academic, activist and policy-making fields has risen sharply in recent years, not least in the wake of the global financial crisis when the search for alternatives to business as usual escalated and as the connections between SSE and the Millennium Development Goals (MDGs) and employment generation became more apparent. The global agreement on the 2030 Agenda for Sustainable Development will likely increase attention to SSE because it speaks directly to a number of the core elements in the Sustainable Development Goals (SDGs). These include not only specific goals associated, for example, with poverty reduction (goal 1), food security (goal 2), healthy lives (goal 3), women’s empowerment (goal 5), affordable and sustainable energy (goal 7), employment generation (goal 8), forest protection (goal 15) and sustainable cities and human settlements (goal 11). Also relevant is the way SSE relates to elements within the 2030 Agenda associated with integrated approaches, solidarity, participation, inclusiveness, mixed economy, and deep transformations in production and consumption patterns (goal 12). More specifically, SSE is a key means of implementation for achieving many of the SDGs (goal 17).<sup>8</sup>

This chapter examines the rise of SSE and its implications for development and transformative change. While referring to certain experiences in high-income countries, the focus is on middle- and low-income countries. Particular attention is paid to the growing efforts on the part of governments in developing countries to enable SSE through public policies.



*From the perspective of poverty eradication, equality and sustainable development, humanizing the economy is perhaps the greatest challenge facing the international development community*

The analysis presented in this chapter points to three main conclusions.

- States can potentially play a key role in enabling SSE. This requires recourse to a broad portfolio of instruments ranging from laws, conventional economic and social policies, development plans, programmes targeting specific groups and sectors, and institutions tailor-made to support SSE.
- Realizing this potential, however, confronts numerous constraints including not only resource limitations but also (i) the marginalization of SSE within policy priorities; (ii) narrow conceptions of the role of SSE in economic and social development; and (iii) contradictions associated with macroeconomic, investment, trade and fiscal policy.
- While government support can play a role in scaling up SSE, it can also dilute its transformative potential. Monitoring and evaluation have a key role to play in identifying and correcting constraints and contradictions. Partnerships and participation—or processes of “co-construction”—where SSE actors and intermediary organizations actively engage in

#### Box 4.1. Core characteristics of SSE organizations and enterprises

While definitions of SSE vary, it generally refers to forms of economy where income- and wealth-generating activities and the provisioning of basic goods and services are carried out by organizations and enterprises that combine several of the following characteristics.

*Ethical, social, environmental and cultural objectives:* SSE puts ethics at the centre of economic activity.<sup>a</sup> Social and often environmental objectives guide the operations of many SSE organizations—for example, when social enterprises employ persons with disabilities or provide care and other local “proximity” services (such as health care and training for work integration); mutual associations facilitate the access of low-income groups to health services; women’s self-help groups enhance food security; fair trade organizations and alternative food networks pay small producers a premium price for their produce and promote agro-ecology; and community forest groups manage common pool resources sustainably. Participating in SSE activities can also be related to the quest to reassert various forms of cultural identity or adopt lifestyle choices associated with the quest for a more caring society.

*Equitable enterprises and value chains:* The organizing principles of SSE organizations, enterprises and value chains contrast with those of investor- or state-owned enterprises, or corporate-led value chains. They (i) are either non-profit or “less-for-profit”, rather than primarily for profit; (ii) involve governance arrangements within the workplace that are less hierarchical, more democratic and not structured by shareholder interests; and (iii) promote more equitable patterns of income or profit distribution within their structures. Such aspects are core features of many cooperatives, fair trade networks, self-help groups, and social and solidarity finance initiatives.

*Collective action and economic empowerment:* In contrast to the conventional entrepreneur, family enterprise or own-account worker, SSE generally comprises economic agents and citizens engaged in collective action. Various forms of cooperation and association allow workers and producers to further their economic interests. Organizing collectively in cooperatives may facilitate access to key resources such as credit and transport, as well as enhance bargaining power in the price system. Organizing in groups can also play a key role in women’s economic empowerment.<sup>b</sup>

*Active citizenship and political empowerment:* SSE is about reinvigorating the role of communities and citizens in both the economy and polity.<sup>c</sup> SSE and related intermediary organizations and networks mobilize to contest public policy and corporate behaviour and advocate for change. They also engage proactively in policy dialogues. In this respect, SSE is not only focused on the economic empowerment of workers and producers but also their political empowerment. Associations of informal economy workers enable street vendors, domestic workers, waste pickers and others to lobby in defence of their interests.

Notes: <sup>a</sup> Gibson-Graham 2006; McMurtry 2015. <sup>b</sup> Agarwal 2015. <sup>c</sup> Dacheux and Goujon 2012; Laville 2015.

policy design and implementation are crucial for overcoming such constraints. Forums that facilitate and institutionalize co-construction need to be created and strengthened.

Section 2 examines the rise of SSE and its relevance for inclusive and sustainable development. Section 3 outlines the role of governments in supporting SSE, identifying key initiatives in relation to state policies, laws, programmes and reforms of institutions. Section 4 assesses the implications of SSE and related public policies for transformative change. It examines the potential of SSE for addressing some of the root causes of social exclusion and unsustainable development. It goes on to consider critically the scope for scaling up SSE as an alternative development pathway by focusing on four challenges related to state capacity, policy coherence, participation and institutionalization, and sustainability of government interventions. The chapter concludes by reflecting on the implications of the analysis for development strategy and the SDGs, and highlighting the need to raise the visibility of SSE within the sphere of politics through measurement, evaluation and participation.

## 2. The Rise of SSE and its Role in Development

Multiple conditions and contexts have coalesced to cause SSE to expand in numerous countries. People in their role as workers, producers, consumers and citizens are organizing and engaging in various forms of collective action to defend their livelihoods and realize their rights in contexts of heightened vulnerability associated with globalization, economic liberalization and shocks such as the 2007/2008 financial and food crises.

The contemporary rise of SSE also reflects changes in identity politics and cultural perspectives. They range from the reassertion of indigenous cultural values and practices to those associated with so-called post-industrial society and social and environmental justice movements. Terms like *buen vivir*, voluntary simplicity, degrowth and food sovereignty, which are gaining currency, encapsulate such changes. Both mainstream and activist politics have also played a role. In some parts of the world, notably Latin America, political parties with strong links to SSE actors and related social movements have formed

governments since the turn of the millennium. International SSE networks and social movements, not least those associated with the World Social Forum, are calling for “another world” where SSE has pride of place.<sup>9</sup> And governments are recognizing that SSE organizations and enterprises can play a role in realizing key international development objectives such as poverty reduction, social service delivery and employment generation.<sup>10</sup>

### *The contemporary rise of SSE also reflects changes in identity politics and cultural perspectives*

But the nature of SSE varies significantly in different countries and regions, reflecting variations in social, cultural, political and institutional settings. In Asia, as well as in Europe, various forms of enterprise and non-governmental organizations with social objectives are prevalent.<sup>11</sup> In Africa, community organizations and cooperatives have a strong presence. In several Latin American countries, SSE is connected with social movements and left-leaning political parties or governments that look to collective action and “associative economy” as an alternative to capitalist enterprise and relations.

Different forms of SSE expansion also occur. Scaling up has been apparent in three respects:<sup>12</sup> *horizontal*, involving the proliferation of SSE organizations and enterprises, such as rotating credit and saving associations in Africa or community forest management groups in South Asia; *vertical*, involving the significant growth of specific organizations, such as large-scale financial and production cooperatives, or cooperative federations and confederations; and *transversal*, where SSE values and practices infuse the broader local or provincial economy, as in Quebec (Canada), Emilia Romagna (Italy), the Basque region of Spain, Gujarat and Kerala (India) or Gangwon (the Republic of Korea).

Networking across borders characterizes Fairtrade<sup>13</sup> and the formation of national, regional and international associations such as StreetNet (representing street vendors), the Global Alliance of Waste Pickers, HomeNet (representing domestic workers), and La Via Campesina (representing small farmers, agricultural workers and others), as well as international and regional advocacy

organizations such as the Réseau Intercontinental de Promotion de l'Économie Sociale Solidaire (RIPESS/ Intercontinental Network for the Promotion of Social Solidarity Economy) and Rencontres du Mont-Blanc (RMB/Mont-Blanc Meetings). Technological innovations, in particular those associated with information and communication technologies (ICTs), have facilitated the growth of such social entrepreneurship and networking (chapter 1).

As it has expanded in recent years, the composition of SSE has also changed. Beyond the traditional forms of social economy centred on cooperatives, mutual associations, community organizations and foundations, are fair trade organizations that connect producers and consumers both nationally and internationally; alternative food networks that engage in collective provisioning; women's self-help groups supported by non-governmental organizations (NGOs) and donor agencies concerned with women's economic empowerment; and community forestry groups enabled by public policies and laws. "New generation cooperatives", such as Producer Companies in India, that are more autonomous of state and party institutions and better equipped legally to compete in the market place have emerged.<sup>14</sup> Informal economy workers are also organizing in associations and networks.

Whereas SSE expansion in developing countries is largely accounted for by workers and producers organizing in defence of their livelihood and social protection, in Europe and other countries of the Organisation for Economic Co-operation and Development (OECD), people are also turning to SSE in their roles as consumers, investors, entrepreneurs and citizens. There has been a significant rise in social enterprises.<sup>15</sup> These often assume hybrid forms in terms of their market and social orientation. Many are engaged in providing social and personal services associated with work integration, health and other forms of care, housing, training, culture and recreation.<sup>16</sup> Many NGOs are also transitioning from being grant-dependent organizations to sustaining themselves through income-generating activities. Other developments in the Global North related to SSE include the expansion of alternative food networks and urban community agriculture, complementary currency and ethical investment schemes, and so-called transition towns that promote alternative community-based systems for food, energy and social service provisioning (chapter 5).<sup>17</sup>

While the local orientation, micro scale and informal nature of many such organizations and their activities often renders SSE somewhat invisible at the macro level, their weight in economic activity as well as social and environmental protection can be significant (box 4.2).

### **Despite its potential, it is important not to romanticize SSE**

SSE can potentially play a key role in transformative change. Realizing this potential, however, is no easy task. This is partly due to the internal dynamics within SSE organizations and enterprises. Their capacities, competencies and social capital may vary considerably. Low levels of literacy and education often undermine effective participation. Social capital, or trust, which is key for the functioning of SSE organizations and enterprises, may decline as they grow in size and social relations become more impersonal.<sup>18</sup> Working conditions may not meet decent work standards. As cooperatives grow and compete within the mainstream economy, they can assume features of capitalist enterprises in terms of managerial and administrative practices and labour relations. Democratic decision making may constrain managerial agility and innovation. Some of these features place SSE enterprises at a competitive disadvantage compared to conventional private sector firms, particularly publicly traded companies.<sup>19</sup>

While SSE yields more obvious benefits when viewed from the perspective of social development and employment generation, the same is less clear vis-à-vis certain metrics of economic development, such as growth and productivity. The "less-for-profit" and "less-for-growth" orientation of many SSE enterprises, as well as the absence of shareholders (other than members) often restricts access to finance and the expansion of productive activities.<sup>20</sup> But collective action associated with cooperative formation can serve to overcome market imperfections associated, for example, with limited access to information, transport and distribution facilities.<sup>21</sup> Overcoming such constraints can be conducive to growth and productivity. Cooperatives also facilitate adding value to primary products via processing. Both the employment-generating effects of SSE and increased incomes associated with the greater bargaining power of cooperative members

### Box 4.2. Selected facts on SSE and the measurement challenge

Comprehensive or aggregated data on SSE is often hard to come by, in part due to the relative newness of this socioeconomic category in mainstream knowledge and policy circles, as well as issues of definition and data-gathering constraints, particularly in developing countries. While there is a longer history of data gathering related to cooperatives, the same cannot be said for other subsectors within SSE. Selected facts related to the scale of SSE, pertaining mainly to developing countries, are presented below.

- A 2014 study of cooperatives in 74 countries (with 79 percent of the world's population) estimates that the number of workers and producers associated with cooperatives as employees, worker-members or producer-members amounted to 250 million, more than twice the number of people employed directly by transnational corporations.<sup>a</sup> In the G20 countries this represented nearly 12 percent of total employment.<sup>b</sup>
- In Costa Rica, just two SSE sectors—the cooperative movement and the solidarista labour movement—account for nearly 60 percent of the national labour force and 40 percent of the adult population.<sup>c</sup>
- Community-level organizations associated with SSE have proliferated in many countries and regions. There are nearly 100 million users of community-based savings schemes in sub-Saharan Africa.<sup>d</sup> In Nepal there are over 18,000 community forest user groups comprising about 40 percent of the country's households.<sup>e</sup>
- Women make up a significant share of the SSE. In South Africa, 60 percent of cooperative members are women.<sup>f</sup> In India alone, some 30 million people, the vast majority women, are organized in self-help groups.<sup>g</sup> In Nicaragua, the equivalent of 20 percent of the female economically active population participates in two government programmes supporting women's organization and empowerment through SSE.<sup>h</sup>
- Large apex or intermediary organizations exist in many countries. Ghana's three apex organizations representing different types of cooperative organizations comprise some 600,000 individuals.<sup>i</sup> Nepal's largest civil society organization is the Federation of Community Forestry Users Nepal (FECOFUN).<sup>j</sup>
- Certified Fairtrade has grown into a USD 7 billion-plus market involving 1.65 million farmers and plantation workers.<sup>k</sup>
- Scale is apparent not only for particular subsectors of SSE but also for specific organizations and enterprises. India's largest food marketing corporation, the cooperative organization Amul, has annual revenues of over USD 3 billion and sources from over 600,000 member-producers.<sup>l</sup>

Notes: <sup>a</sup> Kim 2006. <sup>b</sup> Roelants et al. 2014. <sup>c</sup> Utting and Morales forthcoming. <sup>d</sup> UNTFSSSE 2014. <sup>e</sup> FECOFUN Hariyo Ban Program. <sup>f</sup> COPAC 2015. <sup>g</sup> Agarwal 2015. <sup>h</sup> Chamorro and Utting 2015. <sup>i</sup> Borzaga and Galera 2014. <sup>j</sup> See Utting et al. 2014; UNTFSSSE 2014; UNRISD 2015; Roelants et al. 2014. <sup>k</sup> Fairtrade International 2015, Fairtrade International and FLOCERT 2015. <sup>l</sup> Ghosh 2015.

and small producers, when organized, are conducive to demand-led growth. Financial cooperatives have proved to be resilient in contexts of financial crisis and can play a key role in democratizing access to credit in conjunction with other solidarity finance schemes.<sup>22</sup> Other economic benefits of SSE relate to human capital formation. This results from both the significant role of SSE organizations in education and training, and the enhanced opportunities for education and training, that are often available for SSE workers, producers and other stakeholders. But in the case of certain sectors such as agriculture, only some producers, according to their size and type, are able to realize significant advantages associated with cost reduction, economies of scale and productivity.<sup>23</sup> It is unrealistic to assume that SSE can be a significant economic force in all sectors of the economy, especially in capital-intensive sectors. Nevertheless, it has comparative advantages in others, for example, those associated with the provisioning of basic needs and the environmental retrofitting of economies.

Progress in relation to gender equality can be particularly difficult. A recent study identifies three major challenges within the cooperative sector: the pressure to maximize shareholder returns and prioritize market performance to the detriment of social goals; burnout and loss of faith within cooperatives that demand a lot of volunteer female labour; and skill shortages affecting women.<sup>24</sup> It also makes clear that social relations can affect the internal dynamics of SSE organizations and enterprises and cause them to deviate from norms and objectives typically associated with SSE. Patriarchal relations and cultural norms may prevent

*Collective action associated with cooperative formation can serve to overcome market imperfections associated, for example, with limited access to information, transport and distribution facilities*

women from being represented in management or leadership positions. While women's participation in leadership was found to be somewhat above average in Europe and sub-Saharan Africa, it was slightly below average in North America and the Middle East, and significantly below average in Asia and South and Central America.<sup>25</sup> Various forms of domination may exist within community and family structures that perpetuate forms of subordination and injustice related, for example, to gender and ethnic inequality.<sup>26</sup>

Realizing the potential of SSE depends crucially on the nature of its relations with other spheres of the economy. One representation of these relations is presented in figure 4.1. Developed for the Latin American context, it situates SSE at the intersection of three spheres—public, private and popular—that make up the broader economy.<sup>27</sup>

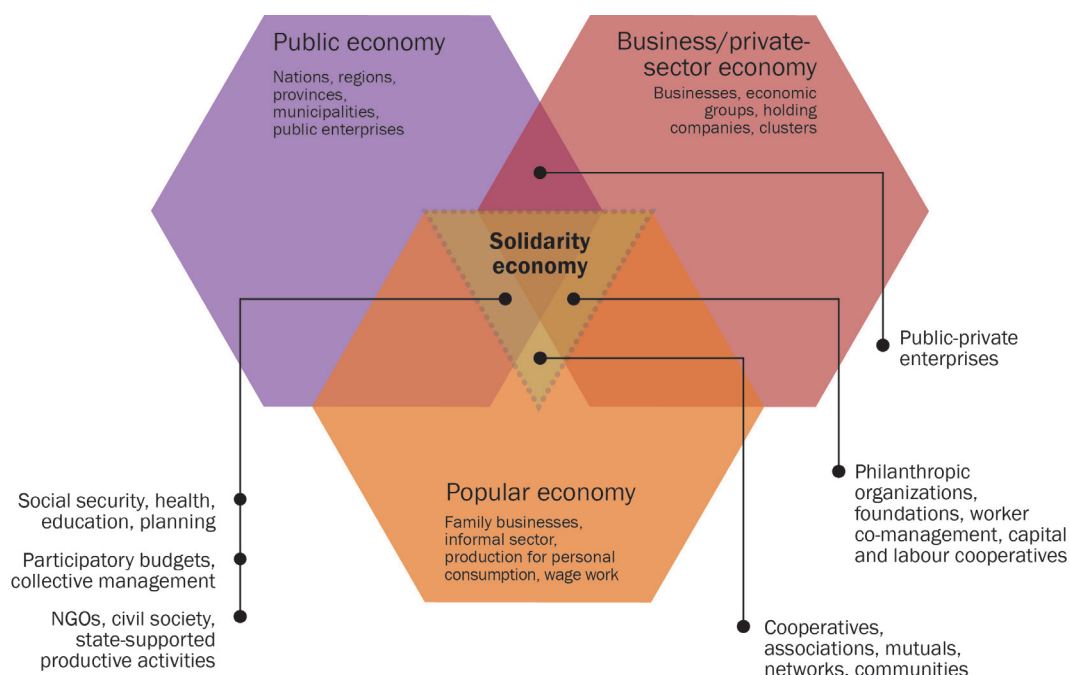
As SSE expands, it inevitably interacts more with both the state and the dominant corporate economy. Such interactions have complex effects on SSE—some enabling, others co-opting, debilitating or contradictory. There is widespread agreement among SSE practitioners and other stakeholders, however, that public policy has a role to play in crafting an enabling environment for SSE. If the potential of SSE is to be realized, it is important

that governments and parliaments put in place laws, policies, programmes and institutions that formally recognize SSE organizations, support their creation and development, and level the playing field in which they operate. Such support can be essential for overcoming both capacity constraints and competitive disadvantages noted above, as well as empowering SSE actors politically.

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But state intervention can be a double-edged sword. Such interventions may foster the growth of SSE but do so in ways that cause it to deviate from its core principles.<sup>28</sup> Governance problems associated with clientelism, transparency, accountability, dependency, co-optation, instrumentalization, bureaucratization and hierarchical decision making may intervene.

Figure 4.1. Situating SSE in the broader economy



Note: The term "solidarity economy", used in this figure, is often used in Latin America and is synonymous with social and solidarity economy. Source: Coraggio 2015.



Serious resource constraints and poorly coordinated or contradictory policies may mean that well-intended initiatives are poorly implemented. Furthermore, SSE policies may have a short shelf life as leaders and parties rotate in power.

The sections that follow identify and assess the policy innovations that governments, primarily in developing countries, have adopted with the purported objective of promoting SSE.

### 3. Public Policy for SSE

The term public policy used here encompasses a diverse range of state interventions. While these interventions occur at multiple scales—local, national and international—the focus is on the national level, with occasional references to interventions at subnational or local levels. It should be pointed out at the outset that the variations, noted above, in the nature of SSE within and between countries and regions, cautions against one-size-fits all approaches to promoting SSE. What this and the following section indicate, however, is that state action to effectively promote SSE needs to encompass a variety of interventions associated with conventional arenas of public policy, laws, development plans and programmes, as well as institutional innovations and reforms. Furthermore, such interventions involve not only resource mobilization and regulations directly related to SSE, but also actions that address the structural constraints impeding the development of SSE.

#### **Government policies are key for upscaling, capacity building and facilitating co-construction**

A variety of policies that target SSE organizations, enterprises and institutions can play an important role in fostering SSE development in terms of upscaling, capacity building and participation in governmental decision-making processes. Key policies for enabling SSE typically include credit, infrastructural investment, procurement, subsidies, taxation, trade promotion, facilitating statistical and market information, technical assistance, labour market policies associated with training, education

and other social services, social assistance and social security. For vulnerable rural populations, agrarian reform policies are also important. While ad hoc and “silo” approaches often characterize policy design and implementation within and among ministries, evidence from several countries shows that it is possible to use a more comprehensive, integrated policy approach.

Beyond specific policies favouring SSE, a few countries have adopted overarching national plans that aim to strengthen SSE. In some cases, such as Uganda, this may be limited to one sector such as cooperatives.<sup>29</sup> Over several decades, Costa Rica has put in place a system of state support and legally mandated financial mechanisms for multiple sectors including not only cooperatives but also the Solidarista labour movement and communal development associations.<sup>30</sup> In others, the target is SSE as a whole. Mali, for example, now has a National Policy for the Promotion of Social and Solidarity Economy and a five-year Action Plan (2014–2018). The policy aims to strengthen (i) the institutional, legal and regulatory environment conducive to SSE; (ii) the capacities of SSE organizations and actors; (iii) information, training and research related to SSE; and (iv) administration, monitoring and evaluation of the National Policy. Similarly, during the past decade, the Ecuadorian government has actively promoted “the popular and social economy” via policies associated with financial support, technical assistance and state procurement, as well as others that foster fair trade and partnerships with private sector enterprises, such as supermarkets, to facilitate market access for small producers.<sup>31</sup>

A new approach that potentially addresses a number of public policy limitations is particularly apparent in several Latin American countries. This has been summed up as follows: (i) policies that transcend a narrow focus on social assistance; (ii) intersectoral policies that require the intervention of several administrative entities; (iii) transversal policies covering different (local, subnational and national) scales; (iv) policies that are less top-down and more participatory and negotiated; and (v) policies adapted to different territorial (local and regional) contexts rather than being uniform and predetermined.<sup>32</sup>

The state has a crucial role to play in relation to education and training. Lack of basic education—including illiteracy—and administrative, managerial



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and negotiating skills are commonly found to be major constraints on SSE organizations and enterprises, whether for Mutual Health Organizations in Africa,<sup>33</sup> social enterprises<sup>34</sup> or cooperatives.<sup>35</sup> In Brazil, the Secretaria Nacional de Economia Solidária (SENAES/ National Secretariat for Solidarity Economy) has long emphasized technical and scientific knowledge, along with access to solidarity finance, as key for SSE development.<sup>36</sup> Even where the state is not directly involved in training, closer state-SSE relations for service delivery, for example, can serve to increase levels of professionalization, as was found in a study on Uruguay.<sup>37</sup>

Local governments are often the most active supporters of SSE organizations and enterprises. More than any other level of government, municipal authorities are likely to be aware of their contribution to local economic development, as well as their ability to lobby for support. In the Indian state of Kerala, local authorities work closely with women’s groups.<sup>38</sup> In the cooperative stronghold of Gangwon, Republic of Korea, the provincial government has created the Gangwon Social Economy Support Centre to support the expanding range of SSE organizations in the province.<sup>39</sup> In cities such as Bogota, Cali and Medellin in Colombia, local governments are promoting fair trade systems linking urban consumers and rural or peri-urban producers.<sup>40</sup>

### **Laws can facilitate the promotion of SSE but need to be complemented by other institutional arrangements**

Recent years have seen a marked increase in decrees and laws relating to SSE.<sup>41</sup> Legislation often underpins the rapid growth of particular forms of SSE organization. In 2006, the National People’s Congress of China passed the Law on Farmer’s Specialized Cooperatives (FSCs) which encouraged the association of agricultural producers

and service providers producing similar goods and services. The law granted farmers’ cooperatives legal status, allowing them to trade with other market entities. By 2013 approximately 730,000 FSCs, involving some 54 million rural households, had registered in China.<sup>42</sup> But sudden bursts of SSE formation in response to the promise of incentives or regulations often result in organizations that exist more on paper than in practice. In South Africa, there was a four-fold increase in the number of registered cooperatives following the passage of the Cooperative Act of 2005. As one study shows, unless laws and policies are accompanied by enablers such as financial resources, training and spaces for meaningful stakeholder dialogue, SSE will likely remain an extremely fragile form of economy.<sup>43</sup>

SSE has gained constitutional status in several countries. Constitutional clauses can lock in legal drivers to ensure that governments and parliaments of different persuasions take action related to SSE. The Ecuadorian Constitution of 2008 specifies the centrality of social and social economy.<sup>44</sup> The 2009 Bolivian Constitution calls on the state “to protect and promote economic organizations of small farmers and associations of small producers and artisans as alternatives based on solidarity and reciprocity”.<sup>45</sup>

Constitutional clauses, however, need to be regulated in law. As the case of Mexico illustrates, that process can be extremely protracted and can dilute the original spirit of the Constitution. The 1983 reform of the Constitution called for mechanisms to facilitate the organization and expansion of economic activity of the social sector. After 30 years, the version of the Social Economy Law that was finally approved contained clauses related to institutional reforms and co-construction that had been significantly watered down.<sup>46</sup>

In addition to mandating institutional reforms associated with new state entities, such as national institutes, secretariats or ministries, laws are particularly important for levelling the playing field for SSE organizations and enterprises, as well as mobilizing resources for SSE development. As in Europe, several Latin America countries have introduced framework laws promoting SSE. They include the 1998 Colombian Solidarity Economy Law, the 2012 Organic Law on Popular and Solidarity Economy and the Popular and Solidarity

Financial Sector in Ecuador, the 2015 Social and Solidarity Economy Law in Mexico, and the bill on Social Solidarity Economy currently making its way through the Costa Rican Legislative Assembly.<sup>47</sup> Such laws generally define SSE and its constituents, identify core principles and practices guiding SSE, and signal the government's intent to recognize SSE as a fundamental component of the broader mixed economy and to mobilize state support and regulatory capacity via a diverse range of new and existing state institutions.

In a context where SSE enterprises are integrating into the market, laws can facilitate competition vis-à-vis conventional business or allow collectivities to gain credibility in a market environment, not least for accessing credit.<sup>48</sup> In the Arab region, new forms of business ventures with explicit social objectives—for example, generating employment for unemployed, homeless or disabled persons—have often found their operations and expansion restricted by having to register as cooperatives or non-profits in the absence of tailor-made laws for these distinct types of social enterprises.<sup>49</sup> In India, legislation enacted in 2003 sought to enable a new generation of cooperatives known as Producer Companies.<sup>50</sup> Traditional cooperatives often had a tarnished reputation, not least due to co-optation by political parties. While lack of financial resources, fiscal incentives and administrative competencies have undermined the performance of Producer Companies in several states, this legal form aimed to allow collectivities to avoid the reputational baggage of “old cooperatives” and give them greater legitimacy and autonomy in business and financial circles.<sup>51</sup>

Many laws establish a legal framework to channel financial and other resources to specific SSE constituents. Costa Rica has a relatively long history of legal initiatives supporting particular sectors, but not SSE as a whole. Underpinning the rapid growth of social enterprise in the Republic of Korea is the Social Enterprise Promotion Act of 2007, which mandates a variety of support policies, including a wage subsidy, to newly established social enterprises.<sup>52</sup> Such laws can also be relevant at the subnational level. The Recycling Bonus Law, passed in the Brazilian state of Minas Gerais in 2011 provides a monetary incentive paid by the state government to waste pickers who belong to a cooperative or workers' association. The incentive aims to reduce the loss of reusable materials.<sup>53</sup>

States at the subnational level can also intervene via legislative reforms in the absence of national initiatives. While there is no law on SSE at the federal level in Brazil, by 2011, nine states out of 27 had their own laws to promote SSE. Similarly, several provincial governments in Argentina, including Buenos Aires, Entre Rios and Mendoza, have passed laws supporting SSE.<sup>54</sup>

Laws that mandate the establishment of intermediary organizations representing the interests of SSE actors are also important. In Nicaragua, the General Law on Cooperatives passed in 2007 mandated the establishment of the cooperative sector's apex association, CONACCOOP. While remaining relatively inactive for several years, CONACCOOP eventually became more proactive in advocacy and gained a formal seat at the policy table in areas related, for example, to agricultural policy.<sup>55</sup>

### **Programmes targeting SSE are key for resource mobilization**

Governments are under pressure both internationally and domestically to take concrete actions to meet specific SDGs. The MDG era showed that it is common for development strategy to centre on a number of high-profile programmes. As the following examples illustrate, governments are increasingly connecting such plans and programmes with SSE actors.

*Employment generation in Argentina:* In 2003, the government of Argentina launched the National Plan for Local Development and Social Economy, *Manos a la Obra* (Let's Get to Work). Under this plan, several employment-generation and infrastructural programmes stimulated the growth of SSE organizations. This approach of using social policy to stimulate employment through SSE was reinforced in the wake of the global financial crisis. The programme *Argentina Trabaja*, launched in 2009, sought to generate jobs for the unemployed by facilitating the formation and work of thousands of cooperatives at the neighbourhood level. A specific component, the programme *Ellas Hacen*, was set up for women in 2013, targeting 100,000 female heads of household in vulnerable situations.<sup>56</sup> Largely because of these programmes, there was a five-fold increase in the formation of cooperatives during the

period 2003–2011, compared to the 1990s.<sup>57</sup> In 2014 approximately 255,000 members were registered in cooperatives associated with the programme.<sup>58</sup>

*Youth employment in Kenya:* To address the serious problem of youth unemployment, the Kenyan government has explored approaches that engage SSE organizations and enterprises.<sup>59</sup> The Youth Enterprise Development Fund (YEDF) was created in 2006 to provide financing to youth enterprises. Within five years, approximately USD 69.4 million was distributed to 158,000 youth enterprises, potentially creating jobs for about 9 percent of unemployed youth. SSE dimensions of the programme include encouraging youth groups to form group enterprises and forming youth savings and credit cooperatives (SACCOs) to channel YEDF funding.

*Health care in Rwanda:* Indigenous knowledge and community cooperation constitute elements of Rwandan social policy. The institution Ubudehe, which refers to collective work by the community to address general community challenges (for example, road repair and building classrooms) or to assist individual households in need (for example, labour at harvest time), has been reactivated and scaled up to inform, guide and operationalize several government programmes. It plays a role in mapping poverty and levels of well-being at the local level of nearly 15,000 villages or clusters of households, identifying local needs, project design and implementation, accountability, transparency, monitoring and evaluation. This institution has been instrumental in scaling up the government's Community Based Health Insurance Scheme (CBHI) discussed in chapter 2.<sup>60</sup>

*Women's empowerment through SSE in India and Nicaragua:* In the Indian state of Kerala, the Kudumbashree scheme aims to enhance local economic development and women's empowerment. The programme organizes women into a structure of groups or development societies at household, ward and village levels that work in tandem with a state-level government agency and local authorities. Kudumbashree has promoted a variety of income and employment schemes involving nearly 4 million women. The scheme's organized social structure also facilitated the implementation in Kerala of the Mahatma Gandhi National Employment Guarantee Scheme (chapter 2). Women's empowerment through

Kudumbashree extends to the political sphere, where its members constitute some 60 percent of all women elected to village-level government.<sup>61</sup>

The Nicaraguan government has prioritized two programmes that involve approximately 300,000 women.<sup>62</sup> The Productive Food Programme, known popularly as Hambre Cero (Zero Hunger), provides a package of primarily livestock (including a combination of chickens, a pregnant sow and a cow) and building materials to women, organized in pre-cooperative groups, with the aim of boosting household food security and cash incomes. The Usura Cero (Zero Usury) programme enables urban-based women who are own-account workers or run micro-enterprises to access microcredit on favourable terms. Borrowers become members of a neighbourhood "solidarity group" that facilitates implementation at the local level.

## **New state institutions are emerging to support SSE**

Recent years have seen the emergence of new state institutions or reforms of existing ones that aim to support SSE. The precise arrangements can vary significantly by country. Colombia, Mali, Morocco and Venezuela, for example, have ministries for SSE. Nicaragua recently merged multiple institutes and programmes into one "super ministry" of Family, Community, Cooperative and Associative Economy. Often it is the ministries of Social Development, as in Argentina, or Labour/Employment, as in Brazil, Costa Rica and the Republic of Korea, that assume responsibility for various aspects of SSE. Ecuador has put in place a variety of institutions for interinstitutional coordination, regulation, planning and financial and other support for SSE. They include the National Institute for Popular and Social Economy within the Ministry of Economic and Social Inclusion, the Superintendency for Popular and Social Economy, the Superintendency of the Control of Market Power, the National Corporation of Popular and Solidarity Finance and the Inter-Institutional Committee for Popular and Social Economy, among others.<sup>63</sup>

Many countries have national institutes, often with autonomous status, that both regulate and promote aspects of SSE. Some have broadened their remit. In

### Box 4.3. ALBA and SSE in Nicaragua

Under the ALBA accord, Nicaragua received a quota of nearly 10 million barrels of Venezuelan oil a year.<sup>65</sup> While half was repaid at market rates within one to three months, the other half is to be paid back over periods that range from 17 to 25 years. When the market price was USD 100 a barrel, this would have meant the equivalent of USD 500 million a year on highly concessionary terms, nearly three times the level of official development assistance (ODA) to Nicaragua in 2013. Until recently, half of the revenues from the sale of petroleum products were channelled through Nicaragua's largest savings and credit cooperative, ALBA-CARUNA (Caja Rural Nacional). Of every USD 100 administered by CARUNA, 62 were provided as concessionary credit for housing, agricultural production, the electricity industry, micro-, small and medium enterprises, and programmes such as Zero Usury, discussed above. Another fund known as ALBA Solidaria distributed revenues destined for the construction of roads and houses. The remaining 38 percent was allocated to social programmes. Significant resources have been mobilized for programmes and policies associated with SSE, notably agricultural cooperatives and programmes supporting women's economic empowerment in urban and rural areas.

Such programmes and policies do not simply involve social handouts; they are initiatives that enhance productive capacities, gender equality and collective action, all of which are key elements in processes of transformative change.

Notes: <sup>65</sup> Carrión 2012. Source: Chamorro and Utting 2015; Martínez 2015.

Argentina, for example, the institute of associated cooperatives and mutual associations became the National Institute for Associative and Social Economy. In 2012, Mexico established the National Institute for the Social Economy (INAES) with the mandate to promote laws, policies and projects conducive to the development and consolidation of SSE “as one of the pillars of economic development in the country”.<sup>64</sup>

When considering institutional innovations conducive to SSE, it is important to focus not only on administrative responsibilities within government but also institutional arrangements associated with innovative financing for SSE. This is key for overcoming what is often a major constraint—the limited access to credit and other forms of financing by SSE organizations and enterprises. Some countries have reactivated national development banks. In 2007 Bolivia created the Banco de Desarrollo Productivo, which allows small producers in cooperatives and associations (among others) to access credit at favourable rates and repayment periods.<sup>65</sup> In Costa Rica, leading sectors of SSE—including cooperatives, the communal development associations and workers in the Solidarista movement—are supported by significant funding from legally mandated contributions that earmark a certain percentage of the profits of cooperatives, income tax and employers' social security contributions respectively.

A particularly significant political and institutional innovation that has benefited SSE in several Latin American and Caribbean economies is the solidaristic South-South cooperation agreement, the Alianza Bolivariana para los Pueblos de Nuestra América (ALBA/Bolivarian Alliance for the Peoples of Our America). Under the ALBA accord, the 11 member countries receive oil from Venezuela on highly concessionary terms.<sup>66</sup> Conceptually, the ALBA project challenges the conventional model of North-South trade and power relations, as well as neoliberal development strategy. It emphasizes the key role of South-South cooperation, regional integration, a pluri-polar geopolitical world and solidarity among developing nations and peoples struggling for well-being and social justice.<sup>67</sup> How the ALBA initiative supports SSE is described in box 4.3. But as noted further below, the sustainability of this initiative is in question.

*Institutional innovations conducive to SSE include both administrative responsibilities within government and arrangements associated with innovative financing for SSE*



## 4. SSE and Transformative Change

Despite clear signs of progress, the question remains whether the innovations examined in this chapter achieve more than piecemeal or incremental improvements in well-being and livelihood security, given the power relations and dominant patterns of growth, production and consumption that reproduce social exclusion and unsustainable development. As discussed in chapter 1, transformative change refers to the processes by which patterns of development facilitate the attainment of the normative goals of social inclusion, equality, participation and sustainability. It was further argued that this requires not only establishing goals related to outcomes, as the MDG and SDG processes have done, but also addressing the root causes of exclusion, inequality, disempowerment and unsustainable development (box 4.4).

### Box 4.4. Transformation through structural change: Why SSE matters

Given its social, environmental, democratic, productive and local orientation, SSE challenges five key structural and institutional impediments to transformative change:

- the growth of precarious employment in contexts of informalization and jobless growth;
- the externalization of social and environmental costs associated with the conventional enterprise model for purposes of profit maximization and competitive advantage;
- the commodification of life and nature, which not only reinforces forms of social exclusion but also weakens certain forms of state regulation and social power that can tame market behaviour and enhance social and environmental protection;
- processes of delocalization that undermine local (and rural) economic development by siphoning income, capital and human resources toward cities, tax havens and rich countries; and
- the dramatic expansion of the financial sphere in recent decades—financialization—which has occurred at the expense of productive investment, fuelled the rise of inequality, exacerbated economic crisis tendencies and, in such contexts, restricted lending.

## While many governments are taking action to scale up SSE, the limitations and challenges are many

While the potential of SSE in terms of transformative change seems evident, whether or not that potential is realized depends on overcoming a complex set of resource, institutional and political constraints. Reviews of public policies related to SSE in very different countries and regions find a number of common concerns. In addition to what are very often serious budgetary and human resource constraints, governance and coordination issues also loom large. While the constraints and challenges that states encounter in supporting SSE can vary significantly by country, four broad sets of issues, discussed below, lie at the heart of the challenge related to public policy for SSE. These relate to questions of institutional capacity, policy coherence, participation in the policy process, and institutionalization or long-term sustainability of state interventions and initiatives.

### Lack of financial, human and technical resources, as well as political will, often restrict the capacity of governments to act

A review of public policy for SSE in several countries noted: “it is striking to discover the commitment of many governments around the world to policy innovations without, in many cases, the necessary institutional or political capacity to act”.<sup>68</sup> Various types of incapacity can explain the often wide gap between government discourse, objectives and policy design, on the one hand, and actual implementation and outcomes, on the other hand, or situations in which public policy distorts the character of SSE.

Most obviously in the context of developing countries, SSE policies and programmes are often significantly under-resourced. This may reflect their relatively weak positioning within state and donor priorities and/or contexts of austerity and

*Many governments have adopted policy innovations but lack the motivation or capacity to act*

economic liberalization that place a premium on fiscal discipline and streamlined bureaucracies. The generally positive intersectoral, transversal and participatory approach toward SSE development in Brazil, for example, has been undermined by significant budget limitations for the main institution promoting SSE.<sup>69</sup> In Nicaragua, ambitious SSE-related development programmes have been weakened by significant human resource constraints that limit technical assistance and training.

Whether or not policy effectively enables SSE depends partly on how governments understand SSE both conceptually and strategically.<sup>70</sup> Some may see it as an instrumental tool for poverty alleviation, job creation or social service delivery, rather than a fundamentally different mode of economy. This raises the difficult question of whether SSE is filling gaps in service provisioning, constructively positioning itself in new approaches to efficiency in public management whereby states increasingly contract out, rather than directly deliver, services; or whether it is part and parcel of a more worrisome trend associated with the rolling back of welfare states. As noted in the case of child care services in Uruguay (box 4.5; chapter 3), this is an ever-present tension that needs to be recognized, debated and managed.<sup>71</sup> Some governments may also focus on promoting a particular form of organization, for example, cooperatives or social enterprises, rather than the broader set of actors that make up SSE.

#### Box 4.5. Pros and cons of SSE-state relations in childcare service provisioning in Uruguay

##### Pros:

- Improved social protection for excluded groups
- Increased capacity and competencies in terms of financial and human resources for SSE organizations
- Greater influence of SSE organizations in the policy process

##### Cons:

- Tensions within the SSE sector due to increased competition among organizations, which affects coordination and networking
- Financial dependency on the state
- Tendency toward bureaucratization with this sector of SSE
- Stifling effects on critical thinking, advocacy and innovation

Source: Rossel 2015.

Growing attention on the part of governments to social enterprise has often emphasized a more “Anglo-American” approach that focuses on the commercial capacity of enterprises that serve social objectives, rather than a more “European approach” that accepts that social objectives exempt enterprises from having to achieve financial autonomy.<sup>72</sup> From this latter perspective, government financial support can be seen as an investment in a public good rather than a subsidy or cost. A broader perspective recognizes, for example, the role of SSE enterprises in regenerating local communities or local economic development. Yet another approach can be seen in several of the countries within ALBA (box 4.3). Here SSE is part of a more transformative agenda; one element in a broader restructuring of trade, aid and power relations. Significant variations in policy may flow from these different perceptions.

### Policy coherence implies not only better coordination but also resolving the contradictions of economic policy

Public policy for SSE involves multiple sectors, whether understood in terms of diverse policy arenas (such as health, training, environment, labour standards, enterprise development, finance, tax, procurement and macroeconomic policy); conventional sectors of the economy (agriculture, manufacturing, services); rural/urban/peri-urban spaces; or different sectors within SSE (cooperatives, mutual associations, social enterprises, self-help groups). Furthermore, state institutions at local, regional and national levels need to work together. This raises major challenges for coordination.

In the Republic of Korea, for example, the potential of the Social Enterprise Promotion Act, implemented by the Ministry of Labour, has been limited by lack of wider support from the Ministry of Health and Social Welfare and some other ministries.<sup>73</sup> Here, as in many other countries, government responsibility for SSE rests primarily with an entity subsumed within a particular ministry. As such, it may lack the institutional and political weight necessary to coordinate effectively with other ministries.

But the issue of policy coherence extends beyond that of coordination. Certain policy areas that are essential for the development of SSE may be neglected. A review of public policy for SSE in Latin

America makes the point that aspects of social and labour market policy that are key for developing SSE need to receive far more attention.<sup>74</sup> The prevailing pattern of economic growth, trade and development being pursued in many countries often constitutes a contradictory macro environment for SSE. While promoting some aspects of SSE, many governments are simultaneously promoting investment and trade patterns associated with monocultures, extractive industries, high-input export agriculture, cheap food imports and corporate control of value chains that can undermine small-scale agriculture, food security and the environment. In such contexts, policies for SSE run the risk of being no more than a policy “add-on”.<sup>75</sup>

*The prevailing pattern of economic growth, trade and development being pursued in many countries often constitutes a contradictory macro environment for SSE*

### **Effective policy design, implementation and review depends on “co-construction”**

Effective policy design, implementation and review depends crucially on ongoing dialogue and the active participation of SSE actors in the policy process, or what is referred to as the co-construction of policy.<sup>76</sup> Governments and parliaments generally take action in favour of SSE in response to contestation and advocacy by SSE constituents themselves or intermediary organizations at local, national and international levels that speak on their behalf.

Forging alliances of SSE actors or “networks of networks” is crucial for overcoming the political limitations of fragmentation and consolidating voice and influence.<sup>77</sup> Examples range from incipient efforts in Costa Rica through the recently formed Red de Economía Social Solidaria (RedESS/Network of Social and Solidarity Economy) and the Cámara Nacional de la Economía Social Solidaria (National Chamber of Social and Solidarity Economy) to consolidated structures such as the Fórum Brasileiro de Economia Solidária (FBES/Brazilian Forum for Solidary Economy) (box 4.6) and the Chantier de l'économie sociale in Quebec (figure 4.2). Scholars

and their academic and research networks are also important actors in the epistemic communities associated with the policy process.

Various forms of innovation related to co-construction are needed. They include policy spaces within government for dialogue, bargaining and the participation of multisectoral intermediary organizations and networks. Furthermore, such interaction with the state needs to take place both nationally and at subnational levels.<sup>78</sup>

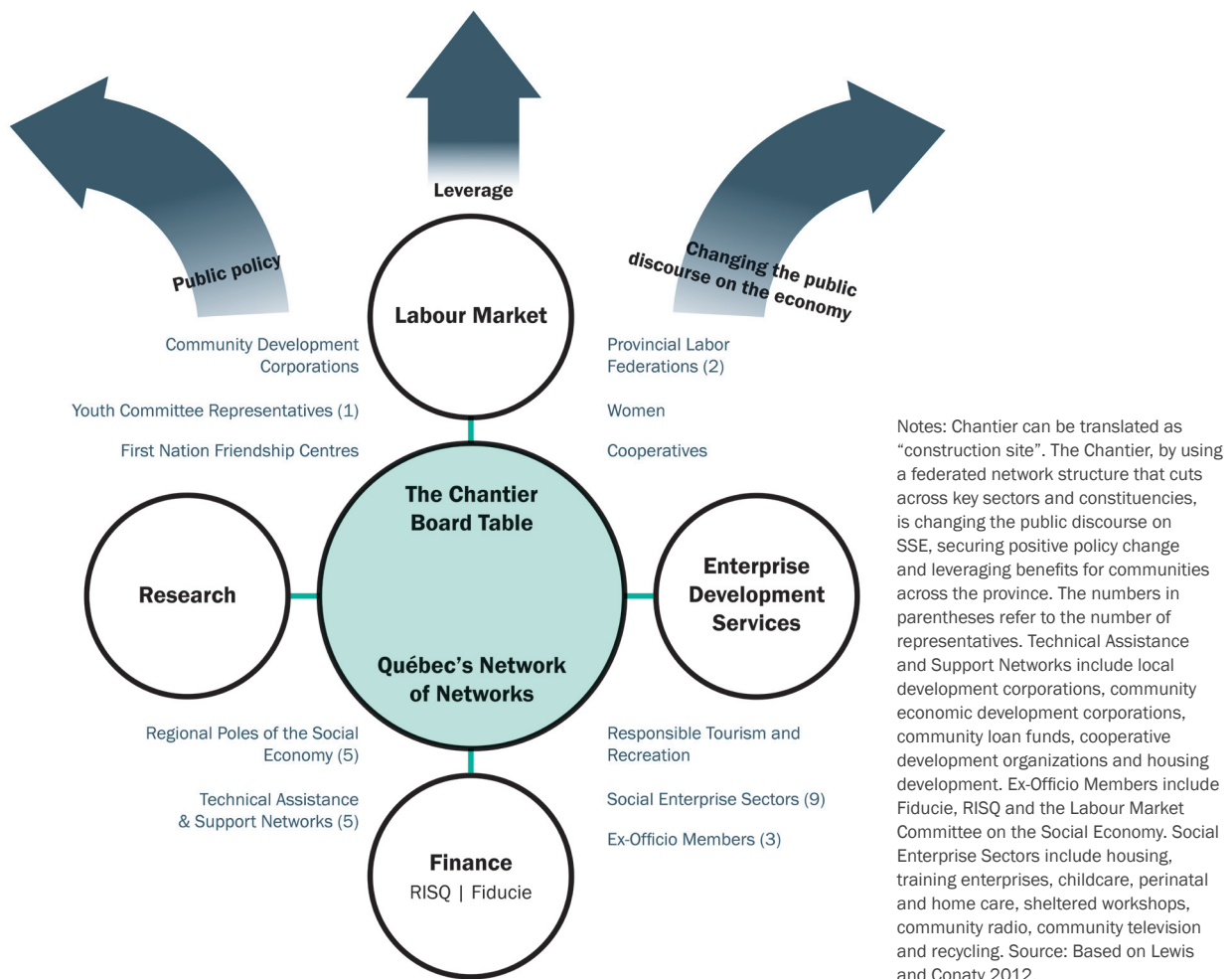
Effective participation is important for addressing several problems that often characterize the policy environment for SSE. The first relates to top-down interventions. As noted above in relation to Mexico, the Republic of Korea and Venezuela, or specific programmes like Manos a la Obra in Argentina, policy design, implementation and review tend to suffer when SSE actors are not actively involved in the policy process beyond their role as beneficiaries.<sup>79</sup> The presence of cohesive intermediary organizations that can effectively represent the SSE sector of the economy and engage government is important<sup>80</sup> (box 4.6). The Réseau national d'appui à la promotion de l'économie sociale et solidaire (RENAPESS/National Network for the Promotion of Social and Solidarity Economy) in Mali, for example, played a key role in designing the National Policy and Action Plan for SSE.

#### **Box 4.6. Participatory approaches and the co-construction of SSE policy in Brazil**

State efforts to promote SSE in Brazil and the creation of the Secretaria Nacional de Economia Solidária (SENAES) resulted from a dialogue with civil society organizations, mobilized in a social movement supporting a pre-existing solidarity economy and the Partido dos Trabalhadores (PT/Workers' Party) that won the general election in 2002. The head of SENAES had been proposed by the movement.<sup>a</sup> Both the multistakeholder forum for policy dialogue—the Fórum Brasileiro de Economia Solidária (FBES/Brazilian Forum for Social Economy)—and SENAES share a vision of decentralized decision making. Local-level representatives report to state-level forums, which then report to FBES at the national level. The forums are tripartite, comprising the three segments of SSE in Brazil: SSE initiatives; intermediary organizations supporting the development of SSE; and relevant public authorities.

Note: <sup>a</sup> Lemaître et al. 2011. Sources: Lemaître et al. 2011; Coraggio 2015.

Figure 4.2. The Chantier de l'économie sociale, Quebec



Another concern relates to clientelistic interventions. The fact that SSE policies are often associated with particular parties, rather than an institutionalized state policy, opens space where ruling parties and political leaders can use SSE programmes to either cultivate potential supporters or favour existing ones. Lack of transparency in the allocation of funds and other resources is another issue that has affected certain programmes reviewed above, including Argentina Trabaja and Hambre Cero in Nicaragua.<sup>81</sup> Broad-based social dialogue and oversight may serve to democratize resource allocation. Through social dialogue with SSE actors and other forms of participation, governments can also access information and lower the transaction costs of designing and implementing policy.<sup>82</sup> And co-construction can reduce the risks, noted above, of governments adopting narrow interpretations of SSE.

A particularly difficult issue in state-SSE relations is how SSE actors and related social movements can retain their autonomy when governments appear to be working in their favour. Such contexts, noted above in relation to Uruguay (box 4.5), can foster dependency, which may have the effect of stifling forms of contestation and claims making that are key for promoting policies conducive to SSE.

*Forging alliances of SSE actors or “networks of networks” is crucial for overcoming the political limitations of fragmentation and consolidating voice and influence*



## An enabling policy environment needs to be sustained

Recent developments associated with the shift to the right in Argentina and Venezuela, political instability in Brazil and the collapse of oil revenues within the ALBA initiative raise the question of the sustainability of policy innovations for SSE in terms of their long-term continuity. Policies, laws and programmes supporting SSE are often driven by a particular political party or leaders. The question arises as to whether such initiatives can survive a rotation of power. The presidential power shift in Brazil, which occurred in 2016, prompted the departure of the country's leading proponent of SSE who had headed the National Secretariat for Solidarity Economy. Similarly, in Costa Rica, it is unclear whether the current policy momentum in favour of SSE will survive the next election in 2018.

Put another way, can the policies of a particular party, or faction thereof, become institutionalized state policy?<sup>83</sup> And can sufficient resources be mobilized on a long-term basis to sustain policy interventions conducive to the development of SSE?

*As the connections between SSE and poverty reduction, employment generation, social service delivery and food security become more apparent, strengthening SSE may stand a better chance of gaining multiparty support*

A comprehensive legal framework is important in this regard. Enshrining norms and objectives related to SSE and participation in law as in Latin American countries such as Bolivia, Ecuador, Mexico and Venezuela<sup>84</sup> can help institutionalize SSE policy. As the connections between SSE and basic development objectives—such as poverty reduction, employment generation, social service delivery and food security—become more apparent, the strengthening of SSE may stand a better chance of moving beyond being an objective of one particular political party toward gaining multiparty support. Furthermore, growing interest in social enterprise (beyond a focus on cooperatives) has broadened the ideological underpinnings of SSE. And if SSE has

the backing of a cohesive movement or network of actors and intermediary organizations, this will also make it more difficult for another party or political leader to roll back policies supporting SSE.

Of course, much depends on whether financial resources for SSE can be mobilized over the long term. The resources mobilized for SSE in Nicaragua through ALBA (box 4.3), for example, have recently plunged given the sharp decline in international oil prices. Some state development banks have struggled to mobilize significant resources. Financial regulations that have followed in the wake of the global financial crisis have constrained lending for small SSE producers in Costa Rica and elsewhere.<sup>85</sup> Programmes supporting SSE have also been affected by shifts in the pattern of allocation of ODA over the past decade. Regulations that facilitate the access of SSE organizations to conventional bank finance run the risk of transforming the character of such organizations by drawing them into an arena that places a premium on profitability as a key criterion of financing.

These constraints suggest the need to craft an alternative financial and fiscal architecture (chapter 7), revisiting, for example, the question of domestic resource mobilization through the tax system, and a shift from regressive to progressive tax systems, as discussed in chapter 6; the use of revenues from a global financial transaction tax for development purposes; the promotion of various types of solidarity finance<sup>86</sup> and forms of ethical investment.

## 5. Moving Forward

This review of public policy and institutional initiatives suggests two sets of lessons regarding the ways and means of enabling SSE through state action. One relates to practical aspects of the SSE policy arena itself. A keyword here is diversity. A diverse portfolio of measures can yield complementarities and synergies that are important for guarding against the policy pitfalls examined above. Enacting laws and building institutions, for example, can lock in SSE policies and counter tendencies toward short-term interventions and policy and programmatic ruptures associated with changes in government. Engaging a diverse range of stakeholders in the policy process is also key. Effective participation can counter tendencies associated with bureaucratization and

lack of transparency and accountability. It can also guard against top-down policy design that can give rise to initiatives that are not grounded in SSE realities, undermine autonomy or lack buy-in from key stakeholders.

Diversity is also apparent in relation to the range of policy initiatives required to enable SSE. The policy portfolio (including laws) must address issues related to both the diversity of SSE organizations and enterprises and the multiple forms of regulation and support required, for example, in relation to finance, infrastructure, training, technological innovation, market access, competition, procurement, labour standards, social services and assistance.<sup>87</sup>

But policy support should be selective in the sense of supporting SSE involvement in particular sectors of economic activity where SSE has greater potential or comparative and competitive advantage vis-à-vis conventional business, such as agriculture, food and basic goods provisioning, tourism, road transport, microfinance, health, education and care. Perhaps the greatest opportunity for SSE in the future lies in efforts to reorient economies toward ecological sustainability. Given the structural constraints that prevent the corporate economy from internalizing environmental costs and decoupling growth and emissions in absolute terms, SSE provides a window of opportunity for crafting fair green economies that effectively transform production and consumption patterns.<sup>88</sup> The fact that SSE lends itself to the development of sectors of the economy that are so key for inclusive and sustainable development is why it needs to be brought far more centrally into the SDG agenda, notably with regard to the discussion on means of implementation (chapter 7).

*Perhaps the greatest opportunity for SSE in the future lies in efforts to reorient economies toward ecological sustainability*

The discussion in this chapter casts doubts on some of the standard assumptions about development strategy for inclusive and sustainable development. It points to five necessary strategic adjustments.

- The “social turn” in policy that reconfigured the role of the state in social protection needs

to be complemented by one that recognizes the role of SSE in reasserting social control, democratic practice and the place of ethics in the economy.

- Beyond reforms within the market liberal paradigm that focus on the economic empowerment of individuals, there is a need to recognize the importance of collective action for both economic and political empowerment.
- In contrast to technocratic approaches to good governance, SSE expands the notion of participation to include not only stakeholder consultations but also contestation, advocacy, bargaining and negotiation, and diverse forms of active citizenship.
- The contemporary focus on public-private partnerships for development needs to be broadened to include SSE and related community and civil society organizations.
- Beyond incremental improvements in resource allocation and opportunities for disadvantaged groups, it is necessary to break down the structures of inequality that underpin social exclusion, vulnerability and unsustainable development.

While SSE, as both a concept and set of actors, lacked visibility in the process of designing the SDGs, it is clear that an increasing number of governments are now acknowledging its relevance for inclusive and sustainable development. In various international forums, SSE is being recognized as an important means of implementing the SDGs.

The international development community needs to learn from the experience of countries and territories where SSE is expanding, and of governments that are attempting to enable SSE. These experiences can yield important policy lessons about good practices, unintended consequences, trade-offs and contradictions.

A number of policy implications emerge from the discussion in this chapter.

- An enabling policy environment involves recourse to a broad portfolio of instruments ranging from laws, conventional economic and social policies, programmes targeting specific groups and sectors, and institutions tailor-made to support SSE.
- Often such instruments remain fairly blunt, given lack of political will and prioritization

in policy agendas, issues of policy incoherence and constraints on state capacity and resource mobilization.

- While government support can play a role in scaling up SSE, it can also dilute its transformative potential. Monitoring and evaluation have a key role to play in identifying and correcting constraints and contradictions.
- Partnerships and participation—or co-construction—are crucial for overcoming such constraints. Forums that facilitate and institutionalize co-construction need to be created and strengthened.
- A combination of measures, including laws, institution building and institutionalized co-construction are important for locking in SSE policies beyond the life of a particular party in power.
- Innovative sources of financing can play an important role in enabling SSE, as seen in the case of ALBA, the role of national development banks and myriad solidarity finance schemes, but their long-term viability needs to be assessed.
- Crafting an enabling policy environment for SSE is a multiscalar undertaking that requires interventions at international, national, subnational and local levels.
- Attention to policy coherence should not be limited to issues of better coordination but also to possible disabling effects on SSE of macroeconomic, investment, trade and fiscal policies.

Learning about how to enable SSE is in its early stages. Only recently have international agencies and local and national governments come together to engage in cross-fertilization and good practice learning. This is occurring, for example, through the recently formed United Nations Inter-Agency Task Force on SSE, the International Leading Group on SSE, initiated by the governments of France and Ecuador, and the Global Social Economy Forum (GSEF) initiated by the Seoul Metropolitan Government. Supranational or regional entities such as the European Union, MERCOSUR, Unasur and the OECD have also launched various initiatives. Here there is an important role for (i) research and analysis that can inform local, national and international dialogue and debate about policy options and tensions within different policy approaches; and (ii) institutional forums where government and SSE actors, as well

as other stakeholders, can assess the implications of such analysis and ways forward.

The complexities and difficulties of policy implementation mean that periodic adjustments have to be made to the policies, programmes and institutions concerned. There is a need to move beyond “experimentalism” and pilot initiatives, and go to scale with policies and programmes that have worked.<sup>89</sup> Doing so, however, requires adjusting design through participatory mechanisms that can identify and analyse the lessons of implementation. This, in turn, requires considerably more attention to monitoring and evaluation.<sup>90</sup> As occurred with the field of social development in the 1950s and 1960s, lack of indicators and statistics reinforced the marginalization of this dimension of development within policy debates and processes. Indeed this was the *raison d’être* for the creation of UNRISD. The same can be said of SSE. Research, measurement and evaluation, as well as greater clarity and consensus in defining SSE,<sup>91</sup> are key for raising its visibility within institutional and policy arenas. They are also essential for realizing its potential as a means of implementation of the SDGs and the 2030 Agenda for Sustainable Development.

## Endnotes

- <sup>1</sup> Ruggie 2003.
- <sup>2</sup> Polanyi 1944.
- <sup>3</sup> Restakis 2010; Hart et al. 2010.
- <sup>4</sup> Utting 2013.
- <sup>5</sup> Wallimann 2014.
- <sup>6</sup> UNTFSSSE 2014.
- <sup>7</sup> UNCTAD 2013.
- <sup>8</sup> ILO-COOP and ICA 2015; UNTFSSSE 2014.
- <sup>9</sup> See, for example, Thematic Social Forum 2012; Santos 2007; Wright 2010.
- <sup>10</sup> UNTFSSSE 2014.
- <sup>11</sup> British Council and Social Enterprise UK 2015; Jayasooria 2013.
- <sup>12</sup> Reed 2015.
- <sup>13</sup> The term Fairtrade refers to the production and sale of certified products, whereas “fair trade” refers to the broader movement promoting more equitable forms of trade.
- <sup>14</sup> Singh and Singh 2013.
- <sup>15</sup> Borzaga and Defourny 2001; Monzón and Chaves 2012; British Council and Social Enterprise UK 2015.
- <sup>16</sup> Defourny and Nyssens 2008; OECD 2013, 2014.
- <sup>17</sup> Agyeman 2013; Grasseni et al. 2015; Merritt and Stubbs 2011; see chapter 5.
- <sup>18</sup> Gómez 2015.
- <sup>19</sup> Millstone 2015.
- <sup>20</sup> Millstone 2015.
- <sup>21</sup> Heyer et al. 2002.
- <sup>22</sup> Sanchez Bajo and Roelants 2011.
- <sup>23</sup> Muradian 2015.
- <sup>24</sup> Schincariol and McMurtry 2015.
- <sup>25</sup> Schincariol and McMurtry 2015.
- <sup>26</sup> Fraser 2012.
- <sup>27</sup> Coraggio 2015.
- <sup>28</sup> Utting 2015.
- <sup>29</sup> Nannyongo 2015.
- <sup>30</sup> Utting and Morales forthcoming.
- <sup>31</sup> Communication received via the UNRISD 2016 Flagship Report online pre-publication consultation.
- <sup>32</sup> Hintze 2014.
- <sup>33</sup> Fonteneau 2015.
- <sup>34</sup> OECD 2014.
- <sup>35</sup> Esim 2013; Schincariol and McMurtry 2015.
- <sup>36</sup> Singer 1996.
- <sup>37</sup> Rossel 2015.
- <sup>38</sup> Mukherjee-Reed 2015.
- <sup>39</sup> Roelants et al. 2014.
- <sup>40</sup> Bateman 2015.
- <sup>41</sup> See Poirier 2016
- <sup>42</sup> Xiaoshan 2013.
- <sup>43</sup> Steinman and van Rooij 2011.
- <sup>44</sup> Coraggio 2011.
- <sup>45</sup> Article 334 of the Bolivian Constitution.
- <sup>46</sup> Conde Bonfil 2015.
- <sup>47</sup> See Poirier 2016 and Utting and Morales, forthcoming.
- <sup>48</sup> Singh and Singh 2013.
- <sup>49</sup> UNESCWA 2014.
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- <sup>51</sup> Singh and Singh 2013.
- <sup>52</sup> Mendell et al. 2010
- <sup>53</sup> Budlender 2013.
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- <sup>61</sup> Mukherjee-Reed 2015.
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- <sup>63</sup> See Superintendencia de Economía Popular y Solidaria. 2012.
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- <sup>66</sup> Carrión 2012; Martínez 2015.
- <sup>67</sup> Chamorro and Utting 2015.
- <sup>68</sup> Mendell 2014:5–6.
- <sup>69</sup> SENAES 2012; Morais 2015.
- <sup>70</sup> Coraggio 2015; Utting et al. 2014.
- <sup>71</sup> Rossel 2015.
- <sup>72</sup> Mendell et al. 2010:43.
- <sup>73</sup> Mendell et al. 2010.
- <sup>74</sup> Hintze 2014.
- <sup>75</sup> Coraggio 2015; Saguier and Brent 2014:13.
- <sup>76</sup> Mendell and Alain 2015.
- <sup>77</sup> Lewis and Conaty 2012.
- <sup>78</sup> Mendell and Alain 2015.
- <sup>79</sup> Coraggio 2014.
- <sup>80</sup> Mendell and Alain 2015.
- <sup>81</sup> Guimenez and Hopp 2011; Chamorro and Utting 2015.
- <sup>82</sup> Mendell 2014.
- <sup>83</sup> Coraggio 2015.
- <sup>84</sup> Coraggio 2014; Hintze 2014.
- <sup>85</sup> Utting and Morales, forthcoming.
- <sup>86</sup> Utting et al. 2014; Matheï 2015.
- <sup>87</sup> Mendell 2014.
- <sup>88</sup> Millstone 2015; Jackson 2009.
- <sup>89</sup> Hintze 2014.
- <sup>90</sup> Hintze 2014.
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