



PUBLIC POLICIES FOR SOCIAL AND SOLIDARITY ECONOMY

ASSESSING PROGRESS
IN SEVEN COUNTRIES



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Preface

The International Labour Organization (ILO) boasts a long tradition and experience in the social and solidarity economy. In fact, the ILO's Cooperatives Unit was established in 1920, one year after the ILO's creation, and the first official document to make direct reference to enterprises in the social economy dates back to the year 1922. The ILO's commitment to advancing the social and solidarity economy is based on its Constitution and the ILO Declaration on Social Justice for Fair Globalization [adopted by the ILC in 2008], which states that, in a globalized world, “productive, profitable and sustainable enterprises, **together with a strong social economy** and a viable public sector, are critical to sustainable economic development and employment opportunities”.

The social and solidarity economy is an umbrella concept designating **social and solidarity economy enterprises and organizations** (SSEOs), in particular cooperatives, mutual benefit societies, associations, foundations, non-profits and social enterprises, which have the specific feature of **producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity** (ILO 2009).

Through its principles, values and practices related to participation, democracy, solidarity, and its social – and often environmental – aims, the social economy has proven to be resilient to economic crises. In times of rising inequalities, environmental degradation and overall economic turbulence, the social economy provides civil society with the means to fulfil its needs. Indeed, the social economy provides goods and services in tune with the reality, culture and needs of the community it serves.

The social and solidarity economy continues to grow in many countries, and its recognition as a complementary and/or alternative development paradigm continues to increase. In the context of the 2030 Agenda for Sustainable Development, the social and solidarity economy cuts across several, if not all 17 Sustainable Development Goals (SDGs), and is increasingly deemed to be an approach to bringing the global goals down to the local level. Indeed, localizing the SDGs is key to their successful implementation and to the attainment of the SDGs within their ambitious 2030 deadline. In order to truly localize them, it is necessary to gather information and look closely at the diverse and unique set of social and solidarity economy environments that exist around the world.

In this regard, the ILO has published several case studies on public policies for the social and solidarity economy. A large range of countries in Europe, Asia and South America have been studied. Overall, these case studies aim to describe and explain the general context and evolution of the process undertaken by different countries to reach a favourable political framework, from both a historical and institutional point of view.

This particular study is a **comparative analysis of seven ILO case studies**. In the first part, an overview of the public policies for social and solidarity economy in Brazil, Costa Rica, Nicaragua, the Philippines, South Africa, the Republic of Korea and Italy is presented. The second part offers a comparative perspective of public policy for social and solidarity economy in terms of key instruments,

achievements and limitations. Different pathways are identified and four specific challenges related to state capacity, policy coherence, participation and sustainability are examined.

Undertaking the comparison of these case studies poses a challenge, to say the least. Different continents, different countries, different actors, each facing different issues, make it difficult to compare them. However, comparing and contrasting the different realities allows for a more global picture of social and solidarity economy (SSE) public policy, thus providing insight and tools for local action. This comparative analysis underlines once more the many different ways of organizing the SSE across the globe. Cooperatives, mutual benefit societies, associations, foundations, non-profits, and social enterprises vary considerably, in type and in nature, from one country to another. The end purpose of this work is to offer a more complete and in-depth understanding of the global scenario for the social and solidarity economy, to share experiences, best practices, challenges and examples of support for the sector, and highlight the role of the SSE in the creation of decent work, and more inclusive and sustainable development.

We would like to take this opportunity to thank the authors of each case study featured for their work in researching and compiling data for their country, and particularly the author of this comparative analysis, Peter Utting, who took on the challenge of comparing these very different case studies in SSE public policy. This document is published in the hope of offering a more global perspective on how the social and solidarity economy is indeed a viable new model of production and consumption.

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Executive summary

In their quest to tackle problems of unemployment, social exclusion and social service provisioning, policy-makers are recognizing the role that can be played by organizations and enterprises that make up the social and solidarity economy (SSE). Governments and parliaments in an increasing number of countries are adopting measures aimed at enabling SSE. Since 2015, the International Labour Organization (ILO) has commissioned a series of case studies to identify the key measures applied, assess progress and examine the challenges involved in crafting an enabling policy environment for SSE. Drawing on these ILO studies and other research and documentation, this paper examines the nature of policy and institutional innovations and reforms in seven countries: Brazil, Costa Rica, Nicaragua, the Philippines, South Africa, the Republic of Korea and Italy.

Part 1 of this paper focuses on the different instruments of state regulation and support, including laws, specific policies, national development programmes and government institutions. In all seven countries we can observe not only the enactment of multiple laws governing particular sectors of SSE but also the adaptation of law to recognize and support emerging sectors, notably forms of social enterprise that differ from both cooperatives that cater to their members' interests and from non-profit organizations that have a charitable orientation and are donor-dependent. An emerging trend has seen the enactment or drafting of framework laws related to SSE as a whole or to broad-based conceptions of social enterprise, beyond specific SSE sectors, as in the case of Brazil, Costa Rica, the Philippines and the Republic of Korea.

Another development involves the creation or strengthening of government institutions that both regulate and support SSE. Their institutional status, however, can vary considerably, ranging from ministries (Nicaragua) and vice-ministries (Costa Rica), through national secretariats (Brazil), to more fragmented institutional arrangements whereby different ministries or departments assume different responsibilities for SSE (Philippines, South Africa, the Republic of Korea, Italy). In several countries, the trajectory of institutionalization involves the emergence of ministries or agencies that merge multiple initiatives linked to the regulation and promotion of SSE.

In relation to government policies and programmes, noticeable trends relate to i) a broader range of policy supports, ii) efforts to improve policy coordination, and iii) a shift from a sectoral approach targeting one or a few particular types of SSE actors to a more holistic approach that recognizes the concept and role of the SSE in national development plans and programmes. Key policy interventions directly linked to SSE include services and resources associated with financing, preferential procurement, training, marketing and research & development (R&D). In several countries we see an attempt to articulate SSE with social policy.

Part 2 assesses progress and the challenges confronting policy design and implementation. This analysis centres on four sets of variables which include: i) state capacity to effectively design and

implement laws and policies, ii) the degree of policy coherence, understood in terms of whether different government policies are working for or against SSE, iii) participation, that is, the extent to which SSE actors, intermediary organizations, networks and social movements effectively influence and shape policy through diverse forms of contestation, advocacy, dialogue, bargaining and “co-construction”, and iv) the sustainability or durability of policy and institutionalization in contexts where political parties and leaders that have been supportive of SSE leave office or where fiscal and other resources used to support SSE suddenly decline. While the seven countries share certain commonalities in terms of significant political will and legal, policy and institutional instruments to promote SSE or aspects thereof, interpretations of SSE and the nature of governance and implementation vary considerably. Indeed, a tentative ranking of countries according to the variables reveals that no two countries are positioned similarly in relation to all four.

A concluding section reflects on the implications of this analysis for future research on public policy for SSE. Given the often wide gap between policy objectives and implementation, it cautions against i) the tendency to romanticize the role of the state as an enabler of SSE, ii) adopting a myopic approach that over-emphasizes particular policy instruments, such as legislation, or focuses narrowly on policy objectives as opposed to actual implementation, iii) assuming that policies and reforms that work in a particular country context can be easily replicated elsewhere, iv) adopting “technocratic” interpretations of concepts related to SSE itself or the above variables, v) ignoring issues of policy coherence and sustainability, and vi) instrumentalizing SSE to achieve a narrow set of development objectives.

Despite these cautionary notes, the above review of public policy for SSE points to the fact that an increasing number of governments around the world are recognizing that development policy and strategy need to change. Periods of economic and financial crisis have placed in sharp relief the pitfalls and contradictions of processes of economic liberalization that marginalize social development and polarize societies. SSE provides an arena that marries the economic, social, environmental and democratic dimensions of development in a way that is potentially conducive to the agenda that world leaders signed up to in 2013 with the Sustainable Development Goals. Whether that potential is realized depends to a large extent on how policy-makers interpret SSE, design and implement policies, and situate SSE in the broader process of structural change.

Acronyms

ADC	Asociación de Desarrollo de la Comunidad (Community Development Association)
ALBA	Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of Our America)
ATTBP	Asamblea de Trabajadores y Trabajadoras del Banco Popular (National Assembly of Workers of the Popular Bank)
BBBEE	Broad-Based Black Economic Empowerment
BMBE	Barangay Micro Business Enterprise
BPDC	Banco Popular y de Desarrollo Comunal (Popular and Communal Development Bank)
CANAESS	Cámara Nacional de Economía Social Solidaria (National Chamber of Social Solidarity Economy)
CARUNA	Caja Rural Nacional (National Rural Savings and Loan Cooperative)
CENECOOP	Centro de Estudios y Capacitación Cooperativa (Center for Cooperative Studies and Training)
CNPq	Conselho Nacional de Desenvolvimento Científico e Tecnológico (National Council for Scientific and Technological Development)
CONACOOOP	Consejo Nacional de Cooperativas (National Council of Cooperatives)
CONADECO	Confederación Nacional de Asociaciones de Desarrollo Comunal (National Confederation of Community Development Associations)
CTPC	Confederación de Trabajadores por Cuenta Propia (Confederation of Own-Account Workers)
DINADECO	Dirección Nacional de Desarrollo de la Comunidad (National Directorate for Community Development)
DR-CAFTA	Tratado de Libre Comercio entre Centroamérica, Estados Unidos y República Dominicana (Dominican Republic–Central America Free Trade Agreement)
DSBD	Department for Small Business Development
DSWD	Department of Social Welfare and Development
DTI	Department for Trade and Industry
EC	European Commission
EDD	Economic Development Department
EU	European Union
FBES	Foro Brasileño de Economía Solidaria (Brazilian Solidarity Economy Forum)
FSLN	Frente Sandinista de Liberación Nacional (Sandinista National Liberation Front)
GEAR	Growth, Employment and Redistribution Plan
ILO	International Labour Organization

INFOCOOP	Instituto Nacional de Fomento Cooperativo (National Institute for the Promotion of Cooperatives) (Costa Rica); Instituto Nicaragüense de Fomento Cooperativo (Nicaraguan Institute for the Promotion of Cooperatives) (Nicaragua)
Invitalia	Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA (National Agency for inward investment and enterprise development)
KoSEA	Korea Social Enterprise Promotion Agency
MAGCAISA	Magna Carta for the Informal Sector Alliance
MEFCCA	Ministerio de Economía Familiar, Comunitaria, Cooperativa y Asociativa (Ministry of Family, Community, Cooperative and Associative Economy)
MSME	Micro, small and medium enterprises
MTSS	Ministerio de Empleo y Seguridad Social (Ministry of Employment and Social Security)
NACF	National Agricultural Cooperative Federation
NBLSA	National Basic Livelihood Security Act
NEDA	National Economic Development Authority
NGO	Non-governmental organization
NPO	Non-profit organization
NSWMC	National Solid Waste Management Commission
OECD	Organization for Economic Co-operation and Development
OECD LEED	OECD Local Economic and Employment Development programme
PAC	Partido de Acción Ciudadana (Citizens' Action Party)
PECOSOL	Plataforma Centroamericana de Economía Solidaria (Central American Solidarity Economy Platform)
PO	People's Organization
PT	Partido dos Trabalhadores (Workers' Party)
RA	Republic Act
RedESS	Red de Economía Social Solidaria (Social Solidarity Economy Network)
SAL	Sociedad Anónima Laboral (Worker-owned Limited Company)
SENAES	Secretaría Nacional de Economía Solidaria (National Secretariat for Solidarity Economy)
SIES	Sistema Nacional de Informações em Economia Solidária (National Solidarity Economy Information System)
SME	Small and medium-sized enterprise
SSE	Social and Solidarity Economy
UNRISD	United Nations Research Institute for Social Development

Introduction

The growing interest of policy-makers in the concept and practices of social and solidarity economy (SSE) has generated an expanding body of information and analysis on how governments might enable this approach to social well-being and economic development (see Box 1). Since the turn of the millennium, an increasing number have adopted laws to regulate and promote SSE, have targeted SSE through policies and programmes, have inserted SSE into national development plans, and have created or strengthened institutions that deal specifically with SSE. Such instruments relate to specific sectors of SSE, such as cooperatives, mutual benefit societies, non-profit organizations, self-help groups and social enterprises, as well as generally accepted SSE principles related to equity, basic needs provisioning, social inclusion, democratic governance and redistributive, social and environmental justice. In some cases, attention has focused on emergent sectors within SSE, such as new forms of social cooperatives and social enterprises. In others, it is the broader ensemble of “social”, “solidarity” or “social and solidarity” economy that is the object of interest.¹

Defining SSE

SSE refers to the production and exchange of goods and services by a broad range of organizations and enterprises that pursue explicit social and/or environmental objectives. Guided by the principles and practices of cooperation, solidarity, ethics and democratic self-management, they typically include cooperatives, mutual benefit societies, associations, foundations, social enterprises, self-help groups, community-based savings and loan schemes, complementary currency schemes, alternative food and fair trade networks, associations of informal economy workers and NGOs transitioning from donor dependency to earned income. SSE is fundamentally about crafting a form of economy that is centred on social protection, equity and equality. Part of a rapidly growing worldwide movement, SSE organizations and enterprises attempt to reassert social control over the economy by prioritizing social objectives above profit maximization, recognizing the role of collective action and active citizenship for both economic and political empowerment of disadvantaged groups in society, and reintroducing notions of ethics, sharing, equity and democracy in economic activities (Utting 2015, cited in UNTFSSSE 2014).

¹ Governments of the seven countries reviewed in this paper employ different umbrella terms to refer to the variety of organizations that make up SSE: “social economy” in South Africa and the Republic of Korea and, to a lesser extent, in Italy, “solidarity economy” in Brazil, “social solidarity economy” in Costa Rica. In Nicaragua and the Philippines no one term has yet been widely accepted although “popular and social economy” is gaining currency in Nicaragua, as is an encompassing definition of social enterprise in the Philippines.

During 2015 and 2016, the ILO Social and Solidarity Economy Academy commissioned a set of country reports to identify and assess different aspects of public policy that aimed to enable SSE. The countries included Brazil, Costa Rica, Nicaragua, the Philippines, South Africa and the Republic of Korea. Another study examined developments associated with social enterprise in Europe. This paper distils the main findings from each of the six countries in Latin America, Asia and Africa and one of the European countries, namely Italy, where public policy support for social enterprises is particularly extensive and institutionalized. It also draws on other documentation related to the countries in question. Important in this regard is the work of the European Commission and the OECD Local Economic and Employment Development (LEED) programme on social enterprise in Europe and the Republic of Korea, research conducted under the International Comparative Social Enterprise Models (ICSEM) project, as well as other academic papers and Internet-based government and civil society information on all seven countries.

In keeping with the focus of the original case studies, attention in this paper centres on the role of the state in regulating and supporting SSE. This is not to imply that public policy is necessarily the key for SSE development. While the state can play a role in enabling SSE, the relationship is also fraught with complexities, tensions and contradictions, which are analysed in some depth below. Furthermore, relations and alliances with other sectors associated with civil society, labour and other social movements, and private enterprise also play an important role. What is key for the development of SSE is the nature of the multi-actor, multi-institutional ecosystem in which SSE is immersed. Public policy and the role of the state is but one part of this ecosystem. It is, however, one that is becoming more significant as an increasing number of political parties, governments, local authorities, parliaments and intergovernmental organizations turn their attention to SSE.

Part 1 of this paper focuses on the different instruments of state regulation and support, including laws, specific policies, national development programmes and government institutions. Part 2 provides a comparative perspective to assess progress and the challenges confronting policy design and implementation. While the seven countries share certain commonalities in terms of significant political will and legal, policy and institutional instruments to promote SSE or aspects thereof, interpretations of SSE and the nature of governance and implementation vary considerably. This, of course, is to be expected for a set of countries that vary significantly in terms of levels of development and state–market–civil society relations. It is useful, however, to assess the quality of public policy for SSE by examining and contrasting four sets of variables. Quality in this context is understood not only in terms of whether state intervention enables SSE to scale up but also whether the process of scaling up can occur in ways that prevent SSE from deviating from core principles and practices.² The four variables include i) state capacity to effectively design and implement laws and policies, ii) the degree of policy coherence, understood in terms of whether different government policies are working for or against SSE, iii) participation, that is, the extent to which SSE actors, intermediary organizations, networks and social movements effectively influence and shape policy through diverse forms of contestation, advocacy, dialogue, bargaining and co-construction, and iv) the sustainability or durability of policy and institutionalization in contexts where political parties and leaders that have been supportive of SSE leave office or where fiscal and other resources used to support SSE suddenly decline. A concluding section reflects on the implications of this analysis for future research on public policy for SSE.

² The theory and practice of scaling up is the focus of Utting, 2015.

Part 1.

Public policy for SSE in seven countries

The countries included in this study reflect a broad diversity of policy regimes and levels of development. While Italy and the Republic of Korea are high-income countries, Nicaragua and the Philippines are among the poorest in their respective regions. The nature of the state also varies considerably, with interventionist features of “developmental” or “welfare” states apparent in Italy, the Republic of Korea, Brazil, Costa Rica and Nicaragua. Some countries, notably Costa Rica and Italy, are established democracies; others (Brazil, Nicaragua, the Philippines, South Africa and the Republic of Korea) only embarked on democratic transitions in recent decades. Where democratization coincided with radical regime change (Nicaragua, Philippines and South Africa) there was a rapid expansion of certain sectors of SSE. We also see very different forms of participation of SSE actors and social movements in the policy process. Participation is particularly proactive in Brazil and Italy; less so in South Africa and the Republic of Korea; and manifests somewhat contradictory features Costa Rica, Nicaragua and the Philippines.

The composition – indeed, the conceptualization – of SSE also varies significantly. In the Philippines and South Africa, for example, the traditional not-for-profit sector is a key actor. In Brazil this sector is extremely large but not a central focus of policy support for SSE. In Brazil, Costa Rica, the Republic of Korea and Italy the cooperative sector has a long history, although major variations existed in the degree of autonomy of the sector from state interests.

In Nicaragua, the Philippines and South Africa, the sector’s growth has more recent origins.

A significant development in several countries involves the rise of the social enterprise sector. This sector comprises entities that i) produce goods and services to fulfil unmet needs deemed to be in the general or public interest, ii) have governance and profit distribution arrangements that aim to secure this social objective, but iii) are organized along more conventional business lines (EC 2014, 2015; Defourny and Nyssens, 2016). Such developments have been particularly evident in the Philippines, South Africa, the Republic of Korea and Italy but less so in the Latin American countries of Brazil, Costa Rica and Nicaragua. In Brazil there is considerable push back against the term “social enterprise”, which is often associated with “social business” or “corporate social responsibility” rather than more transformative notions of SSE. In the Philippines and Italy (and Europe more generally) “social enterprise” is emerging as the term of choice to describe multiple forms of SSE organization.

What all these countries have in common is that, during recent decades, governments and parliaments have been relatively proactive in designing and implementing laws and policies aimed at supporting and regulating SSE or specific sectors thereof. This section identifies key interventions and instruments related to law, government policies, development programmes and institutions in each of the seven countries.

Brazil³

Policy support for SSE, or what is known as *economia solidaria* in Brazil, is relatively new. Like the concept itself, SSE has emerged in the context of i) democratization, following the fall of military governments in the mid-1980s, ii) contradictions and structural change associated with the capitalist economy, in particular, growing informalization and precarious employment, iii) political and cultural trends associated with liberation theology, the rise of new social movements and the emergence of the World Social Forum in 2001, and iv) alliances between social movements and certain state governments, as in Rio Grande do Sul.

Proactive policy support at the national level began following the electoral victory of the Workers' Party (PT) in 2003, which had close ties to several social movements. The Government of President Lula da Silva quickly created the National Secretariat for Solidarity Economy (SENAES) within the Ministry of Labour and Employment pursuant to the demands of the SSE movement that had constituted the Brazilian Solidarity Economy Forum (FBES). The FBES has an extensive national structure that comprises numerous states and municipalities, as well as a well-developed system for conducting multi-stakeholder policy dialogues spanning municipal, state and federal levels (Gonçalves, 2012).

Various activities undertaken by SENAES through the Solidarity Economy and Development Programme were incorporated into the four-year national development plan of the Federal Government. Considerable attention was also paid to designing and implementing public policies to support the solidarity economy at state and municipal levels. Ongoing institutionalization of SSE occurred with the creation of other entities, including the

Public Centres for Solidarity Economy, which promote the marketing and consumption of SSE products, the Parliamentary Front for Solidarity Economy, the National Conferences on Solidarity Economy, and the National Council for Solidarity Economy (CNES). Comprising representatives of multiple state institutions and civil society, CNES plays a role in both mainstreaming SSE within the state apparatus and promoting the co-construction of policy.

SENAES has developed a knowledge system for SSE comprising two core features. The first is the National Programme of Incubators for Popular Cooperatives (Proninc), implemented in coordination with the Ministry of Science and Technology, and the National Council for Scientific and Technological Development (CNPq). By the end of 2015, this programme had provided training and technical support amounting to 20 million Brazilian reais (BRL) (approximately US\$6 million) to approximately one thousand SSE organizations and support organizations via partnerships with universities throughout the country. University incubators for SSE entities emerged in some states in the latter half of the 1990s in a context where concepts and practices associated with popular education were gaining currency. This form of "social technology" not only sought to reconnect universities with their surrounding communities, civil society and local government but also to foster knowledge and technologies for productive employment, basic needs, collective action and inclusive development (Cunha Bocayuva, 2008).

Another important dimension of the knowledge system consists of generating and systematizing data on SSE. Measuring SSE is important for appropriate policy design, implementation and review. In 2005, SENAES and FBES, through the Working Group for Mapping Solidarity Economy, conducted an SSE mapping project which shed considerable light on the nature of SSE in Brazil. On the basis of this information,

³ This overview draws substantially on the ILO case study by Leandro Morais (2015).

a data bank known as the National Solidarity Economy Information System – SIES)⁴ was established, which provides data on geographical distribution, types of organizations, sectoral activities and so forth. By 2007, some 22,000 enterprises and organizations had been identified. A second mapping, concluded in 2013 (Gaiger, 2014), generated comprehensive data relating to SSE enterprises, support organizations and public policies.⁵

In addition to programmes and initiatives undertaken by SENAES, SSE also benefited from the expansive social policy and the poverty reduction strategy initiated by President Cardoso which promoted conditional cash transfers to low-income families. This was later expanded by the Lula Government via the Family Grant (*Bolsa Família*) programme and further extended by his successor, Dilma Rousseff. In 2011, the Ministry of Social Development (MDS), launched the “Brazil Without Poverty Plan”, one objective of which was to go beyond conventional social assistance and conditional cash transfer programmes, which centred on access to social services, by promoting productive employment for members of low-income households associated with both conventional enterprise and SSE. The target population was estimated at 16.2 million people in 2010 (Morais, 2015). While technical training and skills development were important aspects of this programme, so too were a range of support programmes for family agriculture via efforts to get both public and private institutions (e.g. hospitals, schools, universities, day centres, jails, and supermarkets) to procure food from small farmers. The Brazil Without Poverty programme also included the Bolsa Verde (Green Grant) initiative that connects social policy with environmental protection by allocating family grants to populations in environmentally fragile areas engaged in sustainable livelihood practices.

Preferential public procurement initiatives to assist SSE organizations are an important feature of policy support for SSE. A law passed in 2009 (No. 11.947) stipulates that 30 per cent of the resources of the Fundo Nacional de Desenvolvimento da Educação (National Fund for the Development of Education) allocated for purchasing food for schools should be used to buy from family farms and related organizations, with priority given to agrarian reform, indigenous and quilombola settlements or communities,⁶ as well as producers located in the municipality where the school is located. In 2012 the value of products that could be purchased from a particular entity more than doubled to BRL20,000 (approximately US\$10,000). As over 60 per cent of family agriculture is organized in SSE organizations (cooperatives or associations) this measure supports a large sector of the SSE. It was estimated that food procurement by public institutions through the Food Procurement Programme guaranteed family agriculture and SSE access to an institutional market valued at about BRL600 million (approximately US\$300 million) a year in 2012 (RELISS, 2012).

More recently the Government turned to SSE as a means to promote work integration. In 2013 it launched the National Programme known as Pronacoop Social,⁷ which provides support to cooperatives and social enterprises that aim to benefit persons with mental and physical disabilities, certain categories of disadvantaged youth, person with substance abuse issues, former convicts and others in “alternative detention”.

In June 2015, the First National Plan for Solidarity Economy was launched with the aim

⁴ See Bertucci et al., 2009.

⁵ See <http://sies.ecosol.org.br/sies>

⁶ Quilombolas are members of Afro-Brazilian rural communities “who have their own historical trajectory, specific territorial relations, and a presumed black ancestry related to the historical oppression they have suffered”. See 2003 Executive Decree at: http://www.planalto.gov.br/ccivil_03/decreto/2003/d4887.htm

⁷ *Programa Nacional de Apoio ao Associativismo e Cooperativismo Social*.

supporting and strengthening SSE entities and provide training and education for 200,000 people over five-year period.⁸ The Plan also included support for waste pickers through training; improvements in occupational health and safety and infrastructure, and expanding commercial networks. Support for SSE has also been reinforced through the Government's emphasis on addressing spatial inequalities through regional development programmes, most recently the Programme for Regional Development, Territorial Sustainability and Solidarity Economy, which was part of the 2012-2015 Plano Plurianual (national Multi-year Plan). Numerous city, municipal and state governments have introduced laws and established councils and funds supporting SSE. By 2017, all but eight of the country's 27 federal units (26 states and the Federal District) had not adopted a law promoting SSE.⁹

The precarious situation of waste pickers was addressed in a 2010 law that mandated the state to implement a national policy for solid waste management. It called for waste pickers to be organized in cooperatives and other forms of association engaged in recycling in order to ensure their participation in the formal waste disposal system. Federal government support would be provided to municipalities working towards this end.¹⁰

Policies supporting SSE are an important aspect of a broader poverty reduction strategy which between 2003 and 2015 lifted 51 million people out of poverty. Employment promotion and income-generation initiatives associated with SSE benefited some 275,000 people and nearly 11,000 SSE organizations. Between 2007 and 2015, SENAES invested BRL541 million in

such activities through 339 projects in 2,500 municipalities throughout the country.¹¹

Various legislative proposals have been making their way through the Congress. They include laws to regulate and promote cooperative societies, introduced in 2007; fiscal reform for cooperatives, introduced in 2008 and; a framework law on National Policy for Solidarity Economy and the National System of Solidarity Economy, introduced in 2012.¹²

The case of Brazil is often held up in international circles as a touchstone for public policy for SSE. Not only is it proactive in terms of state commitment but it is also energized and grounded due to a well-honed process of co-construction whereby SSE actors, intermediary organizations and networks actively participate in policy design and implementation. But the institutionalization of SSE has been periodically threatened by ideological and political shifts and "rationalization" of the state. A legislative proposal introduced in 2011 sought to establish the Secretariat for Micro and Small Enterprise which would have assimilated SENAES and the National Council for Solidarity Economy. Similarly, under a law introduced in 2016 which reduced the number of ministries, the Ministry of Labour and Employment merged with the Ministry of Social Security. As a ministry can only have four secretariats, there was concern that SENAES would cease to exist. The downsizing of SENAES has also occurred under the successor to the government of Dilma Rousseff (2007–2016) due to staff changes and budgetary cuts. As discussed in Part 2 of this paper, the SSE policy regime in Brazil remains both fragile and relatively marginal in the broader national development pathway.

⁸ See <http://www.brasil.gov.br/economia-e-emprego/2015/09/economia-solidaria-beneficia-275-mil-pessoas-no-pais>

⁹ See <http://fbes.org.br/2017/04/05/fbes-mapeia-situacao-da-institucionalizacao-da-politica-de-economia-solidaria-nos-estados/>

¹⁰ See <https://blogs.iadb.org/agua/2013/10/31/politica-inclusion-catadores-brasil/>

¹¹ See <http://www.brasil.gov.br/economia-e-emprego/2015/09/economia-solidaria-beneficia-275-mil-pessoas-no-pais>

¹² See <http://www.brasil.gov.br/economia-e-emprego/2015/09/economia-solidaria-beneficia-275-mil-pessoas-no-pais>

Costa Rica¹³

The collective organization of workers and producers in SSE organizations has a relatively long history in Costa Rica. Support for various types of cooperatives was a prominent feature of public policy during the early decades of the twentieth century. In 1939, the Law on Associations gave formal recognition to many organizations of producers and workers.

The regime that emerged following the brief Costa Rican Civil War in 1948 reaffirmed the role of the state in supporting cooperatives in the new Constitution of the Second Republic. But it was not until the late 1960s and 1970s that public policy overtly promoted other SSE sectors. This was a period of profound structural change. State policies that aimed to position Costa Rica as an agricultural and industrial power house within the Central American region bore fruit economically. But they also generated increasing inequality, dispossession of land in rural areas and rural to urban migration, centred on the capital San José. Added to this situation was the perceived political threat posed by the spread of revolutionary ideology in other Central American countries and Cuba. Such conditions provided a context that motivated governments to prioritize both social policy and territorial development, and to position the state as a proactive development actor (Martínez and Sanchez-Ancochea, 2013).

Today the field of SSE, as understood in Costa Rica, comprises primarily different types of cooperatives, *solidarista* associations of workers,¹⁴ community development associations, water and sanitation associations known by their acronym Asadas, other legally constituted

non-profit associations primarily engaged in agricultural and artisanal activities,¹⁵ companies formed by retrenched public sector workers known as *Sociedades Anónimas Laborales* (SAL), and certain other civil society organizations engaged in economic activities.

Over several decades, SSE has expanded and been enabled by means of a series of institutional developments, four of which are particularly important. First, a portfolio of laws provides a strong legal basis for specific SSE sectors. Particularly relevant in this regard are the following:

- The 1967 Law on Community Development which promoted and supported the role of community development associations (ADCs) in local development;
- The 1968 Law of Cooperative Associations;
- Modification to the Law of Cooperative Associations in 1982 that created a series of support institutions;
- The 1984 Law of Solidarista Associations;
- The 1994 Law of Worker Companies;
- A 2011 constitutional amendment recognizing the role and rights of *solidarista* associations.

Second, such laws mandated the creation of a variety of state regulatory and support institutions, as well as sectoral peak associations. Relevant in this regard are: the National Directorate for Community Development (DINADECO), the National Confederation of Community Development Associations (CONADECO), the National Council of Cooperatives (CONACOOOP), the National Institute for the Promotion of Cooperatives (INFOCOOP), the Centre for Cooperative Training (CENECOOP) and the Costa Rican Institute for Water Supply and Sewerage Systems and the Popular and Communal Development Bank (BPDC).

¹³ This overview draws heavily on the ILO case study by Peter Utting and Yasy Morales (2016).

¹⁴ A major sector of SSE that is unique to Costa Rica is the *Solidarista* Movement, which comprises associations of workers that are mandated to facilitate access to housing, education and credit for productive activities, as well as provide unemployment relief when required for their members. These associations have relinquished the right to strike and pursue a philosophy of non-conflictual labour relations.

¹⁵ The law authorized retrenched workers to form associations in order to deliver the type of state services they were previously providing.

Third, they also created what is perhaps the most novel feature of SSE institutionalization in Costa Rica, namely long-term financial mechanisms to support particular types of SSE organizations. While in some cases the percentage indicated by law is not always complied with, key mechanisms include the following:

- 2 per cent of the profits of cooperatives fund CONACCOOP;
- 2.5 per cent of the profits of cooperatives fund CENECOOP;
- 10 per cent of the profits of state banks fund INFOCOOP;
- 2 per cent of income tax revenues fund DINADECO and the Communal Development Associations;
- Up to a maximum of 8.3 per cent (on average 3–5 per cent) of employers' contributions to their employees social security when laid off is paid upfront to finance economic activities of the *solidarista* associations;
- 15 per cent of the profits of the BPDC fund the Banca Social (Social Bank), which supports SSE organizations and enterprises;
- 5 per cent of the profits of Banco Popular are allocated to a fund for micro-, small- and medium-sized enterprise development (FODEMIPYME), which is also used to support SSE.

One of the most important institutions for the promotion of SSE in Costa Rica is the BPDC. Legally established in 1969 as a “public non-state bank” with the objective of economically empowering and protecting the country's workers, the BPDC has grown into a major financial institution that currently allocates approximately 10 per cent of national credit. Apart from providing credit and technical assistance that benefits SSE organizations, a broad range of SSE sectors make up the National Assembly of Workers of the Banco Popular (ATTBP), which is mandated to set the

general guidelines of bank policy. Furthermore, the ATTBP has played a key role in raising the visibility of SSE nationally and in advocacy associated with the recent parliamentary initiative to enact a framework law on SSE.

Fourth, the Government led by the Citizen's Action Party (PAC), which assumed office in 2014, has proactively supported not just specific SSE sectors, such as cooperatives or ADCs, but also the concept of SSE as a form of economy that is important for poverty reduction, employment generation and equality. In an attempt to forge a national consensus, the Government has had to tread carefully to present SSE not as a radical alternative to conventional forms of capitalist development but as a complementary approach that can play a constructive role in poverty reduction and employment generation. This approach draws primarily on the experience of social economy in Europe, rather than the more radical interpretation adopted in several Latin American countries, such as Bolivia, Ecuador and Venezuela.

A number of initiatives were launched shortly after the Government took office. Particularly significant were the following:

- In May 2014, the official remit and title of one of the two vice-ministers within the Ministry of Labour and Social Security was broadened to include SSE;¹⁶
- In 2014, Costa Rica joined the International Leading Group on SSE, an initiative to promote SSE globally;
- In January 2015, the President established the Directorate for SSE within the Ministry of Labour and Social Security;
- That same month the President inaugurated the Center for Specialized Training on SSE as part of the National Institute of Learning (INA);

¹⁶ The official title is Vice-Minister of Labour and Social Security, Labour Affairs and Social Solidarity Economy.

- In July 2015, a presidential decree was signed that declared the promotion and development of SSE to be in the public interest.

Pending in the National Assembly is the draft Framework Law on Social Solidarity Economy. This law aims to lock-in state support for SSE, ensure that multiple government agencies promote SSE development and ensure that certain marginalized sectors of SSE receive support. In April 2016, the Permanent Commission of the National Assembly presented the draft law for consultation.

SSE actors and intermediary organizations play a key role in shaping policy related to SSE. In regards to the cooperative sector, for example, representatives of the cooperative movement have a majority on the Board of INFOCOOP. Several civil society networks and intermediary organizations promoting the concept of SSE have been actively involved in policy and/or legislative processes. They include the Social and Solidarity Economy Network (RedESS), the National Trade Association for Social Solidarity Economy (CANAESS) and the Costa Rican chapter of the regional SSE platform, PECOSOL. The Costa Rican Solidarista Movement is currently attempting to become more proactive in policy advocacy. It has also allied with the cooperative movement to exert pressure on the Government concerning proposed fiscal reforms. Despite some alliances it is also apparent the community of SSE actors and intermediary organizations have not formed a cohesive movement. More worrisome is the outright division between some of the leading players within the cooperative movement and advocates for SSE regarding the value of promoting the concept of SSE and, in particular, a new framework law for SSE.

Nicaragua¹⁷

SSE expanded rapidly in Nicaragua in the 1980s in the context of revolutionary change led by the Sandinista National Liberation Front (FSLN). The overthrow of the dictator, Anastasio Somoza, in 1979 ushered in a decade of radical economic, social and political transformation. Under the *Sandinista* Government, more than a quarter of agricultural land was confiscated from the *Somocistas* and placed in the hands of state enterprises and different types of cooperatives. Within three years of the revolution, nearly 3,000 cooperatives had been established. Rural and formal sector workers, independent farmers, women and urban residents also organized in various “mass organizations” with close ties to the ruling party.

Cooperatives received generous financial and technical support from the state. But while they proliferated, many struggled to survive in the midst of a protracted civil war, regulations governing food prices and domestic trade, and the lack of attention to cooperative organization and education.

The defeat of the FSLN in democratic elections in 1990 ushered in some 16 years of neoliberal reforms, the consequences of which were contradictory vis-à-vis SSE development. On the one hand, credit and other support policies declined dramatically, as did the size of the civil service. Many cooperatives were disbanded. But as part of the peace accords, land redistribution continued and some state assets were allocated to workers’ enterprises. The struggle in defence of livelihood and rights – both spontaneous and organized – saw the structuring of a cooperative movement. Numerous second- and third-tier cooperative associations and federations were formed. NGOs and an NGO-led microfinance industry proliferated. During this period, the fair trade movement developed, as did other civil

¹⁷ This summary is based on the paper prepared by Amalia Chamorro and Peter Utting for the ILO SSE Academy (Chamorro and Utting, 2015).

society initiatives to capitalize and organize rural women producers in cooperatives and pre-cooperative groups. Informal economy workers also organized, forming the Confederation of Own-Account Workers (CTPC).

Elections in 2006 saw the return to power of the FSLN under Daniel Ortega. Adopting the motto “Christian, Socialist and Solidaristic”, the new government overtly signalled its intent to promote SSE. Having declined in number during the decade prior to the electoral victory of the FSLN, cooperatives doubled and membership trebled during the following eight years. In 2014, some 5,006 cooperatives had 253,641 members (Chamorro, forthcoming), representing 8 per cent of the economically active population. Approximately 300,000 women, the equivalent of some 20 per cent of the economically active female population, organized in two government programmes – *Hambre Cero* (Zero Hunger) and *Usura Cero* (Zero Usury) – aimed at promoting women’s economic empowerment.

During this period, institutions supporting cooperative development also became operational. Advocacy by the cooperative movement after the turn of the millennium, combined with parliamentary support from the Sandinista party and factions of the ruling coalition, resulted in the National Assembly passing the Framework Law on Cooperatives in 2005. The law mandated the creation of both the Nicaraguan Institute for the Promotion of Cooperatives (INFOCOOP) as an autonomous entity to deal with regulation, registration and oversight, and the cooperative sector’s peak association, the National Council of Cooperatives (CONACOOOP). It would take, however, several years for these institutions to become operational. Close relations between the cooperative movement and the Sandinista state, including the fact that several of the movement’s leaders assumed key positions within the state, proved to be a double-edged sword. While a number of demands of the

cooperative sector were met, the movement’s capacity for independent advocacy declined. It was not until 2014 that CONACOOOP began to play a more independent and active role in the policy process. Its influence, however, remained relatively weak in comparison with that of organized business and labour interests.

But as CONACOOOP gained some autonomy, INFOCOOP, along with several other state entities and programmes, were subsumed within the new Ministry for Family, Community, Cooperative and Associative Economy (MEFCCA), established by law in 2012. A reform to the Constitution passed in 2014 also recognized the key role of “associative, cooperative, community, communal and family economy” in the broader mixed economy. The formation of MEFCCA and various forms of support aimed to i) better coordinate the activities of numerous entities dealing with these sectors, ii) integrate them into the national development strategy, and iii) restructure market relations so that they could move beyond their position at the bottom of the value chain (Núñez, 2015a, b.)

In practice, MEFCCA confronted major operational challenges. In the face of numerous personnel changes, accusations of mismanagement and complaints from various sectors of its intended beneficiaries, the Government acknowledged that its goals for the Ministry had been overly ambitious. INFOCOOP was relatively marginalized within the new structure, and subsectors within the category of micro-, small- and medium-sized enterprises were underserved. In practice, the Ministry tended to prioritize family agriculture. It was not until 2015 that a ministerial restructuring sought to deal more effectively with these problems.

Another important legal intervention related to efforts to deal with the land question. While the agrarian reform of the 1980s had provided much of the rural population with access to land, it

also left a confusing legal situation regarding land titles. A law passed in 2005, which created the Institute for Reformed Urban and Rural Property, sought to resolve property rights issues that affected, among others, cooperatives and groups of workers of former state enterprises that had been allocated a percentage of privatized assets. Land rights, originally granted to indigenous populations in the Atlantic coastal regions through the Autonomy law of 1987, were eventually realized under the current administration, in particular via a 2014 legal reform that demarcated 37,190 km², benefiting 304 communities. In practice, however, it is the autonomous regional governments that decide how this land is to be used.

One of the most significant policies favouring SSE since 2007 relates to the shift from a restrictive credit policy under previous neoliberal governments, coupled with heavy reliance on microcredit provided by NGOs, to a more expansive, more affordable, policy that aimed to benefit small producers and cooperatives, particularly in rural areas, as well as small enterprises. Within 30 months of recreating a national development bank – Banco Produzcamos – in 2008, financing to organizations of small rural producers trebled. Having inherited sizeable toxic debts, however, Central Bank regulations constrained the ability of this bank to expand operations, as did the culture of non-payment of loans, a feature dating back to the Sandinista era of the 1980s. The rural savings and loan cooperative – Caja Rural Nacional, known as CARUNA – expanded to become a major financial institution, providing services to over 300,000 people via a credit portfolio of US\$200 million in 2011.

CARUNA also administered the large volume of revenues for social, infrastructural and concessionary credit programmes that derived from Nicaragua's membership of the Bolivarian Alliance for the Peoples of Our America, known as ALBA. Under this accord, Venezuela provides

crude oil, half of which is repaid at market rates; the other at highly concessionary rates over 17-25 years. When oil prices were high, revenues from ALBA well exceeded annual overseas development assistance. In 2011 alone, CARUNA administered US\$100 million destined for various programmes. While ALBA provided much needed support for SSE over several years, resources mobilized through this initiative subsequently declined sharply, given not only the fall in international oil prices but also the economic and political crisis in Venezuela.

The Zero Hunger programme, noted above, was based on a model originally developed as an NGO project. That model was subsequently adapted by the Ortega Government as a national priority programme for rural women's economic empowerment. The key component consisted of capitalizing low-income women producers with a package of farm animals (chickens, sow and cow), the produce of which could be used both to enhance household food security and to generate income. Under state control, the programme was rapidly scaled up from approximately 3,000 women when it had been an NGO project to about 150,000 by 2015. Scaling up, however, involved some dilution of the model as certain livestock components were dropped for some target populations and less attention was paid to the organization of groups of beneficiaries into pre-cooperatives or cooperatives. Scaling up also stretched the capacity of the state to provide training and other support services.

Introduced in 2007 with a loan from Venezuela, the Zero Usury programme organizes urban women in small solidarity groups to access microfinance on concessionary terms for activities such as selling clothes or food products, and running *pulperías* (mom-and-pop stores) or *comiderías* (small neighbourhood fast food outlets). By 2013, the programme involved nearly 160,000 women, organized in approximately 68,000 solidarity groups, which

had received loans amounting to approximately US\$90 million.

SSE has also been impacted both positively and negatively by policies that affect it indirectly. On the positive side, road and electricity infrastructure, particularly in rural areas, has improved dramatically in recent years. Access to both technical training and the social security system has also improved, benefiting, for example, some own-account workers organized in the Confederation of Own-Account Workers (CTCP). Various laws promoting gender equality have also come into effect. On the down side, public health and education services remain seriously underfunded. Furthermore, Nicaragua's commitment to the Dominican Republic-Central America Free Trade Agreement with the United States, DR-CAFTA, imposes tariff reductions on imported goods that gain market share at the cost of domestic production of certain products in which SSE producers are involved.

The case of Nicaragua yields important insights into the potential and limits of ambitious policy objectives. A plethora of new laws, policies, programmes, institutions and innovative financial mechanisms came into effect with the aim of supporting SSE, and certain SSE actors gained greater policy influence. But limitations related to state capacity, the effects of trade policy and the tendency towards top-down design and implementation have affected the development of SSE. Furthermore, there are serious concerns about the future of some key sources of funding.

The Philippines¹⁸

The People Power Revolution of 1986 that ousted the regime of President Marcos not only dramatically altered the policy environment

for SSE in the Philippine, but also cast SSE in a mould that is somewhat distinctive to that which exists in several other countries. Key constituents of SSE include faith-based and development NGOs engaged, for example, in providing social services or assistance, microcredit and self-help people's organizations (POs), made up of groups of farmers, domestic workers, fisherfolk, professionals, students and so forth. The role of both in development is recognized in the Constitution. More recently, a broad range of organizations constitute a rapidly growing sector of social enterprise that has gained official recognition.

The 1987 Constitution sought to promote a new role for cooperatives as instruments of "equity, social justice and economic development", more autonomous of the state. This contrasted with the role of certain cooperatives during the Marcos era which had served as conduits for both political control and subsidized credit programmes. Beyond clientelism, the sector's reputation had been tarnished by the historical legacy of mismanagement, bankruptcy and the inability to compete with private firms in contexts of economic liberalization.

Constitutional provisions favouring cooperatives were given legal backing with the enactment of the Cooperative Code of the Philippines and the Cooperative Authority Development Act in 1990. The latter called for the inclusion of cooperatives in national development plans and on multiple state institutions to proactively promote and support cooperative development. These laws were amended under the 2008 Philippine Cooperative Code. The revised code made it easier for cooperatives to provide multiple services, for private firms to form cooperatives and for dysfunctional and inactive cooperatives to de-register or merge with functioning cooperatives. While the total number of cooperatives fell sharply, actual members, workers employed and assets increased considerably. The number of cooperative

¹⁸ This summary draws significantly on the paper by Ben Quinoñes prepared for the ILO SSE Academy (Quiñones, 2015).

members increased from 2.8 to 12.7 million between 2003 and 2013. And new forms of cooperatives, such as labour services and workers' cooperatives and others involved in the fair trade movement, have emerged.

Women play a key role in the cooperative movement. Gains for women are apparent in the sector of savings and credit cooperatives and microfinance institutions. Nationally, the Magna Carta of Women, enacted in 2009, and its monitoring and oversight arm, the Philippine Commission on Women, have been instrumental in promoting gender equity and women's empowerment.

In recent years, the SSE category of social enterprises has been the focus of policy attention. Social enterprises and social entrepreneurship are seen by many development and policy actors as organizational forms that have advantages over both conventional business, which often lacks a community or social focus, and cooperatives, which are often associated with dysfunctional management and enterprise failure (Ballesteros and Llanto, 2017). Furthermore, the social enterprise model sits comfortably with the poverty reduction agenda which has been actively pursued in recent decades. The rise of social enterprise reflects the process of "hybridization" of private, public and civil society organizational forms that is prevalent in the Philippines (Acejas, 2014). This involves so-called blended value organizations, which may include, for example, NGOs transitioning from donor dependency to reliance on income generation, conventional business firms engaging in socially-beneficial activities and enterprises formed by social entrepreneurs.

Public policy support for social enterprises has tended to be an offshoot of programmes that have a broader remit in terms of potential beneficiaries. These include two programmes coordinated by the Department of Social Welfare

and Development (DSWD): the Self-employment Assistance – Kaunlaran (SEA-K) livelihood programme which promotes community-based credit organizations tasked with strengthening the socio-economic skills of poor families; and the Pantawid Pamilyang Pilipino conditional cash transfer programme (British Council, 2015:10).

Initiatives aimed at supporting micro-, small and medium-sized enterprises (MSMEs) have also benefited social enterprises. The 2014 *Go Negosyo* (Business) Act mandates the Department of Trade and Industry (DTI) to create and manage business centres that provide advice to MSMEs on access to finance and training and how to navigate the often complex regulatory and fiscal environment. In 2015, the Microfinance NGOs Act became law. It aims to strengthen the role of non-governmental microfinance institutions in local enterprise development and in promoting social entrepreneurship.

Implementation of the law is to be overseen by the Microfinance Regulatory Council, composed of four representatives of government institutions and three from the microfinance NGO sector. The Council accredits microfinance NGOs and oversees compliance with financial, social and governance standards. Benefits for accredited NGOs include grants and technical assistance for operational activities and capacity building, low interest loans and guarantee funds. Furthermore, microfinance NGOs are to pay a two per cent tax on gross receipts in lieu of all national taxes.¹⁹

Over several years, a legislative bill aimed at supporting social enterprises has been making its way through Congress. First introduced in the House of Representatives in 2012,²⁰ the "PRESENT" Act (Poverty Reduction through

¹⁹ See <http://www.microfinancecouncil.org/mcpi-triumphs-microfinance-code-advocacy>

²⁰ See http://www.isea-group.net/resources/Social_Enterprise_Bill_HB_6085.pdf

Social Entrepreneurship), otherwise known as the Magna Carta for Social Enterprise, seeks for social enterprises the types of benefits and incentives currently afforded to MSMEs.²¹ Legislative proposals include tax exemptions, special credit windows, guarantee funds, preferential treatment in government procurement, cash incentives to social enterprises that employ persons with disabilities, insurance against calamities linked to climate change, government resources for capacity building and local government support (Ballesteros and Llanto, 2017). The different versions of the Bill that are making their way through both chambers also propose the establishment of a council to oversee policy implementation.

As in many countries, a dynamic sector of SSE relates to the organization of informal economy workers. Many home workers, waste pickers and other groups of informal economy workers have formed associations. Civil society organizations and networks are providing various forms of assistance and engaging in advocacy on their behalf. A social security law enacted in 1997 mandated compulsory social security coverage of self-employed persons with an income of at least US\$20 a month and under 60 years old. While only a very small proportion of the country's approximately 15 million informal economy workers enjoy such benefits, coverage tripled during the first 10 years and continues to expand, partly as a result of government efforts to work with cooperatives and POs to reach informal sector workers. In collaboration with social security officials, the Philippines' Saving Bank and the Development Bank of the Philippines launched a daily deposit programme for informal economy workers in 2002 to encourage them to accumulate the equivalent of the monthly social security contribution, which is then remitted to the social security agency as a

contribution on behalf of the worker (MacKellar, 2009).

Health insurance coverage for marginalized sectors, including informal economy workers, was extended under reforms introduced in 2013 through the National Health Insurance Act. Organizations such as PATAMABA, Homenet Philippines, the Magna Carta for the Informal Sector Alliance (MAGCAISA) and other networks of workers in the informal economy in the Philippines have been lobbying for a Magna Carta for Workers in the Informal Economy (MACWIE), which has been introduced in both chambers of Congress. What is now known as the Informal Economy Transition Act promotes a comprehensive series of rights and benefits for own-account workers and members of cooperatives and SSE units. Proposed institutional reforms and innovations include the establishment of an Informal Economy Development Council to serve as the policy-making body for informal economy actors; integrating plans supporting informal economy workers into development plans designed and coordinated by the National Economic Development Authority (NEDA); and creating Workers in Informal Employment Local Development Offices in cities and municipalities to facilitate implementation.²²

A limited number of public policy reforms aimed at supporting such groups have been introduced. In relation to waste pickers, they include a 2010 resolution of the National Solid Waste Management Commission (NSWMC) to approve the National Framework Plan for the Informal Sector in Solid Waste Management. While implementation throughout the country has been uneven, the Plan aims to formalize the incorporation of the informal waste sector into the solid waste management system by "providing them with a favorable policy environment, skills development and access to a secured livelihood, employment and social

²¹ Two laws, in particular, promote the development of MSMEs: the Magna Carta for MSMEs, enacted in 2008, and the Barangay Micro Business Enterprises (BMBEs) Act of 2002.

²² See https://www.senate.gov.ph/lisdata/2480121363!_pdf.

services”.²³ Some local authorities have also played a role in providing financial and technical support to compensate waste pickers for lost income due to regulations that led to the closure of certain dumpsites (Budlender, 2009).

Beyond specific laws and policies related to SSE, another relevant feature of public policy relates to the fact that support for SSE actors is often indirect; that is, it emerges through laws, policies, programmes and institutional arrangements that have a broader social, demographic or governance agenda. These include initiatives concerning poverty reduction, social policy, microfinance, women, informal economy workers and decentralization.

From the above it is clear that the institutionalization of public policy support is highly fragmented and in the case of social enterprise fairly embryonic. There is also a widely recognized gap between what Acejas refers to as the “surfeit of laws and policies governing and supporting social economy organisations [and] implementation and oversight of NGO-PO and public sector partnerships”. Furthermore, while formal stakeholder participation is a prominent feature of the governance of public institutions at both national and local levels, such engagement can be somewhat cosmetic, often amounting to passive forms of dialogue rather than critical oversight and advocacy that questions the dominant economic model (Acejas, 2014).

South Africa²⁴

In the post-apartheid era,²⁵ the initial expectations that the state would quickly solve social problems soon gave way to greater

awareness of the need for community action and self-help initiatives. Both traditional forms of SSE organization and emergent sectors would play a key role in this regard. The former included, for example, hundreds of thousands of rotating savings and loan groups known as stokvels.²⁶ Civil society organizations not only expanded but also morphed into non-profit organizations (NPOs) that provided a variety of services. They include NGOs, community-based organizations, associations, faith-based organizations, non-profit companies, certain types of trusts and voluntary non-profit associations.

Financial and technical support for NPOs emerged early on with the National Development Agency Act of 1998 and amendments introduced in 2003, which focused on poverty reduction and service provisioning in poor communities. To ensure tax exemption, “public-benefit organizations” had to register following the enactment of the Tax Amendment Act of 2000. By 2015, there were some 136,000 registered NPOs. The rapid growth of NPOs was partly accounted for by the empowerment of black women, who occupy significant positions within this sector both in terms of NPO employment and managerial positions. NPOs have been influential not only in service provisioning but also influencing certain government policies, in particular HIV/AIDS policy.

The expansion of cooperatives was to occur some years later. The 2005 Cooperatives Act, which had been preceded by the Cooperative Development Policy framework of 2004 (DTI 2004), prompted the registration of thousands of cooperatives, whose number increased from

²³ Cited in http://en.wikipedia.org/index.php?title=National_Solid_Waste_Management_Commission

²⁴ This summary of SSE and public policy in South Africa draws heavily of a paper prepared for the ILO SSE Academy prepared by Susan Steinman (2015).

²⁵ The democratic era was ushered in through the interim Constitution of 1993 and the first racially free elections in 1994.

²⁶ Estimates of the size of the stokvel economy vary widely. A 2014 survey estimated there were 421,000 stokvels with a membership of 8.6 million individuals, and savings, mutual aid, credit and investment activities valued at 25 billion South African rand (ZAR). The National Stokvel Association of South Africa (NASASA) currently reports about 800,000 stokvels, 11.5 million members and economic activities valued at ZAR49 billion (approximately US\$3.8 billion) (see <https://www.africanresponse.co.za/press.html>, and <http://nasasa.co.za>).

4,061 in 2007 to 43,062 in 2013 (Wessels, 2016). According to some estimates, registered cooperatives now number just over 100,000 (Steinman, 2017:10). This growth was partly driven by incentives provided by the DTI, provincial agencies and city councils, and more recently via the Department for Small Business Development (DSBD).

Amendments to the original 1981 Cooperatives Act sought to correct the bias towards agricultural cooperatives and also ensure that cooperatives complied with internationally recognized principles and standards (Satgar, 2007). The Cooperative Banks Act of 2007 aimed to facilitate access to banking services, establish an appropriate regulatory framework to protect members, and establish a Development Agency for Cooperative Banks to develop and enhance the sustainability of cooperative banks.²⁷

A new set of support and regulatory institutions were proposed under the 2013 Cooperatives Amendment Act, for which administrative regulations were drafted by the DSBD in 2015. The amendments aimed to reduce some of the regulatory burden on cooperatives, strengthen governance and accountability, enhance both financial and non-financial forms of support, and ensure that multiple spheres of government are engaged in cooperative development. The Act also proposed the creation of several new institutions including a Cooperatives Tribunal and a Cooperative Development Agency to administer incentives, provide training and improve working conditions.²⁸ The DTI was also tasked with establishing a Cooperatives Academy.

As in the case of NPOs, much of the expansion of cooperatives was driven by the uptake of economic activities by black women. However, limited managerial skills and policy and institutional support, as well as lack of awareness or uptake of cooperative values and organizational practices, led to high failure rates. Survival rates were as low as 12 per cent in 2011, later rising as policy and institutional support for cooperatives increased.²⁹

Recent years have also seen the expansion of new forms of social enterprise, including fair trade organizations, agro-ecology producers and associations, and activities associated with social entrepreneurship (Littlewood and Holt, 2015). Despite the emphasis within the 2003 Broad-Based Black Economic Empowerment agenda on small enterprise development and black entrepreneurship,³⁰ the growth of social enterprises has been slower than that of cooperatives and NPOs. This is due to the absence of a legal category that recognizes and caters to the specificity of social enterprises; tax legislation that discourages non-profits and social enterprises from trading; lack of institutional support for social enterprises; and the reluctance of existing business development services institutions to engage anything other than traditional enterprises (Steinman, 2011).

Institutional consolidation is apparent in certain areas. For many years, attention to SSE within government circles tended to be fragmented. Not only did various agencies deal with different aspects or sectors of SSE – for example, the Economic Development Department (EDD), the Department of Social Development, the DTI and the DSBD – but coordination was also lacking. In 2012, several entities providing financial support for small enterprises merged to form the Small

²⁷ See Cooperative Banks Act, 2007, at: http://www.treasury.gov.za/coopbank/supervisory_per_cent20Co-op_per_cent20Banks/documents/Act_per_cent2040_per_cent20-per_cent202007_per_cent20Coop_per_cent20Banks_per_cent20Act.pdf.

²⁸ See <http://www.smallbusinessconnect.co.za/news/new-co-operatives-agency-training-support-way.html#.WNRWkIVOLmQ>.

²⁹ Estimates of the survival rate in different areas range from 37 to 70 per cent (Steinman, 2015).

³⁰ By targeting micro and small enterprises, the BBBEE Act and subsequent codes of practice sought to address criticisms of the previous BEE agenda that had more of an elite and corporate focus.

Enterprise Finance Agency (known as sefa). The transfer to the DSBD of support services for cooperatives previously housed under the DTI has also focused the attention of this entity on both cooperative and social enterprise development.

An important feature of the enabling environment for SSE in South Africa relates as much to laws, policies and programmes that benefit broader demographic, social, economic and geographical categories via women's and black economic empowerment, regional development, youth employment, small business development and so forth, as those directly targeting SSE actors. Programmes aimed at generating employment for persons with disabilities have also benefited some social enterprises, as have HIV/AIDS programmes involving NPOs. The development of cooperatives has been enabled by the 1997 Housing Act (as amended), the 2003 Health Act, the 2011 Social Development Act and the Early Childhood Development Policy. Cooperatives were encouraged to participate in public works programmes, in particular the post-2004 Expanded Public Works Programme, which has been significant in terms of job creation.

The Government's agenda for small enterprise development has also benefited some sectors of SSE. Important in this regard is the role of the Small Business Development Agency, which was legally established in 2004 under the DSBD, and several DSBD programmes. These include the Cooperative Incentive Scheme, aimed at creating competitive cooperatives within the context of black economic empowerment; and the National Informal Business Upliftment Strategy, aimed at enhancing the viability of hitherto precarious informal economy producers and entrepreneurs, in particular women, youth and persons with disabilities in townships and rural areas.³¹ Both cooperatives

and small businesses were also targeted under the Preferential Procurement Policy Framework Act of 2000. While various ministries and departments have designed preferential procurement policies, implementation is often difficult, notably for women due to gender bias, bureaucratic constraints, lack of working capital and corruption (Naidoo and Hilton, 2006: 8,75).

The limited attention to the concept of SSE shows signs of abating in recent years. Recognition of the limits of both the welfare state and of the neoliberal model of development that was encouraged since the adoption of the Growth, Employment and Redistribution (GEAR) Plan of 1996 has opened up a greater space for SSE in the policy agenda. One reason for this is related to the persistently high levels of unemployment in the country: 25.5 per cent in the third quarter of 2015, with much higher levels for youth. Moreover, SSE fits well with changing perceptions of the need to shift from a focus on the role of the individual to collective interests. Various universities are also supporting SSE enterprises through incubator programmes and training.

Broad policy goals associated with decent work and inclusive economy were emphasized by the Zuma Government that took office in 2009. The newly established EDD recognized the importance of SSE organizations in job creation. Its early work, however, prioritized job creation through infrastructural projects. While some aspects of this approach – such as the Community Work Programme – benefited SSE, the emphasis on infrastructural development tended to constrain the policy turn towards SSE.

The Government's New Growth Path Framework of 2011 emphasized the potential of social economy in job creation and anticipated 260,000 new employment opportunities linked to SSE by 2020. It also recognized the considerable challenges involved:

³¹ See <http://www.dsbd.gov.za/index.html>.

“ Achieving these targets requires comprehensive government support ... including assistance with marketing, bookkeeping, technological and financial services and training, based in part on a stronger co-operative support agency and possibly a training academy; the development of linkages within the social economy to encourage learning and mutual support; work with union and community investment companies to develop a Charter with commitments to job creation; and increasing state procurement from and service delivery through organisations in the social economy (EDD, 2011:33). ”

The above overview suggests that public discourse and policy related to SSE are gradually being ratcheted up and extending to a broader range of actors. But numerous factors, discussed in Part 2, constrain implementation and the prioritization of SSE in the policy agenda. These include limitations on institutional capacity to implement existing law and policy. Playing catch-up in terms of cooperative development, for example, has meant that the pace of cooperative formation far exceeds the capacity of the state to enable and regulate cooperative development (Derr, 2013). Other constraints include the lack of representation and voice of certain SSE actors in the policy process and presence of a cohesive SSE movement, and contradictions and biases in economic development policy and the credit system that favour elite formation and conventional business development and entrepreneurship.

The Republic of Korea³²

The origins of contemporary SSE in the Republic of Korea can be traced to the emergence of cooperatives during the first half of the twentieth century. However, it was only after the ending

of colonial rule and during the push for rapid industrialization in the 1960s that legal and institutional instruments were put in place to provide financial, fiscal and managerial support for specific types of cooperatives, notably, in agriculture, fisheries and forestry.³³ Efforts to promote a more cohesive system of support led to the merger of agricultural cooperatives and the Agricultural Bank in 1961 under the National Agricultural Cooperative Federation (NACF). The NACF is the umbrella organization for the country's 1,134 primary member cooperatives that currently represent approximately 2.3 million farmers (NACF, 2015).

Other cooperative sectors emerged in subsequent decades. Although initially lacking, state support gradually expanded to facilitate their expansion, as occurred with credit unions in the 1970s, consumer cooperatives around the turn of the millennium and child care cooperatives a few years later.³⁴ The upshot, however, was a complex body of law, burdensome regulations and fragmented institutional responsibilities. Furthermore, institutional developments related to SSE in the 1960s and 1970s were as much about modernization as they were a system to enhance state control in an autocratic political environment (Jang, 2013).

Principles and practices of SSE associated with reciprocity were another historical feature of SSE. Traditions of mutual aid and cooperation, self-help and volunteerism were instrumentalized in the 1970s by the autocratic government of the then President Park to implement the village modernization programme, Saemaul Undong (New Village Movement). The programme waned in subsequent decades, partly due to having

³² This summary draws significantly on the paper by Choi et al. prepared for the ILO SSE Academy (Choi et al., 2017).

³³ Laws related to these sectors included the 1957 Agricultural Cooperatives Act, the 1961 Forestry Act and the 1962 Fishery Cooperatives Act.

³⁴ Key laws related to these sectors included the Credit Union Act of 1972, the Consumer Cooperatives Act of 1999, and the amended Infant Care Act of 2005.

achieved certain goals but also as rural to urban migration increased, and as criticism of heavy-handed state policies intensified in the context of democratization. (Douglass, 2014: 153-155)

In recent decades, the objectives and nature of government support for SSE have evolved considerably. Both the Asian Financial Crisis of the late 1990s and the global financial crisis of 2008 seriously challenged the so-called “East Asian miracle” centred on an industrialization model that guaranteed employment and rapidly rising standards of living for broad sectors of the population. The state has turned to the social economy as a possible solution to deal with jobless growth and increasing social polarization through employment creation, the provision of social services, revitalizing communities and social inclusion.

A key instrument was the 1999 National Basic Livelihood Security Act (NBLSA), implemented in 2000, which extended the right to social security to all citizens and provided disadvantaged groups with both welfare benefits and work opportunities through grassroots “self-support sponsoring organizations” and “self-support promotion centers” (Park, 2008). The Act promoted “rehabilitation communities” (later renamed “rehabilitation enterprises”) to create jobs and income for the disadvantaged, usually beneficiaries of National Basic Livelihood Security (NBLS) programme income support. These entities are particularly active in labour-intensive service sectors such as patient care, house repair, cleaning, recycling, food distribution and delivery services. Once established and certified by local governments or the Ministry of Health and Welfare, they are eligible for government loans, preferential status as contractors for government projects, subsidies for hiring NBLS programme beneficiaries and a range of enterprise support services.

The NBLSA symbolized a shift from a “developmental” state (Woo-Cummings, 1999) to a “productive” welfare state (Kwon, 2014), with the state playing a more comprehensive role in social assistance and service provisioning. As in the past, however, the state turned to other sectors to assist with implementation. The traditional reliance on families and business firms now extended to third sector or voluntary organizations in local communities (Park, 2008:5). Due to limitations and growing criticism of philanthropic organizations and NGOs, attention focused increasingly on social enterprises (Jung et al., 2015).

The role of SSE organizations in the welfare regime was further enhanced when the Social Employment Programme was introduced in 2003. This aimed to strengthen social service provisioning in a context of not only ongoing unemployment but also gaps in service provisioning in contexts of ageing and increased female labour participation (Park, 2008:6). So-called third sector organizations were seen as vehicles for work integration for disadvantaged groups through economic activities associated with the provision of social services.

The role of social enterprises in the productive welfare regime was further strengthened following the enactment of the Social Enterprise Promotion Act in 2007. To receive the maximum level of subsidies provided by government, social enterprises must be certified by the Ministry of Employment and Labour. Various ministries and departments adopted programmes to support social enterprise. Initially, labour cost subsidies for newly created jobs were the main support mechanism. Other forms of support comprised brand and technology development, marketing, training and preferential procurement. Bylaws, ordinances and programmes introduced by local government in several areas of the country also facilitated implementation. Local governments and other agencies could also recognize start-up enterprises and provide some level of support.

By late 2015 there were approximately 1,500 social enterprises. Government funding for this sector amounted to 155.9 billion Korean Republic Won (KRW) (approximately US\$150 million) in 2014.

While labour cost subsidies were a powerful incentive they were provided for a relatively short period. This undermined the long-term viability of some social enterprises. Free-riding among private sector firms wanting to tap into subsidies was also an issue (Mendell et al., 2010), as was dependence on the central state that limited the autonomy of social enterprises and the scope both for partnerships with the private sector and for mobilizing local resources. Efforts to define and arbitrate more clearly the respective roles of the public and private sectors intensified following the creation of the Korea Social Enterprise Promotion Agency (KoSEA) in 2010, under the Ministry of Employment and Labour. KoSEA provides a range of support services for social enterprises and has developed an evaluation and monitoring system. The agency also oversaw the merging of regional cooperative support centres and support centres for social enterprise. Furthermore, the Government has attempted to address various limitations of the programme under the Second Basic (five-year) Plan for Promoting Social Enterprises (2013–2017).

Another development consists of efforts to promote start-ups in the form of cooperatives and to establish a more coherent system of support for cooperatives. The foundation of this pro-cooperative policy turn was the Framework Act on Cooperatives (FAC), enacted in late 2011. The FAC sought to rationalize and modernize the complex legal arena governing the formation of cooperatives. It facilitated the formation of both “general” and “social” cooperatives by reducing the number of founder-members, simplifying governance requirements and expanding the range of sectors in which they could operate (Song, 2013). Support programmes have

diversified to include training and support related to start-up administrative procedures, management, sustainability and marketing, as well as some local and credit facilities and subsidies for the purchase of equipment. Following the enactment of the FAC, the number of social economy enterprises increased markedly, from 501 to 11,421 (including 8,551 cooperatives) between end 2010 and end 2015 (Kim and Jung, 2016).

Several provincial and city governments have actively supported SSE. The province of Gangwon and its largest city, Wonju, have a long history of support for agricultural, consumer and service cooperatives (Hwang et al., 2016). More recently, the Seoul Metropolitan Government has promoted social enterprises and assumed a lead role in forming the Global Social Economy Forum (GSEF)³⁵ in 2013 (Kim and Jung, 2016; Jung et al., 2015). Bidet and Eum (2015) note the tendency for a number of reformist mayors to promote an approach to social economy centred more on the development of civil society and a thicker SSE ecosystem both in terms of the actors and institutions involved and the range of SSE organizations that are supported.³⁶

A number of institutional reforms have been implemented to enhance coordination. They include broadening the remit of KoSEA to encompass cooperatives and what were formerly FAC-mandated support programmes administered by the Ministry of Strategy and Finance (MSF). Similarly, the Ministry of Employment and Labour created a “fund of funds” to pool dispersed sources of funding for SSE. Several metropolitan and provincial governments have passed ordinances on the

³⁵ GSEF is an international association that facilitates co-operation among local governments, SSE organizations and other civil society stakeholders to promote principles and development objectives associated with SSE.

³⁶ Hwang et al. (2016) refer to four main types of social enterprises that characterise contemporary social economy in the Republic of Korea: “work integration”, “social services provision”, “regional regeneration”, and “alter-economy” types concerned with “new” issues (e.g. appropriate technology, alternative food networks and agro-ecology).

social economy that integrate and streamline different ministerial programmes.

The above overview yields a picture of increasingly proactive state support for SSE. Despite notable areas of progress, however, the effectiveness of this support regime has been undermined by various tensions and contradictions.³⁷ Prominent in this regard is a top-down policy process coupled with the fragmentation or compartmentalization of government support among various ministries and departments and related problems of coordination. Lee and Kim (2013) observe that “policy programs have [had] limited success on building an ‘eco-system’ for social economy”, which raises questions regarding the sustainability of SSE.

A lack of active stakeholder engagement in policy design and implementation, the ongoing fragmentation of SSE actors and networks, limited community embeddedness of certain government programmes, and dependency of subsidy schemes constitute major challenges. Access to financing on favourable terms for social economy organizations also remains an issue.

Challenges relating to policy coherence are also apparent. Cooperatives, for example, have difficulty competing with other corporations under the Commerce Law regime. More generally, as Mendell et al. (2010) observe, the way the state understands SSE amounts to a narrow interpretation that emphasizes objectives associated with job creation, work integration and social service provisioning related to disadvantaged groups, rather than a more expansive definition that fosters multiple forms of economic activity catering to the public interest. The former – more instrumentalist – approach is reinforced by criteria and indicators of the social enterprise certification system.

But there is no one unified approach to SSE within the state. Bidet and Eum (2015) contrast the “social enterprise” approach promoted, in particular, by the Ministry of Employment and Labour and a “social economy” approach supported by some other agencies that emphasizes collective action and interests, community initiatives, the role of cooperatives and local territorial development. While this latter approach is gaining ground it still remains inchoate. It remains to be seen whether a more coherent system of support for SSE may emerge from the proposed Framework Act on the Social Economy, which is currently making its way through the National Assembly.

The state, however, appears to be committed to “learning by doing” and SSE actors, intermediary organizations and networks are gradually gaining greater voice in the policy process. This has resulted in the continuous reform and ratcheting up of legal and institutional reforms and policy innovations aimed at addressing these issues and supporting emerging sectors of SSE, as well as the concept of “social economy” as a whole.

Italy³⁸

The nature of SSE in Italy has undergone significant changes in recent decades. Beyond advocacy activities and the role of church-related charitable organizations, the non-profit sector was relatively underdeveloped throughout much of the twentieth century. There was, however, a strong cooperative tradition (Defourny and Nyssens, 2013). “[T]he social function of co-operation of a mutually supportive, non-speculative nature” was recognized by the Italian Constitution drafted in 1947 and explicitly enabled through the “Basevi” law on

³⁷ See Choi et al., 2017, Lee and Kim, 2013 and Mendell et al., 2010.

³⁸ This summary draws significantly on two reports prepared for the ILO SSE Academy and the European Commission: Galera and Salvatori, 2015 and European Commission (EC), 2016, respectively.

cooperatives adopted that same year.³⁹ A key feature of SSE development, more recently, has been the expansion of social enterprises.

The extensive development of SSE in Italy is partly a product of significant public policy support which has expanded since the 1990s. A variety of social enterprises expanded in a context of a partial shift in the nature of state support from grants and subsidies to contracting-out public service provision and preferential procurement (EC, 2016). State support for SSE organizations and enterprises has emerged in response to a number of drivers and agendas of policy change, in particular, grassroots or civil society pressures for state benefits, recognition by the state that citizens were organizing collectively and spontaneously to provide a range of goods and services to meet both traditional and new community needs (Galera and Salvatori, 2015:5), and welfare state restructuring or outsourcing which looked to SSE organizations as a cost-effective alternative to state provisioning of social services (EC, 2016:30).

Referring to Europe more generally, a European Commission study on the type of enabling conditions or “ecosystems” that need to be in place for social enterprise to develop highlights six key elements (EC, 2015): i) a good understanding of the concept of social enterprise; ii) supportive legislative and fiscal frameworks; iii) specialized business development services to build capacity; iv) access to finance; v) access to markets and ability to compete for public procurement; and vi) mechanisms for measuring and demonstrating impact. While such conditions were often absent or weak in the many of the countries studied, they were found to be far more advanced in Italy (Galera and Salvatori, 2015).

³⁹ Under this law, cooperatives were allowed to transfer surplus to a tax-exempt reserve fund, which would become an important source for capital investment. In addition to promoting self-capitalisation, the law also inhibited the sale of cooperative assets for members' gain.

Extensive research and public debate on SSE in Italy has broadened understanding of the concept. As noted by the EC report: “The good availability of data and knowledge from both official statistics and private research has boosted the visibility of the sector and has had a role in clarifying the role of social enterprises for policy-makers at both national and local levels” (EC, 2016b:38). Furthermore, Italy stands out as the only country in Europe where measuring and reporting on social impact is legally mandatory for social enterprises. Certain regions also make this a requirement for social cooperatives.⁴⁰

Since the 1990s, legislation has both recognized and promoted new types of SSE entities. Various legislative measures have been introduced to encourage social enterprises. As has been noted in relation to Europe more generally, traditional bodies of law pertaining to cooperatives and associations had elements that constrained the expansion of social enterprises, in particular clauses preventing cooperatives from benefiting non-members or inhibiting associations to engage freely in economic activities (Galera and Salvatori, 2015:6). In 1991, cooperative legislation was augmented when “social cooperatives” were legally recognized. The law identified two types. While both adhered to principles and practices associated with cooperatives, Type A cooperatives provide i) social and care services related to health, education, culture and the environment, while Type B cooperatives facilitate work integration for certain categories of disadvantaged persons (Thomas, 2004: 248; EC, 2014).

In 1997, there was an attempt to harmonize fiscal norms relating to different types of social enterprise, voluntary sector organizations and NGOs by creating the category of “non-lucrative organizations” (ONLUS). The law allowed for various tax exemptions related, for example, to the sale of goods and services as part of public procurement, while donations were tax-

⁴⁰ See <http://socialeconomy.pl/node/266>.

deductible. (EC, 2016:18) Social cooperatives benefited from the Fertilit  project involving the Ministry of Labour and Social Policy and the national investment agency Invitalia. Since 2001, this project has provided approximately 26 million EUR for new social cooperatives (EC, 2016:34).

A law passed in 2005 recognized the principal of pluralism of organizational forms related to social enterprises, including not only social cooperatives but also foundations and associations engaged in economic activities, as well as joint stock and limited liability companies with explicit social objectives, forms of participatory governance and complying with regulations on the distribution of benefits. It also expanded the range of support services by broadening the concept of social enterprise to include new sectors of activity beyond welfare and social service provisioning (EC, 2016:15).⁴¹ Particularly important had been the Guarantee Fund, originally designed to support small and medium-sized enterprises (SMEs). This fund promoted access to finance by granting a public guarantee in addition to, or instead of, real guarantees (EC 2016:31). Policy support for SSE organizations also involves preferential public procurement arrangements. Various legislative and presidential decrees and EU Directives have introduced criteria that “subordinate the economic requirements of the procurement procedures to social or environmental sustainable aims”, although, in practice, the criterion of lowest price has tended to prevail (EC, 2016:28).

A key feature of cooperative law in Italy relates to the inclusion of significant funding mechanisms for cooperative development. The original Basevi law that regulated cooperatives allowed them to transfer their surpluses to a reserve that was tax-

exempt and would become a significant source of capital. The Marcora Law of 1985 led to state backing for two funds which are overseen by the Ministry of Economic Development in coordination with the Ministries of Economy and Finance and Labour and Social Policy. Aimed at supporting worker buyouts, they provide low-interest loans and investment capital for various types of cooperatives (Vieta, 2015: 10). As members of cooperative federations, workers can also access technical assistance and finance from the cooperative movement’s solidarity funds for cooperative development, such a Coopfond and Fondosviluppo, to which all cooperatives must contribute 3 per cent of annual net income, as stipulated by a law passed in 1992. By the financial year of 2015/16, Coopfond had assets of 456 million euros.⁴²

As noted by CICOPA,

“ these institutions are not only financial bodies but are fully-fledged development organizations which are able to provide advisory and follow-up services in different fields such as business transfers to employees, enterprise start-ups and enterprise development. Although finance is still a major difficulty, we also observe that countries where decades of accumulated capital, know-how, institutional-building, mutualized finance and appropriate legislation and public policies, such as Italy and France, have managed to limit the problem at least to some extent, in spite of very difficult financial conditions, especially in the case of Italy (CICOPA, 2015:22). ”

New financial and fiscal benefits have emerged more recently in response to the employment and social effects of the global financial crisis and austerity in Europe. A scheme authorized by law in 2012 provides advantageous fiscal benefits for enterprises registered as innovative social start-ups that provide evidence of

⁴¹ Other sectors include professional training, environmental and eco-system protection, development of cultural heritage, social tourism, academic and post-academic education, research and delivery of cultural services, extra-curricular training and support for social enterprises.

⁴² See <http://www.coopfond.it/>.

social impact. In 2014, the Ministry of Economic Development authorized a new fund to provide subsidized loans to various types of cooperatives, including those formed from worker buyouts and social and other cooperatives managing assets confiscated from organized crime (EC, 2016:31). A year, later the same Ministry established a comprehensive support scheme that provides subsidized loans for investment programmes to social enterprises, social cooperatives and cooperatives classified as non-lucrative organizations.

A number of regional schemes for SSE development, often supported by the European Social or Regional Development Funds, also provide significant support for technological innovation, start-ups and work integration. In some regions, such as Emilia Romagna, a proactive industrial policy has fostered cooperatives and small businesses through skills training, favourable access to capital, R&D and marketing services (Pourvand, 2013).

On balance, we see in Italy significant developments in legislation and institutional support that appear to bode well for the development of SSE. Its role is expanding as additional types of organization, enterprise and economic sectors come within the SSE fold.⁴³ The scaling up of several sectors has been facilitated by a comprehensive range of support services and significant financial instruments that are locked in by law. Such developments are energized politically by the presence of three influential cooperative federations. Albeit with different philosophies, they have moved beyond their traditional cooperative constituencies to embrace new forms of organization associated with social cooperatives (Gonzales, 2010).

SSE also enjoys a significant degree of multi-party support, not least because the major organizations representing both old and new cooperatives are affiliated with different political parties (Corcoran and Wilson, 2010).

As noted by the European Commission, however, the development of social enterprises is constrained by multiple factors and contemporary contexts, including cuts in public spending, bottlenecks affecting the implementation of certain programmes such as preferential public procurement, and “the confusion caused by the complexity and fragmentation of the legislative framework, both civil and fiscal”, related to several types of SSE organization (EC, 2016:43). The following section also addresses questions regarding the “transformative” character or potential of SSE, given the extent to which the development of social enterprise is associated with the restructuring of the welfare state and a response to economic crisis.

⁴³ Not all SSE sectors are the object of SSE policy. Some grassroots initiatives – for example, the extensive network of solidarity purchasing groups engaged in collective provisioning and fair trade – have largely developed outside the arena of public policy (Grasseni et al., 2015).

Part 2.

Public policy for SSE in comparative perspective

The seven countries reviewed above have all experienced significant state-led initiatives aimed at regulating and promoting SSE or key sectors therein. Yet, as noted earlier, they vary considerably in terms of their history, political economy and institutional contexts. These two conditions – the development of SSE policy regimes and national specificities – provide a rich basis for comparative analysis. On the one hand, their commonalities in terms of proactive policy support for SSE allow us to identify and assess the role played by different types of laws, government social and economic policies, national development programmes and plans, and specific types of regulatory and support institutions. On the other hand, their historical, institutional, economic and political differences inevitably result in varied interpretations of SSE, as well as priorities and challenges. This section of the paper examines these aspects.

The seven countries broadly fall into two different categories as regards state strategy: one more reformist in nature, the other more transformative.⁴⁴ The former essentially attempts to readjust and re-legitimize mainstream institutions, and achieve conventional development objectives. It turns to SSE as a means of attaining incremental improvements in employment creation, work integration, social service coverage and SME development, notably in post- (financial) crisis contexts. This approach is particularly evident in the Philippines, Italy, South Africa and the Republic

of Korea. The more transformative approach – evident in Brazil, Costa Rica and Nicaragua – seeks to enable SSE not only as an instrument of crisis management and state restructuring but as a long-term response to a broader crisis of capitalism – one that manifests itself in structural inequalities and the inability to reproduce and expand conditions of decent work (Coraggio, 2013; Morais et al., 2017; Utting, 2015). In this context, SSE is positioned as an alternative approach to development. What both approaches have in common is the recognition that changing economic, social and technological contexts have given birth to new forms of organizing work, production and exchange that can play a significant role in a country's development process. Furthermore, from both perspectives, enabling SSE sits comfortably with contemporary international development discourse associated with poverty reduction, women's economic empowerment and sustainable development.

Key instruments

As is common in much of the literature on enabling policy regimes, the above case studies place considerable emphasis on the legal foundation of state support and regulation. In all seven countries we see not only the enactment of multiple **laws** governing particular sectors of SSE but also the adaptation of law to recognize and support emerging sectors, notably forms of social enterprise that differ from both cooperatives that cater to their

⁴⁴ This categorization refers primarily to the federal level. Significant variations in approach may exist at the sub-national (province or state) level.

members' interests and NPOs that have a charitable orientation and are donor-dependent. As Defourny and Nyssens (2016) point out, social enterprises include NGOs transitioning from a reliance on grants to earned income, social cooperatives catering more to the general interest of consumers and citizens than the mutual interest of members, and enterprises that are part and parcel of the restructuring of welfare states and social policy delivery. Another trend, albeit less developed, relates to the enactment or drafting of framework laws related to SSE as a whole or to broad-based conceptions of social enterprise, beyond specific SSE sectors, as seen in the case of Brazil, Costa Rica, the Philippines and the Republic of Korea. The dynamism of legal and institutional reform since the turn of the millennium is captured in Table 1, which identifies some of the most significant initiatives supporting SSE in the seven countries.

Another trend relates to the creation or strengthening of **government institutions** that both regulate and support SSE. Their institutional status, however, can vary

considerably. They range from ministries (Nicaragua) and vice-ministries (Costa Rica), through national secretariats (Brazil), to more fragmented institutional arrangements whereby different ministries or departments assume different responsibilities for SSE (Philippines, South Africa, the Republic of Korea, Italy). In several countries, the trajectory of institutionalization involves the emergence of ministries or agencies that merge multiple initiatives concerning the regulation and promotion of SSE, as has occurred recently in Nicaragua (MEFCCA), South Africa (DSBD) and the Republic of Korea (KoSEA).

The formation of such entities often aims to assist the task of policy coordination. In virtually all countries a lack of coordination has been noted by analysts as a major policy challenge, given the range of policies that impact SSE and the tendency – at least early on in the institutionalization process – for responsibilities and functions to be divided among several state entities that often operate in policy silos.

Table 1. Recent public policy initiatives by country

Country	Year	Initiative
Brazil	2003	Creation of SENAES and FBES; Decree recognizing Quilombola community land and cultural rights; Food Procurement Programme launched
	2007	Law on sanitation facilitates role of waste picker associations and cooperatives in municipal waste collection and recycling
	2009	Law on preferential procurement within the education system
	2010	Decree creates the National Equitable and Solidarity System of Trade
	2011	“Brazil Without Poverty Plan” launched by Ministry of Social Development
	2012	Law supporting worker cooperatives enacted; the Regional Development, Territorial Sustainability and Solidarity Economy Programme launched; Proposed Framework Law for Solidarity Economy introduced to Congress
	2013	Pronacoop Social programme implemented
	2015	First National Plan for Solidarity Economy launched
Costa Rica	2011	Constitutional amendment recognizes the role and rights of the <i>solidarista</i> associations
	2013	Recognition of SSE in the National Policy on Cultural Rights
	2014	Incorporation of SSE in the national development programme, Tejiendo Desarrollo, and the National Employment Strategy; Redesignation by Presidential Decree of the responsibilities of the Vice-Minister of Labour and Social Security to include SSE
	2015	Presidential Decree declares SSE to be in the national interest; Directorate for SSE created within the MTSS; Center for Specialized Training on SSE inaugurated as part of the National Institute of Learning (INA); SSE recognized in the national Economic and Social Development Plan and the poverty reduction strategy, Puente al Desarrollo
	2016	Permanent Commission of the National Assembly presents the draft Framework Law on SSE for consultation
Nicaragua	2005	Framework law on cooperatives, mandated the creation of the National Institute for the Promotion of Cooperatives (INFOCOOP) and the National Council of Cooperatives (CONACOO); Institute for Reformed Urban and Rural Property created to resolve land issues affecting cooperatives, among others
	2007	Launch of the national flagship programmes for women’s economic empowerment, Hambre Cero and Usura Cero; Nicaragua joins ALBA
	2008	The national development bank, Banco Produzcamos, created
	2009	Laws passed promoting social interest housing and Food Sovereignty and Security
	2012	Ministry for Family, Community, Cooperative and Associative Economy (MEFCCA) created
	2014	Reform to the 1987 Autonomy Law demarcates land for indigenous communities
Philippines	2002	Barangay Micro Business Enterprises (BMBEs) Act of 2002 promotes the development of BMBEs
	2009	Magna Carta of Women enacted
	2010	National Solid Waste Management Commission (NSWMC) approves the National Framework Plan for the Informal Sector in Solid Waste Management
	2012	Magna Carta for Social Enterprise filed in the House of Representatives
	2013	National Health Insurance extends health coverage to informal economy workers; <i>Batas Kasambahay</i> (Domestic Workers) Act becomes law
	2014	<i>Go Negosyo</i> (Business) Act mandates the Department of Trade and Industry to create and manage business centres to support MSMEs
	2015	Microfinance NGOs Act becomes law
	2016	Informal Economy Protection Bill filed in Congress

Country	Year	Initiative
South Africa	2000	The Preferential Procurement Policy Framework Act favours cooperatives and small businesses
	2003	Broad-Based Black Economic Empowerment (BBBEE) Act promotes micro- and small enterprises and cooperatives; Amendments to the National Development Agency Act support NPOs
	2004	The Small Business Development Agency created to support cooperatives and informal enterprises; Cooperative Development Policy framework finalized
	2005	The Cooperatives Act passed fuelling the expansion of cooperatives
	2007	Cooperative Banks Act promotes and regulates access to banking services
	2011	New Growth Path Framework promotes social economy in job creation
	2013	New support and regulatory institutions proposed under the Cooperatives Amendment Act; BBBEE Amendment Act specifically identifies MSMEs, cooperatives, black entrepreneurs in both the informal and formal economy as intended beneficiaries and promotes incentive schemes
Rep. of Korea	2000	Implementation of the National Basic Livelihood Security Act which recognizes SSE entities as implementing partners
	2003	Social Employment Programme introduced which strengthens the role of SSE organizations in the welfare regime
	2007	Social Enterprise Promotion Act passed
	2010	Korea Social Enterprise Promotion Agency (KoSEA) created under the Ministry of Employment and Labour
	2011	The Framework Act on Cooperatives recognizes new types of cooperatives
	2013	Seoul Metropolitan Government assumes leading role in formation of the Global Social Economy Forum
Italy*	2000	Ministry of Economic Development commences implementation of the “Guarantee Fund”, facilitating access of SMEs to finance; Reform of social and health care act recognizes role of third sector organizations in service provisioning
	2001	Invitalia launches the Fertilità project to support the creation and development of social cooperatives (which had been legally recognized in 1991)
	2005	Law on social enterprise (and 2006 Legislative Decree) recognizes the principle of pluralism of organizational forms related to social enterprises, expands support services and regulates the distribution of surplus and sale of assets
	2006	Legislative Decree expands procurement criteria to include social and environmental aims
	2011	Ministry of Labour and Social Policy oversees the application of the Bilancio sociale (Social Report) scheme
	2014	Ministry of Economic Development establishes a fund to provide subsidized loans to support worker buyouts, social cooperatives, cooperatives in Southern regions and cooperatives managing assets confiscated from organized crime
	2016	Legislative Decree promotes preferential procurement from work integration social cooperatives

In relation to **government policies and programmes** noticeable trends relate to i) a broader range of policy supports, ii) efforts to improve policy coordination, and iii) a shift from a sectoral approach targeting one or a few particular types of SSE actors to a more holistic approach that recognizes the concept and role of the SSE in national development plans and programmes. Key policy interventions that relate directly to SSE include services and resources associated with financing, preferential procurement, training, marketing and R&D.

Various forms of “solidarity” financing have emerged in all countries. The form this takes, however, varies considerably. In most cases, governments have attempted to facilitate access to microfinance or concessionary lending. This approach was particularly pronounced in Nicaragua, the Philippines, South Africa and Italy. Forms of development assistance associated with regional programmes (e.g. EU and ALBA) have been important in a few countries. In the Republic of Korea, the government relied heavily on subsidizing the labour costs of emerging social enterprises. Costa Rica and Italy stand out for having a broader range of financial mechanisms in place due to laws and policies that mandate the transfer of a certain percentage of funds from profits, taxes or social security contributions to support aspects of SSE or the use of surpluses as a tax-exempt source of capital for investment.

An increasing number of governments are recognizing the importance of preferential procurement for SSE entities. Such policies have been emphasized in Brazil, Italy, South Africa and the Republic of Korea. Various countries have put in place policies and institutions to support human capital development, such as incubators for social enterprises and training or consultancy services related to management systems. Initiatives in Brazil, the Republic of Korea, Italy and, more recently, South Africa, are noteworthy in this regard.

The analysis in Part 1 points to another type of policy intervention that is key for the development of SSE. This relates to more general social and labour market policy. Referring to Latin America, the point has been made by others that an enabling policy environment for SSE is often lacking partly because of weak social and labour market policies (Hintze, 2014). In several of the countries reviewed above, we see an attempt to articulate SSE with social policy. This, however, can take very different forms. In some countries, notably Italy, the articulation of SSE and social policy is linked in large part to ways and means of restructuring the welfare state, where the policy turn towards SSE derives from the perceived need to check the expansion of the welfare state or to fill gaps in service provisioning, not least in contexts of austerity. A strong SSE and labour market policy connection is also apparent as the state looks to SSE to address issues of unemployment and failing enterprises in the wake of the global financial crisis and recession in Europe. In Brazil, the Philippines and Costa Rica, the SSE policy turn is partly related to ongoing or increased attention to a poverty reduction agenda. In South Africa and the Republic of Korea the development of SSE is part and parcel of efforts to promote job creation and small enterprise development in contexts of rising un- or under-employment.⁴⁵ In some countries, most notably the Republic of Korea, the Government has explicitly linked SSE with multiple social policy goals including job creation, work integration, social service provisioning and social inclusion.

In South Africa and Nicaragua, a somewhat distinctive “social” rationale, centred on the economic empowerment of disadvantaged groups, underpins the SSE policy turn. In South Africa it is linked to the Broad-Based Black Economic Empowerment agenda. In Nicaragua the emphasis has been on crafting a

⁴⁵ Additionally, in South Africa, the Broad-Based Black Economic Empowerment agenda has been particularly relevant in this regard.

social development strategy that focuses on the economic empowerment of small producers – in particular, low-income women producers of goods and services.

In several countries explicit references to the SSE concept (or variations such as “social”, “solidarity” and “social solidarity” economy, or broad notions of social enterprise) are finding their way into national development plans and programmes. Such inclusion was particularly evident in the above reviews of Brazil, Costa Rica and South Africa.

Other insights concern multi-level policy interventions and coordination. While additional research is needed on this aspect, the cases of Italy, Brazil and the Republic of Korea, in particular, shed light on the importance of the role of local, metropolitan (city) and provincial governments in crafting enabling policy regimes for SSE. They also point to the need for multi-level coordination across local, regional and national scales of policy design and implementation. An OECD report on enabling policy frameworks for SSE emphasizes the importance of “place-based” or “situated” policies that reflect the diversity of regions and localities (Mendell, 2014).

In the case of Italy, the issue of multi-level governance extends to the supra-national level: policies of the European Union have provided significant funding for social and regional development. In the case of Nicaragua, a key feature of policy for SSE relates to financial support emanating from the regional south-south cooperation programme, ALBA. Mercosur, in South America, is also developing policies for SSE which can benefit member countries such as Brazil (Saguier and Brent, 2017).

SSE policy pathways

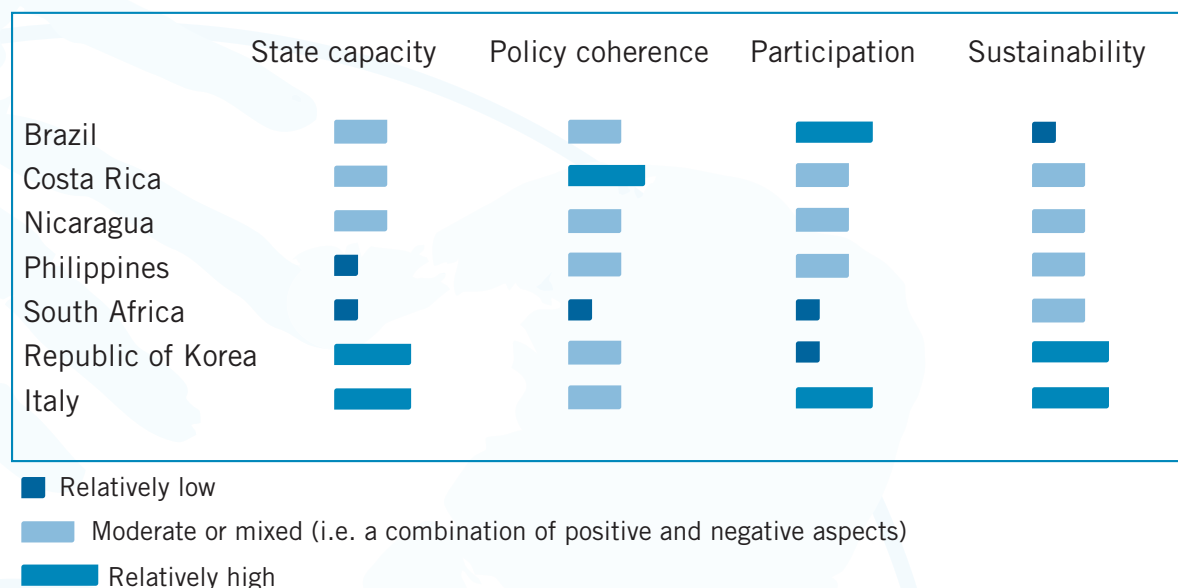
The above commonalities in legislative, policy and institutional initiatives point to the development of a policy and institutional regime that, on paper at least, bodes well for SSE. It is important, however, to open up the black box of policy design and implementation to gauge just how effective the SSE policy turn has been. A useful framework for assessing policy effectiveness consists of examining four variables. These include:

- i. State capacity: while all the countries reviewed above are taking significant steps to design support mechanisms for SSE, major differences arise in relation to state capacity to implement policy and attain desired objectives;
- ii. Policy coherence: given that policies geared towards SSE are but one aspect of the broader policy portfolio, it is important to consider the extent to which policies for SSE are reinforced, complemented or undermined by policies involving other actors and sectors or the wider economy and society;
- iii. Participation: to the extent that a country's development strategy and policy reflect the balance of social and political forces and interest group bargaining, it is crucial to assess which actors influence SSE policy and the extent to which SSE actors have an effective say in shaping the policy process. Such influence and the nature of co-construction of policy has a major bearing on the quality of SSE policy design and implementation. This may vary considerably by country;
- iv. Sustainability: given that proactive policy for SSE often arises in quite specific political, economic and fiscal circumstances it is important to assess whether or not it can continue to advance in the context of an abrupt change in such circumstances.

While additional research is required on these aspects in a number of countries, Figure 1 provides a rough approximation of the state

of play. It can be noted that no two countries are positioned similarly in relation to all four variables.

Figure 1: Assessing the quality of public policy for SSE*



State capacity

Capacity is to some extent a relative concept: it depends on the level of development of the country in question. From this perspective, it is not surprising that state capacity to mobilize budgetary and human resources in Italy and the Republic of Korea appears quite high. Nevertheless, it was noted that capacity in Italy has been affected in recent years in the context of recession and austerity. But also noteworthy is the case of Nicaragua. Although according to conventional measures it is the second poorest country in Latin America and the Caribbean, it has nevertheless mobilized significant resources for SSE due to both the high level of political will to promote SSE programmes and innovative funding mechanisms such as ALBA. Costa Rica, too, has been able to mobilize substantial funding for SSE development through legally-mandated funding mechanisms that stipulate that a percentage of income tax revenues, bank and cooperative sector profits and social security contributions must go towards specific

SSE sectors and institutions. Actual budgetary allocations for the newly established vice-ministry of social economy, however, are very limited because of austerity measures to control a growing public deficit. Similarly, in Brazil, SENAES has experienced budget cuts.

In several countries we see a mismatch between laws and policies that have resulted in the rapid scaling up of SSE and enabling instruments. In Nicaragua, the Philippines and South Africa,⁴⁶ the rapid expansion of pre-cooperative women's groups, cooperatives or social enterprises was not supported by adequate training and cooperative education. This has led to high failure rates or weak administrative and managerial capacity, as well as a failure to internalize cooperative principles in enterprise logic. Even in Brazil, where considerable effort and resources have focused on human capital development and technical assistance, it has been noted that the resources involved tend to

⁴⁶ For South Africa, see Derr, 2013

benefit intermediary organizations and personnel rather than primary level SSE actors (Icaza et al., 2012).

In some countries such as South Africa, training on cooperatives and social enterprises has, until recently, tended to conform to technical specifications typically associated with SMEs rather than SSE enterprises (Derr, 2013; Fury, 2010). Tapping into funds or programmes already established to support SME development can, however, be an important means of transitioning to a policy agenda more supportive of SSE. The case of Costa Rica is illustrative in this regard. In a context of fiscal austerity, mobilizing additional public funding for SSE development has proven difficult. Broadening the remit of the main SME development fund to include SSE enterprises has provided some respite in this situation.

State capacity is also linked to the effectiveness of government bureaucracy and administration. While this aspect was not assessed systematically in the ILO case studies, instances have emerged where red tape and bureaucratic malaise or limited buy-in to the SSE policy turn are apparent (South Africa, the Republic of Korea, Costa Rica). Corruption or lack of transparency and accountability related to SSE funding have also been a significant problem in a number of countries (Nicaragua, Philippines). Indeed, only one of the seven countries (Costa Rica) ranks in the top 50 countries where public perceptions of corruption are relatively low.⁴⁷

Policy coherence

Given that SSE occupies a niche in the wider economy and polity and that it is interconnected with both the state and conventional market forces and enterprises, it is impossible to assess public policy for SSE without considering the issue of policy coherence; that is, the extent to

which the broader development strategy and economic, social and labour market policies enable or undermine the development of SSE.

The assessment of policy coherence noted in Figure 1 recognizes the fact that while the seven countries have been proactive in the promotion of SSE, their broader policy regime and political economy favour patterns of economic liberalization, production, trade, investment and consumption that may undermine the development of SSE. Costa Rica could arguably be positioned somewhat more favourably in this regard, given such features as a long institutional history of favouring cooperatives and SMEs, comprehensive social policy, significant political resistance to conventional free trade agreements, and legal safeguards that secure long-term funding for SSE.

All the countries under consideration are capitalist economies with states that are pursuing policies associated with economic liberalization. In such contexts it is normal for conventional private enterprise – and sectors of big business in particular – to find themselves in a more enabling policy environment. From the perspective of SSE, this raises two questions. First, does this market environment open up spaces for certain sectors of SSE? The rise of social enterprise speaks to this possibility. We have seen that such developments are particularly apparent in the Philippines, South Africa, the Republic of Korea and Italy, but less so in the other countries. The second question concerns whether legal and policy initiatives concerning SSE are attempting to level the playing field for SSE vis-à-vis conventional business. To some extent this has been the case – most obviously in the case of new legislation promoting social enterprises, concessionary financing, preferential procurement and incubator programmes, which were particularly evident in Brazil, the Republic of Korea and Italy.

⁴⁷ See Transparency International's Corruption Perceptions Index, 2016, at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016.

Economic liberalization, however, poses major challenges for SSE. Constraints on both public funding and overseas development assistance, and the relatively small scale of many solidarity finance schemes, mean that SSE enterprises remain heavily dependent on private sector financial institutions. Not only does the “less-for-profit” nature of SSE entities make them less attractive to conventional lenders: new financial regulations, introduced in the wake of the global financial crisis, can further impede access to finance for enterprises that lack a credit history, conventional forms of collateral, and the administrative know-how to navigate complicated application procedures.⁴⁸

Macroeconomic, trade and investment policy are often heavily loaded in favour of particular economic sectors where important sectors of SSE may not be a significant player. These include, for example, mining and energy (Brazil, South Africa), export agriculture and agribusiness (Brazil, Costa Rica, Nicaragua, Philippines), and capital intensive manufacturing (the Republic of Korea, Italy). The notable exception may be large cooperatives. Their size, however, often raises questions about isomorphism; that is, their tendency to assume managerial and operational principles and practices typically associated with conventional firms (Defourny and Delvetere, 1999).

Part and parcel of development strategies in contexts of economic liberalization are free trade agreements that can make the playing field even more uneven for SSE, not only due to incentives of exporters and importers but due to the effect of, for example, cheap food imports on SSE producers in agriculture. Such issues are particularly evident in Brazil, Costa Rica, Nicaragua and the Philippines. A further negative implication of the pro-business, pro-investor policy environment for SSE has been the limited attention to issues such as redistributive

land reform, even in countries such as Brazil, Nicaragua, Philippines and South Africa where it was once a significant issue.

Policy reforms favouring SSE can be contradicted or indeed reversed by competition policy that inhibits attempts to level the playing field for SSE enterprises through subsidies or preferential procurement. EU competition rules, for example, led to the suspension of the Italian Marcora Law favouring cooperatives until reforms to the law were introduced. More generally, SSE organizations and enterprises are often at a competitive disadvantage vis-à-vis traditional enterprise, notably with regard to their ability to access credit or capital via the banking system. Attempts in Brazil to establish alternative means of “solidarity finance” through complementary currency schemes originally faced opposition from the Central Bank which considered that such schemes contravened banking regulations (Utting et al., 2013). A more recent problem relates to additional constraints on accessing bank finance that result from regulations that have been implemented in the wake of the global financial crisis. In Costa Rica, for example, efforts to reduce lending risk have resulted in stricter lending criteria which affects, in particular, small producers, enterprises and start-ups. Furthermore, proposed reforms that aim to increase the capital reserve of financial institutions would affect the lending capacity of credit cooperatives and certain other SSE institutions (Utting and Morales, 2016).

Another macro-dimension of development strategy concerns one of the core features of neoliberal policy; namely, state restructuring or downsizing the state apparatus, stricter fiscal discipline and controls on public spending. Most of the countries reviewed in this paper are impacted by this situation, albeit some more than others. The implications for SSE are particularly evident in Costa Rica, Nicaragua, South Africa and Italy. In Costa Rica, for example, the government established a vice-

⁴⁸ See, for example, Fury (2010) and Utting and Morales (2016) for the cases of South Africa and Costa Rica, respectively.

ministry within the Ministry of Labour and Social Security with responsibility for SSE promotion. Government efforts to reduce the fiscal deficit, however, mean that it has minimal human and financial resources. Nicaragua has complied with International Monetary Fund (IMF) loan conditionality, the upshot of which has been budgetary restrictions that severely limit social spending on health and education and a highly streamlined bureaucracy that lacks the human resources necessary to meet the demands of ambitious SSE development programmes. South Africa explicitly switched policy direction in the 1990s from a redistributive agenda, which in principle could have benefited SSE, to a neoliberal agenda that has fuelled social polarization and “jobless growth”. Brazil’s expansive social spending, poverty reduction and stimulus regime, which had benefited SSE, reversed course following a credit downgrade in 2015, and was further restrained with the change of president in 2016 following the impeachment of Dilma Rousseff. In Italy – as elsewhere in Europe – the state is under pressure to downsize and restructure, not least in the current context of austerity policies. While this has opened up spaces for social enterprise in the field of social service provisioning, it also runs the risk of placing SSE in a straitjacket where the scope of the social economy is limited to very specific activities and the autonomy of SSE organizations is stifled because of dependency on the state. Such dependency is also particularly noticeable in the Republic of Korea and South Africa (Okem and Tshishonga, 2016).

While such risks are also apparent in the Republic of Korea, where the recent rise of social enterprise is linked to service provisioning, the macro-agenda in that country is somewhat different. Unlike Europe where the financial crisis promoted a downsizing of the welfare state, in several Asian countries the financial crisis of the late 1990s prompted an expansion of the welfare state. In the Republic of Korean

then, the rise of SSE is partly related to an emboldened social policy.

As noted above, market-led growth strategies and related state restructuring have opened up spaces for social enterprise. As this looks set to be an expanding arena for SSE in the coming years, it is important for research to examine the implications of this development for inclusive and sustainable development. Some of the risks linked to autonomy and narrow sectoral focus have already been noted. Another risk relates to institutional isomorphism, noted above. In relation to social enterprise, and its manifestation in countries such as the Philippines, South Africa, the Republic of Korea and Italy, the danger is that social enterprise becomes subsumed within the policy and discursive arena of small and medium-sized enterprise development or the so-called fourth sector of “blended value” or “triple bottom line” enterprises (Utting, 2016). Isomorphism carries with it the risk that enterprise goals and managerial behaviour may shift excessively from equity to efficiency criteria, participatory governance to hierarchy and social or redistributive objectives to surplus generation. This may be a far cry from several of the core principles and practices of SSE. SSE is not simply about correcting imbalances between economic, social and environmental objectives; it is about asserting the primacy of social and redistributive justice. Neither is it solely about tweaking production and consumption patterns through eco-efficiency; rather, it strives for more fundamental transformations that result not only in the “relative decoupling” of emissions, waste and pollution from growth, but also “absolute decoupling” (Jackson, 2009).⁴⁹ And SSE is not only concerned with the economic empowerment of workers and producers

⁴⁹ In relation to global warming, “relative decoupling” refers to increases in the growth of green house gas (GHG) emissions that are less than the rate of economic growth; “absolute decoupling” refers to an actual decline in GHG emissions in contexts where economic growth continues.

that organize collectively; it is about “active citizenship” and their political empowerment.

It is important, then, to assess whether the policy regime supporting SSE understands SSE in instrumental or transformative terms. In most of the countries reviewed in this paper, governments appear to be promoting SSE largely from an instrumental perspective: it can help them achieve basic policy objectives associated with social service coverage, poverty reduction, job creation, work integration, formalizing the informal economy and so forth. Only in a few cases – notably Brazil and Nicaragua, and to some extent Costa Rica – is the transformative angle more explicit at the level of national policy.

Participation

Whether or not governments have the political will to support SSE and effectively mobilize resources to that end depends crucially on the balance of social and political forces that intervene to shape policy. The concept of participation refers here to the organized efforts of groups to gain control over resources and institutions that affect their lives (United Nations Research Institute for Social Development (UNRISD), 2003). Such “organized efforts” include various forms of collective action and “active citizenship” that involve contestation, claims making and bargaining. A considerable body of literature on SSE has focused on “co-construction of policy” (Mendell and Alain, 2015), which generally refers to the more formal aspects of the policy process related to dialogue, consultation, advocacy and negotiation involving relevant stakeholders.

Effective participation is important for various reasons:

- avoiding the pitfalls of top-down interventions which may not only lack local buy-in from intended beneficiaries but may also rely on inappropriate incentives

and involve cumbersome administrative procedures. Such problems were noted in Part 1, particularly in relation to the Republic of Korea;

- avoiding cosmetic forms of stakeholder consultation that fail to interrogate policy; an issue that was noted in the case of the Philippines;
- mitigating policy incoherence and ensuring the durability of pro-SSE policies when political and economic circumstances change, something currently being attempted by the Brazilian Forum for Solidarity Economy.

The issue of participation is linked to that of the autonomy of SSE actors, networks and movements vis-à-vis the state and ruling parties. As noted in relation to the history of cooperative movements in several countries, as well as the example of Nicaragua below, there can be a trade-off between participation and autonomy.

Figure 2 indicates that the state of participation varies significantly among the seven countries. The quality of participation is often quite ambiguous, with both positive and negative aspects co-existing in any one country.

An important dimension of participation relates the degree of cohesiveness among the community of SSE actors and intermediary organizations and networks. Cohesiveness also extends to coalitions or alliances with other social movements. Such cohesiveness seems particularly strong in Brazil, and increasingly so in Italy where the ideological differences that historically characterized the main cooperative federations which are affiliated with different political parties, have diminished. Furthermore, we see in Brazil and Italy support from the labour movement for SSE.

In some countries, however, the SSE “movement” is fragmented or divided politically. Divisions have been noted in the Philippines in a context where some civil society leaders

are sceptical of the cooperative model that has developed in the country. In South Africa and the Republic of Korea it has been noted that SSE actors remain relatively dispersed and have not come together in a cohesive movement. While new SSE networks and intermediary organizations in Costa Rica have a significant voice in the policy process, various leaders of the cooperative movement have opposed both the discourse and certain public policy initiatives concerning SSE as a whole.

This contrasts with the situation in neighbouring Nicaragua, where the leadership of the cooperative movement is not only representing its own sectoral interests but also speaking on behalf of other SSE actors (as was also seen in the case of Italy). But the case of Nicaragua reveals other ambiguities. First, the party in power is closely affiliated with several social movements. As a result, various civil society leaders associated with SSE assumed positions within the state. While this brought some tangible benefits in term of policy for SSE, for several years it also impacted the autonomy of movements and their capacity to exert, independently, claims on the state. Second, more recently the leadership of the cooperative movement has gained a seat at the policy table. Its technical capacity to engage the state, however, is limited. Furthermore, its voice and influence is relatively weak compared to that of other interests such as organized business. Third, while the labour and cooperative movements have gained voice within the policy process other sectors of SSE, notably NGOs, have been sidelined.

Sustainability⁵⁰

Another key factor that distinguishes countries in relation to SSE policy and institutionalization relates to the issue of sustainability or the durability of policy through time. Whether or not

a pro-SSE policy environment can be sustained is one of the major challenges confronting the development and consolidation of this form of economy. Nowhere is this question currently more pertinent than in South America where recent political events in Argentina and Brazil have seen political parties and governments that were proactive in terms of SSE policy being replaced by others with a different ideological and policy orientation. More generally, declining commodity prices have affected fiscal revenues and spending of several governments.

Can SSE policies survive a change of government? How vulnerable are the funding sources underpinning of SSE policy support to swings in economic circumstances? These are important questions, particularly for Brazil, Costa Rica and Nicaragua. The Brazilian impeachment process that ousted President Dilma Rousseff in 2016 prompted the resignation of the prominent SSE leader and advocate, Paul Singer, who had headed the National Secretariat for Solidarity Economy (SENAES) since 2003. Its activities have been rolled back and, at the time of writing, its status as a state secretariat is in doubt. So too is the fate of the legislative bill supporting SSE. The multi-stakeholder consultative body for solidarity economy, Foro Brasileño de Economía Solidaria, has also been weakened although it continues to be active in several regions.⁵¹

In Costa Rica, the declining power of the administration headed by the Citizen's Action Party (PAC) runs the risk of diluting the content of the proposed Framework Law on SSE which is currently making its way through the Legislative Assembly. In the context of a fiscal crisis, the government is also hard-pressed to mobilize additional financial resources for various SSE programmes. More worrisome is what will happen to the current pro-SSE policy environment when the PAC-led Government

⁵⁰ This section draws heavily on a think piece recently published by the author. See Utting, 2016b.

⁵¹ Personal communication with Leandro Morais, 10 September 2016.

leaves office in 2018 (Utting and Morales, 2016).

The decline in world oil prices and the economic and political crisis in Venezuela have affected not only SSE in that country but also several others – such as Nicaragua – that participate in the regional cooperation scheme, ALBA. During the past three years there has been a major drop in revenues mobilized through the sale of oil within the ALBA initiative, revenues that were partly used to support SSE.

The case of the Republic of Korea is noteworthy for bucking the trend of an unravelling of public policy for SSE due to electoral competition and the rotation of parties in power. While the elections of 2017 ousted the party that had introduced important policy initiatives to support SSE, the new government has signalled its intention to reinforce state support for SSE.

What political and institutional elements need to be in place to ensure continuity in a pro-SSE policy agenda when electoral competition results in a change of government? The case of Italy is instructive in this regard, given that the institutionalization of public policy support has continued despite the frequent rotation of parties and leaders in power.⁵² The Republic of Korea also exhibits some similar characteristics. Leaving aside the question of state capacity to actually implement policy, at least three political and institutional conditions appear to be key.

First, state support for SSE needs to be locked in via **law** (Poirier, 2016). All the countries reviewed above have a fairly extensive body of law relating to specific sectors of SSE. Several have also inserted SSE-related clauses in their

constitutions. Regarding sectoral laws, the cases of Costa Rica and Italy illustrate the importance for institutionalization and policy continuity of the inclusion of concrete funding mechanisms that are long-term and not subject to the vagaries of annual government budgets. An important development for sustainability relates to legislative initiatives to enact framework laws for SSE, as seen in the case of Brazil, Costa Rica and the Republic of Korea. Such laws seek not only to establish both principles and institutions for social dialogue, policy design and resource mobilization, but they also call on the state to provide comprehensive and ongoing support via multiple institutions – and not just one or two that are specifically tasked to promote SSE. Furthermore, they tend to promote a less fragmented, more encompassing vision of SSE that recognizes the multiplicity of relevant actors and sectors. A key question for Brazil, Costa Rica and the Republic of Korea is whether current legislative initiatives to draft framework laws supporting SSE will ultimately be enacted.

A second key condition for sustainability involves “**concertation**”.⁵³ The cases of Italy and the Republic of Korea (and other regions such as Quebec, Canada) suggest the importance of an established political culture of social and political dialogue, which in turn can facilitate the emergence of coalitions that might support SSE (Arsenault, 2016). Such conditions are likely to inhibit the unravelling of state support. Costa Rica, too, has a long tradition of social dialogue but the current SSE agenda has created a number of fissures not only within the political class (including the PAC) but also within civil society associated with SSE. Limited cross-party support for SSE in Brazil currently threatens the SSE policy regime that has developed since 2003.

The third condition concerns **participation and social mobilization**. How social movements

⁵² The case of Quebec, Canada, is also insightful in this regard. The Parti Québécois (PQ), a traditional stalwart of SSE, lost the election in 2014 to the Liberal Party. Despite some setbacks – notably in relation to social housing and the role of both SSE daycare centers and the Local Development Centers (*Centre local de développement* / CLD) that had supported the development of social economy enterprises – a major reversal of pro-SSE policy did not materialize.

⁵³ “Concertation” refers to the act of different political actors of varying ideological persuasions coming together to pursue a common objective.

and networks linked to SSE respond to political and policy change is a key factor. In Brazil, various social movements and networks are actively mobilizing to defend their interests and the SSE agenda in order to ensure ongoing state support. Pressure for change will, of course, be all the more effective when there is a broad-based opposition, involving social movements or networks and certain political parties, that is fairly cohesive. As noted in South Africa, SSE actors do not form a cohesive coalition for change. Brazil appears to lean more in this direction. A major concern in several Latin American countries relates to the weakening or fragmentation of parties more inclined to support SSE, as in the case of the Workers' Party in Brazil and the PAC in Costa Rica. The presence of proactive representative intermediary organizations that can act as the

voice for the SSE movement in negotiations and have developed collaborative relationships with political parties and government, is also important.⁵⁴ Such roles are being played by FBES in Brazil, RedESS in Costa Rica, CONACOOOP in Nicaragua and cooperative federations in Italy.

When all the above elements cohere, as they have to some extent in Italy, the prospects for ongoing public support seem more promising. As José Luis Coraggio puts it, in such contexts, “party policy” can become a more institutionalized “state policy” (Coraggio, 2015). Where key elements are missing, as in the other six countries, such institutionalization or the sustainability of support seems far more problematic.

⁵⁴ Personal communication with Marguerite Mendell, 19 September 2016.

Concluding remarks

The above review of policy change in seven countries suggests that they have made significant progress in terms of designing a more enabling environment. As indicated in Table 1, governments of varied political persuasions have introduced laws and created programmes and institutions specifically aimed at supporting SSE or core aspects thereof. The latest iteration in this process of institutionalization of public policy are framework laws for SSE that are currently pending in Brazil, the Philippines and the Republic of Korea. Such developments, however, tell us more about the formal state of play regarding policy design. Evidence regarding the effectiveness of policy implementation is far more limited than information regarding policy discourse and intent. Nevertheless, we have identified a set of four variables that provide important pointers for assessing the effectiveness of policy design and implementation.

This analysis yields various insights for current and future research and policy dialogue on public policy for SSE. The first is that the analysis of public policy for SSE needs to guard against overstating or **romanticizing** the role of the state as an enabler of SSE. This is apparent in two respects: i) the numerous problems, trade-offs and contradictions associated with state initiatives that can cause SSE to deviate from core principles and practices, and ii) singling out the state as the active change agent rather than the multiple actors and institutions that make up the broader ecosystem that must be in place if SSE is to realize its potential. In the

respect, the analysis of conditions that favour the organic growth of SSE from the bottom-up and the role of non-state actors can be as insightful as that of state-led initiatives.

Second, to both craft and safeguard an enabling policy regime for SSE there is a need to guard against a **myopic approach** that singles out or over-emphasizes a particular instrument. In some of the literature, for example, there is a tendency to overemphasize the role of law. In the above country reviews we have seen that states that have attempted to create a more enabling environment for SSE are active on multiple fronts connected to law, policy, programmes, planning and institutional reform. Often there is a tendency to focus on policy intentions, i.e. what exists on paper, and to downplay the complex dynamics of policy design and implementation. It is important to guard against easy assumptions regarding the positive implications of laws, policies, and so on, designed to support SSE. Trade-offs are often involved. For example, we noted above the importance of “pragmatism” for crafting broad-based political support for SSE and safe-guarding public policy. But this may come at the cost of diluting the concept of SSE and tailoring it to achieve quite specific development objectives as defined by the government. These points emphasize the need to address a major gap in public policy for SSE in several countries: the lack of adequate statistics, monitoring and evaluations of actual performance and impact (UNRISD, 2016).

A third concern relates to the issue of **replication**. Cross-country comparative analysis within the field of development is often on the look-out for good practices from which others can learn. While the above analysis of policy instruments suggests the broad range of interventions – laws, policies, programmes, plans and institutions – that need to be in place, the actual trajectory and effectiveness of institutionalization, as well as the composition of SSE, tends to be context-specific. Historical, cultural, political, economic and institutional conditions all intervene to shape the nature and direction of policy change. We have seen that very different logics of policy change related to SSE play out in different countries and regions. In much of Europe, for example, contemporary policy concerning SSE is informed by the imperative of post-crisis job creation and welfare state restructuring in contexts of austerity. In parts of East Asia, SSE policy is consistent not only with job creation but also the expansion of social policy and the emergence of “developmental welfare states” (Draibe and Riesco, 2007). In countries or in regions at the subnational level where “active citizenship”, civil society organizing and institutions for co-construction operate, the logic and nature of policy change is often associated with broader development objectives associated with poverty reduction, social inclusion and sustainable development. And in parts of Latin America, SSE policy forms part of a more transformative discourse that speaks to the need for deeper change in structures that reproduce social exclusion, inequality, and social and environmental injustice.

Despite, then, some commonalities in terms of legislative, policy and institutional initiatives, the nature of SSE policy regimes can vary significantly. This was particularly evident from the analysis of state capacity, policy coherence, participation and sustainability – conditions that varied considerably by country. How such conditions shape and impact the policy

process is a key issue for research. As noted in Figure 1 above, no two countries are positioned identically in relation to all four variables.

Fourth, it is important to guard against **technocratic readings** of these issue areas, as often occurs in SSE-related research. For example, “state capacity” should not be reduced to the mere existence of government budgets, programmes or human resources to support SSE. It is also important to examine the relative weight of these resources within the portfolio of government spending and the wider bureaucracy. “Policy coherence” is not simply about the effectiveness or otherwise of coordination between different government entities. “Participation” is not only concerned with formal consultation with selected SSE stakeholders. Similarly, the concept of co-construction, which is rightly identified by many authors as a key determinant of policy success, should not be reduced to multi-stakeholder interaction or governance within the formal policy process. Rather, both participation and co-construction have to do with the varied forms by which people organize and mobilize in defence of their interests and how the mix of grassroots collective action, contestation, advocacy, dialogue, bargaining power, coalitions and alliances impact the policy process.

Fifth, what the four variables tell us is that future research on public policy for SSE should not only examine issues of implementation in more depth; it also needs to look beyond both the field of SSE itself and the present by examining the question of **policy coherence and sustainability**. While a particular government may be proactive on the SSE policy front, the analysis of policy coherence suggests that there may be a so-called “elephant in the room” syndrome, whereby macroeconomic, trade and investment policy or financial regulation may have disabling effects vis-à-vis SSE. We have seen that state restructuring may open up spaces for some types of SSE organizations and enterprises but

can also place SSE in a straitjacket as regards its composition and purpose.

The “elephant”, therefore, requires as much attention as any policy initiative directly related to SSE. Similarly, as regards the future trajectory of change and the issue of sustainability, the resources or political will that drive a pro-SSE policy agenda may abruptly decline with, for example, a general election or a collapse in world commodity prices. And whether a proactive SSE agenda can survive a change of government will also depend on the quality of participation; that is, the capacity of SSE actors and related organizations and networks to mobilize as a movement for change and exert claims on the state.

A final cautionary tale concerns the issue of **instrumentalization**. Engaging the state in support of SSE necessarily brings with it a set of influences, interests and worldviews that may cause SSE to deviate from core principles and practices (Utting, 2015). Such an outcome is a common feature of the uptake of progressive discourses and agendas of change within mainstream institutions (Cornwall and Brock, 2006; Utting, 2016a). The tendency in many countries to emphasize the role of social enterprise within SSE – and to instrumentalize the field – needs careful consideration. Where the term social enterprise is used as a convenient umbrella concept for a broad array of SSE organizations, this can facilitate dialogue with policy-makers. But where it signals an ideological preference for business enterprise, albeit with a human face, it may introduce biases in the policy agenda that may marginalize other important sectors or aspects of SSE. Furthermore, the term runs the risk of reducing SSE to developments occurring at the micro-level of the enterprise, rather than systemic and structural change associated with a more holistic notion of SSE.

When governments turn to SSE to achieve specific development objectives – for example, employment creation, work integration, social service provisioning or renewable energy – instrumentalization can serve to raise the visibility of SSE in the mainstream development agenda. It can also convince opposition parties of the merits of SSE and thereby safeguard policy continuity. But such instrumentalization can skew state support towards certain sectors of SSE and dilute the meaning and purpose of SSE. It can also result in institutional isomorphism and dependency. These risks need to be recognized and scrutinized.

It is important, then, for future research to move beyond the analysis of the performance and micro-level impacts of SSE organizations and enterprises, and the role of policy therein. Key in this regard is the need to assess how SSE and SSE-related policy impact a country's development pathway and how the dominant features of that pathway and development strategy enable or constrain SSE.

Despite these cautionary notes, the above review of public policy for SSE points to the fact that an increasing number of governments around the world are recognizing that development policy and strategy need to change. Periods of economic and financial crisis have placed in sharp relief the pitfalls and contradictions of processes of economic liberalization that marginalize social development and polarize societies. SSE provides an arena that marries the economic, social, environmental and democratic dimensions of development in a way that is potentially conducive to the agenda that world leaders signed up to in 2013 with the Sustainable Development Goals. Whether that potential is realized depends to a large extent on how policy-makers interpret SSE, design and implement policies, and situate SSE in the broader process of structural change.

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