

# **Solidarity-based Economy in Italy.**

## **Practices for Social Entrepreneurship and Local Development: The Experience of Rome**

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### **Introduction**

In recent times, the solidarity-based economy has become one of the central themes of the public debate about Italian social policy.

This renewed interest in the solidarity-based economy is brought about by not unlike issues applying in other countries, such as unemployment, which tends to progress towards more or less permanent exclusion from the labour market. Every country has its own history, its own system of laws, its own political, social and economic dynamics. The initiatives supported by civil society in these last years have had both economic and social nature, producing a positive impact on the quality of life on community. All these practices have involved the policy makers in new approaches and tools for defining and developing a new “local” solidarity-based economy, and recognizing the Third sector<sup>1</sup> as the main actor.

The initiatives concerned with offering goods and services in response to new needs are intended to support entry into the labour market of disadvantaged people, or other kinds of entrepreneurship that contribute to the development of their own areas, especially in areas characterized by urban and social degradation.

The relations between public and private sector produced micro local initiatives and new welfare models. Actions and strategies are initiated at the local level, to create new local opportunities and make development more sustainable. There are no doubts that in many instances this new “local” Third sector made an important contribution to social transformation and there are many successful examples. Local development is strongly tied to the creation of new jobs and activities, and to new institutional designs.

Policies promoting social entrepreneurship can encourage people to enter the labour market and to start up their own enterprises. In so doing they contribute to the development of their country through innovation and creation of new jobs.

Methods and policies “traditionally” adopted to support enterprise creation have not given satisfactory results. The emerging of practices and public policies to support social

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<sup>1</sup> The authors will indistinctly use the terms “non profit sector” or “Third sector”.

entrepreneurship probably cannot replace them but they can act as a key role in the “local” social change in their own territories.

The paper is divided into 2 sections. The first tries to shortly draw the framework of the Italian Third sector, focusing on the transformation of its definitions and role in the Italian dynamics.

The second defines the evolution of social enterprise and the increasing interest and support that public sector, especially at local level, concretized in the last years in a number of actions and projects able to create key tools and strategies to foster labour market integration and social inclusion.

The paper closes with the experience of the Public Unit of the City of Rome “Autopromozione Sociale”: a best practice in Italy and in Europe<sup>2</sup> as regards supporting to social enterprises and non profit organizations in order to promote social responsibility and solidarity-based economy at local level and to active networking strategies that contribute to developing local development.

### **Solidarity-based economy in Italy. From charity to solidarity, experiences of social entrepreneurship**

Since the Italian political unification (1861), the presence of the State as concerns social policies such as health assistance and care was quite scarce. Informal and formal non profit organizations emerged and legitimated their actions started hundreds years before.<sup>3</sup> They were the: “Opere pie” (since the 1800 in the form of foundations provided social services); “Società di mutuo soccorso” (since 1840, they operated such as insurance institutions according mutual principles, to guarantee workers and their families); “Casse di risparmio” (since 1750, they favoured credit access and a new model of management of savings), forms of co-operatives<sup>4</sup>; other formal, private non profit organizations, characterized by religious and political ideologies.

In the end of 1880 the first network of Italian co-operatives was funded: it was the “Lega nazionale delle cooperative”, with its strong socialist matrix and made up of more than three hundred co-operatives (that will be more than seven thousands before the first world war) especially based in the north of the country. Beside the “Lega nazionale delle società cooperative italiane”, took place the “Confederazione delle cooperative italiane”, with a clear catholic orientation.

Even if with their different and “idealistic” approaches and with an unequal distribution in some regions of the country, the cooperative movement and a solidarity-based way of providing services were finally recognized.<sup>5</sup>

The coming of the fascism in the 1922 destroyed this process. The State increased and carried to the extreme its presence in economic and social life, towards acts and cruel actions against co-operative movements and private initiatives which were now ruled at central level: the two big federation were erased. Also the Civil Code of the 1942 was obviously influenced. The co-operative was distinguished by the commercial companies and a clear preference to the for profit enterprise sanctioned (and nowadays sanctions) the aversion of the public sector towards the solidarity movement and its expressions.<sup>6</sup> All the spontaneous movements, of advocacy and cooperation were relegated to the so called “ideal institutions” that could not be allowed to provide goods and service in an economic and productive sense.

The end of the second world war and the successive birth of the Italian Constitution (1947) answered for the passage of the concepts of assistance and advocacy from a philanthropic point of view towards a “recognised right”. People began took part to the social changes in an active way, supporting a process of civic and democratic growth.<sup>7</sup>

The informal organizations started their process of management innovation and in becoming more and more formalized, sustainable and based on their territories. The most usual legal forms were foundations of assistance and charities.

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<sup>2</sup> [www.autopromozionesociale.it](http://www.autopromozionesociale.it) and [http://ec.europa.eu/enterprise/entrepreneurship/smes/awards/index\\_it.htm](http://ec.europa.eu/enterprise/entrepreneurship/smes/awards/index_it.htm)

<sup>3</sup> R. Cameron, *Storia economica del mondo. Dalla preistoria ad oggi*, Bologna, 1993

<sup>4</sup> V. Zamagni, *Povertà e innovazioni istituzionali in Italia. Dal Medioevo ad oggi*, Bologna, 2000

<sup>5</sup> C. Borzaga and A. Ianes, *L'economia della solidarietà. Storia e prospettive della cooperazione sociale*, Roma 2006

<sup>6</sup> V. Zamagni, *Povertà e innovazioni istituzionali in Italia. Dal Medioevo ad oggi*, Bologna, 2000

<sup>7</sup> G. Marcon, *Le utopie del buon fare, L'Ankor del Mediterraneo*, Napoli 2004

Thirty years later the so called welfare state became a “system” of welfare in which public sector and private sector cooperated in order to guarantee innovative processes of providing social services.<sup>8</sup>

Until the 80's the solidarity cooperative movement (what nowadays we define “social cooperation”) in Italy suffered of the followed limits:

- mutual regime; according to which all the activities had to be dedicated in a exclusive way to the associates;
- all the sector (today non profit sector) was characterised by a strong part of voluntary organizations according to which (especially the catholic ones) all these services could not provide following entrepreneurial processes;
- the distribution of these organizations was concentrated in few Italian regions, especially in the north and in the centre in part;
- public sector revealed still quiet sceptic in formally recognizing the different “souls” of this new and effervescent entity; it run “not compromising” acts and laws in order to not to lose consensus; acts and laws that considered the pressures of the two different Italian political movements (Leftist and Democrats).<sup>9</sup>

The Italian non profit sector in this stage was characterised by strong dynamism and identification in values and objectives but, at the same time, scanty awareness.

Since the 70's volunteering started being used more frequently and with precise connotation (e. g. in the 1971 “Caritas italiana” born). Hence new forms of organizations, different from foundations of assistance and charity, took place in the legal form of “association”.<sup>10</sup>

At the end of 80's all these different entities were identified as organization belonging to the so called “non profit sector” or “Third sector”. Moreover an entrepreneurial approach towards the providing services to (and for) disadvantaged people achieved success and allowed this new entities (we can today recognize as “social enterprise”) to be more sustainable and operate according a long period approach: the first form of social enterprise was born. It was able to connect social needs and entrepreneurial approaches. It was the so called “co-operatives of assistance and solidarity”.

Later on, according to some authors (Borzaga and Ianes, 2006) the Italian social cooperation took other forms. Three forms appear the most important: i) “co-operatives of assistance and solidarity”; ii) “integrated co-operative”, that combined a form of co-operative of production, providing goods and services in diverse fields of the market but with policies for integrating disadvantaged people in the labour market; finally the iii) “co-operative of social services”, more specifically dedicated to health and social assistance and with a strong component of volunteers.<sup>11</sup>

Even if the legal framework appeared confuse and untidy, the practices run by these new organizations, legitimated the passage from a close mutual approach to a new one in which the so called “let out” mutualism embraced other typologies of stakeholders (a part the members and the workers), effective and efficient processes of the management, made up by voluntaries and payed personnel.

The phenomenon started to be discussed in institutional contests: politicians and academicians defined it with the terms: Third sector, Third system, Non profit sector but also social economy, solidarity-based economy, economy of the private solidarity. Hence new institutional non profit groups (and lobbies) started making pressures towards policy makers and public opinion. In particular Legacoop and Confcooperative (“networks of consortia” or “third level organization”) represented two different ways of understanding the model of solidarity-based economy. The first put in evidence the role of volunteers and a charitable approach according a catholic influence. The latter was strongly tied to leftist political ideology with models of self-management in which the presence of voluntary personnel would have conditioned the productiveness of the organizations and limited an entrepreneurial approach.

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<sup>8</sup> M. Ferrara, *Il Welfare State in Italia. Sviluppo e crisi in prospettiva comparata*, Bologna 1984

<sup>9</sup> C. Borzaga and A. Ianes, *L'economia della solidarietà. Storia e prospettive della cooperazione sociale*, Roma 2006

<sup>10</sup> C. Borzaga and A. Ianes, *L'economia della solidarietà. Storia e prospettive della cooperazione sociale*, Roma 2006

<sup>11</sup> C. Travaglino, *Le cooperative sociali tra impresa e solidarietà*, Bologna 1997

All these elements (and many others) brought the legal acknowledgement of these “productive unites of solidarity“ that, even following different ideologies, characterised themselves for their little dimensions, their proximity to the “local” needs expressed by disadvantaged people and their high levels of specialization and effectiveness.

After a long period of hard public discussions and in Italian Parliament in the 1991, with the introduction of the law 381, it was possible, for the first time, to define the “social co-operative” and have a clear division between the traditional co-operatives, associations, charities and foundations.<sup>12</sup>

The main aspects of social co-operatives, as declared by the Act 381, can be so synthesized:

- they have to carry out their activities “for the general benefit of the community and for the social integration of citizens” (this is the definition);
- the membership is composed of workers, clients and volunteers; to stimulate their entrepreneurial approach the members who work voluntarily cannot be more than 50% of the total work force and there is not an obligation to have voluntary work force (this was a hard compromise made by the two politician forces);
- they have a democratic management; the so called “one head one vote” (the vote in meeting does not depend by the amounting of contributed capital);
- they are divided into two categories:
  - A-type*, social co-operatives carry out activities in the field of health, social or educational services;
  - B-type*, which act for integrating disadvantaged people in the labour market (“..several activities-agricultural, industrial, commercial or of services- finalized to working inclusion of disadvantaged people.”) and minimum the 30 per cent of the work force has to be disadvantaged.

Finally, in order to synthesize and create a clearer framework of the several forms of Italian non profit organizations we prefer to refer to Tab.1 in which it is possible to run through the steps of their institutional recognizing.

**Tab.1 Third sector in Italy, the main Acts**

<b>Reference</b>	<b>Topic</b>
Code civil (1942)	Recognized associations
Code civil (1942)	Non recognized associations
Code civil (1942)	Foundation
Code civil (1942)	Committees
Code civil (1942)	Cooperatives
Act 49/1987	Non Governmental Organizations
Act 266/1991	Voluntary organizations
Act 381/1991	Social cooperatives
Act 460/1997	ONLUS status <sup>13</sup>
Act 383/2000	Associations of social promotion
Act 328/00 <sup>14</sup>	Reform of national social and health care <sup>15</sup>
Act 155/2006 <sup>16</sup>	Social enterprise

<sup>12</sup> It is interesting to notice that this Law was passed after ten years of parliamentary debate. In this sense, the first act proposal is dated 1981.

<sup>13</sup> ONLUS (Organizzazioni Non Lucrative di Utilità Sociale) is a status for third sector organisations which operate in specific fields of public interest, in order to benefit tax advantages: e.g. social cooperatives automatically receive ONLUS status.

<sup>14</sup> In 2000 with the Law 328 on the “Reform of national social and health care”, for the first time the Government recognized the Third sector, especially at local level, as one of the mean actors to which to entrust social services. In that moment demonstrated itself unprepared to receive the norm and to recognize their own local Third sector and understand the differences among the different kind of organizations of which it is made up.

As regards the first aspect, with the 328 Act all the local authorities has to define the so called “Zone Plan”: a document, formulated at the local level, in which the public local authority identifies strategic objectives, tools and

Moreover, in the table 2, according the first institutional survey on Italian non profit organizations, run by Istat, the Italian Statistical institute, in 2001 there were 221,412 non profit organizations of which:

- the 51% are based in the North, the 21% in the Centre, the 28% in the South;
- the most relevant legal form is the non recognized associations (more than the 60% of the total data); the recognized associations (27%); the social cooperatives (2%);
- the 55,2% of non profit organizations in Italy is born between the years 1900 and 2000;
- the institutional sector<sup>17</sup> in which prevail is Culture, Sport and Leisure (63,4%, 140,39 in total, of which 40,6% are sport associations); the second is the sector of social and health care (8,7%).

**Tab.2 Italian Non Profit Organizations classified for institutional sectors**

<i>Institutional Sector</i>	<i>Number</i>	<i>Percentage</i>
Culture, sport and leisure	140.391	63,4
Education and research	11.652	5,3
Health	9.676	4,4
Social services	19.344	8,7
Environment	3.277	1,5
Economic development and social cohesion	4.338	2
Legal system, advocacy, politics	6.842	3,1
Philanthropic institutions, Charities, Volunteer promotion	1.246	0,6
International activities and cooperation	1.433	0,6
Religion	5.903	2,7
Commrcial and professional associations, Unions	15.651	7,1
Miscellaneous	1.660	0,7
<b>Total</b>	<b>221.412</b>	<b>100</b>

**Source:** Istat 2001

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resources dedicated to social policy in order to develop integrated strategies with the Third sector organizations. In this sense the problem was (and is) that the public management had no got a clear framework about needs expressed from these new forms of organizations that civil society carried out. Most of them (the public managers) confused social entrepreneurship as charitable actions or as hybrid entities between voluntary and for profit organizations in which they had not be able to place trust.

In this sense the issue of identifying a representative entity of the Third sector, which is able to bargain with the public sector, appears not jet solved.

<sup>15</sup> With this Act, for the first time the Italian legislator recognized “the role of the Third sector (Art. 5)” for entrusting social services.

<sup>16</sup> “Decreto Legislativo 155/2006-Disciplina dell’impresa sociale, a norma della Legge 118/2005”. This Act does not succeed in being clear and defines social enterprise “..all the private organizations which mainly and in a steady way make an economic activity to produce or trade services of social utility, and to realize aims of general interests..”.

<sup>17</sup> For more info about the institutional sectors of non profit organizations see the ICNPO-International Classification of Non Profit Organizations (www.jhu.edu)

As concerns the human resources, Istat (2001) says of 4million people (3million volunteers, 100,000 religious people; more than 500,000 payed personnel). The 80% of the Italian non profit organizations presents voluntary work force and for the 70% it is the only form of work force.

**Tab.3 Typologies of human resources in Italian Third sector**

<b>GEOGRAPHICAL DIVISION</b>	<b>employees</b>	<b>External employees</b>	<b>collaborators</b>	<b>volunteers</b>	<b>religious</b>	<b>Conscientious objectors</b>	<b>Total</b>
<b>Absolute data</b>							
North	274.220	9.217	44.325	1.952.579	36.117	10.983	2.327.441
Centre	156.976	6.101	25.138	688.467	38.011	10.794	903.487
South	100.730	2.228	10.477	602.139	21.920	6.011	743.505
<i>total Italy</i>	<i>531.926</i>	<i>17.546</i>	<i>79.940</i>	<i>3.221.185</i>	<i>96.048</i>	<i>27.788</i>	<i>3.974.433</i>
<b>Data in percentage</b>							
North	51,6	52,5	55,4	60,6	37,6	39,6	58,6
Centre	29,5	34,8	31,4	20,7	39,6	38,8	22,7
South	18,9	12,7	13,2	18,7	22,8	21,6	18,7

**Source:** Istat 2001

As regards financial resources around the 60% of the total turnover is based in the sectors of "Health" and "Social assistance and care"(38,8%) and "Culture, sport and leisure" (17,4%).

**Tab.4 Incomes and expenditures of Italian Third sector**

<b>INSTITUTIONAL SECTOR</b>	<b>Incomes</b>	<b>Expenditures</b>
	<i>Data in Percentage</i>	
Culture, sport and leiusure	17,4	17,09
Education and research	13,5	14,2
Health	18,8	19,7
Social services	20	20
Environment	0,5	0,5
Economic development and social cohesion	3,9	4,2
Legal system, advocacy, politics	2,7	2,9
Philanthropic institutions, Charities, Volunteer promotion	2,1	2
International activities and cooperation	1,1	1,2
Religion	2,2	2,3
Commrcial and professional associations, Unions	11,1	11,5
Miscellaneous	6,7	3,6
<b>Total absolute data (in million euro)</b>	<b>€ 37.760,00</b>	<b>€ 35.590,00</b>

**Source:** Istat 2001

In analysing these data it is interesting divide their source from public and private sectors. The main of the organizations is not “marked oriented”(64,1%) and are financed from funds from private sources (87,1%).

**Tab.5 Public and private funding of Italian Third sector**

GEOGRAPHICAL DIVISION	Public	Private	Tot. in mln.di €
	%		
North	12,8	87,2	58,4
Centre	12,5	87,5	24,2
South	13,2	86,8	31,6
<b>INSTITUTIONAL SECTOR</b>			
Culture, sport and leisure	9,7	90,3	72,5
Education and research	20,1	79,9	6,0
Health	39,9	60,1	5,0
Social services	26,4	73,6	10,0
Environment	25,8	74,2	1,7
Economic development and social cohesion	26,4	73,6	2,2
Legal system, advocacy, politics	6,4	93,6	3,5
Philanthropic institutions, Charities, Volunteer promotion	9	91,0	0,6
International activities and cooperation	12,4	87,6	0,7
Religion	2,8	97,2	3,0
Commercial and professional associations, Unions	2,9	97,1	8,1
Miscellaneous	14,3	85,7	0,9
<b>LEGAL FORMS</b>			
Recognized associations	16,7	83,3	31,7
Foundations	15,7	84,3	1,6
Non recognized associations	9,6	90,4	72,7
Committees	13,2	86,8	2,0
Social Cooperatives	58,8	41,2	2,4
Others	13,1	86,9	4,1

Source: Istat 2001

In order to analyse the different tipologies of incomes and expenditures we prefer to divide them in to two different sections as follows in table 6.

**Tab.6 Public and private funding of Italian Third sector. Typologies of resources**

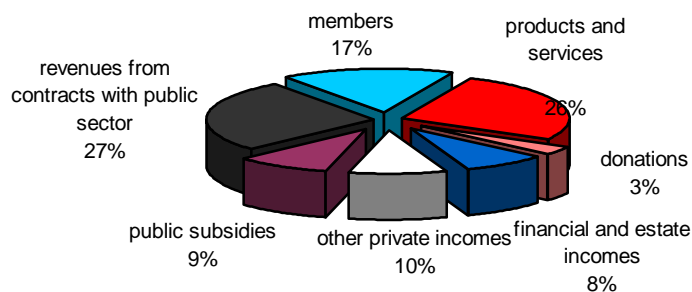
	PUBLIC SOURCE		PRIVATE SOURCE				
	%i		%i				
	Subsidies	Incomes from contracts	Member fees	Incomes from products and services	Donations	Financial and estate incomes	Other private incomes
<b>GEOGRAPHICAL DIVISION</b>							
North	7,3	26,8	14,3	27,6	3,1	10,2	10,7
Centre	8,8	24,0	20,3	27,3	4,0	7,1	8,5
South	12,3	37,6	17,4	20,0	2,5	2,5	7,8
<b>INSTITUTIONAL SECTOR</b>							
Culture, sport and leisure	17,8	6,7	24,3	26,9	2,4	7,2	14,7
Education and research	14,1	24,1	8,0	35,4	2,4	3,3	12,6
Health	1,3	69,2	4,2	16,9	2,2	1,5	4,6
Social services	5,7	36,6	8,3	29,6	4,5	7,6	7,6
Environment	16,2	25,1	27,8	15,2	4,3	3,9	7,6
Economic development and social cohesion	14,9	36,8	10,8	20,1	1,0	9,8	6,5
Legal system, advocacy, politics	20,0	6,8	36,8	13,5	4,9	3,7	14,3
Philanthropic institutions, Charities, Volunteer promotion	1,2	0,4	5,9	1,0	2,0	73,6	15,8
International activities and cooperation	14,1	20,4	6,1	7,7	35,2	3,4	14,0
Religion	6,9	5,5	8,8	12,1	24,4	20,7	21,6
Commercial and professional associations, Unions	5,3	3,9	61,8	18,7	0,1	2,2	8,0
Miscellaneous	0,6	3,3	1,9	61,4	0,3	26,9	5,6
<b>LEGAL FORMS</b>							
Recognized associations	11,0	24,9	18,3	27,6	4,6	6,2	7,4
Foundations	10,9	31,3	4,3	12,5	3,3	27,1	10,7
Non recognized associations	8,0	13,2	32,8	28,0	2,9	3,9	11,2
Committees	10,5	11,2	17,9	18,7	28,6	3,3	9,9
Social Cooperatives	2,6	59,3	1,9	30,1	0,9	0,3	4,9
Others	6,9	38,7	3,4	30,4	2,4	7,4	10,9

**Source:** Istat 2001

The total incomes and expenditures can be put in evidence in the Fig.1 and Fig.2.

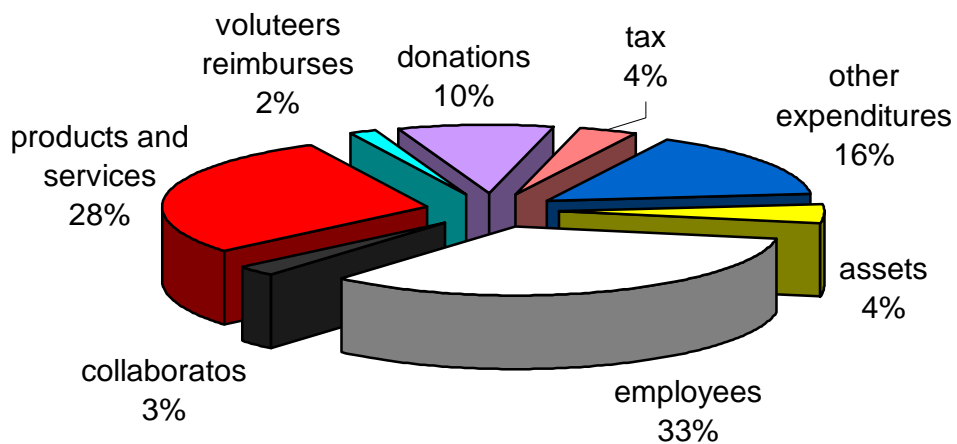


### Total Incomes



Fonte: Istat 2001

### Total Expenditures



Fonte: Istat 2001

## Government and Third Sector, innovative relationship models<sup>18</sup>

The capacity to consolidate and strengthen public governance, together with greater attention paid to the planning and implementation of original and innovative forms of cooperation between local governments and non profit sector, represent critical success factors for the development of social enterprise incubators in cities and local systems in Italy.

The non profit sector plays an increasingly important role in the Italian social and economic system at a national level and above all at the different local socio-economic areas and districts; in fact, its presence, which is quite strong in the centre-north, differs in various regions along with its operational capacity.

More recent estimates of the two types of non-profit organisations have highlighted other important issues:<sup>19</sup>

- the creation of “non profit groups”, which consist of a coordination centre, represented by a Foundation to which voluntary associations and social cooperatives are connected. There are increasingly experiences, mainly in the health and social sector, in which Municipalities and Local health authorities are partners in these groups; this is the model of mixed public-private Foundations;
- the activation of informal networks, which foster cooperation, collaboration strategies and actions among the various organisations involved; this is the case of non-governmental organisations, that operate in the international technical assistance and social cooperatives which have set up some consortia that offer mutual services (administrative, legal and contractual);
- the continuous and constant growth; in the period 2001-2003 voluntary associations increased by 14.3% (ISTAT, 2003) reaching a workforce of approximately 870,000 employees, of which 825,000 were voluntary.

Regional and local governments have therefore had to design or reconsider their previous policies, by developing innovative relationship models with the non profit sector.

As may be seen in the figure 3, three main types of relationship may be identified in the Italian public sector, profit enterprise sector and non profit organisation sector.

In the first group, which may be classified as business government relationship models, Public Administration carries out above all a watchdog function (regulation) with regard to enterprises, in sectors such as employment and labour market (flexible forms of employment) and protection of the environment.

Public Administration makes fiscal and financial incentives available for enterprises, either directly or through the development agencies that operate at a national, regional or local level; in recent years these incentives have been strengthened by the supply of services, such as training, export assistance, research and development, consulting and assistance (legal, accounting and commercial) and the system of technological and industrial parks, enterprise incubators etc.

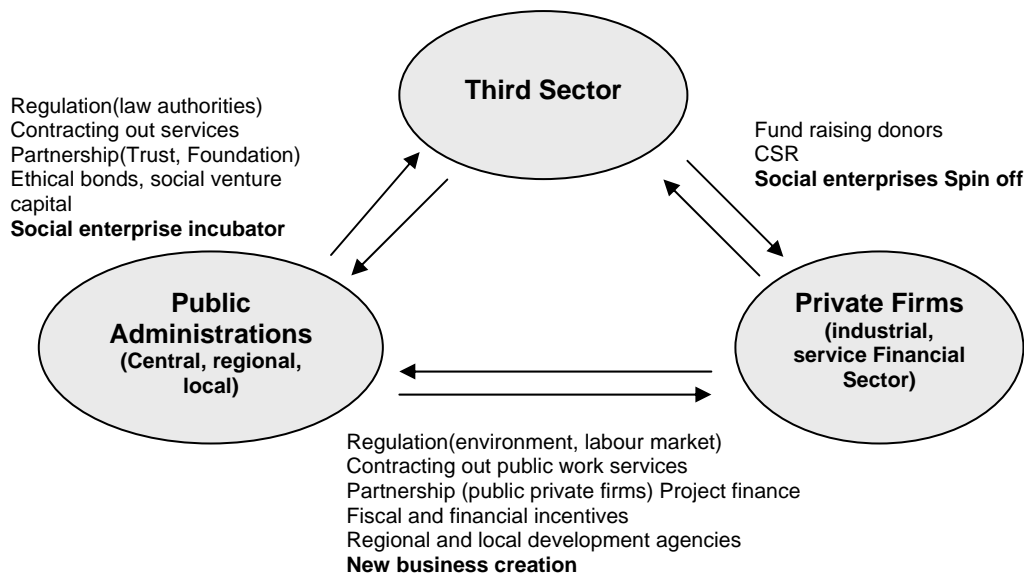
Finally, a third important relationship is connected to the role of Public Administration as the procurement centre for goods and services; this includes phenomena such as the contracting out of services by local health authorities and local authorities in general, global service and facility management and large public tenders (public infrastructures).

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<sup>18</sup> D. Carrera, M. Meneguzzo, A. Messina, *Social Enterprise Incubators: The Italian Experiences*, paper presented during the “Third Annual UK Social Enterprise Research Conference”, London South Bank University, England, 22-23 June 2006

<sup>19</sup> S. Zamagni (a cura di), *Il non profit italiano al bivio*, Milano 2002

**Fig. 3, Government, private sector and Third sector relationships**



New forms of private and public cooperation can be included in this framework; from the setting up of private-public enterprises at a local level (water, waste disposal, transport, electricity) to project finance.

The second group includes the relationships between profit enterprises and non profit organisations; the most important are the placing of financial resources and of employee work time by the private enterprises according to CSR (Corporate Social responsibility) logic. Less important is the phenomenon of the purchase of goods and services on behalf of non profit institutions, while, as from 2006, when new regulations on social enterprises were introduced, some enterprises, in collaboration with banks, are considering a spin-off for private profit and non-profit entities.

Finally, the third group implies third sector government relationships; the latter can be divided as follows:

- watchdog activity by the public sector through national laws (1997 law: fiscal facilitations for certain non profit organizations, the ONLUS; 2000 law: Third sector's institutionalization; 2006 law: social enterprise definition) and local and national regulatory authorities in the third sector;
- transfer of financial resources through direct contributions and public funds connected with the setting up and carrying out of projects;
- contracting out towards non profit organisations, in particular in the social sector as well as in the health sector and more recently in sectors such as culture, education and training, which leads towards the building up of stable relationships between clients and suppliers;
- partnerships with the Third sector through the creation of Foundations in sectors such as social assistance, sport and culture; for example there are approximately 400 Foundations at local level which run nursing homes in Lombardy or 17 health improvement enterprises (the so called società della salute<sup>20</sup>) set up in Tuscany for the management of the socio-medical services network.

Two relationship areas are becoming increasingly important.

The first, based on the project finance model, concerns cooperation methods between the public sector and the ethical finance. Some regions are interested in issuing ethical bonds, through

<sup>20</sup> [http://www.sanita.toscana.it/sst/societa\\_salute.shtml](http://www.sanita.toscana.it/sst/societa_salute.shtml)

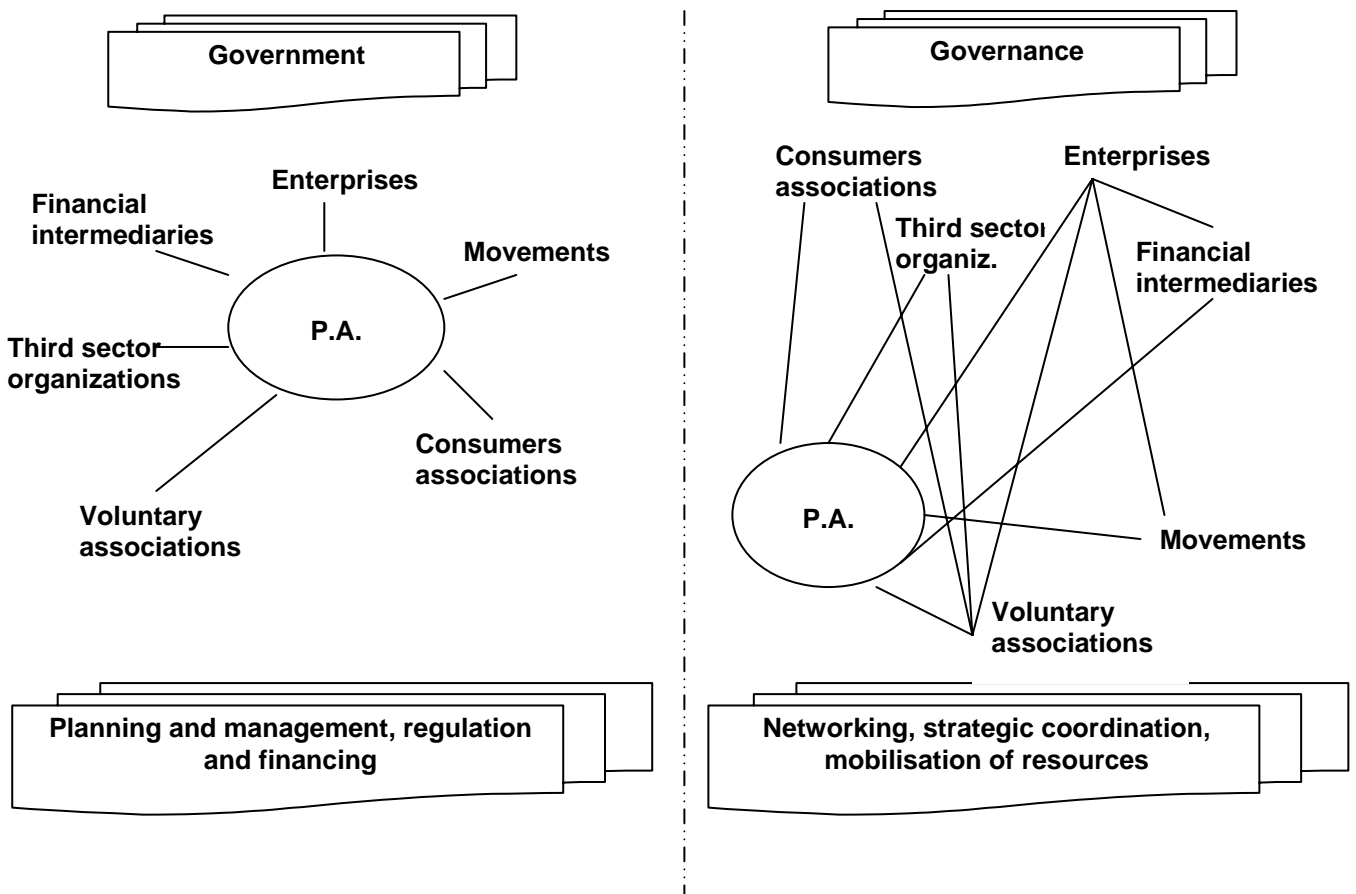
transactions promoted by Third sector, Municipalities, banks and financial intermediaries and ethical finance; these bonds will be aimed to the financing of investment costs and development in the social and cultural infrastructures. Ethical bonds may then be followed in the future by initiatives such as social venture capital funds, at both national and local levels.

The second area is represented by initiatives and policies for supporting social entrepreneurship, through which local Public Administration plans and activates the supply of services for non-profit organisations.

Planning, achievement and performances of a new Third sector government relationship model are all closely connected to the development of public governance in local government, which can then become leaders and promoters for the supply of services to the non-profit sector.

Like other public administration entities in Europe, Public Administration in Italy over the last 6/7 years has also faced the paradigm of public governance introduced as an alternative to paradigm of New Public Management. This paradigm envisages the activation of innovative methods for governance and the coordination of socio-economic systems based on the interaction between government and society and between the public and private sectors, on the basis of a different relationship between intervention that has been decided and managed at a political-administrative level and forms of self-organization at a social level, on decisional pluralism and on the clear distinction between the two concepts of governance and government.<sup>21</sup>

**Fig. 4, From government to governance**



<sup>21</sup> By governance we intend the structure that a social and political system takes on after the efforts and actions taken by various players present in it; in this configuration no player takes a relevant role but there are numerous interactions among them (OECD PUMA 2002, Kooiman 1993 2003, Rhodes 1997). Governance activity requires as a key function the ability to design and build formal and informal networks among the various stakeholders involved (Kickert, Klijn, Koppenjan 1997), the development of different kinds of partnership and private-public cooperation, as well as the mobilization of external financial resources, through project finance and fund raising for citizens and other institutional figures.

There are three important indicators in the consolidation of local public governance logic in Italy represented by:

- growing reliance on the out-sourcing of services and activities;
- inter-institutional cooperation and collaboration among local authorities;
- the setting up of national projects for the diffusion of public governance (see box n.1).

Many city councils are introducing new cooperation arrangements for public services management, in connection with the contracting out of activities to other public organisations, to the private sector and to the Third sector. The combined effect of contracting-out logic (the decentralization of services to private enterprises and non-profit organisations), contracting-in (the assigning of certain activities – local police, IT – to other public entities), together with the creation of enterprises and Foundations has led to the transformation of many Italian city councils into the strategic coordination centre of a network, consisting of enterprises, non profit organizations and other public organisations that manages, multiple inter-institutional relationships, within the framework of the development of the local economy.

Another significant example of local governance is represented by the experience of inter-municipal cooperation (association/merging of small towns). Association and inter-city cooperation are characterised by the presence of multi-polar governance logic, that is to say with the contemporary presence of various subjects that carry out strategic coordination roles. The first is represented by the regions; other significant subjects are the public agencies in the mountain areas (“Comunità Montane”), “inter-city consortia” (Consortia among Cities) and, more recently, the “local inter-institutional agreements” (“PIT-Piani Integrati territoriali”).

The starting up of the Governance project by the “Public Functions Department” (“Dipartimento della Funzione Pubblica”) in collaboration with Formez confirm the inclination towards forms of public governance in Italian Public Administration.

#### **Box n.1, The Governance Project**

The aims of the Public Functions Department/Formez Governance project include the selecting of methods, models and systems that make possible the consistent functioning of various public administration systems within the framework of internal, external and inter-institutional governance. Various initiatives have been promoted and financed, including monitoring of the changes in progress in Public Administration, by supplying technical assistance for the development of innovative systems for programming, management and checks.

Other initiatives are incentive for cooperation among public institutions, in order to ensure the feasibility and the success of policies and intervention programmes and Increase in the professional expertise and in-house tasks of Public Administration, through knowledge management and performance management.

([www.progettogovernance.it](http://www.progettogovernance.it))

As previously mentioned, the two dimensions (public governance and Third sector-Public Administration relationships) constitute a starting point for the definition of a model that analyses the various experiences of social enterprise incubators, promoted in Italy either directly by local governments or in partnerships among the various players present on the market.

#### **Integrated policies for a solidarity-based local development: the experience of Rome<sup>22</sup>**

A number of actions have been promoted by the Municipality of Rome to support and develop what the capital's city council calls it, the *other economy*, which is taken to mean the set of economic

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<sup>22</sup> D. Carrera, M. Meneguzzo, A. Messina, *Social Enterprise Incubators: The Italian Experiences*, 2006

sectors and operators situated somewhere between the Third sector and the sphere of the so called “responsible” enterprises.

The Third sector in turn is taken to mean the set of non profit organisations that pursue social utility and environmental aims. The term responsible enterprises refers to work performed by international institutions such as the United Nations<sup>23</sup> and the European Commission<sup>24</sup>.

The city of Rome has been managing about 75 millions euro during the last 7 years, devoted to the aim of promoting micro-firms - best if oriented to be social enterprises - in the peripheral areas of town, the most disadvantaged. Thus the programme of activities outlined a “periphery belt” where the city council can intervene with global actions or select specific portions thereof, therefore being able to calibrate planned actions and steer measures towards those areas in which other social, environmental and town planning actions have been undertaken. Of the mentioned amount of funds, 39% has been allocated to business services activities, with the remainder going in the form of subsidies. So far, more than 4,000 projects (business ideas and business-plans) were proposed, about 850 were selected, 420 concluded their investment programme. Successful enterprises have received funding of approximately 46 millions euro, designed to create 3,400 new jobs<sup>25</sup>, with an expected average of more than 4.5 new jobs per financed enterprise.<sup>26</sup>

A complex system of actions has thus been created for implementing this programme. Promoting local development, especially when focusing on micro-social enterprises, is not simply a question of granting subsidies to enterprises, but also of constructing a network of relations and information that can help with the growth of the social and economic environment. The granting of contributions is only one well-supported part of an intense network of services and activities having the aim of interacting and working in a unified manner.

### *Enterprise incubators*

There are five main projects:

- Incipit: a traditional incubator has operated in Corviale, a well-known area of Rome’s suburbs, for almost three years, housing 10 enterprises operating in different economic sectors, with 15 associate enterprises. Now the “second generation” of firms has just started the incubation phase, with an interesting combination of specialization on two branches: ICT based on web applications (4 firms just entered are running businesses in this branch); handwork on wood, textile, jewellery (6 firms). Incipit is a quality structure in functional and architectural terms, which still has to fully develop its potential in the territory. It is necessary to enhance links with other vital nodes in the zone (municipal library, vocational training centre, territorial workshop) and with the rest of the city (universities, chamber of commerce, training colleges, schools, etc.).
- Start: located inside the film studios named Cinecittà, the only one of its kind in Europe, this incubator is vocational, i.e. housing only high-tech companies operating in the audio-video and multimedia production sector. Considerable support is given to enterprises operating in a highly competitive niche sector that requires constant growth in terms of quality offered. It houses 8 enterprises, with 10 associate enterprises. Like Incipit, in Corviale, Start is currently hosting the second generation of firms. The the first one registered some excellence cases, especially in the field of animation.
- InVerso: covering 1,000 square metres, this incubator totally devoted to typical social enterprises, is currently housing 15 enterprises: cooperatives, social cooperatives and other entrepreneurial forms providing they operate in the non profit sector.
- Play: another vocational incubator, dedicated exclusively to enterprises producing cultural and recreational events (theatre, cinema, dance, music, etc.). It houses 8 enterprises and has 10

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23 Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights. UN document e/cn.4/sub.2/2003/12/rev. 2 (2003).

24 European Commission, Green book on Corporate Social Responsibility (2001).

25 This result, whether fully realized, would reduce - ceteris paribus - by 0,30% the unemployment rate in the city, which would move from 7,2% to 6,9%.

26 Messina A., (2004), Politiche di sostegno alle imprese e sviluppo locale. Il caso Roma, in Cobelli (2004)

associate enterprises. It started in September 2005, since we are observing the first generation of firms in this case too.

- Floss: just launched, this is a vocational incubator dedicated to the promotion of ICT firms which want to develop Free-Libre-Open-Source-Softwares. Two are the pillars of the project: (i) sustaining the local supply of free software in Rome, (ii) creating a network of operators representing an excellence centre and able to support the progressive translation of the Municipality towards open source applications.

### *Service centres*

Two such centres have been created to provide technical assistance, guidance, training and tutoring to enterprises and entrepreneurs (both existing and aspiring) that wish to have access to incentives.

An operative office has been opened at the Caritas centre in via delle Zoccolette in Rome, a well-known point of reference for foreigners, with the specific aim of encouraging the enterprise and entrepreneurship of immigrants.

### *The intervention for migrants: an assessment of the impact*

	Presented projects	from migrants	%	Selected projects	from migrants	%
Before the measure	3847	25	0,65%	782	8	1,02%
On the measure (Call reserved to migrants)	186	186	100,00%	30	30	100,00%
After the measure	82	18	21,95%	42	2	4,76%
Total	4115	229	5,57%	854	40	4,68%

### *Guarantee funds*

Access to credit is crucial for starting-up micro-firms. This emerges as the first default-factor according to our data. Thus, the necessity to find financial partners, based at local level and "social" sensitive, with which guarantee funds have been constituted.

The first fund (totalling 500,000 euro, with a multiplier of 15) was created four years ago with Banca di Credito Cooperativo di Roma. The aim of the fund is to guarantee access to funding for those enterprises which, receiving subsidies that never exceed 50% of the forecast investment, require a loan to complete the initiative. It also serves to advance contributions paid into management accounts, guaranteeing liquidity for under-capitalised enterprises.

At the end of 2004 another fund was opened at Banca Popolare Etica, the first and only Italian bank inspired to ethical finance principles ([www.bancaetica.com](http://www.bancaetica.com); Messina 2005b). In this case the fund amounts to 250,000 Euro, again with a multiplier of 15. The aim of this fund is to create a financial instrument specifically dedicated to social enterprises, cooperatives and in general all enterprises that – thanks to other measures adopted – operate along the lines of a responsible enterprise. Guarantees provided concern also short-term needs, such as anticipating bills payments, and - another crucial factor for starting-ups micro-firms - patronage letters for renting either offices or commercial spaces.

### *Towards the definition of a responsible economic territory*

One of the clearest choices made by Rome's city council is that of the use of facilities and incentives to steer the practices of the city's enterprises towards virtuous actions.

This aim, which is anything but straightforward, is pursued through a set of actions that vary by type and level of impact:

- preferential requirements for access to facilities;
- service, information and training structures;

citizen awareness campaigns;

launch of specific projects capable of having a bearing on productive, economic and financial processes.

With regard to the first point, two clauses were added to the call for business proposals. The first clause refers to the placement of the enterprise either in the “organic food” or in the “fair-trade” sectors. The second refers to the enterprise’s commitment to evaluating, in various ways, the social and environmental impact of its activity, performed in collaboration with all stakeholder categories.

With reference to placement in the “organic food/fair-trade” sectors, table A shows the main results.

As can be seen, the impact of the clause was not insignificant, managing to shift the average towards 15% of enterprises funded as a result of having preferential characteristics<sup>27</sup>.

**Table A, Businesses in the “organic food/fair-trade” sectors**

	Out of all Bids received	Out of funded enterprises
Number of enterprises	12%	16%
Investments proposed	16%	13%
Subsidies requested	15%	18%
Planned rise in job numbers	12%	11%

The second clause regards the higher score given in selection criteria for enterprises that «undertake to introduce forms of certification or evaluation of the social and environmental impact of their activity (“Social Report”), partly through the direct participation of stakeholders (workers, shareholders, customers, suppliers, public bodies etc.)». This of course is a commitment that will be checked over time (in the same way as planned increases in employee numbers). The enterprise must not only indicate a general commitment in order to obtain the additional points, it must also identify the procedures it intends to adopt (training courses, creation of evaluation panels, selection of indicators etc.) for the proposal to be credible and evaluated in a positive light. It should be noted here that the approach taken is not that of rewarding the consultants and companies of “ethical” certification (e.g. SA8000), but rather that of encouraging simple “daily” practices which, for small enterprises in particular, appear to be the only way of ensuring responsible conduct<sup>28</sup>.

The results obtained have been as follows:

**Table B, Businesses’ commitment to drafting a form of social and environmental report**

	Out of all Bids received	Out of funded enterprises
Number of enterprises	19%	35%
Investments proposed	23%	26%
Subsidies requested	21%	36%
Planned rise in job numbers	21%	33%

As it is evident, a high percentage is reached (35%). This means there is a growing number of micro-enterprises in Rome that are beginning to enter the culture of corporate responsibility and need relative management tools. Thus, in order to reinforce and support such an incentive over

<sup>27</sup> It’s relevant the difference between a behaviour-oriented policy and a sector-oriented one. The choice of the Municipality of Rome was promoting transversal “good” practices, without relevance on the activity economic sector in which they are developed.

<sup>28</sup> It’s a long time experience carried on by Italian cooperatives, strongly regenerated in the last decade inside the third sector. Their practices demonstrate indeed how much social accountability does not depend on huge budgets on marketing items, which are just for big trans-nationals corporations. Viviani (1999), Messina (2003 and 2005a).



time, it was decided to create an instrument that might help enterprises along this new path of socio-environmental “responsibility taking”. Clearly, if one wishes to foster cultural growth among entrepreneurs (and not only) they should be provided with all appropriate training activities, guidance on methodologies and up-to-date, shareable information.

In the second half of 2005 the first Centre for Ethical and Responsible Business (RespEt, [www.respet.org](http://www.respet.org)) was opened with the task of encouraging Rome's productive operators to adopt socially responsible attitudes. Furthermore, an ad hoc Memorandum of Understanding has been signed with the Chamber of Commerce of Rome to jointly pursue the goal of informing and training city's enterprises.

### *Participation at the centre of “another economy” project*

In this sense, the greater innovation is in the set of activities developed together with civil society organizations in order to spur the alternative non profit economy. The Municipality of Rome constantly consults these operators (mostly of which still active on a voluntary basis) through the “Committee for another economy”, a meeting place where the city administration can draw up plans with associations, group and enterprises committed to defining new forms of economy. This is one of the many aspects of the multi-stakeholder and participatory approach that needs to be followed to pursue long-term local development policies (Scott, 2001).

The work of the Committee for the other economy, begun in 2001, is producing some of the most interesting results, and has led to a series of complex and integrated projects.

The most interesting of these is undoubtedly the “City of another economy”, a permanent centre which – being both a service centre and a business incubator – will be situated inside Rome's former slaughterhouse and, covering a surface area of 3,500 squared metres, will play a fundamental role in promoting, sharing and consolidating experiences of the city's alternative economy. The City of another economy will thus be a driving force for responsible enterprise experiences in Rome (and perhaps elsewhere). Here enterprises – and customers/citizens – can meet, exchange experiences, meet members of the community and producers (from the south of the world and the outskirts of the city), test new products of fair-trade, ethical finance or open-source software sectors.

For the first three years of its life, the City and the enterprises it will house will be assisted by a service offering training, tutoring and technical assistance, but the idea is for the centre to then gain full economic and financial autonomy.

In terms of management, studies are ongoing to make the project innovative and consistent with its aims from an administrative viewpoint too. The legal solution found out in order to continue to guarantee the participatory and cooperative aspects of the project, as in the preliminary planning phase, it is the constitution of a consortium open to all operators which work on the solidarity based economy, to whom the opportunity to participate in the project will be offered, on mutual, non profit and reciprocity basis.

From an architectural viewpoint too «the project has “invented” a new space by making use of existing canopies and shelters and, inasmuch as allowed by the particular nature of the existing structure, has taken on “sustainable” status, i.e. an architecture alert to environmental questions, making use in particular of technological innovation, using ecological and recycled materials and using passive and photovoltaic systems»<sup>29</sup>. There is thus a very high degree of experimentation and logical coherence, from economic, financial and administrative management to the architectural project and the participatory management model.

The City of another economy is thus a prime candidate for being the centre, both in a geographic and symbolic term, of a complex cultural operation to be proposed to Rome's small businesses, at least the ones of them accepting the challenge of innovation and of a sustainable relationship with the city.

This project, a one-of-a-kind experience in Europe, may also be a key to the development of a District of another economy, i.e. an intense network of exchanges and relations – economic, financial, cultural and social – which, ranging from e-commerce to buyer groups, can develop the

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29 Act of the Municipality of Rome, n. 55, 5 august 2004.

city's new form of entrepreneurship on the basis of a coherent approach to the upgrading of the territory.

The general features of the district project were approved on a preliminary basis by the city council in the latest plan of actions (resolution 89 of 23 February 2005), which set forth the following goals:

- to foster economic and cultural exchanges within the network of alternative economy operators;
- to strengthen members potentials, through common promotional initiatives;
- to foster its development through shared management and service tools;
- to spur the birth of new experiences in the field of alternative economy.

These features clearly show how much we are speaking of a network model more than of a district in a geographic sense. Actually, the network can be considered the main axe of the project for a solidarity based economy the Municipality of Rome is carrying on.

At the end of 2006 the European Commission, DG Enterprise, assigned to *Autopromozione sociale*, the unit of the City of Rome in charge of the programme, for the activities 2004-2006, the European Enterprise Award for Responsible Entrepreneurship, selecting the project among 400 candidates from 28 European countries.

## Conclusions

The organisational forms in which solidarity-based economy characterises depend on national legal frameworks and historical backgrounds.

In Italy, the process of migration from a philanthropic stage, in which the unexpressed and non protected needs were in part satisfied by privates or religious informal organizations, seems to be definitively passed. Most of all these movements have maintained their original values and missions but, at the same time, they have innovated their ways of providing services, becoming formal and recognized organization with a specialized staff, effectiveness orientation, financial sustainability and a declared market orientation with a precise (alternative) way of managing the (social) enterprise in order to contribute to the social change of their territory.

Regional and local governments have therefore designed and reconsidered their previous policies, by developing innovative relationship models with the non profit sector whose organisations mainly operate at local level, as they are rooted in local communities, relying on and contributing to the development of formal and informal networks of people, knowledge and resources.

Relationships between Third sector and public administration have already become practices.

Finally, public "input" appears fundamental for all the initiatives that, in other ways, would have never existed.

Local development is strongly tied to the creation of new jobs and activities, and to new institutional designs. Methods traditionally adopted have not given satisfactory results and policy to support the social entrepreneurship probably cannot replace them but they can act as a complement. In This sense, the initiatives run by the City of Rome appear a good starting point, able to connect diverse stakeholders and builders of a solidarity-based economy that, through social enterprise, can influence economic and cultural relationships and characterize new policies and strategies of local development.

Informal networks can start this process that, to a synergic action - in which social enterprise can dialogue with the several actors of local development in a multi-stakeholders approach - seems to prefer an institutional dynamic and a "dual" relationship in which local government and social enterprise never divide.

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