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Evaluating the Formation of Enabling Public Policy for the Social and Solidarity Economy from a Comparative Perspective

*The Effectiveness of Collaborative Processes or
the Co-Construction of Public Policy*

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Introduction

The stated goal of this conference is “to explore the potential and limits of the social and solidarity economy (SSE) — organizations such as cooperatives, women’s self-help groups, social enterprise and associations of informal workers that have explicit social and economic objectives, and involve various forms of cooperation and solidarity”. In its call for papers, UNRISD acknowledges that “the growing interest in alternative production, finance and consumption grows in the face of global crises”. The objective of this international conference is to “raise the visibility of debates about the SSE within the United Nations system and beyond, and contribute to thinking in international policy circles about a post-2015 development agenda”. This is a critical objective at a time when the SSE is demonstrating its transformative capacity but is often constrained by the absence of an enabling policy environment. As we will show in this paper, existing policy measures embedded within long-established policy settings are increasingly meeting roadblocks, even where there is willingness to introduce policies to promote the development of the SSE. We hope to contribute to a much-needed dialogue on policy innovation, a *sine qua non* to meet a post-2015 development agenda. The experience of the SSE and in numerous countries confirms the urgent need for policy innovation for it to more effectively meet its objectives.

A growing number of researchers and policy makers recognize the limitations of existing public policy to address “inter-connected and cross-cutting issues”. While policy debates have largely focussed on making better use of public resources, attention is turning to the growing intractability of numerous problems that governments alone are unable to solve. The current process of policy formation and menu of measures and programs are limited in all cases and ineffective in many. The SSE is a template for policy innovation and the need for governments and international policy circles to question how to address complexity.

“Governing in complexity” requires new approaches to policy formation, more flexible regulatory environments, new processes of policy design and a shift from a sectoral focus to comprehensive measures. Clearly, this calls to question the very structure of governing institutions that, for the most part, operate in silos. Their capacity to innovate is restricted to narrowly defined objectives with correspondingly narrow tools. Working across boundaries is not easy, but is increasingly recognized as essential. This suggests not only breaking down inter-ministerial or inter-departmental barriers within government or large supra-national and international policy circles, but also collaborating with non-government actors, those on the ground best placed to identify policy needs. It means recognizing that the State (all levels of government) is but one of many knowledgeable actors equipped to solve problems. It also suggests that the best role of the public sector is one of coordination. While transforming the role of government is not easy, pragmatic responses by governments in many parts of the world reflect the urgency to innovate. In some cases, pragmatism is transforming ways of thinking about policy formation and embracing collaborative processes that are better able to respond to complex issues.

SSE enterprises integrate social, economic and environmental objectives, generating profit and social utility. Diverse and evolving organizational forms of SSEs face different constraints and opportunities. In the case of the popular or informal economy in numerous countries in the South, for example, they operate outside the formal market. In order to meet their goals, all SSE enterprises, whatever their organizational form, require tools – labour market (training), capital (financial instruments), research (partnerships with researchers), commercialisation strategies (access to markets) and enabling public policy. Moreover, because the SSE is locally rooted, it requires both situated and macro policy measures. While individual sectors in the social economy require customized policy, these must be integrated into a systemic approach. Too often, focus on the SSE is reduced to enterprises, organisations or sectors, missing its developmental capacity.

Given its contribution to sustainable social and economic development, the SSE imposes a broad reflection on public policy. One major challenge for policymakers has been the need to develop consensus on a clear definition of the concept of the social economy itself. In recent years, several definitions have been proposed by researchers and stakeholders, corresponding with different historical and institutional contexts, or *path dependency*. The development of public policy for the SSE reflects these differences, ranging from sectoral support to more broadly-based and comprehensive framework legislation in several countries. Paradoxically, because the social economy has demonstrated positive impact in many parts of the world, the variability between countries is conflated, as a one size fits all, mostly top-down approach, is often adopted.

Insufficient collaboration between government and civil society becomes a barrier for the development of the SSE. This is increasingly recognized and addressed in discussions between practitioners, researchers and policy makers in numerous countries in the North and South. Although governments are beginning to recognize the contribution of the SSE to economic and social development, this recognition does not always translate into enabling policies that adequately address the multiple objectives of SSE enterprises and the conditions under which they operate. “Top-down” policy initiatives, even when well-intentioned, often cannot take into account the particular needs and realities of local SSE enterprises and initiatives and may result in policies that are ineffective and often costly to readjust. Conversely, when demands from SSE practitioners and networks do not take into account the capacity and priorities of government, they have little chance of being addressed. As such, strengthening partnerships and creating institutional spaces for dialogue between SSE actors and government is necessary for the SSE to reach its potential.

The social economy represents an on-going process of innovation rooted in communities actively engaged in processes of 'learning by doing'. New approaches to socio-economic development, new forms of partnership between social actors (government, civil society and even the private sector in some cases), are being tested on a continuing basis, calling for corresponding innovations in public policy (Mendell and Neamtan, 2010). This raises numerous questions. Are existing forms of governance permeable? Is there room for new forms of governance to emerge and either co-exist with the status quo or replace it? Can governments and/or international policy circles learn to work more collaboratively?

For a number of years in Quebec, we have referred to the *co-construction of public policy* to describe a multi-stakeholder process of policy design to enable the development of the social economy. This term is used more frequently today, often to distinguish it from *co-production* that describes collaborative forms of program delivery. Government has come to recognize the effectiveness of co-constructing or designing policy in collaboration with social actors. Current literature describes this as the transmission of “useful knowledge” to government and suggests that these processes underlie a “new paradigm of public governance”. (Christiansen and Bunt, p. 10) In our work, we have resisted linear terms to capture the dynamic processes of discursive governance and emphasize the more circular flow of knowledge and information embedded in this process involving many actors.

In Quebec, dialogue and negotiation have been essential to the development and growth of the SSE in the last fifteen years. Underlying this is a common identity among SSE actors that has strengthened their institutional capacity to negotiate with government. Processes of *co-construction of public policy* are present in many other national and local settings as well, with significant impact. In order to learn from experiences at the national, regional and local level in countries in the North and the South, an International Forum on the Social and Solidarity Economy (FIESS) was organised in 2011 in Montreal, Quebec, attracting 1600 participants from 62 countries, confirming the international interest in policy innovation and the need for SSE actors to have a greater role in in this process. In addition to practitioners and policy makers from all continents, representatives of international organisations including the International Labour Organisation (ILO), the Organisation for Economic Cooperation and Development (OECD), the International Trade Union Confederation (ITUC), the Asian Development Bank, the African Development Bank, the Inter-American Development Bank and the International Social Tourism Organisation, also contributed to the discussions.

Six national case studies¹ were prepared as background papers for FIESS. They cover national, regional and local policy for the SSE in Canada, Bolivia, Brazil, Mali, Spain and South Africa and were co-authored by local practitioners and researchers. These studies provide examples of co-construction of public policy in these countries and evaluate the potential to develop such a process of policy formation. Earlier work by the OECD (2009 and 2010) on public policy enabling the SSE in South Korea, Poland, Slovenia and in two regions of France (Provence-Alpes-Côte d'Azur (PACA) and Alsace) also emphasized the need for greater collaboration between governments and SSE practitioners.² Five new national case studies documenting policy enabling the SSE in Burkina Faso, Cuba, Ecuador, Nepal and South Korea are currently in progress for RELIESS, an international reference and networking centre created in 2011, following FIESS³. As in the case of

¹ These case studies were coordinated by a scientific committee chaired by Professor Marguerite Mendell

² These studies were coordinated by Antonella Noya and Emma Clarence, LEED-OECD and co-authored by M. Mendell and colleagues. M. Mendell also authored a synthesis paper (2010). Details are provided in the bibliography.

³ The OECD case studies were produced in 2009 and 2010; the FIESS case studies were produced in 2011; the RELIESS case studies will be released in 2013. The processes of policy formation and the measures discussed are those reported in the case studies at the time they were produced. Processes of co-construction evolve over time, depending on political openness. In the case of Mali, the country has since undergone dramatic political upheaval to the detriment of all actors, including those in the SSE. In other

earlier studies, these also identify the potential for innovation in policy design and openings for greater collaboration with SSE actors.

Based on the case studies carried out for FIESS, the OECD and RELIESS, this paper examines the advantages of co-construction and the conditions for effective collaborative processes to formulate and implement public policy for the SSE. The diversity of the countries represented by these case studies, provides examples of how new processes of policy design are emerging under very different conditions, including in countries where this would seemingly be more difficult to introduce. The case studies demonstrate that collaborative approaches to policy formation in which government becomes a strategic enabler, facilitates the development and growth of the SSE, and leads to greater policy effectiveness. However, not all processes of policy formation documented in the case studies are collaborative. We will also point out the shortcomings of narrow policy measures as well as traditional modes of policy formation in achieving the broad goals of the SSE.

1. Why co-construction

1.1 Co-construction allows the SSE to realize its potential

Open dialogue between SSE actors and government leads to more coherent and strategic approaches that transcend a limited and more frequently applied sectoral approach. Because the SSE proposes and develops innovative solutions to complex societal problems, measuring its impact poses challenges for governments generally unable to assess complexity with the limited lens of ministries, divisions and departments. While this is changing in some areas, governments, by and large, remain constrained by their sectoral mandates. Collaborating with SSE actors to design policy measures exposes government to the significant potential of the SSE and the need to think in broader terms. The cost of not doing so is high for government.. Reducing the capacity of the SSE to realise its potential has social, political and economic costs; it increases the risk of policy ineffectiveness or misalignment. The needs of target populations are not met and *in extremis*, misaligned or narrow policy measures may actually exacerbate the problem they are seeking to solve. Instead, dialogue with government increases the capacity of the SSE to achieve strategic objectives of government -employment creation, territorial development, social inclusion, etc. For example, in the case study on Spain, social economy actors interviewed underlined how their early participation in formal and informal forums helped broaden government's understanding of their capacities and goals. This in turn led to a co-construction process that recognized the multi-sectoral nature and impact of the SSE.

Several countries have adopted framework legislation that enshrines the multi-sectoral social and economic impact of the SSE in law. In Ecuador, for example, the Constitution

cases, the situation has evolved favourably. For example, Spain adopted a general framework law shortly after the case study was completed and Quebec recently tabled framework legislation. As such, the examples described in this paper may not necessarily reflect current reality: they should be understood in the context in which they were written and as illustrative of a process under way at the time. All case studies can be found at www.reliess.org

calls for more equitable development and includes a National Plan for Wellbeing (2009-2013) in which “establishing a SSE economic system” was identified as a priority. This led to the adoption of the “Organic Law of the Popular and Solidarity Economy and the Popular and Solidarity Financial Sector” in 2012 and the creation of public institutions to regulate and promote it.

Although current research suggests that the impact of some framework legislation is ambiguous⁴, the recent tabling of such legislation in Quebec was met with much enthusiasm by SSE practitioners and partners, especially because of the contributions of all stakeholders in its formulation. This collaborative process is now embedded in a clause to create a permanent committee of stakeholders to oversee the application of the legislation and/or amendments in the future and most importantly, to mobilize knowledge on the SSE as it evolves.

1.2 Co-construction reduces information asymmetry and transaction costs

By involving all stakeholders, co-construction of policy reduces information asymmetry, thereby reducing transaction costs when implementing or adjusting policy measures. Indeed, it is through discussions that address stakeholders’ goals and limitations that each can gain a better understanding of their respective capacities and limitations. In turn, “organisational empathy” leads to more realistic measures by ensuring that the objectives of new policies and programs are understood, agreed upon and coherent with stakeholders’ resources and priorities. This is the main function of organisations such as the Małopolskie Social Economy Pact in Poland, for example, a multi-stakeholder intermediary organisation that includes government interlocutors and facilitates the exchange of information between participating actors.⁵

This is also the objective of regular or one-off meetings convened by government or civil society to discuss the realities and challenges of the SSE, including the evaluation of existing policy measures and/or new policies required to promote the development of the SSE. Examples of such meetings are the regular National Solidarity Economy Conferences in Brazil and the National Meeting of the Social Economy and Fair Trade meeting, held in Bolivia in 2007.

In 2003, SSE actors in Burkina Faso questioned the government’s microfinance strategy. In response, the government convened a National Conference to draft a broad outline of a National Strategy with all stakeholders, including the adoption of a framework for stakeholder intervention that would better reflect the needs of SSE actors. It also agreed

⁴ For more information on framework laws for the SSE, see <http://reliess.org/enabling-legislation/?lang=en>

⁵ The Małopolskie Pact for Social Economy (MSEP), in the Małopolskie region of Poland that includes Krakow, sometimes called the Little Pact, began informal operations in 2007 and was officially signed by 25 entities in March, 2008. However, only five NGOs had joined it at the time of the study. It established a Social Economy Fund for SSE enterprises and organisations to provide loans and loan guarantees including bridge loans for projects funded by the EU.

to convene regular meetings between stakeholders to monitor results. In Ecuador, the Institute for Popular and Solidarity Economics plays a critical role in ensuring that the conditions (delivery time, quality and prices) for procurement from the SSE by various ministries are realistic and beneficial for the SSE. It holds discussions with all parties to understand their needs and capacities, and negotiates with different divisions of government on behalf of SSE actors. Although it may appear to be more costly to elaborate policies through a participatory process, continuous evaluation of policy measures by all actors assures better policy coordination. These discussions are critical for civil society and government to better understand the impact of existing policies and to identify needs for new and/or modified measures or programs.

Organisational innovations within co-operatives and associations require legislation to distinguish their hybrid nature and functions. A paradoxical situation illustrative of the high cost of information asymmetry or policy misalignment, arose in Poland at the time of the case study (2009), when not-for-profit social-purpose businesses were not eligible for EU funding nor for national NPO funding because of their commercial activities. This was a clear example of the need for the supra-national EU and the national government to recognize these new hybrid enterprises, deprived of much needed public funding because of rigid program criteria that did not correspond with their reality. That said, while legal form is necessary to distinguish such new organisations, it can still limit their capacity if legislation is not integrated into a broader and more systemic policy framework.

In the case of NPOs, such legislation is also required to raise investment capital in financial markets. Their hybrid status limits their capacity to attract investment. Access to capital is a primary concern of SSE actors in most countries. While many governments provide financing for the SSE, this is insufficient to meet their capital requirements. In Quebec, the *Chantier de l'économie sociale* created new financial instruments that were supported by the provincial and federal governments, precisely because of SSE actors' incapacity to access financing through existing institutions. The growing social finance and impact investing market is a potential source of capital for the SSE, raising the urgency to address legal form where it remains ambiguous.

Initial policy design may not be able to foresee all of the outcomes of a policy or how the environment it applies to will evolve. But by ensuring that all parties are actively involved in an on-going process of policy evaluation, measures can be adjusted to meet their initial agreed-upon objectives. Within South Korea, for example, it is expected that the newly created Seoul Social Economy Center, which has commissioned a network organisation of SSE actors to propose and implement SSE policy programs at the municipal level, will lead to transforming the existing SSE policy landscape in Seoul and in Korea as a whole. This experience is interesting and one worth following closely, given the more narrow policy focus on work integration and its top-down approach that has prevailed until now.

1.3 Co-construction ensures policy effectiveness

By bringing together a greater and more varied number of actors to design and monitor new policy, co-construction leads to more innovative, adapted and effective policy measures and programs than those designed or implemented unilaterally by government.

The evolution of legislation surrounding worker integration enterprises in Quebec is an example of the successful modification of policy measures over the last 20 years as a direct result of continuous dialogue with worker-insertion enterprises, as well as research carried out to measure their impact on the target population. Recurrent program funding for work integration or training businesses is complemented by envelope funding to an intermediary (*Comité Sectoriel de main-d'oeuvre de l'économie sociale et de l'action communautaire* -CSMO-ÉSAC-) best able to address labour force development within the social economy more generally, thereby assuring policy coherence. In contrast, the South Korean government's current requirement for work integration enterprises to create long-term jobs and become self-financing does not benefit the target population of vulnerable workers, and may well penalise the enterprises it seeks to support, as most are unable to survive under such stringent and, in many cases, unrealizable criteria. Moreover, there is the risk that these enterprises, funded only for a short period of time, may abandon their commitments once the funding period has elapsed, increasing the loss to government and to society. The cost of policy failure is high. More dialogue between civil society and the state would allow for better understanding of the effects of this policy on SSE enterprises and could prevent such distortions.

Elsewhere, the 2003 Act on Public Benefit and Voluntary Work in Poland amended in 2010 represents a significant step in institutional innovation for disabled workers in that country. It creates conditions for more efficient interaction between NGOs and public administrative bodies, strengthens the institutions, principles and forms of civil dialogue, and increases the role of civil society in the implementation of public policy, both at the national and local levels. By establishing the need for government to collaborate directly with service providers and codifying the outsourcing of public tasks, including those related to the labour market, social assistance and disability, these changes will address the discrimination of social economy enterprises operating in the market, employing the disabled and providing training and support services. They will eliminate the policy incoherence regarding social businesses in Poland, noted earlier.

Processes of inclusion and dialogue are all the more important when governments undertake important structural reforms or in regions with deeply rooted or crosscutting socio-economic challenges. In these cases, desired policy outcomes usually involve changes in perception and in behaviour on the part of citizens, as well as on the part of those who work in, and influence, the public policy system (Sullivan and Skelcher, 2002). By promoting ownership of government measures and framing the results as win-win, co-construction processes help to ensure that all stakeholders are committed to the success of new policy. Indeed, there have been numerous successful examples of these processes changing not only the policy environment, but also all actors' commitment to policy

success, such as those involving citizens at the municipal level to tackle neighbourhood revitalisation in Canada and elsewhere⁶.

Lastly, innovation in the SSE often requires corresponding innovative institutional arrangements in order to reach its potential. For example, in Spain, the first Andalusian Pact⁷ for the SSE was a pioneer agreement that mobilized different levels of government and civil society actors to address not only the general context in which the SSE was developing, but also to produce a specific and detailed development program with strategic actions and concrete measures for the promotion of the SSE.

A now well-known experience in Quebec confirms the very significant impact of successful collaborative innovations. The proposal by a network of parent-controlled daycare centres almost 15 years ago, for greater access to childcare, led to the creation of a network now responsible for the majority of childcare services in Quebec (200,000 places in 1,000 non-profit early childhood centres). With 40,000 people working in these centres, this network of childcare centres is the third largest employer in the province. Although the Quebec government invests over \$CAD 1.7 million annually in these early childhood centres (approximately 85% of costs), several studies have demonstrated that this represents a cost-saving measure for government in the medium and long-term because of the economic and social returns of accessible daycare.

2. Requirements for effective co-construction

2.1 Representative networks and intermediary bodies

2.1.1 Broad representation

As government and civil society actors are increasingly becoming aware of the advantages of jointly constructed policy solutions, attention is turning to how to facilitate this collaboration. The existence of representative intermediary bodies able to mediate between SSE actors and government is key to this process. Intermediaries play an important role of mobilisation and representation, reinforcing the common identity and values of the SSE. Speaking with one voice, intermediaries effectively educate policymakers on the specificities and diversity of the SSE and help SSE enterprises navigate the policy environment. They analyse the impact of existing government measures as they affect the ensemble of SSE enterprises and/or individual sectors and offer capacity building support (training, financing, networking, etc.). Intermediaries can identify best practices and the conditions under which these are replicable, as well as the SSE enterprises and/or sectors at risk. Individual sectors continue to lobby on their own behalf, but have the added benefit of representation by a multi-sectoral network of networks and organizations.

⁶ These practices have been particularly adopted in Anglo-saxon countries such as the US, the UK and Australia

⁷ This Pact has since been renewed and extended: the first Pact was signed in 2002, the second in 2006 and the third in 2011.

Effective intermediary organisations are well placed to inform policy-makers on the landscape and needs of the SSE and to suggest modifications to current policy because of their broad representative role and their proximity to the sectors and enterprises in the SSE. Many intermediary organisations have developed the capacity to track and evaluate the development of the SSE. Selected examples drawn from the case studies include the *Chambre Régionale de l'Économie Sociale et Solidaire (CRESS)*⁸ Observatory in PACA, France and the *Observatorio Nacional de la Economía Social* co-created by CIRIEC⁹, the Ministry of Labour and representative entities and groups of the SSE in Spain. In Brazil, the *Foro Brasileiro de Economia Solidaria –FBES-*, in collaboration with the National Secretariat for the Solidarity Economy, created a National System for Information on the Solidarity Economy with the mandate to map the solidarity economy in order to better understand its activities and scope. In the Malopolskie region in Poland, the creation of the *Social Policy Observatory of Malopolskie* and the *Social Economy Development Academy – Phase 1* in Krakow are important initiatives to assure the design of more effective social policy. The mandate of the *Academy* is to disseminate knowledge about the social economy, promote inter-sectoral co-operation and collaboration and increase the professional standards of the social economy. This is also an example of the importance of instituting collaborative arrangements between intermediaries and researchers.¹⁰

In Quebec, the CSMO-ÉSAC has developed evaluation tools, ongoing portraits of the SSE and apprenticeship or training programs in new professions in certain key sectors. It also collaborates with the labour movement, the *Chantier de l'économie sociale* and the Ministry of Education to evaluate jobs and propose certification programs for new professions within institutions of higher education in the SSE.¹¹

The *Confederación Empresarial Española de la Economía Social –CEPES-* in Spain is an example of an intermediary representing a broad coalition of all SSE actors. Two other examples, the *Chantier de l'économie sociale* in Quebec and the *FBES* in Brazil, are broader still, including SSE enterprises as well as social movements and territorial intermediaries that identify with the SSE. In all three cases, collaborative relationships with government exist. In Spain, this led to the creation of a general framework law in 2011. In Brazil, the longstanding relationship between the *FBES* and the Secretariat for the Solidarity Economy has helped to clarify the complex nature and potential of the Brazilian SSE for all actors. Likewise in Quebec, an institutionalized collaboration exists between the *Chantier* and the provincial government ministry responsible for the social economy.¹²

⁸ CRESS are created by regional governments in France

⁹ CIRIEC: *Centre Interdisciplinaire de Recherche et d'Information sur les Entreprises Collectives*

¹⁰ The University of Krakow has been instrumental in mobilizing knowledge on the social economy and has worked closely with actors and with governments at different points in time. In other parts of the world, a similar relationship with university researchers exist.

¹¹ Examples include homecare workers and early childhood educators in daycare centres. The impact on workers in these sectors includes access to higher wages and benefits and recognition of the professional value of this work.

¹² We will return to this in more detail below.

Broad coalitions also allow for the recognition of new forms of SSE initiatives such as SSE enterprises that operate in the informal or popular economy. Indeed, it is because of the championing of broad coalitions such as the FBES in Brazil that the reality and impact of informal economy initiatives on employment and hunger alleviation have been recognized and enabled by public policy. Similarly, the Bamboo Worker Union in Nepal has been working to highlight the contribution of these types of informal unions and groups to the socio-economic and environmental sustainability of society and to achieve recognition and support for them from other divisions of government in addition to the Ministry of Forests and Soil Conservation.

Within Europe, the European Commission's call for a "co-ordinated European response" in its growth strategy¹³ that includes "social partners and civil society", is an important opening to work with the social economy, as is the recognition that the objectives of this long-term strategy will be best met by developing territorial and social partnerships. It falls upon social economy organisations and networks to create and occupy policy space within these broad commitments. The same holds true for the welcome proposal for partnerships between different levels of government within member countries in Europe.

2.1.2 Networks

Networks, on the other hand, more generally represent a type of organisation (for example networks of cooperatives) or sectoral organisations, such as the Federation of Community Forest User Groups Nepal, a national federation of forest user groups. In Mali, at the time of the case study in 2011, the *Coordination Nationale des Organisations Paysannes* (National Coordination of Farmer Organisations) was key in articulating its members' position on the *Loi d'orientation agricole* (the framework law on agriculture). It held regional and national workshops for farmers to present their proposals for the law; it provided an overview of the law for its members once the law was passed and obtained a mandate from them to monitor its application. In Burkina Faso, the *Réseau de veille sur la commercialisation des céréales* ("Monitoring Network on the Commercialisation of Grains") brings together agricultural producers, food processing professionals, transporters, consumers and NGOs. It collects and disseminates data on the commercialization and transformation of grains based on relevant indicators and carries out advocacy and lobbying activities on their behalf. While these are sectoral networks, in these agricultural countries, they perform the role of multi-sectoral intermediaries found in more diversified economies.

Networks that exclusively represent one type of organisation cannot, however, address the impact of other organisations of the SSE. The extent to which different networks are able to work together on issues of common interest influences the development of enabling public policy for the SSE. It also determines whether different types of organisations find themselves competing for government recognition and resources, reducing possibilities for collaboration and mutual reinforcement between SSE actors. Governments can accentuate these perverse outcomes when it interferes with how organisations choose to be represented. For example, in Burkina Faso, despite the

¹³ European Commission (2010) *Europe 2020*.

example noted earlier of a large and well-coordinated agricultural network, the arbitrary inclusion by government of different organisations in policy dialogue affecting the SSE, has exacerbated pre-existing conflicts within the SSE and the dissatisfaction of the more representative intermediary organisations. A similar example exists in Ecuador, where the Citizen Participation Law institutionalised a process that establishes criteria to rank and select representatives of civil society to participate in government discussions, rather than leaving the selection to the organisations themselves. This poses several potential problems, not the least of which is their accountability to the groups on whose behalf they are supposed to advocate.

2.1.3 Towards optimal integration

When a network or an ensemble of networks, social movements and organisations are able to form a broad coalition of actors from all sectors, types of organisations and regions of the SSE, their leverage with government to obtain innovative policy is increased and their capacity to mobilise partners in favour of these changes is enhanced, leading to a more effective process of co-construction. The more open and representative the intermediary, the less it runs the risk of splintering into smaller competing factions, though it must adequately take into account all of the diverse realities within the SSE, be they territorial, sectoral or organisational. From the actors' perspective, it requires tearing down barriers between organizations and movements accustomed to working separately in the interests of their members and working across boundaries. It also requires establishing spaces for dialogue in the general interest of the many organizations and movements involved. This does not imply consensus on all issues but rather commitment to a broad process of deliberative democratic decision-making.

Governments can also facilitate collaboration with networks and intermediaries by encouraging their creation where they do not exist or by developing incentives for SSE sectors to join existing networks. For example, in the PACA region in France, the regional government supports all processes that encourage collaboration between SSE actors within a locality or sector and actively encourages civil society organisations to join or create networks in order to pool resources, coordinate their actions, etc. This is beneficial both for the organisations and for government, which then interacts with fewer interlocutors. This example illustrates how governments can create incentives for civil society to organise and can design policy to facilitate this process. Governments can also hinder this process through competitive tenders, for example, that encourage competition rather than collaboration.

An example from South Africa demonstrates how the lack of coordination in civil society organisations makes it extremely difficult to obtain recognition from government of the particular needs of SSE enterprises. Even though the Constitution requires it to consult with stakeholders before tabling legislation, thereby institutionalizing engagement with civil society, the boom in registration of new cooperatives following the Cooperatives Act of 2005 has not led to any significant developments in legislation for these organisations. The absence of a dedicated agency, ministry or department designed to support co-operatives has meant a lack of resources and insufficient awareness of the

realities and needs of these organisations by government. It is one of the factors explaining their extremely low survival rate of cooperatives in the country¹⁴.

Intermediary organisations must strike a delicate balance between ensuring their survival (including obtaining financing and recognition by government), maintaining a privileged position as interlocutor with government and not crowding out or suppressing the diversity of actors they represent. Intermediaries that are too centralising may come to be resented by the organisations and sectors they represent and lose legitimacy. The creation of social economy regional poles in Quebec that operate similarly to the *Chantier de l'économie sociale* at a regional level, is a successful example of decentralisation and of designing and instituting mechanisms of information sharing and coordination between regions and between all regions and the centre, to distinguish this from a simple process of regionalization. Since their creation, these poles have collaborated effectively with the *Chantier* and with local, regional and provincial governments.

2.2 Government commitment and capacity

Effective co-construction requires full commitment by government to the process. In some instances, there is openness in government to promote the SSE, by enshrining its importance in legislation or by elaborating strategic action plans to promote its development, but insufficient capacity to act on these intentions. In the best-case scenario, the SSE is acknowledged as a key element in the government's overall development strategy, and resources are dedicated to it accordingly. This was the case in Brazil when food security ("Zero hunger") became a major policy objective of the federal government. In order to implement innovative and effective policies to alleviate hunger, the *Sistema Nacional de Seguridad Alimentar y Nutricional* worked with all actors affected to formulate, implement, monitor and evaluate food security policy in Brazil. Since small farmers are predominant in the SSE, the potential and requirements for the SSE to tackle this challenge were considered, and policies and resources were tailored accordingly. One such policy stipulates that, as of 2009, 30% of all food purchased by the *Programa Nacional de Alimentação Escolar* must come from small farms. This has had a very significant impact on the economic viability and stability of small farms and their food production.

Another example is the City of Montreal's partnership agreement with social economy actors that recognised the social and economic capacity of the social economy by creating a Secretariat for the social economy within the Department of Economic Development. In contrast, while the general principle of social dialogue is reasonably well established in Slovenia where government, trade unions and businesses operate as tri-partite stakeholders in the Economic and Social Council of Slovenia, the social economy has not achieved adequate recognition because its contribution is not well understood and social

¹⁴ The South Africa case study mentions a survival rate of merely 12%, though according to the Department of Trade and Industry, the mentioned Baseline Study is not reliable, due to the inadequacy of data, as well as the difficulty of locating some of the cooperatives, which do not comply with the provisions of the Act to submit the financial statements and/or change of contact details.

economy organisations are absent from involvement in the development of enabling public policy.

When governments must operate under extremely tight budgets, effective co-construction can explore cost-effective ways for government to enable the SSE. This must take into account both government capacity and the needs of the SSE. Different examples drawn from the case studies demonstrate how these challenges may or may not be met. For example, the participatory budgeting processes implemented at the regional and local level in Ecuador, led to a change in government priorities and programs in favour of social inclusion and the promotion of territorial economic development. In Bolivia, the pluri-annual strategy for the SSE and Fair Trade was elaborated with civil society but budgetary limitations prevented it from reaching its objectives. In Burkina Faso, the *Cadre de concertation des partenaires du développement rural* (the consultation process for stakeholders in rural development) has never been operational due to insufficient funding. Similarly in Poland, the willingness of local governments to engage with civil society was questioned when local development strategies were designed without any provision to finance their activities.

Differences between intentions and actions may also be the result of poorly trained public officials who lack the expertise to effectively implement a policy measure. Decentralising the responsibility for the SSE is important in order to ensure that programs are adapted to their territories and can meet their objectives. But this process will face implementation barriers if decentralised institutional settings given this responsibility do not provide adequate training for programme officers. On-going dialogue between SSE actors and government officials at every level can attenuate this by training and better informing civil servants and by creating opportunities for joint capacity building sessions. Ultimately, there must be government commitment to involve all stakeholders in the co-construction process, from the policymakers to the government agents who will be implementing it.

In other instances, government interest in collaboration is limited to a particular moment in time or to a specific issue. The advantages of a more iterative process, in which both government and civil society are involved, and where they closely follow the impact of policy measures and identify needs for adjustments as they arise, are lost. A continuous flow of information not only ensures that the initial policy objectives are being met, it also contributes to educating all stakeholders about new or unforeseen challenges or opportunities that may present themselves along the way. Thus, while the formulation and implementation of the Social Enterprise Promotion Act in Korea is an excellent example of co-construction in practice, the multi-sectoral Social Enterprise Support Committee it created is limited to carrying out the certification of social enterprises and the participating members are appointed by the Ministry of Labour. By applying a clientelist approach to emergent social enterprises with inflexible eligibility criteria, the innovative potential of this horizontal space for policy implementation disappears or is severely compromised.

Government commitment is also contingent. It may vary depending on governing parties in power. This is why institutional gains, such as general framework legislation can help avoid dramatic changes in policy. Certainly, some governments have been more favourable to the SSE than others and have created ministries or secretariats for the SSE and multi-stakeholder spaces for policy elaboration. For example, programs promoting the SSE in Canada in 2005 were the result of a process of co-construction at the federal level but a change of government led to their elimination. Abrupt changes in government can also affect the momentum within civil society, as was the case in Brazil where the interruption in dialogue between government and civil society between 2008 and 2010 weakened the SSE's capacity to position itself collectively. An ever-changing or unclear context can also seriously constrain SSE development: 37.7% of Polish NGOs declared in a survey conducted in 2006 that unclear rules for cooperation between NGOs and public administration was one of the most serious problems they faced. This has not been the experience in Quebec where this process is institutionalized and has survived the fall of several governments. Collaborative policy formation enabling the SSE is embedded in the political platform of all parties.

2.3 Inter-governmental collaboration

In many of the countries surveyed, existing policies to support the development of the SSE are insufficient or too narrowly focused. The risks of such approaches include: negative impact on the organisations themselves if contingent funding restricts their activities and limits their capacity to grow; limited impact on poverty reduction and social exclusion if the SSE is narrowly defined; and, a high risk of policy failure with its associated costs, both real and political. Designing policy in hybrid and discursive institutional settings with the capacity to propose and develop diverse and complementary measures increases their effectiveness. Where such environments exist, the potential for policy innovation and positive policy outcomes is high. Indeed, for the SSE, working across institutional boundaries within government itself is critical. The SSE is inherently a horizontal file and cannot be squeezed into a narrow silo framework: its capacity to integrate social and economic objectives, to work across sectoral boundaries and to develop enabling tools is at its highest when it is not reduced to a sectoral strategy. The SSE is rooted in communities: it must be integrated into spatial, horizontal and 'joined up' or vertically integrated policy design. Such a proposal is made easier by the increased recognition by scholars, policy makers and practitioners that there is no alternative to this. There is also growing evidence that broad collaborative approaches are more effective and more efficient in addressing complex or 'wicked' files such as poverty and social exclusion (Bradford, 2008; Community-Government Collaboration on Policy, 2009). The SSE is a template for horizontal or distributed governance.

As such, co-construction is necessary but insufficient if the policy instrument is narrow or sectoral. Instead, effective co-construction requires a degree of inter-governmental collaboration. Governments that have recognized the cross-cutting impact of the SSE have created mechanisms to ensure inter-governmental information flow and collaboration. In Brazil, the Inter-Ministerial Team for Systematic Solutions for the SSE and the National SE Council work to ensure that all ministries take the SSE into account.

In Quebec, primary responsibility for the SSE was transferred to the Ministry for Municipal Affairs and Land Occupancy because this represented a more horizontal policy space better able to address the diversity and inter-sectoral nature of the SSE. In Spain, the general framework law on the SSE includes institutional measures to explicitly include the SSE in different sectoral policies (employment, rural development, social services, measures to improve managerial productivity and competitiveness, etc.). In contrast, in South Korea, the interest in the SSE is mostly confined to its impact on employment, with different ministries focusing on developing specific kinds of organisations (the Ministry of Employment and Labour focuses on social enterprise; the Ministry of Finance promotes cooperatives and the Ministry of Administration and Security promotes community businesses). This limited conception of the potential of the SSE and segmenting of government programs reduces the effectiveness of government policy and obscures the current and potential role of the wider social economy, including its role in indirectly contributing to campaigning and advocacy for different disadvantaged groups. Also problematic are cases where different government programs compete with each other; for example, the Youth Self-employment Fund, the Poverty Alleviation Fund and various cooperative incentives in Nepal.

The literature on horizontality and collaborative policy identifies the need for a “lead department” or ministry to co-ordinate and monitor the process. But there is a difference between a leadership or “convening” role and a ministerial mandate that only consults with other departments or ministries. Effective co-construction implies the involvement of all stakeholders, including all affected branches and level of government. Indeed, given that municipal and regional governments are at the frontline of many social policy choices, their participation in co-construction processes is vital. However, in order for them to be able to play a significant role in responding to local needs, municipal and regional governments must benefit from enabling national macro policies. Institutional capacity increases with the openness to sectoral and jurisdictional realignment as well as to *recombinant linkages* between different levels of governments (Fung and Wright, 2003).

In Slovenia, while processes of co-governance and co-construction in developing policy frameworks exist at the national level (in the form of an inter-ministerial group), there are no equivalents at the regional or municipal levels. This seriously limits both the implementation of national policy and the development of targeted local policy. In Poland, the absence of clear and defined links with municipalities was a shortfall of the policy initiatives to support the social economy, where barely one-half of the local social development strategies involved collaboration with other local authorities and only one third were developed in collaboration with local NGOs at the time of the case study. In Ecuador, local governments are excluded from participating in the Inter-institutional Committee, where public policy for this sector is decided, despite their fundamental role in supporting the SSE. Instead, they are present only in the Consultative Council, which has an exclusively informational and consulting mandate.

In contrast, the Andalusian Pacts in Spain’s inclusion of vertical (local and regional), horizontal (inter-ministerial collaboration) and multi-stakeholder collaboration ensures

that all aspects of SSE enterprises are taken into account, that they can be addressed by the appropriate level of government and that feedback reaches the responsible division of government directly.

2.4 Long term support to the SSE

It is clear that long-term government recognition and support for the SSE and its networks or intermediaries is essential to the stability of the co-construction process and to allow actors to build on past successes. The Quebec government's multi-year Action Plan institutionalizes the co-construction of public policy.¹⁵ It has significant heuristic value as an example of horizontal co-ordination within government and collaboration with social economy actors, essential for policy coherence. To achieve this, the government created an inter-ministerial committee and a technical support group that brings together those engaged in the social economy. In Brazil, the *Sistema Nacional de Comércio Justo e Solidário* created in 2010, established a series of parameters for government to follow when executing public policies for the promotion of the solidarity economy and fair trade. These policies are designed through a permanent dialogue with civil society.

Long-term financial support is critical for SSE enterprises and organizations to meet development objectives. Consideration should be given to the diversity of sectors in the SSE and the corresponding variability of financial support they require. SSE enterprises produce goods and services in numerous sectors of activity. In some cases, financial support by government is necessary at the early stages of development and can be reduced as enterprises/organisations build scale and market capacity. In other cases, recurrent and long-term financial engagement by government is necessary in those sectors that cannot be expected to be self-financing, but reduce the cost to government through their public benefit activities. These include enterprises/organisations providing employment for the disadvantaged (disabled, long term unemployed, etc.) and essential services (daycare and homecare, for example). These enterprises and organisations internalize social costs otherwise borne by government. In these cases, the long-term benefits to individuals and organisations supported far exceed the immediate costs to government.

Government must begin to calculate its social returns on investment to capture the large societal benefits from such engagement. The policy universe is complex, including program funding, fiscal tools, direct financial commitments by government, legislation, procurement provisions, and so on. Most important is the need for a different mindset that understands the overriding benefits to government of actively investing in SSE initiatives. This transforms the logic of subsidy and spending into an expectation of return. This is the rationale that underlies broad supportive measures for the SSE in countries like Brazil and Ecuador and in regions like PACA France and Quebec. It also underlies the support

¹⁵ Government of Québec (2008). Action Plan for Collective Entrepreneurship 2008-2013. A new Action Plan for 2014-2019 is currently being elaborated by SSE actors, representatives of various government ministries, networks of municipalities, local development agencies and researchers, a clear example of collaborative policy formation.

of sectors such as daycare in Quebec and agriculture in Brazil that have widespread social and economic impact. The social or societal return on investment to government is positive. The greatest challenge perhaps is to introduce this logic into policy design.

CONCLUSION

The SSE is providing solutions to complex social and economic challenges worldwide. Its capacity to do so, is, however, contingent on relations between SSE actors and government and the availability of enabling public policy. The case studies that inform this paper confirm that for the SSE to develop its full potential, public policy must take into account the diverse needs and capacities of SSE enterprises, organizations and initiatives. Governments must shift their role from state providers to strategic enablers. The most effective way to achieve this is to create the institutional infrastructure for information sharing and collaborative processes of strategic planning and policy design. The co-construction of public policy considerably reduces information asymmetry, increases ownership of policy and facilitates the implementation of policy measures and their adjustment over time. Where independent and capable SSE intermediary organisations exist, where horizontal policy spaces are created breaking down silos within government, and where actors are able to project into the longer-run, co-construction processes generate richer results.

Although co-construction is increasingly understood as a more efficient way of producing enabling policy for the SSE, it is not without challenges. Governments must navigate between subsidiarity (more autonomy to lower-level authorities) and conditionality (obliging lower-level authorities to comply with a regulatory framework to ensure coherence). When compromises are found, governments must resolve issues of accountability (where does responsibility lie in these hybrid arrangements?) and delivery of public services (contracts for service, increased use of quasi-markets, for example).

Both SSE actors and government face the challenge of building and maintaining their credibility to pursue continuous dialogue. For government, this means ensuring that all government agencies and levels of government involved are participating fully in the co-construction process. For civil society, this means ensuring that networks and intermediaries are representative of the SSE, that they are strong enough to participate in planning and executing long-term action plans and that they are able to remain independent of government or other particular interests.

In all countries, history and institutional context play a role in determining the constraints and incentives of different actors. In certain countries, and in regions or municipalities within countries, co-construction processes have been introduced earlier than others. The examples of innovative arrangements that are emerging or are already in place in different countries and contexts cited here, illustrate the ways and benefits of doing so.

Countries are increasingly aware of the contribution of the SSE to the creation of wealth and to the public good but many have yet to embark on the institutional innovation required to enable this. We have also identified some of the failures of mitigated efforts

that do not fully embark on this process. Working across boundaries not only involves breaking down structures, it requires a new mindset, a new culture within institutions and movements and the creation of new policy spaces and new spaces for dialogue, negotiation and collaboration. The complexity that defines contemporary social and economic challenges at local, regional, national and global levels leave no alternative but to recognize the limitations of existing processes of policy formation. Sharing experiences where processes of collaborative policy design exist is critical, with all levels of government, across countries in the North and in the South. Research confirms that in the countries where more effective means to address complexity exist, and where this is reflected in policies to enable the SSE, innovation is occurring within institutions of government, within civil society organizations and between them, as examples in this paper illustrate. The challenge is great but the urgency to move in this direction is far greater.

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