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Improving Social Inclusion
at the Local Level Through
the Social Economy: Report
for Poland

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IMPROVING SOCIAL INCLUSION AT THE LOCAL LEVEL THROUGH THE SOCIAL ECONOMY

REPORT FOR POLAND

Abstract

This report has been prepared as part of the *Improving Social Inclusion at the Local Level through the Social Economy* (CFE/LEED (2008) 9/REV1) project in the framework of the Forum on Social Innovations. A team of OECD experts visited Poland in June 2009 for a five-day study visit, to examine the role, both real and potential, of the social economy, and the support which could be given to the social economy to allow it to fulfil its potential. Meetings were held with representatives from the voivodeships of Małopolskie, Mazowieckie and Świętokrzyskie. This report is based significantly on the available statistics and on material gathered from the study visit, as well as research conducted both prior to, and after, the study visit.

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LIST OF ACRONYMS

BGK:	Polish Bank Gospodarstwa Krajowego
BORIS Association:	Support Office for the Movement of Self-Help Organisations
CAD:	Canadian Dollars
CARITAS:	Confederation of Catholic Social Service Organisations
CDA's:	Co-operative Development Agencies
CIS:	Social Inclusion Centres
EMES:	European Research Network of the Third Sector
ESF:	European Social Fund
FISE:	Foundation for Social and Economic Initiatives
FONDACTION:	Development Fund for Cooperation and Employment of the National Syndicate Confederation (CSN)
GDP:	Gross Development Product
GLC:	“Vibrant Communities” Government Learning Circle (Canada)
HCOP:	Human Capital Operational Programme
IRSS:	Institute for the Development of Social Services
ISTR:	International Society for Third Sector Research
KraFOS:	Krakov Forum of Social Organisations
LEED:	Local Employment and Economic Development Programme of the OECD
L3C:	Low-Profit Limited Liability Company
MSEP:	Malopolskie Pact for Social Economy
NGO's:	Non-Governmental Organisations
NPOs:	Non-Profit Organisations

OECD:	Organisation for Economic Co-operation and Development
OWSS:	Social Co-operative Support Centres
PAE:	Professional Activity Establishments
RISQ:	Social Investment Fund of Quebec
ROPS:	Regional Social Policy Centres
SEO:	Social Economy Organisations
SIC:	Social Inclusion Clubs
SKES:	Standing Conference on the Social Economy
SME:	Small Medium Enterprises
SRI:	Socially Responsible Investment
SZOS:	Swietokrzyskie Association of Social Organizations
UNDP:	United Nations Development Programme
WISE:	Work Integration Social Enterprise

EXECUTIVE SUMMARY

The social economy has the potential to play a significant role in Polish society, such as by improving social inclusion, enhancing social capital and through the provision of goods and services. Indeed, there has already there has been notable progress in acknowledging the importance of the social economy and its potential for addressing difficult social problems; none of which could have been achieved without the genuine and sustained support of the Polish government, in particular the Ministry of Labour and Social Affairs and Ministry of Regional Development. However, as it stands, there are certain problems and challenges which hamper its further development and growth. The implementation of the OECD LEED Programme's project "Improving Social Inclusion at the Local Level through the Social Economy" has led to the preparation of this report, which provides an overview of the challenges the Polish government faces in designing a policy framework for the social economy by identifying current short-comings and weaknesses of the present strategy to combat social exclusion at the local level through the social economy, before going on to make recommendations for new or modified strategies.

Poland is not unique in having limitations on the understanding of the social economy, its many organisational forms, and the diverse roles social economy organisations can play within society. However, such limitations are having an important impact on the facilitation of, and collaboration with, the social economy across all levels of government. By broadening the understanding of the social economy across all levels of government, there will be the opportunity for the social economy to be able to fulfil its potential. At the same time, there is an evident narrow focus on the role of the social economy as addressing the need for employment for the disadvantaged. This needs to be widened into a recognition that the social economy can be a useful complement to market and state provision of goods and services, as well as a means to solve social problems across many different sectors.

Accompanying this development of greater understanding is the pressing need to address the fragmentation which exists in the Polish support system for social inclusion, and with the resulting difficulties which emerge for the social economy. For social inclusion institutions, policies and programmes to be effective, co-operation among social authorities and other local actors is key; an inclusive and collaborative institutional framework must be developed. Linked to this is the need to recognise that the legal basis for strategic planning and development strategy presents an important challenge to the social economy, particularly because of current requirements to build social strategy uniquely based on social assistance. Social integration thus becomes narrowly defined to dealing with social actions.

In turn, there is a need to support mechanisms which will promote greater collaboration and co-ordination both horizontally and vertically across all levels of government with the social economy. This will help to ensure that current policy gaps and the needs of the social economy are addressed. Partnerships between the social economy and local authorities are not sufficient, a situation which can be observed in the small role that NGO's play in developing local social policies. However, the right conditions for partnership exist in Poland. The next step is to expand this collaboration across all its regions. Encouraging the establishment of, and supporting, intermediary bodies for the social economy would be an important contribution to engendering greater collaboration.

The importance of financial support for the social economy is something of the utmost importance. Finding a range of tools and instruments which the social economy can utilise is critical to the growth and

development of the sector. Tools and instruments which government could participate in include legislation, fiscal incentives, direct injection of public funds, loan guarantees, and so on. At the same time, how to use such tools in ways which encourage it government to act as leverage on funding available from the private sector is something which the report highlights as an area to be considered.

Such tools will make an important contribution to developing, sustaining and growing the social economy; however, it is important to acknowledge that a short-term focus is not always conducive to such processes. Recognising that social economy organisations need greater financial security raises the issue of the current short-term (one year) funding cycle. As the report highlights potentially expanding the funding cycle to a three-year one would have the potential to provide greater certainty to social economy organisations and enable them to think and plan beyond one year.

During the project the OECD focused on three regions, Malopolskie, Swietokrzyskie and Mazowieckie. It was found that notwithstanding the above-mentioned general obstacles to the sound development of the Polish social economy as a whole, regional disparities could also be identified among the three regions studied. Nonetheless, a reality common to all regions is the inconsistency between the supportive structures available to develop social economy development strategies and the situation that prevents an effective relationship between these structures within the sub-regions and with their target groups. The Malopolskie region is the most advanced in this sense, yet, despite regional accomplishments, which include the Malopolskie Pact for Social Economy, locally derived strategies are often replaced by external information providing a more general framework. Meanwhile, in the Mazowieckie region, the lack of coherence between local and regional policy is a key area requiring attention. Finally, in the Swietokrzyskie region, the social economy is the most underdeveloped. There is confusion about its meaning and what it can accomplish, which is why the involvement of communities in the formulation of local strategic plans would be a good way to engage their interest and participation. Implementing both inter-sectoral and locally, regionally and nationally integrated strategies provides an instrument which could be used to overcome both general and regionally specific issues.

Conclusions and Recommendations

Whilst there are real challenges and threats to the successful development of the social economy in Poland, the progress which Poland has made in supporting and fostering the social economy should be acknowledged. Indeed, such is that success that the “Polish model” for actively promoting the social economy and social enterprises provides a good practice that could be used to promote similar developments throughout the regions of the CEE and CIS countries.

Nonetheless, there is the need for the social economy to be integrated into policies that address health, social issues, education, the environment, labour market strategies, business development and so on if it is to effectively contribute to the improvement of the lives, people and communities. The social economy can both directly address social exclusion and poverty through work integration and creating employment opportunities for the disabled, but it can also contribute to local economic development. Indeed, there are large and positive sectoral benefits that have been identified in Poland, but the capacity of the social economy to produce goods and a wide spectrum of general-interest services that are undersupplied by other actors (e.g. public agencies and for profit enterprises) must provide the overarching approach for such sectoral strategies. Anchoring of the social economy in local settings is key. In order for the social economy to develop, supporting programmes have to respond to the needs of the social economy and those needs have to be expressed by those who will be best served by social economy enterprises.

While it is certainly true that a policy framework for the social economy must respond effectively to regional diversity, it is also true that a common framework that defines the basic parameters of the social economy and its common policy needs, will assist all regions. The response to regional disparity is to

design policies for the social economy that will then be integrated into overall strategies of social and economic development developed within the regions. The tendency to separate the social economy into narrow, targeted objectives, severely limits its capacity to adequately respond to those objectives. For the social economy to be effective, it has to be part of an integrated strategy for socio-economic transformation. That means that government, at all levels, has to be engaged as a partner, accompanying social economy actors in various ways that include finance, infrastructure support, enterprise/business skills, training, and so on.

As a socio-economic actor, the economic role of the social economy is too often missed or neglected. By limiting the social economy to programme directives targeting specific groups or individuals, its transformative capacity will be reduced. This limitation unfortunately describes the current approach to the social economy in Poland, largely driven by the objectives of the HCOP and its promotion of a sectoral approach, focussing primarily on work integration and the disabled. Missing the transformational capacity of the social economy also reduces its capacity to move people from poverty or social exclusion into new activities. It reduces the capacity of the social economy to contribute to local economic development.

The report concludes with a series of recommendation aimed at addressing the challenges which the social economy in Poland currently confronts and to support its future development. The recommendations are targeted at national, regional and local government actors and are divided into three broad groups. In brief, the key recommendations are:

Understanding and Disseminating the Social Economy Concept

- **The Ministry of Labour and Social Policy should undertake a critical review of the current understanding of the social economy with its strong focus on social inclusion.** In this regard, it must recognise the multi-sectorality of the social economy rather than pursuing a potentially narrow focus on work integration social enterprises. This would enable the full scope of social economy organisation activity to be recognised and to enable social enterprises, in particular, to be able to provide a range of goods and services which are currently not available or not provided by local government. This does not mean a loss of focus on social inclusion, but an attempt to remove the threat of ghettoisation and stigmatisation of vulnerable target groups.
- **The concept of social enterprises should be expanded to include goods and services of general interest.** Efforts should be made to diffuse greater understanding of the work of the social economy through an ongoing and organised series of seminars, workshops, special meetings, etc., perhaps with invited foreign experts, for a variety of relevant civil servants and politicians at the voivodeship, powiat and gmina levels. This would help the development of greater understanding of the potential role and contribution the social economy can make.
- **Efforts should also be made by the Ministry of Labour and Social Policy to spread this broader definition of the social economy through an ongoing and organised series of seminars, workshops, special meetings, etc..** Such seminars, etc. would contribute to the dissemination of information on the social economy and the potential role and contribution the actors which comprise the social economy can make. By bringing together international and Polish experts, as well as local, regional and national politicians and public administrators, the knowledge and good practice could be widely shared and disseminated. This would contribute to the development of greater understanding and appreciate of the social economy.
- **A series of conferences on the social economy and social enterprise could be arranged and hosted by Polish scholars together with the Ministry for Labour and Social Affairs and the Ministry for Regional Development.** This would help to bring the international debate on what

the social economy is, what it does and what it does well much closer to the relevant actors at the voivodeship, powiat and gmina levels.

Promoting Supportive Policies for the Social Economy

- **A national strategy is required to overcome the worst aspects and implications of the extreme fragmentation and complexity of the Polish political and administrative system, particularly with reference to the social economy.** Such a strategy should be both multi-level and horizontal in nature. The development of such a strategy should be undertaken in close collaboration with representatives of the voivodeships, powiats and gminas, particular regard to the collaboration between powiat employment services and social assistance centres is needed in this context.
- **For the social economy to effectively contribute to the improvement of the lives of people and communities, it must be integrated into policies that address health, social issues, education, the environment, labour market strategies, business development and so on.** By ensuring the full integration of the social economy into such policies the leverage which social economy organisations bring with them can be utilised effectively. Rooted in local communities and utilising local resources, the social economy can contribute to greater policy effectiveness and efficacy.
- **Consultations should be held with the Inter-Ministerial Team for Systematic Solutions for the Social Economy about how to elaborate and develop a new strategy for promoting long-term partnerships between social economy organisations and regional and local governments at the voivodeship, powiat and gmina levels in social policy broadly understood, to cover most major aspects of life in contemporary society.**
- **For the social economy to develop supporting programmes have to respond to the needs of the social economy and those needs have to be expressed by those who will be best served by social economy enterprises.** It is important to provide programmes which support social economy organisations at various stages in their development and growth. But such programmes should be developed in neither a top-down nor bottom-up approach. Rather, the process of programme design should be seen as circular, with a highly collaborative dynamic. Crucial to this, is the presence of sectoral networks at the local, regional and national levels, something which are increasingly evident, such as the Malopolskie Pact.
- **The social economy needs effective enabling tools if it is to develop.** Enabling tools are wide ranging and include finance, labour market strategies, the development of market capacity, business training, research and enabling macro-policy. Tools such as the development of new financial institutions which provide loans and patient capital to social economy organisations as a way of attracting private capital could be considered. As could ensuring that procurement policy enables social economy organisations to increase their market capacity.
- **Access to capital is critical to the development of the social economy.** This includes developing a financial architecture of social or solidarity finance that includes both loan capital and patient or quasi-equity capital tools. It also requires a diversity of financial products to correspond with the life-cycle of social economy enterprises and organisations (start-up, or even pre-start up in some cases, consolidation and growth) and with their specific needs.
- **Serious consideration should be given to instituting three year budgets for social economy projects at the powiat and gminas levels and to developing the means to implement longer term budgets.** In lieu of this, or perhaps in conjunction with it, the development of regional

social economy funds for the social economy should be seriously considered, based on the model found in the Malopolskie Voivodeship.

- **A ten to twenty year nation-wide programme designed to remove all the major institutional and cultural barriers to the full participation of disabled people in elementary, secondary and higher education, and thereby also in working life, should be developed by all gminas, poviats and voivodeships in Poland.** Such education and training facilities and activities could be organised in close co-operation with the social economy with appropriate support and regulations. This programme should be co-ordinated by a multi-level and multi-stakeholder body at the national level with the authority to monitor progress in this crucial area of social exclusion.

Strengthening Networking Capacity

- **The Ministry of Labour and Social Policy should critically review current efforts to promote intermediary organisations for the social economy.** In doing so, the Ministry should take into account the need to define the social economy more broadly and make an effort to expand it from the current highly focused solutions to particular social problems, such as social exclusion. The wide-ranging intermediary organisations which could be developed would contribute to the promotion of the social economy, and also to collaborative working and policy design and delivery.
- **Consideration should, therefore, be given to establishing a training centre in Poland, supported and funded by relevant European and international bodies, at the national level for promoting the social economy in Poland, which would also provide training in the Poland regions.** Academics in Poland should be encouraged to participate actively in existing networks to promote and spread formal knowledge about the social economy. There are many examples of networks, conferences and seminars which bring together academics and experts to consider the social economy. They form an important opportunity not only to learn from what is happening in other countries and regions vis-à-vis the social economy, but also to share the experiences evident in Poland.
- **Government support is necessary for ongoing research on the social economy.** Research partnerships between university based researchers and practitioners have to be developed and institutionalised. Popularisation of research results could also be promoted. Just as the benefits to government from the co-construction of policy have increasingly become clear, the co-construction of knowledge has demonstrated benefits both to practitioners and to researchers.

INTRODUCTION

This report discusses ways to improve the development and growth of the Polish social economy. It also considers social inclusion in Poland at the local level and makes some recommendations on how to achieve this. It was prepared by a group of experts from the OECD. Poland has made notable progress in acknowledging the importance of the social economy and its potential for addressing difficult social problems. Poland should be commended for its efforts in this respect. The concept of the social economy is new in most parts of Europe and it is natural that knowledge about it is not evenly spread throughout the European Union. Poland was the second transition state in Central and East Europe to organise a European Conference on Social Economy in Krakow in 2004. This was a bold move, one designed to generate much greater domestic interest in this new concept. It succeeded and Poland has, therefore, made considerable progress in disseminating knowledge about the social economy in a relatively short time. Numerous centres exist to discuss and disseminate knowledge about this new phenomenon. Two examples are FISE, the Foundation for Social and Economic Initiatives, and the Association KLON/JAWOR, both located in Warsaw. They have produced several extensive reports on conditions of the social economy in Poland, some of which were translated into English and are found in the list of references used for preparing this OECD report. In addition, Poland has probably gone farther than any of the new accession countries to assist and promote the development of the social economy in various parts of the country. An ambitious plan to establish regional development agencies throughout the country would be the envy of those promoting the development of the social economy in most other EU countries. Thus, Poland could serve as a good example in the region or a best practice for promoting the social economy in other CEE and/or CIS countries.

None of this progress could have been achieved without the genuine and sustained support of the Polish government, in particular the Ministry of Labour and Social Affairs and Ministry of Regional Development, or without the generous financial support of the European Social Fund. These agencies are to be commended for their sustained commitment to promote the future of the social economy in Poland. However, having said this, no progress can be made without reviewing what has been achieved and what remains to be done. This report will provide an overview of the challenges the Polish government faces in designing a policy framework for the social economy by identifying current short-comings and weaknesses of the present strategy to combat social exclusion at the local level through the social economy and recommendations for new or modified strategies.

This report relies on the background report prepared by Polish experts that the OECD experts received prior to their visit to Krakow and Warsaw; their own interpretation of five very intensive days of seminars with Polish colleagues in Krakow and Warsaw, organised by the Polish Ministry of Labour and Social Affairs, the Ministry of Regional Development and other outside experts they met during their visit; and other relevant documents made available to them by outside experts and/or found on the internet. Numerous individuals representing social economy organisations and government representatives were invited to meet with the experts to share their knowledge, experience and concerns. This made possible a wide exposure to many issues and challenges. The presentations were candid allowing for useful dialogue between those present. It is, of course, more difficult to evaluate many experiences and initiatives with the presence of a large number of people but it does permit a wide exposure to their diversity and to their specificities.² This document will, therefore, reflect a synthesis of sources and voices with specific reference to selected interventions and initiatives that inform the analysis.

The OECD experts are, however, fully responsible for any errors of fact in this document. The views expressed herein and the recommendations made at the end of this report are based solely on the opinion of the OECD. They do not necessarily reflect all the documents provided in preparation of the study visit, all of the information made available, or all the views of all the colleagues during the meetings in Krakow and Warsaw.

Landscape of the Polish social economy

In many parts of the world, researchers, practitioners and policy makers use different definitions to refer to the social economy today. Although this term is, in itself, not new, and is most frequently associated with the co-operative sector, today “the social economy field”, so to speak, refers to those organisations that are neither publicly nor privately owned. This includes the non-profit sector, which in many parts of the world, captures a large number of associations, the voluntary sector and organisations and associations that are primarily engaged in non-market activity. The use of a “non profit-sector approach”¹ to describe these activities was adopted in the second part of the 1970s in the United States.² Non-profit organisations (NPOs) can fulfil a broad spectrum of societal, economic, and political objectives, including lobbying and interest representation, redistribution, and also service provision.

The concept of the “voluntary sector”³ also describes non-profit activity in Great Britain, for example, emphasising the absence of any advantage flowing to the founders of such organisations. The voluntary sector is very significant in North America where the culture of “voluntarism” and “civic” activity has a long history. In Canada, for example, Imagine Canada (www.imaginecanada.ca/), represents a very large network of voluntary organisations across the country. These are non-profit organisations and employ thousands of individuals. Today, they form part of the increasingly large and confusing landscape of non-market and non-state actors that can be “in” and “out” of the social economy in different cultural contexts and according to different scholars. However, this is changing, as the social economy becomes increasingly adopted as an overarching concept in many parts of the world.

The social economy, French in origin, initially referred to a macro-economic approach, to a political economy driven by broad societal objectives. The *Ecole de Nîmes*, is associated with a social economy “approach” that, over time, became more narrowly associated with co-operatives, and mutual aid societies to distinguish them from the private sector. Today, this also includes associations, and increasingly it includes foundations as well. The social economy definition stresses the specificity of the mission of these organisations, namely their aim to benefit either their members and/or a larger community, rather than to generate profits for investors. This approach thus includes both the non-profit and the co-operative organisational forms. It highlights the democratic character of the decision-making process within the organisations and the prevalence of people and labour over capital in the distribution of incomes, while also addressing special attention to the productive role displayed by these entities.

The social economy has found a great resonance in Europe and it has also been adopted by European Union institutions (Defourny, 2004). The term social economy will be used throughout the text to refer to organisations that are not committed to the pursuit of profit, including organisations that carry out advocacy activities (*e.g.* associations); organisations that are engaged in redistribution activities (*e.g.* grant-making foundations), and organisations that run economic activities while pursuing an explicit social goal (*e.g.* social enterprises), or a combination of these activities. In addition, other conceptual frameworks have been developed, such as the third sector, which attempts to overcome country specificities.⁴ This definition emphasises the intermediary nature of these organisations; it is largely used in the scholarly literature and often excludes co-operative enterprises.

The most useful work by scholars has been to contribute to an inclusive definition the social economy. The plural economy, introduced by the OECD in the mid-1990’s (OECD, 1996), captured the contribution

of the private, public and civil society sectors to the economy, for example, in this case, the umbrella term of civil society includes non-market or quasi-market actors, today referred to as the social economy. And finally, in numerous countries around the world, the “solidarity economy” is used to describe this activity. This has sometimes led to divisions between the so-called “old” social economy co-operatives and the “new” organisations/associations associated with the solidarity economy. In Poland, the term solidarity economy, has a strong association with the Solidarity movement of the 1980’s and is sometimes referred to as an “economy of value”. The use of these various terms overrides a growing tendency throughout the world to recognise the variegated nature of the economy and the contribution of market, non-market and non-monetary activity to social and economic well-being. Today, important work is moving these concepts forward beyond a separation of distinct activities – private, public and non-profit – to underscore their intersection (Evers and Laville, 2004; Mendell 2009).

In Poland the social economy is widely used to distinguish organisations that are not exclusively associated with either the private or public sector. However, reference is often made to the “old” and “new” institutions of the social economy, primarily to distinguish between current and pre-1989 co-operatives. The “new” social economy includes both co-operatives and non-profit organisations (non-governmental organisations (NGOs), foundations) as well as social agencies/organisations funded by government. The old social economy includes foundations, associations, and co-operatives that existed in pre-World War II Poland, which complemented government provided social, education, health, and housing services. In the post-war period, between 1945-1989, Polish co-operatives for the disabled and, since the 1970s, co-operative sheltered enterprises (in Polish *Spółdzielcze chronione zakłady pracy*), have significantly contributed to medical, social, and vocational rehabilitation and to the insertion of the disabled population into work and society. Co-operatives for the disabled have employed those who are incapable of active employment, including blind and deaf people and other categories of individuals unable to undertake regular employment due to permanent or protracted damage to their health. Given the evolution of some of these co-operatives, which have become competitive and profitable work integration enterprises for disadvantaged workers, they share a common history similar with many mutual societies and co-operatives that have grown into large, competitive and profitable enterprises. It is beyond the scope of this study to develop an analysis of this evolution, but it is useful to signal the importance of democratic governance that distinguishes co-operatives from private enterprises. This issue must be at the core of any evaluation of the contemporary co-operative movement and its place in today’s social economy; it is at the core of any distinction between the “old” and the “new” social economy in those contexts where this division remains.

While the history of Poland and other former communist countries have also to take into account the ideological association of co-operatives with the communist past, the generational and definitional question associated with the social economy has arisen in many parts of the world. Indeed, the challenge to name the social economy remains. This is especially true today with a growing lexicon of concepts and interpretations. Once accomplished, the challenge then becomes how to delimit the parameters of the social economy. No official definition of the social economy is found in any recent Polish laws or acts, and the term is not well understood, either by the public at large who have little exposure to the social economy (this is true everywhere), nor by most of individuals involved in those public institutions with a social economy mandate. Finally, there is the issue of identity. Do the enterprises/organisations themselves identify with the social economy? Because there has been an ongoing public debate in Poland, many of the organisations represented in the seminars arranged for the OECD team in June 2009, do feel they are part of a social economy, even if they remain confused about what this really means because of the precarious and fragile nature of many of these organisations and a transforming institutional context.

It is also true that the arrival of programmes and funding often contributes to this confusion as applicants work to meet the criteria of these programmes to respond to their often urgent needs, ignoring the framework of the programme itself. Once again, this is as true for most countries as it is for Poland.

This question will arise throughout this report in its analysis of the documents provided and the numerous exchanges with practitioners, government representatives and researchers invited to meet with the OECD team. As a tentative conclusion, it is clear that a programme driven social economy will hinder its development if it is not complemented by the mobilisation of people and organisations, popular education about the social economy, ongoing dialogue between actors and those managing these programmes. Moreover, it has been the case in many countries that individuals given the responsibility to assure that programmes meet their objectives are not themselves aware of the social economy. Their concerns are to assure compliance with specific programme criteria; so the approach becomes clientelist, a decentralised mechanism for programme delivery.

For the social economy to develop, supporting programmes have to respond to the needs of the social economy and those needs have to be expressed by those who will be best served by social economy enterprises. The anchoring of the social economy in local settings is key. Both the background documents received and the interventions of numerous individuals referred to the need for a more collaborative process at the local level. This then has to be reinforced by intermediaries and government at the regional and national levels to be effective. Eric Olin Wright and Archon Fung refer to the need for “recombinant linkages” in their important work on participatory deliberative governance to underscore the need for a dynamic flow between local, regional and national political spaces (Fung and Wright, 2003). Rather than top down or bottom up, one can see the benefit of working in a circular manner. In Poland, the elements for this circular dynamic exist. For example, the Małopolskie Pact and the Standing Conference on the Social Economy (SKES), with their government interlocutors at the regional and national levels provide the basis for such a dynamic. As well, the Inter-Ministerial Team for Systematic Solutions for the Social Economy, created by the office of the Prime Minister at the national level and currently working on a new legal framework for the social economy can serve as a valuable co-ordinating body. This issue will be addressed below as it represents an important, if embryonic, initiative of institutional innovation that will be key to the consolidation and growth of the social economy and to its effectiveness. This, of course, also includes the need for sectoral networks at the local, regional and national levels.

The Polish situation is further complicated by the very positive impact of accession. The analysis that follows, therefore, takes into account the generational question (the association of co-operatives with the previous Communist era by many people in Polish society), of course, as well as the impact of accession to the EU and the availability of funds and programmes to support the social economy. The different levels of government that are engaged in the social economy, national, regional and local, also should be taken into account. The complexity of the policy landscape is increased by the decentralisation of the social economy mandate to the regions, including the responsibility for development strategy, EU programme management and the distribution of funds, both EU and Polish government funding. Finally, the three regions the OECD was invited to study are distinct and reveal the importance of the institutional context for the development of social economy initiatives. That these regions represent different levels of prosperity and economic potential tests the capacity of the social economy to address social inclusion in such diverse environments.

In all countries, regions and localities experiencing structural unemployment, poverty and low economic activity face a harder challenge. It is clear that the social economy cannot solve all problems and should not be expected to. For the social economy to be effective, it has to be part of an integrated strategy for socio-economic transformation. That means that government, at all levels, has to be engaged as a partner, accompanying social economy actors in various ways that include finance, infrastructure support, enterprise/business skills, training, and so on. Many international experiences confirm that government financial engagement, for example, is most effective when it is flexible and long term depending on the socio-economic realities of regions. Most important is the growing recognition that long-term engagement by government *does not* imply dependency, as is so often suggested. These are investments by government in social and economic transformation whose long-term benefits to those individuals and organisations supported will 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. This question will be addressed further on as well as the regional issues that arise in the three regions the OECD was asked to examine.

The following is a synthesis of material that is found in the numerous documents received by the OECD. While much of the following is known within Poland, a summary of the main actors and challenges they face is necessary to evaluate the current situation and to propose recommendations.

Today, the social economy in Poland includes:

- NGOs, including foundations, established in order to implement socially or economically beneficial activities and self-governing non-profit voluntary associations. There were approximately 78 000 foundations and associations that employed 65 000 people in 2008.
- Co-operatives of an unlimited number of people, with variable composition and varying share funds. Co-operatives run common activities for the benefit of their members. They can be divided into several categories, depending on their activities: trade, housing, service, etc.. Co-operatives had about 13 million members in 2008 and employed nearly 500 000 people. From the point of view of the social economy, the following types of co-operatives are most important:
 - Labour co-operatives that provide work to their members as their main economic activity.
 - Co-operatives for the disabled and blind that have a long tradition in Poland. However, following the change in the system in 1989 they lost most of their members and jobs, declining from 233 000 employees to only 30 000 today.
 - Social co-operatives that promote the social and professional reintegration of their members into the labour market. They may be established by at least five and not more than 50 members who are unemployed or have various disabilities. There were only 145 social co-operatives in 2008, with about 1 000 employees. They are supported by the poviats labour offices and the social welfare centres.
- Social Inclusion Centres (CIS) that are established by the local self-government units together with an NGO. They are jointly run organisations, with the public sector controlling 40% and NGOs 60%. They organise educational programmes for people threatened by social exclusion. There were 55 CIS with over 500 employees in 2008.
- Social Inclusion Clubs (SIC) provide help to individuals and their families in re-establishing and maintaining their ability to participate in the life of the local community. They may be established by local self-government units or by NGOs and they are subject to the Act of 2003 on social employment. There were about 400 SIC in 2008, but no figures are available on their employment.
- Professional Activity Establishments (PAE) are separate units of NGO's or other social organisations, both in organisational and financial terms. Their statutory obligations are to promote the social and professional rehabilitation of the disabled. There were only 51 PAE in 2008, with about 2500 employees.
- Occupational Therapy Workshops are detached units of NGO's or other social organisations, both in organisational and financial terms that create opportunities for the social and professional

rehabilitation of disabled people who lack employment. There were 643 of them in 2008 with about 6700 participants in their workshops. They employed 8 085 employees in 2005.

In addition, there are nearly 10 000 older co-operative entities in the social economy that exist on the market, and together they employ 332 000 staff. About 80 000 people are employed by the housing co-operatives and 100 000 by commercial co-operatives. There are also ten mutual insurance societies with about 1 100 employees in 2005.

Challenges facing the Polish economy

In recent years, numerous Polish researchers have contributed to analysis of the social economy. Many have worked directly to develop the social economy in Poland, especially at the level of the national government. International conferences and publications have included excellent Polish contributions. This is significant both to inform researchers, practitioners and government representatives in other countries of the evolution of the social economy in Poland and to provide opportunities for dialogue and shared learning with experts from different parts of the world. OECD experts have consulted some of this literature and will only draw on selected papers for this report, as this work is well known in Poland. For example, Wagnanski (2008) identified the main challenges facing the social economy in Poland in his presentation to the ISTR (International Society for Third Sector Research)/EMES (European Research Network of the Third Sector) International Conference on the Third Sector and Sustainable Social Change. Eight of these challenges seem particularly relevant for this report on the social economy and social integration in Poland. These challenges included:

- terminological/conceptual problems related to the need for definition and self-definition of the social economy;
- the risk of sidetracking the social economy to only one objective (*e.g.* work integration);
- the need for a specific Polish identity of social economy, based on tradition, path dependency, etc.;
- the need to create a clear vision of social policy that would include the social economy;
- how social is the social economy today and how social will it be in the future?;
- the inflow of EU funds, are they an opportunity or a trap?;
- the risk of isomorphism related to contracting regimes and losing the specific features of proximity nature; and,
- questions about the compatibility of the social economy with the needs and attitudes of its potential beneficiaries, as well as its financiers.

The principal challenges identified in the background report correspond with those raised by Wagnanski. These challenges include:

- limitations in the Polish understanding of the social economy, with its strong focus on social inclusion;
- the fragmentation of the Polish support system for promoting social inclusion;

- the legal basis for strategic planning and development strategy at the regional and local levels; and,
- large regional differences for the social economy in the three voivodeships studied.

These four challenges for the Polish social economy are clearly interrelated and each of them will be dealt with briefly below. As noted earlier, despite the presence of the social economy on the policy agenda both regionally and nationally and while, as also noted above, the focus is primarily on collective entities (non-profit and co-operative), it remains that it is not well understood. This challenge is not unique to Poland. In many countries and regions in which the social economy appears to be firmly rooted and its juridical status is clear, its role is contested and/or not well understood. This makes the task of developing enabling policies more difficult, especially if the social economy is limited to specific functions, such as labour market integration, for example, as opposed to its wider role in socio-economic development and societal well-being. This is an important debate and must be held. Sharing these concerns with other countries and regions that have had similar experiences is also important. There are no formulas or recipes, that is true, but there are best practices and strategies that have been less successful.

The cultural and institutional specificity of the social economy reveals itself clearly as one maps these experiences not only in different countries but within different regions in the same country. The question of “path dependency” arises in all contexts. This is not a barrier to change, but it must inform the process of development. This is as true for Canada as it is for many European countries. The attempt to graft a model onto countries and/or regions derived from other experiences will not succeed. This is why the overarching objectives of the social economy have to be revisited. It is the shared vision that allows one to speak of the increasing presence and significance of the social economy internationally.

Limitations of the current understanding of the social economy

The term *social enterprise* has become increasingly utilised to refer to autonomous private organisations providing goods or services that explicitly aim to benefit the community. Given their (usual) non-profit distribution constraint, social enterprises are obliged to invest all or at least a significant part of their profits in the enterprise and they tend to involve various types of stakeholders in their governing bodies. When looking at the types of services delivered by social enterprises, a distinction is often made between those providing work integration services (WISE) and those delivering social services (OECD, 1999; Nyssens, 2006). In some countries (*e.g.* Italy) there is a clear-cut distinction between work integration activities and supplying social services, while in others work integration and social service delivery tend to overlap (*e.g.* Portugal). In yet other countries, emphasis is given exclusively to work integration, such as in Finland and Poland (Galera, 2009). The Italian experience, shown below, confirms that a clear-cut distinction between these types of activities has contributed to the success of social enterprises, particularly when set up as social co-operatives. They provide services both in the form of work integration social enterprises (type-B social co-operatives) and social enterprises delivering general interest services (type-A social co-operatives) (see Box 1 below).

Shortly after joining the European Union in the mid-1990s, Sweden undertook an official parliamentary investigation to define the social economy in order to avoid further confusion about this new term. By contrast, there is no official definition of the social economy in Poland and it still is not described or delimited by any Polish law or act. Rather the social economy is only “defined” by convention and *operationally* understood as certain NPOs that are working for the benefit of the disabled. So, many prominent Polish scholars and politicians are now beginning to question the lack of a clear definition of the social economy in Poland. For example, Hausner (2008) notes that there is a distinction between two types of social enterprises in Europe, those providing work integration services and those providing social services. In addition to work integration of excluded people, the social economy has proven very effective

in providing public services elsewhere in Europe, and especially social services, reciprocal services, public goods, initiatives for local community development, etc.. Similarly, Wagnanski argues that there is a risk of not exploiting the full potential of the social economy. It should not be reduced to “sheltered” employment: rather it should be regarded as a mechanism based on reciprocal relations that creates a higher level of trust between parties.

Box 1. The Italian Law 381 on social co-operatives from 1991

The 1991 Italian Law 381 on Social Co-operatives does not merely recognise a new form of co-operative; rather it acknowledges a new form of enterprise that is specifically designed to “pursue the interest of the community in the human promotion and social integration of citizens”. More specifically, the law recognised not just one, but two different types of social co-operatives, depending on whether they provide general social welfare and educational services (known as type-A social service co-operatives) or undertake other agricultural, manufacturing or commercial activities, with the goal of promoting the work integration of disadvantaged workers (known as type-B social co-operatives).

Both types of social co-operatives have a clear entrepreneurial nature, although the former can only provide social services, while the latter must focus on the occupational integration of disadvantaged workers, who must constitute at least 30% of their employees. The main characteristics demonstrated by Italian social co-ops are their explicit interest for the community, the involvement of various types of stakeholders, including volunteers, and the legal requirement to use a social audit for type-B social co-operatives. Since 1991 they have spread rapidly, with an annual increase of between 10 and 20%. The new Law 318/1991, and the subsequent spread of social co-operatives, appear to have encouraged other types of Third Sector organisations to develop their own entrepreneurial activities.

Recent trends show the expansion of social co-operatives to new fields of interest for the community, such as educational, cultural, and environmental fields, as well as public utility services. They usually focus on one main field of activity, as with work integration social enterprises that supply social services. The *Iter* social co-operative described elsewhere is a good example of this.

Given this lack of a clear definition, the Polish background report also notes that there is significant confusion concerning the very notion of the social economy in Poland. This stems from ideological disputes on the role of the social economy, particularly within social and economic policy arenas and from the functional approaches to issues as expressed in public policies. It may also reflect a failure to fully appreciate certain fundamental differences between social co-operatives supplying social services and work integration social enterprises. As seen in the *Iter* example below, in Italy type-A social co-operatives can provide employment for the disabled, but as long-term sheltered employment in order to help integrate them socially into the local community, not as a work integration social co-operative. Type-A social co-operatives are part of a broad and necessary approach to meet the complex needs of the disabled.

Box 2. Best Practice: The Iter Social Co-operative in Rovereto, Italy

Iter is a social co-operative for the disabled founded in 1981 with the direct and active support of the Rovereto City Council, and it still maintains this support. Iter aims at promoting the general benefit of the local community and the social integration of its citizens. Iter is a type-A co-operative that provides daily work activities, health, social and educational services for disabled people. From the start it has operated special projects to improve the education, training and rehabilitation of disabled people. Most of its projects involve daily work activities, combined with cultural, leisure, artistic, swimming and sports activities. As a result of these activities many disabled people are able to fully develop their physical and mental capacities. They reach a good level of awareness, self-respect and dignity that gradually allows them to participate more actively in the everyday life of the community. This promotes their social integration, if not their work integration.

In 1997 a "Global Quality Project" was initiated in order to encourage disabled people to become more familiar with the social and cultural world outside the co-operative. A team of experts was charged with helping the disabled to gain a greater sense of achievement and self-confidence. The team is comprised of a co-ordinator, a psychologist, an alpine guide, a speech therapist and two teachers, for both the cultural and sport activities.

The success of the Iter Social Co-operative may lead to the possibility for developing further projects aimed at helping disabled people to find and retain employment commensurate with their abilities and qualifications.

A narrow understanding of the social economy limits its transformational capacity and does not correspond with the much broader vision of the social economy in most other EU countries as well as in many parts of the world, such as Canada, especially Quebec. Increasing evidence suggests that work integration is most successful if it is part of a larger social economy that includes institutional support to a wider range of general interest initiatives. Moreover, limiting the social economy to work integration initiatives, like WISE, risks trapping it in managing poverty and exclusion, missing its transformative capacity.

In comparison to a purely pro-employment approach, the intersectorality of the social economy in various countries, in both Europe and North America, demonstrates its ability to perform as a socio-economic actor in the marketplace alongside the private and public sector. References to a plural economy (*économie plurielle*) are more common today. As noted earlier, this concept was first introduced by the OECD in its publication *Reconciling the Economy* (1996), developed by Jean Louis Laville in France. It now captures the reality of any and all economies that includes civil society as a contributor to the production of wealth (OECD, 1996; Laville *et al.*, 2007). Today, the social and economic contributions of the voluntary sector, the third sector and the social economy are widely recognised internationally.

Social enterprises have been recognised in several European countries through the adoption of specific legal frameworks. Two phases can be identified as far as the legal evolution of social enterprises is concerned. Initially, most social enterprises have been set up through the use of existing legal forms as a co-operative or an association, and this continues to be the case in a number of countries. The next trend is characterised by adopting more specific legal forms either via the co-operative formula or through the introduction of legal categories that recognise the social commitment of certain economic entities. However, in the absence of legal structures adapted to meeting community needs by carrying out economic activities in a stable and continuous way, an attempt to copy the Italian recognition of social enterprises via a co-operative formula was chosen by a number of countries, including France, Portugal, Spain, and more recently Poland.

The legal acknowledgment of social enterprises has contributed to support the development of the social economy and embedded them in the larger economy as significant contributors to wealth creation. However, the danger with this view is that all social economy initiatives will come under greater pressure

to perform efficiently and to generate their own revenues, thereby reducing the need for government commitment. This is the case in particular in countries where disengagement of the public sector finds a new rationale in the economic capacity of social enterprises or social purpose businesses that are encouraged, or in some cases forced, to generate sufficient income to support their own social engagement.

Box 3. Best Practice: 100 years of co-operation in Isera, Italy

The Trentino Region represents a unique region within Italy because of the strong concentration of co-operative firms of all types, whose creation with the active involvement of the Catholic Church can be traced back to the end of the 19th century. The oldest co-operatives were started as community enterprises serving the needs of local citizens for economic development in a context of a mainly agricultural economy. Today credit and producer co-operatives still represent one of the most vital elements of the entire economy in Trentino.

In the Lagarina Valley near Trento a group of co-operatives was started in 1907, when Trentino was still under the Hapsburg Empire. It was comprised of four co-operatives: the credit co-operative (*cassa rurale*), the consumer co-operative (*cooperative di consumatori*) and a co-operative for the production of wine (*cantina sociale*) and another for cheese. While the latter has ceased production, the other three still operate today. These co-operatives even managed to survive during the harsh years of the fascist regime (1922-1942). In recent years the local co-operative movement has been enriched by the growth of various social co-operatives, which usually reintegrate disadvantaged workers in the labour market and provide welfare and social services in concert with local authorities.

Today the *Cassa Rurale* attracts most of the savings of local inhabitants and supports most of the families and firms in the local community, while the *Cantina Sociale* represents the core of its thriving wine industry, one of the most characteristic and important industries in the Trentino area. Given the small scale of the local economy, these local co-operatives can be truly seen as an excellent example of best practices since they represent the core of the local co-operative system in their respective areas of activity.

The Cassa Rurale

In the little village of Isera which has around 2 500 inhabitants, the co-operative bank employs 24 people and brings together 980 members or families. About half of them come from Isera, while the rest come from nearby municipalities, like Rovereto and Nogaredo. The *Cassa* represents the most prominent financial actor in the local community, and is also an important actor outside Isera. Its character as a community bank is seen in its support for many non-economic activities in the fields of culture, education, entertainment, sports and social assistance. In 2007 the *Cassa Rurale* devoted almost EUR 350 000, or 36% of its net surplus to such activities. It has expanded its support for such activities by nearly 24% annually since the year 2000. Its sustained involvement in such activities clearly shows its importance for local social and economic development.

The Cantina Sociale

The second most important co-operative institution in the Isera area is the *Cantina Sociale*. It specialises in the production of local wines, mainly Marzemino, but also Chardonnay, Muller, Thurgau, Grey Pinot, Merlot and Teroldego. It collects the grapes produced by nearly 230 associates, mostly located in the municipality of Isera and the surrounding areas. Though it only employs 11 people, its turnover reaches EUR 5 million annually. Its market is mostly regional (75%), but also national (20%) and international (5%).

The co-operatives are strongly embedded in the local communities and 5 000 people participated in centennial celebrations in 2007. This local support underlines their importance for the life of the municipality of Isera and the nearby region.

Two dimensions of the current Polish understanding of social economy

The notion of the social economy described by the Polish background report combines two dimensions, an *historical* and a *functional* dimension. Both these dimensions are treated as dichotomies and they are combined into a classical four-fold table. The *historical* dimension focuses on the origin of the

organisations, *i.e.* do they belong to the “old” social economy, with historical roots in Europe, or to the “new” social economy? The old social economy, that in other parts of Europe would be called traditional, is comprised of associations, co-operatives, foundations and mutuals founded in the late 19th Century and early 20th Century. A good example of the economic and social role of a traditional co-operative is found in Isera, Italy (Box 3 above).

The second dimension of the Polish notion of social economy is *functional* in nature, and it also proves more problematical, especially when it is dichotomised. Accordingly, social economy actors belong to one of two categories, depending on whether they are market oriented or integrational entities (belonging to the integrational social economy). The integrational social economy constitutes both a part of a widely perceived social policy to promote the interests of special problematic groups on the labour market *i.e.* disabled people and as organisations with a special integrational capacity. Their aim is to integrate people threatened by social exclusion in the local labour market by undertaking training and other relevant activities to achieve this goal at the local level. Typical examples of integrational social economy organisations are social co-operatives or social integration centres.

What is left out?

The main weakness of delimiting the social economy by employing a simple four-field table is what it excludes, rather than what it includes. What is left out is much of what the social economy does and produces in most other European countries, namely services of general interest, often in competition with other actors. This results in a very lopsided perspective of the social economy and the fields where it normally operates in Europe. Applying a different functional dichotomy, one that replaces the integrational category with quasi-markets for providing services of general interest, allows for a more holistic and realistic understanding of the Polish social economy. Moreover, applying a functional trichotomy, one that includes quasi-markets for providing social services and services of general interest as a third category, can achieve the same result. This would avoid a narrow perspective of social economy and its strong focus on social integration, for example, that severely limits the current Polish understanding. It would also open up many new fields of activity for the social economy that would thrive and contribute to local economic development.

Quasi-markets for services of general interest are found in most advanced economies (Galera, 2008; 2009). Competitors for contracts to provide such services include public providers, for-profit firms, and social economy organisations. The latter can include both the old and new social economy. Services of general interest comprise many long-term social services provided by the public, private for-profit and/or by families in most European countries today. They normally include services such as childcare and pre-school services; elementary, secondary and higher education care for the disabled; housing; elder care; some health care services; cultural and leisure services; and, work integration services. All of these make very important contributions to achieving the goals of local social policy, as well as societal well-being. Social enterprises actively provide many of these services in most European countries today. But, by excluding them from the Polish understanding of the social economy, one is left with a limited perspective of the social economy and of its potential. Moreover, there is the danger of stigmatising and marginalising the social economy to only providing solutions of last resort, where all else fails.

The development of social economy organisations is too often associated with market failures induced by information asymmetry problems (Hansmann, 1980) and government failures (Weisbrod, 1975; Weisbrod, 1977). However, such analysis contributes very little to an understanding of the potential of the social economy. Limiting the social economy to activities designed to alleviate the failure of the public and private for-profit sectors to resolve problems of social exclusion, misses its greater capacity to work in the public interest and to develop new responses to social exclusion that include work integration, but also a variety of other approaches. As noted above, one must go even further to recognise the economic capacity

of the social economy, not only as an employer, a purchaser of goods and services and as a provider of services, but also as a market actor with the ability to operate in the market while meeting socio-economic objectives in the public interest. Social enterprises can produce both goods and services. However, the narrow focus that characterises the current Polish understanding of the social economy misses its primarily transitional role. Support from the European Social Fund (ESF) tends to reinforce this limited perspective by primarily addressing this capacity of the social economy and thereby directing its funds principally to meet this objective.⁵ The “Human Capital Operational Program” (HCOP), which covers all of the ESF’s activities in Poland, stipulates that its support for the social economy should include the following entities: social co-operatives, labour co-operatives, co-operatives of the blind and disabled and NGOs.

Box 4. The spread of social enterprises to all parts of Europe in recent years

In Europe the legal form taken by alternative providers of social services, including work integration services, varies, quite naturally, with the national legal framework. It may favour co-operatives in one country, associations in another, non-profit organisations in a third, or various types of companies in a fourth. The concept of social enterprise will be employed here to cover all types of alternative providers with clear social goals.

Social enterprises providing social services:

Social enterprises providing social services is a fast growing phenomenon throughout Europe. A significant number of social enterprises have been established in several EU countries to provide new social services or to respond to groups of people with needs not recognised by public authorities or excluded from public benefits. Many of the activities were independently started by groups of citizens, with little or no public support initially. After some years the state or local authorities acknowledged them to be of public interest and decided to finance them, partially or totally.

Work integration social enterprises:

Work integration social enterprises were originally tools of active labour-market policies for workers experiencing serious difficulties in the labour market or at risk of social exclusion. These kinds of social enterprises can be found in most European countries today. They differ from sheltered employment workshops in two respects. First, they pay attention to market dynamics and second they pursue objectives of ensuring that employed disadvantaged people earn an income comparable with that of other workers (Nyssens, 2006). Sheltered employment has less modest goals. It simply aims at starting job initiatives within a protected market, but without providing market salaries. Social enterprises, by contrast, promote the integration of disadvantaged workers through paid productive activity and they provide tailored follow-up or follow-through training on the job.

Social enterprises supplying goods and services of general interest:

In recent years social enterprises have spread to new fields of interest for the community. They include services of general interest, like transportation, micro-credit, water supply, cultural development, recreation, fair trade, management of protected sites, social housing and environmental fields. These trends tend to undermine the traditional division between co-operatives and associations or NPOs, as well as erode divisions between single models and multi-stakeholder models of governance. Social enterprises adapting the co-operative formula can now be found in countries including France, Poland, Portugal and Spain.

Only a transitional phenomenon?

A further dilemma is that the legal recognition of the integrational aspects of the social economy is at the same time highly tenuous or temporary. The Polish moderators at all of the June OECD seminars reminded those present that the social economy could not expect to live on government grants alone. In Poland, the social economy had to learn to compete and survive on the market. Social economy organisations and/or social enterprises could perhaps receive start-up grants, but they had to adapt and adjust quickly to compete and survive on the market. However, this implies that one of the two functional

categories used to classify different entities in the social economy, *i.e.* “integrational”, is reduced to a temporary and transitional category.

Unless work integration is embedded in a more long-term and broader perspective, which at the same time supports those who are employed in these enterprises/organisations over time and provides ongoing, long-term support to the organisations/enterprises themselves that are training these individuals to enable them to participate as economic actors providing services and/or producing goods for the market, this strategy will not succeed. This includes the WISEs in which they are working and follow-up to assure that this experience has increased their potential to enter the labour market and find jobs. Rather than a palliative or market oriented approach as the only two possibilities, a comprehensive approach brings benefit to those involved directly in these integrational processes and to those organisations/enterprises providing these services that thereby increase their long-term capacity to do their work. Ultimately, this calls for reconsidering the role of social enterprises’ market activity, is it just a means to an end, or an end in and of itself. Most important, it reduces the possibility that with the exception of a transitory phase for the integrational social economy, the pressure for the social economy to generate its own revenue and operate on the market will define its future.

Adding the widely recognised and employed category of quasi-market to the market orientation, not only resolves this definitional problem, it also rejects the artificial separation of its social and economic capacities and objectives. This would open the way for innovative enabling policy formation. The quasi-market approach allows for the creation of productive, efficient and effective partnerships between social economy enterprises and organisations and government. It would also provide transitional bodies, such as integrational social economy entities with more than one choice or path of development that includes transforming themselves into healthy, competitive firms that can survive on the market, or into sustainable providers of a variety of social services on quasi-markets. In fact, many of the NGOs and EQUAL projects present at the OECD seminars in Krakow and Warsaw expressed a desire to provide services that meet the general interest, in addition to rehabilitation and work integration services.

Conflating type-A and type-B social co-operatives?

Moreover, the Polish understanding of social economy appears to have confused and conflated type-A and type-B social co-operatives in Italy, although they are clearly differentiated in the 1991 Italian law 318/1991 on social co-operatives. A closer look at A-type social co-ops in Italy verifies this impression. They are restricted to providing social services and do not promote work integration *per se*. However, the provision of social services may also include arranging meaningful work-like facilities during the day for disabled people. The Italian best practice *Iter*, referred to earlier in this report, clearly illustrates the difference. It offers work to disabled people most days of the week. But, it also offers them meaningful social and leisure activities to improve their self-esteem and help them function more independently in the local community. Here the professional staff is kept to a minimum and although *Iter* functions as a sheltered workshop, it provides an important social service to the community, but it is not work integration. This is very different from the type-B, or work integration social co-operatives, where the non-disabled staff comprises a clear majority of the employees, and disabled and handicapped people often make up no more than 30% of the employees. The basic idea of type-B social co-operatives in Italy is to integrate disabled people into the open labour market and to provide them with the skills to do so. However, this becomes very difficult, if not impossible to achieve, when the disabled comprise a majority of the employees.

Combining or conflating these two different types of social co-operatives into one organisation results in a new or hybrid type of organisation, not envisioned by the Italian law. In the first Polish law on social co-operatives the disabled comprised the overwhelming majority of employees, approximately 80% of the staff, similar to a sheltered workshop. Naturally, the costs of such social co-operatives are much higher

than a firm with only a few or no disabled people. Understandably, the Polish social co-operatives do not fare well in competition with commercial companies, for example in local project competitions. However, following the recent change in the modified Law on Social Co-operatives, the question still remains whether reducing the proportion of disabled from 80% to only 50% disadvantaged people will be sufficient to bring about the desired results? Will this prove adequate to establish a work atmosphere typically found in the open labour market? Or will it produce yet another hybrid, one that still faces some serious challenges in terms of competing on the open market due to the special needs of the clients and the extra costs involved?

These caveats are introduced early in this report to differentiate the Polish social economy and the influence of a European vision from a more Anglo-American vision and its accent on individual social enterprises. Research networks in Europe and in North America (Quebec in particular) address the intersectoral and comprehensive nature of the social economy that today includes work integration enterprises but also homecare, day-care, housing, finance, recycling, manufacturing, communications, culture, to name a few (OECD, 2003; Noya and Clarence, 2007; Noya, 2009). What is common to all these activities is their commitment to socio-economic objectives, today often referred to as triple bottom line (economic, social and environmental returns).

The academic response?

The growing number of European and international conferences, graduate programmes in social science and management, as well as numerous intensive study programmes emphasise the broad nature of the social economy as complementary to market and state provision of goods and services. There are academic programmes on the social economy in Polish universities that are important sites for discussion and debate and have influenced the development of the social economy. Ensuring that this is happening across the country, rather than in only one or two cities, is crucial. The engagement of researchers at the regional level is very important. It is critical for this discussion to take place in universities among researchers who are introducing a new generation to the social economy and who, in their research, are contributing to analysis and proposals from faculties as diverse as political science, sociology, economics and management. In other countries, this is producing a rich corpus of literature ranging from new management skills, human resource issues and finance at the micro level to large institutional and societal issues at the macro level, something which Poland would clearly benefit from developing as well.

Ongoing research and dialogue with social economy actors and government is key to its successful development. Polish colleagues participate in international events thus contributing to overcome the fragmentation of research in this field, given its peculiar country-specific focus. The debate concerning the comprehensiveness of the social economy must continue to avoid a narrow perspective. This discussion has to go beyond the sectors themselves to include the development of enabling tools, including, of course, public policy. A *systemic approach* to the social economy is increasingly recognised for its capacity to mitigate challenges faced by different sectors and the enterprises within those sectors. Numerous presentations given at the seminars organised for the OECD in Krakow and Warsaw, confirmed the vulnerability of individual initiatives that are not well supported.

By focusing too strongly on one single area where social economy actors can provide acceptable solutions to important social problems, like work integration, one not only risks excluding many other areas where they can also provide solutions due to their unique innovative capacity, as previously noted but too strong a focus on a single issue also affects the public image of the social economy. One must not minimise the importance of public perception of the social economy. Expanding the scope of operation of the social economy could, therefore, also help to improve its image and not confine it to the margins. This permits a wider discussion on the role of the public sector and the basis for resisting the possible transfer of previously provided public services to the social economy. Its role to respond to new and unmet needs

must be reinforced in the context of a “new welfare mix” that proposes a new partnership model with government rather than substitution for public provision and a rationale for disengagement by the public sector (Evers and Laville, 2004).

Target populations: women and the disabled

Poland, like many countries, is faced with the challenge of developing strategies to address an increasing number of long-term unemployed and socially excluded individuals. Long term unemployment is often characterised as structural, reflecting the incompatibility of skills and competencies of workers with the needs of new sectors of economic activity and/or the result of the disappearance of certain industries that employed many people. Large numbers of such individuals may find themselves socially excluded as labour market opportunities no longer exist for them. Socially excluded individuals are generally not part of the labour force. They include youth without adequate education or training to work, immigrants in many countries, and a large population of disabled people with physical and/or intellectual disabilities, among others. For many women, they find themselves in a situation of social exclusion because of the reasons already noted, but also because of family-work demands that preclude their full participation in the labour market. Where poverty is an increasing reality, this often results in increased rates of crime, drug addiction, and alcoholism. Social exclusion has to address these different populations and their respective needs. This report focuses mainly on two vulnerable groups, women and the disabled, because they underscore the shortcomings in much of the current approach to social economy and social enterprises in Poland.

Women and childcare in the social economy

The proportion of women among the unemployed is notably higher than men in Poland on the whole, where women comprise 58% of the total number of unemployed. But, as expected, this varies between voivodeships, where the proportion of unemployed women ranges from 52% in Mazowieckie to 60% in Małopolskie, according to the Polish background report. Little explanation is found for these differences between the genders in the background materials. The low level of professional activity by women is attributed largely to personal factors such as age and education. However, another crucial reason for women’s low professional activity is tied to the need to reconcile work and family needs, especially regarding maternity leave and child care. Re-entering the labour market after childbirth depends on the level of pay, flexibility of working hours and access to childcare services.

In the early 1990’s unemployed women included those returning from maternity leave, those affected by major lay-offs, single mothers and women 50 years and over. Today the list needs to be amended by adding young well-educated women who are unable to find work after completing their studies. There seems to be significant barriers to women’s inclusion on the labour market, in particular, and in society, in general, on equal terms. However, the barriers to women’s equal inclusion appear to fall outside the scope of Polish social policy, outside Polish labour policy, and also outside the social economy as currently understood in Poland today. This is unfortunate, since it is an area where expanding the social economy would have a positive impact both on women’s employment, the availability of social services and on local economic development.

As previously noted, all types of unemployment may lead to social exclusion and, therefore, it is also important to prevent it, especially among young people. However, even if there is a large number of disabled people in Poland, the strong focus of public support for this population in Poland, excludes many other groups at risk of social exclusion. For example, today there is very limited care for the elderly and few sheltered accommodations for them. At the same time, many women under the age of 25 who are among the long-term unemployed could provide elder care. Instead, they receive no unemployment benefits, work in the grey zone of the economy and pay no taxes. Such activities could be organised by the

social economy with appropriate regulations. Social economy enterprises in homecare exist in many countries to meet both the needs of serving an aging population requiring these services and to offer secure employment to people providing these services. Not only would those employed be salaried and receive social benefits accruing to all salaried workers, but by moving this activity out of the grey economy, the nature of the value of this work would be recognised and the quality of services provided to elderly people would be regulated, guaranteeing their safety, security and well-being.

If a broader view of the social economy were adopted, social enterprises would be seen as part of the solution to gender related imbalances and inadequately met social needs. A critical area that requires attention is the provision of child care for working families. Expansion of childcare facilities, in particular services provided by parent and worker co-operatives, or parent controlled non-profit organisations, could help to alleviate the problem of a lack of childcare services for the many women who want to re-enter the labour market after childbirth. This would make it possible to create employment for women working for social economy providers of homecare, for example, or other social services. In addition, employment in social enterprises normally offers greater flexibility to the employees in terms of working hours and greater job satisfaction (Borzaga and Depredri, 2009). This not only helps to facilitate the reconciliation of work-life and home-life demands, but also permits many women to see the trade-off between higher salaries, better working conditions and greater flexibility as a positive choice, especially if they can obtain two of them (Borzaga and Depredri, 2009). Thus, the social economy can provide organisational innovations that promote solutions of several social problems at once. The spread of co-operative childcare in Sweden can illustrate this (see Box 5 below).

In Quebec, childcare is at the heart of the social economy. In 1997, the new family policy in Quebec supported the development of a very large network of social economy enterprises providing childcare services (see Box 6 below).

This is an important illustration of a strategy to develop child care services in the social economy to address the issues confronting women and families in Poland, but it is even more significant, as it represents an *innovative process of policy formation* that is increasingly referred to as the *co-construction of public policy* that has characterised the design of social economy policy in Quebec. But, it must be underscored that this childcare initiative was rooted in civil society and today, these centres remain parent-controlled, even though they are financed primarily by government (approximately 85%). This experience is transferable to other cultural contexts; it is inspirational as well as practical, feasible and effective. As such, it needs to be seen as a best practice model for citizen driven initiatives as the basis to innovate social service provision. As a new institutional arrangement with government, it requires a corresponding new logic of how government and civil society, in this case the social economy, interact.

Box 5. Best practice: Co-operative provision of childcare in Sweden

The experience of childcare services in Sweden helps to illustrate the importance of social economy alternatives for enriching service provision in several respects. Childcare services developed rapidly in the post-WWII period in Sweden. Swedish family policy promotes a generous maternity leave of 18 months and women are guaranteed the right to return to their job after maternity leave. The Swedish debate also promotes men's participation in parent leave for at least three months. Today nearly two-thirds of all Swedish pre-school children attend one form or another of public financed pre-school services. Public financing covers nearly 85% of the costs of pre-school services, while a parent fee makes up the rest. However, these fees are capped at a relatively low level in relation to the parents' income. So there are no financial benefits associated with choosing one form of pre-school services rather than another.

Today there is a variety of providers for parents to choose from, like municipal services, parent co-operatives, worker co-operatives, voluntary associations, religious groups, for-profit firms, etc.. This not only insures that there are more than just public and private for-profit alternatives to choose from, but it also makes for greater welfare pluralism and insures real parent choice. Municipal pre-school services are dominant everywhere and this choice is usually based on proximity or closeness to home. However, many parents want better quality or more choice, so social economy providers began to expand in the 1970s. Many parents simply weren't satisfied with quality of municipal services, so they started voluntary associations with a special pedagogical profile, such as Montessori, Reggio-Emilia, Steiner and Waldorf schools. Then, in the 1980s, demand for childcare services greatly outstripped the supply, as Swedish cities continued to expand and new urban housing areas often lacked municipal services in the beginning. So, many new parent co-ops were started in the 1980s and 1990s, initially with help of the Swedish Consumer Co-operative Wholesale Union (*Kooperativa Förbundet*, KF). The final wave of alternative providers came in the early 1990s, when the first Bildt non-socialist government removed all remaining restrictions on ownership for receiving public funding to provide childcare services. Worker co-operatives, for-profit firms and religious groups now started competing. Workers were actively, if not aggressively, encouraged to "start their own business" by taking over municipal services and running them as a worker co-operative or private firm.

Today municipalities remain the main provider of pre-school services in Sweden, but alternative providers enrol between 20-25% of all pre-school children. Private for-profit firms still remain a marginal phenomenon. Parents can choose the form of childcare service on the basis of clear values. Parents with children in parent co-operatives want to remain an active part of their child's daily life without sacrificing a parent's career and they also want to influence the running of the childcare facility. Parents with children in a service based on an alternative pedagogy choose such services not only for their pedagogy, but they also want to retain an active part in their child's daily life and want to influence the running of the childcare facility. Parents with children in worker co-operative childcare rely on more instrumental values, like proximity to home, recommendations from friends or neighbours, etc., when they choose this alternative.

The availability of several alternatives that correspond closely with parents' values makes for greater welfare pluralism. It also provides work for many women in services that show greater flexibility than municipal service; not only in terms of the service provided, but also in the working conditions they provide their staff. This helps prevent stress, sick-leave, worker burnout, early retirement, etc., and also promotes better service quality. Moreover, that both parents and staff participate more actively in parent and worker co-operative pre-school services than they can in municipal services and private for-profit firms providing such services in Sweden. Greater parent and staff engagement in service provision, not only promotes better service quality, but it also lowers the cost of providing good quality services. However, only these social economy alternatives promote such general values, but not public or private for-profit providers of childcare services (Pestoff, 2005; Vamstad, 2007).

Box 6. Best Practice: Day-care in Quebec

The concept of *Centres de la petite enfance* (early childhood centres) was proposed by the *Chantier de l'économie sociale*, the network of networks that represents the social economy in Quebec, based on an innovative proposal by an existing network of parent-controlled day-care centres. An initial budget of CAD (Canadian Dollars) 230 million annually allowed parents to have quality educational day-care at CAD 5 per day, offered by parent controlled non-profit day-care. This policy has evolved and despite the introduction of support for private for-profit day-care by the newly elected Liberal government in 2004, the vast majority of childcare services (200 000 places in 1 000 non-profit early childhood centres) continues to be offered but at CAD 7 per day to parents across Quebec through the social economy. These centres employ 40 000 people, making this network the third largest employer in Quebec. Over 7 000 parents participate on a volunteer basis on the Boards of Directors of these centres. The Quebec government invests over CAD 1.7 million annually in these early childhood centres (Downing and Neamtan, 2005; Mendell and Neamtan, 2009).

While these day-care centres are heavily state funded and can easily be interpreted as part of the public sector, they are in fact entering a contract, so to speak, with government to provide these services. And these centres are democratically run by committees of parents and employees, not by state authorities who recognise the effectiveness of this arrangement that is providing services in the general interest. This represents an important cultural shift for government. It is not easy; nor will every government willingly make this shift. And, there is certainly the larger question of political will. Shifting political tides may threaten to reduce the financial commitment to these social economy day-care centres and promote their privatisation, for example. In Quebec their embeddedness in civil society and strong support by the public at large, has prevented this from occurring despite changing governments with different priorities. This detailed case study is included in this document as a best practice model for several reasons.

- These centres were conceived and designed by citizens.
- The policy was co-designed or co-constructed by citizens and government. This is an important illustration of the effectiveness of collaboration between government and civil society.
- As a significant employer, one needs no justification for the investment by government.

A cost-benefit analysis of this substantial investment by government reveals not only the direct impact on children, their families and those employed, but the significant indirect multiplier effects, not only with respect to job creation and income generation. For example, together these centres purchase significant quantities of goods and services, contributing to the local economy. Most recently, almost 1 000 day-care centres that are networked formed a consumer co-operative, the benefits of which are extraordinary in terms of price (economies of scale) and for the larger social economy. To the extent that there are social economy producers of goods and services required by the day-care network, they now have access to an enlarged and co-ordinated consumer market. This is a good illustration of the importance of looking beyond the direct benefits on individual sectors to the collateral benefits that accrue to other sectors in the social economy and to the economy at large. And finally, these childcare centres or day-care centres are recognised as centres for early childhood education requiring professional early childhood educators. So, the Ministry of Education approved the creation of a new profession with post secondary certification, also proposed by a social economy labour market support organisation in collaboration with the day-care sector. These early childcare centres provide an enriched educational environment for small children by having created a new profession with new career possibilities for women and perhaps even some men, since the majority of early childcare educators and workers are women.

This example is useful as an example of the benefits of an integrated social economy development strategy that captures its comprehensiveness. In summary, the early childcare centres in Quebec are an exemplary best practice for the following reasons:

- provider of new and unmet services
- professionalisation of a task previously not requiring higher education
 - positive impact on children
 - positive impact on those employed in the sector
 - new image of day-care workers
 - corresponding salaries to reflect high qualifications
- significant market actor
 - large employer
 - revenue generation
 - multiplier effects on the economy
 - purchaser of goods and services
 - generates markets for social economy enterprises
 - potential for further job creation in social economy enterprises
- ethical consumption
 - contributes to changing consumption patterns of families
 - meets triple bottom line objectives as a producer and consumer of goods and services
- contributes to public awareness of the social economy
- serves as a model for
 - new institutional arrangements with government “new welfare mix”
 - citizens capacity to initiate both social and economic initiatives
 - the social economy more generally

The disabled

In Poland, disabled people are the main category where the social economy is expected to provide solutions, but for now, this seems to be assigned primarily to organisations working with the disabled and less to social enterprises or organisations operating in the market. Both are necessary. According to the

Central Statistical Office in 2002, there were 5.25 million disabled people in Poland. However, no reliable statistics for unemployment among the disabled exist at the voivodeship level, and most disabled people remain far removed from the labour market. In 2007, only 15% of the disabled were employed in any capacity at all, either in open or sheltered employment. At the beginning of 2005, only 28 000 disabled people were registered by the State Fund for Rehabilitation of Disabled People as employed on the open labour market; in 2009 38 400 people were registered. There were 173 000 disabled people working in sheltered workshops at the beginning of 2005, while four years later the number had decreased to 164 000 people. This represents a modest shift from sheltered employment to employment in the open labour market. However, in 2008, 84% of disabled people 15 years and older and over 75% of disabled people of working age were simply excluded from the labour market. Similar statistics for non-disabled people were 41% and 25% in 2008. Not surprisingly, improving the education level of the disabled was the main recommendation of one participant in the Krakow seminars. The social economy cannot fulfil this need, nor should it be expected to. That said, the issue of education is broad and includes the entire range from literacy training to higher education. Social economy initiatives serving the needs of the disabled by creating productive employment must work with educational institutions and provide training at different levels, both basic and vocational.

While this clearly represents a major social problem in Polish society, the question is what role the social economy can play to address this difficult and complex issue that requires several layers of intervention and support. Certainly, improving the access of disabled people to secondary and higher education is paramount to increasing the possibilities for employment. A focused ten to twenty year programme aimed at eliminating the institutional and cultural barriers to secondary and higher education for disabled people would seem both highly appropriate and timely. In exploring the role of the social economy, a better understanding of the needs of this very large population of disabled people is critical. There is no one single solution to respond to a range of disabilities. That said, the exclusion of people with disabilities from participating as active citizens in society must be a priority. This holds true whatever the range and extent of disability. The social economy can certainly play its part in this process, but as complementary to many other programmes provided by public institutions including health care, education, labour market training, and so on.

In the case of the social economy, its role in addressing the social exclusion of the disabled has to be understood as a contract for service. Government must willingly invest in the social economy enterprises and organisations providing services and employment possibilities for these people. The example of childcare services in Quebec illustrates the benefit of this approach that is also applied to social economy “adapted” enterprises in Quebec.

At the moment, the social economy organisations undertaking this responsibility in Poland are given impossible and insurmountable tasks when they are expected to create employment for most disabled people without long-term support. This could include a publicly financed programme to rapidly develop vocational schools run by social economy organisations. Funding programmes that do not address basic capacities or capabilities of those served, run the risk of not meeting their objectives. The significant contributions of Amartya Sen on capabilities and the UNDP Human Development Index raised this important issue in 1990, emphasising the need to meet basic needs before injecting funds into programmes serving those who would otherwise not adequately benefit from them.

Box 7. Best practices: Green Works in the United Kingdom

Green Works was founded in 2000 by Colin Crooks, and it is now a well-recognised charity and social enterprise, based in the UK, committed to turning ordinary office furniture into a useful resource and employing physically and socially disadvantaged people. According to their website, by “using the 4 R’s we aim to, Reduce, Re-use, Remanufacture, or Recycle all unwanted office furniture, diverting it from landfill.” It is in this way that they make the best use of furniture, by offering the best preserved items to charities, community organisations, small businesses, for domestic use across the country at huge discounts, while at the same time donating across the globe so as to help rebuild communities across the developing world.

Also through their permanent commitment to create jobs and training for physically and socially disadvantaged people in the UK they have created over 80 jobs directly and indirectly around the country, thus helping to fulfil important social goals. Green Works offers a wide range of accredited vocational courses so as to increase the training and development of its workers. These courses include health and safety, manual handling, carpentry, first aid, forklift driving, portable appliance testing for electrical items, stock management and sales, and customer relations. Their warehouse and sales operations are found in the economically deprived areas so as to provide the most opportunities for those who need it most. Green Works is very proud of its social achievements and each year provides GBP (British Pounds) 500 000 of social benefit. They have been recognised as a national leader in the social enterprise field and recently won the Queen’s Award for Enterprise 2008 in Sustainable Development.

More information at: www.green-works.co.uk

The challenges are very large indeed. As a disadvantaged group, the needs of the disabled are complex and the capacity for social economy enterprises to meet these needs can only be met with diverse support mechanisms, not the least of which is adequate funding. Unlike work integration enterprises, these social economy organisations or enterprises engage in long-term commitments to the disabled, in most cases. While some people move on, many do not. When such individuals are employed, employers have to accept that they will be less productive and will require many services *in situ* including healthcare (medical and/or psychological support), basic education (literacy), training and so on. This requires professionals to be on site in social economy “adapted” enterprises, for example. These enterprises are innovative approaches that complement social service organisations (public benefit organisations) that provide these services. As these services are provided locally, within the enterprises themselves, government must support initiatives that provide productive employment to an otherwise socially excluded and marginalised population. This is achieved through a policy mix that may include enabling legislation, incentives to other social actors (the private sector) to participate in such initiatives, through tax benefits, loan guarantees to financial institutions willing to provide loan capital, for example, and, of course recurrent and long-term investments in the enterprises themselves given the societal objectives they are meeting. These are, of course, not mutually exclusive.

Box 8. Best practices: Haven Products in the United Kingdom

A product of David M. Whyte to offer services and solutions to companies looking to outsource things like packaging and assembly, Haven Products currently employs 138 people, 112 of which are mentally disabled. Thus, Haven Products is one of the first UK businesses to be awarded Star Social Firm status, boasting of its fifty year track record of creating employment and training for disabled people. The enterprise is part of the Momentum Group, which assists more than 2 200 people every year including those suffering from mental illnesses and brain injuries to succeed in the job market. With a proven track record of delivering products on the tightest deadlines and exacting briefs, their clients range from local companies to international firms like IBM, Morgan Stanley, and the Highland Council.

Haven Products has learning centres at its Hillington and Inverness facilities which provide certified courses in literacy, numeracy, IT, along with useful classes on confidence building, interview techniques, and job searching skills. Also, in the last couple of years, Haven Products has extended employment options available to staff by developing the Complementary Workforce Initiative. This programme allows workers to gain experience in large organisations with support from the Haven Management team. Each employee is placed within a role that is specifically suited to his skills. The Complementary Workforce Initiative has been a clear success as Haven employees currently provide technical helpdesk support, IT hardware replacement support, software downloads, facilities support, and administrative/clerical support for their partners.

More information at: www.momentumscotland.org/web/OurServices/HavenProducts

In Poland, the passage in 2003 of the Act on Public Benefit and Voluntary Work is an example of a new relationship between government and service providers and the recognition that neither institutionalisation nor isolation of the disabled is a good solution. This is a significant step in institutional innovation that recognises the need for government to collaborate directly with service providers. In 2009 the Polish *Sejm* adopted amendments to the 2003 Law on Public Benefits and Volunteer Work with broad support that, if finally passed, will take effect at the beginning of 2010. These changes are designed to improve the existing regulations and create conditions for more efficient interaction between NGOs and public administrative bodies. It proposes to strengthen the institutions, principles and forms of civil dialogue, and to increase the role of civil society in the implementation of public policy, both at the national and local levels. It also proposes to broaden the definition of NGO social co-operatives and non-profit companies in order to allow for their access to tasks outsourced by the public administration through public tender. In addition, it proposes simplifying the mode of outsourcing tasks, to shorten the time limits allowed for implementing competitive tenders and introduces small grants (up to PLN (Polish Zloty) 10 000 or EUR c.2 500) to facilitate the participation of small social actors in the tender process. Finally, it expands the activities covered by public tenders to promotion of integration and social and professional reintegration of those at risk of social exclusion. The new Act thereby codifies the outsourcing of public tasks, including those related to the labour market, social assistance and disability. Such changes will alleviate much of what several seminar participants described as discrimination of social economy enterprises operating in the market, employing the disabled and providing training and support services. Today they are not considered public benefit organisations and are, therefore, not eligible for support under this Act. These enterprises fall into a grey zone for the moment. Hopefully, these changes will help to bring many small social enterprises out of the grey zone where they find themselves in today.

Furthermore, the Inter-Ministerial Team for Systematic Solutions for the Social Economy will consider proposing a legal definition of social enterprises, but not for the whole social economy. Legislation on social purpose businesses or social enterprises already exists in several countries (Belgium, 1996; Finland, 2004; Italy, 2005; UK, 2005; South Korea, 2006). While this is an important step, there are those who say that one must not exaggerate the need for a new law that is often held up in the legislative process and may result in too narrow a legal interpretation. Many countries are currently grappling with this question as the number of social enterprises increase without a corresponding legal framework. What

is, however, worth emphasising is that the legal recognition of social enterprises has contributed to clarify this concept in the countries concerned.

It is interesting to see how some other countries are responding to a clear need to better understand these new entities and to remove the institutional barriers they face because of their hybrid nature. In North America, for example, rather than a new law to distinguish social enterprises or social economy enterprises (different nomenclature, once again) from the private sector, there is work in progress to modify the rules and laws regulating the activities of non-profit organisations to permit them to function as market actors and to capitalise their activities with loans and investments. This problem does not arise for co-operatives. Instead, the law on co-operatives that is based on membership and, in some cases, on the distribution of profit, has been modified to include social co-operatives or solidarity co-operatives in Quebec. The situation becomes more complex for non-profit organisations that are increasingly taking on an economic role as social economy enterprises.

In Canada, the work to modify the law governing non-profit organisations is ongoing at the federal level; the province of Ontario and Quebec are in the process of amending their laws as well. In the United States, there are a number of amendments that have increased the capacity of foundations to “invest” in social enterprises and receive the same tax benefits they currently do under their donation portfolio, such as the newly enacted Legislation on Low-Profit Limited Liability Company (L3C) adopted by numerous state legislatures, that distinguishes hybrid enterprises that serve social purpose and earn a profit and creates opportunities for private foundations to transform some of their donor activities into investment that is eligible for tax exemption.

In the U.K., for example, social enterprise is embedded in a new policy domain. The Office of the Third Sector, responsible for national policy, works horizontally across government to support social enterprises. Its social enterprise action plan includes actions to raise awareness of social enterprises, ensure social enterprises have the right support, advice and finance, and enable them to work with government. As well, the creation of the Community Interest Company allows investors to participate in community based initiatives, including social enterprises, by creating a hybrid intermediary that pools these investments, thereby generating capital for these initiatives and provide a return to investors, and so on. These examples confirm that institutional barriers are more permeable than they appear. The critical first step, however, is public education. For these policy changes to occur, be they amendments to existing laws or new legislation, or the creation of new horizontal policy spaces, there has to be a clear understanding of these activities, the actors involved, their objectives and their place in the larger political economy. Beginning the process with draft legislation without this public awareness and the support such awareness will generate is destined to create problems and barriers.

Box 9. Best practice: Irish Social Economy Programme

In 1997 the Government Green Paper on the Community and Voluntary Sector in Ireland acknowledged the importance of the community and voluntary sector. It stated that “the voluntary sector in Ireland not only complements and supplements State service provision, but is the dominant or sole provider in particular social service provision. In this context the Roman Catholic religious organisations and those of other denominations have played a major role in the provision of services. Many services have been initiated and run by religious organisations, for example, services for people with mental and physical disability, youth services, the elderly, residential childcare services and services for the homeless” (Department of Social, Community and Family Affairs, 1997). Much of this service provision is delivered through social enterprises.

However, gradual withdrawal of religious personnel from this service provision and general changes in voluntary activity since the 1980s has led to an increased emphasis, on the part of the state, towards developing a partnership between the state and the voluntary and community sector as a means of tackling social exclusion at a local community level. This approach emphasises the role of local development as both a solution to the problem of long-term unemployment and a support mechanism for community development. It is within this particular context that recent social enterprises have emerged in Ireland.

In 1991 the Programme for Social and Economic Progress, gave rise to the emergence of 12 partnership boards, established in areas of long-term unemployment and social exclusion. Each of them had a tripartite structure including representatives from the statutory, community and voluntary and private sectors. By 1994 the number of such boards had increased to 38 under the 1994-98 Operational Programme for Local Urban and Rural Development, which was part of the National Development Plan, 1994-98. EU initiatives also emphasised local development in the EU Leader programme for rural development, the NOW and URBAN programmes. By 2000 the government launched a national Social Economy Programme, specifically designed to support three types of social enterprises: community businesses, deficient demand social economy enterprises and enterprises based on public sector contracts.

By 2003 355 social enterprises, employing 2 257 people, were operating under the national Social Economy Programme. The most recent National Development Plan 2000-2006 contained a reorientation of community employment initiatives in favour of education and training supports to mainstream employment. This new orientation sought to place emphasis on "progression to and meeting the needs of an open labour market". The government also began to cut the number of places in such programmes. By 2006 there were only 267 social enterprises receiving support, with 1 919 people employed.

This process has to be part of the circular approach to the social economy mentioned earlier. Today, this process is perhaps made somewhat easier because of the numerous experiences in many countries around the world, the availability of communications technology to rapidly share these experiences and the large number of civil society organisations and research institutes mobilising knowledge by encouraging debate, and dialogue. This lengthy reflection on how to enable those enterprises and organisations working with disabled people points to the need yet again to approach this in a multi-sectoral manner to design enabling policy that addresses the social and economic dimensions of this activity and lifts it from the grey zone where it is too often located, severely limiting its access to supporting mechanisms and programmes.

The OECD team was fortunate to be able to visit Café Hamlet in Krakow, which is an illustration of the difficulties of being located in a grey zone, despite years of demonstrated capacity to work effectively with the disabled. As a “social business”, the term used by the Director to describe Café Hamlet, it is an important illustration of social and economic innovation and of the need for hybrid public policy. First, by providing income to disabled people for productive work, they are employees in an enterprise. Secondly, this social enterprise operates in the market and also provides training opportunities for others not directly employed at Café Hamlet, thereby transferring their successful work with disabled people to other settings. Yet, Café Hamlet is fragile because it lacks the institutional support, primarily financial, to carry out its important work. Considered a business, because it operates in the market, it has to pay regular corporate taxes, for example. Yet, it is not eligible for programmes available to small and medium size enterprises (SMEs), because it is a non-profit enterprise. Café Hamlet is caught in a juridical quagmire, what appears

for the moment as an impermeable institutional barrier. The absence of an enabling legal framework or policy measures that acknowledges both its social and economic activity makes it difficult, if not impossible, for Café Hamlet to benefit from either those programmes available to small and medium sized enterprises or those available to public benefit organisations.

In 2004, an opportunity existed at the federal level in Canada to create a level playing field for SMEs and social economy enterprises. Social economy actors worked with government to evaluate the many programmes available to SMEs that were not available to social economy enterprises. This was an important exercise that unfortunately was not pursued by the new government elected soon after this initiative was undertaken. Such a review of support for SMEs is very important to build a level playing field for all enterprises, whatever their juridical status or objectives. Privileging SMEs misses the important contribution made by social economy actors to the economy and to the public interest. The grey zone that Café Hamlet finds itself in is a recurring problem that highlights the importance of establishing horizontal policy that responds to the different objectives served by social economy or social purpose businesses. Otherwise, the question of the appropriate policy domain, which door to knock on, remains an ongoing problem. A silo approach to the social economy reduces policy effectiveness as well. This must be underscored.

The Director of Hamlet Café explained how the new profession of “coach” is accepted by the Ministry of Education to classify the work done by trainers in social economy businesses working with intellectually disabled people. This is a very positive but limited response to the policy needs of such social economy initiatives. For now, such “social businesses” receive only short-term and limited funding for which they have to apply regularly. As well, though this is an operating business, a social economy enterprise such as Café Hamlet or the many others, cannot access bank loans or other forms of non-government financial investment. Their business model is not well known or understood; they would be considered high risk by the financial sector. And since these enterprises are not networked they are unable to make their work visible and help to transform perceptions among market actors with whom they actually collaborate both as employers, and as producers and consumers of goods and services, and so on.

For the OECD experts, Café Hamlet provides a valuable example of how social enterprises meet the complex needs of intellectually disabled and mentally ill people through productive, dignified work, in which disabled individuals interact with clientele as other employees would in any café or commercial business environment. It is a market actor, contributing to the local economy through job creation and the sale of food services to the public. Yet, it is vulnerable because of institutional barriers and the inability to fit into the existing legal framework. Moreover, if such initiatives are not recognised and supported for their transformative capacity and contribution to society, this tends to reduce both the perception of social economy organisations working with the disabled to service providers and the corresponding policy framework to one supporting such services under tightly defined and, in most cases, short-term project or programme funding. Certainly, designated or targeted programmes are necessary, but they should be complementary to different approaches to meet the needs of the disabled, including recognising their capacity to function as productive citizens. There is little support for the view that all disabled people be employed in market activities. Quite the contrary, there is strong evidence that mixed provision of services and training opportunities in workplaces will empower people who have not been able to develop marketable skills because of institutional or cultural boundaries, not incapacity. And finally and most importantly, this will contribute to the self-esteem, empowerment, dignity and de-stigmatisation of this population.

Another example of a social enterprise or social business presented to the OECD experts was Cogito and the work it is also doing with psychiatric patients. Its identity is also in this grey zone. Is it a business? Is it a public benefit organisation? In this case, Cogito established a spin off, a limited liability company to generate income. The setting up of a subsidiary company is a common practice in many countries of the

region, which is aimed at overcoming the legal constraints preventing associations and foundations from supplying goods and services (Galera, 2009). The association owns this spin off which hires long-term unemployed, people with disabilities, as well as individuals with skills required by the enterprise. Like Hamlet, there are “coaches” to work with the disabled. Cogito worked with Danish and Italian colleagues to develop their hybrid organisation, an approach that is very important for these organisations that are working outside boundaries and need to learn from experiences elsewhere. The constant exchange of ideas and experiences has shaped the social economy in many parts of the world.

There does not exist a single model that is applied universally and even in those countries/regions that have successfully established the social economy, this international learning continues. Success in one region becomes a powerful leverage for other regions within countries and between countries. The Cogito example is also important because of the competition these hybrid “businesses” may represent to the private sector that often feels more comfortable if these enterprises adopt a more “social” identity. This must not be minimised. As public benefit “businesses” that are contributing to the public interest, they are not private enterprises with profit as their principal objective. When these social businesses become profitable, as they should, their support for their public interest activities must not end. They can only employ people with disabilities, for example, if government supports this commitment through ongoing investment. While the number of social enterprises engaged in the market remains few, this issue is critical to promote more such activity in many sectors with strategies for greater access to markets (procurement, for example) and more general commercialisation strategies.

In Quebec, there are Work Adaptation Centers in many sectors that are part of the social economy. For the past few decades, the Quebec government has supported a network of these non-profit businesses (*entreprises adaptées*) whose mission is to create employment for the disabled. A government programme compensates these social economy enterprises for the reduced productivity of these employees. In 2006-2007, CAD 48.4 million was invested in 44 enterprises offering employment to over 4 000 people, of which over 3 000 people living with severe disabilities would otherwise be on social assistance. Two successive studies by a Quebec economist have confirmed that governments saved money through this investment; these studies do not measure the increase in pride and human dignity inherent in the impacts of these enterprises. This is but one example among others. Certainly the social co-operatives in Italy have demonstrated how successful they have been in providing productive work for the disabled.

Box 10. Best practice: Adapted enterprises for the disabled: two examples from Quebec

Two examples from Quebec are valuable for this report as they have existed since the early 1980's and demonstrate how social economy enterprises are in old and new sectors, how they succeed in realising their mission to provide high quality employment for the disabled, and how they have become competitive market actors. This is not to suggest that this is possible in all cases, but it is important to note that providing opportunities for the disabled does not imply working on the margins. There is potential for employing the disabled in sectors with potential for growth. These two examples are also from rural Quebec, from regions that are not close to metropolitan centres, but because of the markets they serve, this is not a constraint. This also demonstrates the need to not fall into the determinist or fatalist trap of dismissing such possibilities in low performing regions.

Groupe RCM Inc. was recognised as an adapted enterprise in 1982. Groupe RCM is engaged in recycling of paper and paper products and in sorting of industrial and residential plastic materials. It is a non-profit organisation that both employs disabled people and contributes to improving the quality of the environment. They currently employ 132 people, approximately 60% of whom have physical and/or intellectual disabilities.

Impressions Alliance, an enterprise adapted for disabled people was created in 1981, at the beginning of the decade of disabled people. They employ more than 100 individuals, approximately 70 of whom are disabled. Impression Alliance 9000 Inc. specialises in printing and the binding of specialised printed products. They have developed expertise in the production of desk calendars and diaries. They have established a sophisticated order management system that permits personalisation and shipment to thousands of customers. For example, Desjardins Group, part of the first credit co-operative established in Quebec at the beginning of the 20th century, itself orders 6 000 products each year. This is a useful and important example for several reasons. This social economy enterprise has existed for over 25 years, demonstrating the market success and effectiveness of such initiatives to employ disabled people. This is also an interesting case study as it is located in a remote part of Quebec. By choosing a mail order strategy to promote sales and distribution of its products, the location was not a problem. This provides a useful example of the capacity to generate large markets for goods produced by such enterprises. In this case, the goods are purely utilitarian, this is true. The focus is on providing high quality employment for the disabled. For the community, Impressions Alliance is an important employer. For the social economy, the purchase of 6 000 products by Group Desjardins, a large credit co-operative, demonstrates how markets for the social economy can and do develop within the social economy itself, between consumers and producers.

The recent development of a portal for the social economy by the *Chantier de l'économie sociale* is contributing to the development of a social economy market by providing extensive information on the numerous providers of goods and services in the social economy across the province of Quebec. Very often, social economy enterprises and organisations are not aware of others from whom they can purchase goods and services.

The above examples confirm the capacity of the social economy to address the needs of a target population, produce goods and services, generate markets and contribute to local development of rural communities.

Fragmentation of the Polish support system for social inclusion

No official definition of social inclusion⁶ exists yet in Poland. Public expenditure for social inclusion can be covered from accounts for social assistance, family benefits, the labour market and the social insurance system. In 2007 nearly PLN 19.2 billion was spent on social assistance and other related costs for social policy, or 6.2% of the national budget. However, this expenditure reveals some major problems with official efforts to manage social inclusion. Public bodies responsible for social inclusion comprise the following agencies:

1. Social welfare centres are the basic institutions counteracting social exclusion in the gminas. They employ nearly 40 000 staff, including more than 15 000 social workers.
2. Powiat Family Assistance Centres operate at the powiat level. They employ nearly 4 000 staff and undertake social assistance tasks which exceed the scope and possibilities of the gminas.

3. Poviat Labour Offices employ nearly 19 000 staff and focus on labour market issues, including the professional and social rehabilitation of disabled people.
4. Regional Social Policy Centres (ROPS) operate at the voivodeship level and employ over 200 staff that focus on carrying out social assistance tasks, including the voivodeship strategy for social policy.
5. Voivodeship Labour Offices which are important for the distribution of European funds, particularly those promoting social inclusion.
6. In addition, there are non-governmental organisations that are engaged in issues of social inclusion. They co-operate mainly with the gminas and Marshall Offices in the voivodeships.

Seen from the perspective of the different regional levels of self-government, the key players in implementing social inclusion policy at the three levels are:

At the regional level, ROPS are a separate organisational entity of both Małopolskie and Mazowieckie Voivodeships that is responsible for some aspects of the region's social policy. In the Świętokrzyskie Voivodeship the centre is part of the Marshall's Office. The European Social Fund's resources allocated for social inclusion are supervised by the Voivodeship Labour Office in Małopolskie and the EU Projects Implementation Unit of the Mazowieckie Voivodeship.

At the poviat level the Poviat Labour Office is responsible for implementing poviat tasks within the scope of counteracting unemployment and servicing unemployed people and the Poviat Family Assistance Centre implements some tasks within the scope of social assistance and disability, like social rehabilitation of disabled people. Funds for this come from the Labour Fund for unemployment and from the State Fund for Rehabilitation of Disabled People for social and professional rehabilitation of disabled people, as well as from the territorial authority funds, and subsidised by the state budget for undertaking its own tasks. Małopolskie has 22 poviats, including three city poviats, Mazowieckie has 37 plus five city poviats and Świętokrzyskie has 14 poviats plus one city poviat.

At the gminas level social welfare centres or municipal family assistance centres implement tasks within the scope of social assistance, preventing alcoholism, family violence, etc. Małopolskie has 182 gminas, Mazowieckie has 314 and Świętokrzyskie has 102.

Finally, at the level of NGOs they are found at all three levels of government, plus at the national level. However, most often they focus their actions on social assistance at the gminas level.

The most significant problem of the Polish system of social inclusion institutions is the fragmentation and the lack of close co-operation among social authorities and with other local actors, according to the Polish background document. Social assistance institutions and labour market institutions often co-operate with each other, but mostly on the basis of personal contacts, rather than institutional co-operation that promotes systemic solutions. The fragmentation of public social inclusion efforts at the levels of local gmina, poviat and voivodeship authorities hinders overall co-ordination of Polish social inclusion policy, as well as its effectiveness. A similar pattern is found for labour market policy. In addition to the Ministry at the central level, Labour Offices are found both at the voivodeship and poviat levels and employment councils are found at all three levels. These labour market institutions are independent from each other at the three relevant levels: national, voivodeship and poviat. Their responsibility for the professional and social rehabilitation of disabled people is also fragmented. Once again, administrative fragmentation is a serious problem and one that the social economy and social enterprises cannot influence on their own, but can easily become ensnarled in it.

The highly segmented pattern of agencies and levels of government involved in combating social exclusion or promoting social inclusion in Poland provides a clear example of fragmentation and the absence of a coherent institutional design. These fragments are separated at the administrative, sectoral and policy levels. Moreover, each one only has a small proportion of the overall responsibility of achieving the goal of social inclusion. Such fragmentation clearly does not promote a holistic approach to social inclusion/exclusion. Today, many public authorities in a variety of countries have found reason to seriously question the efficiency and effectiveness of the segmentation and fragmentation of public policy into such a mosaic of small domains at various levels of government. In particular, when it comes to intractable social problems, sometimes referred to as “wicked problems” in the literature, such a fragmented approach proves grossly inadequate. Homelessness and social exclusion clearly belong to this exclusive category of truly wicked problems.

Rather, the development of “one stop shops” by public authorities in many OECD countries promises to provide a new approach to such intractable problems. Here public and private partnerships are called into action and the resources of many agencies and organisations are mobilised and pooled across levels and sectors in order to promote coherent solutions to such wicked problems. The usual pattern is for a “front office and back office” or a “hub” to bring together various public agencies and private actors in order to provide a more holistic approach. The typical client with such intractable social problems then contacts just one person or social worker in the front office to describe all of his/her problems. Regardless of whether it is a question of homelessness, long-term unemployment, substance abuse, a serious disability, social exclusion, or several of them, the sole social representative in the front office then makes a summary of the various problems a client faces. They then discuss these problems with a team of colleagues in the back office. Various interrelated tasks are then divided among the team in an effort to provide a co-ordinated, holistic approach to solving these problems. However, such co-ordinated, holistic approaches are only possible when various agencies, sectors, levels of government and various public and private actors co-operate with each other. This is very far from the Polish reality today for dealing with social exclusion; yet, this appears to promise a viable strategy for moving forward. It will, of course, not happen until recognition is given to the fact that the current highly fragmented approach is simply not working and something radically different needs to be tried in order to improve matters for the disabled and socially excluded in Poland.

Moreover, this fragmentation was referred to by the many participants in the Polish seminars who expressed their concern that the social economy would not be able to play the cross-cutting role it should play given the administrative divisions that were summarised earlier. That said, there are grounds to hope that initiatives such as the creation of the Małopolskie PACT at the regional level and the Standing Conference on the Social Economy (SKES) at the national level demonstrate both the importance and benefit of working in multi-sectoral environments that represent the many facets of the social economy.

The enthusiasm behind the June 2008 Gdansk Social Economy Conference – Economy of Solidarity – has waned, largely because of the end of the EQUAL programme, its replacement by the Human Capital Operations Program and the decentralisation of the social economy mandate to the regions, thus breaking the momentum created by SKES nationally as regions now define their own strategies to develop the social economy contributing to today’s fragmentation. This is cause for concern.

SKES is recognised by the national government for its representational role and co-represents the social economy in the Social Economy System Solutions Team, created by the Prime Minister. Perhaps the Małopolskie Pact is embryonic and has little support except to organise meetings for the time being. But it plays an extremely important role model for other regions. The demonstration effect of developing an inter-sectoral network is very high. This must be underscored, as support for regional networks will not only provide social economy actors with an intermediary space. Their capacity to negotiate with government will also be much stronger and they will be able to press for a more systemic and less

fragmented approach to the social economy. This will help to bridge the separation of social and economic objectives, on the understanding that all social economy initiatives represent both. Indeed all economic activity is social, whether referring to the social economy, or to the private and public sectors. That certain social economy organisations focus on the disabled, while others address work integration more broadly to reach a larger population of socially excluded or marginalised people, still other social economy enterprises will emerge to fulfil triple bottom line objectives in traditional sectors that are sorely deficient in meeting social and environmental goals, for example.

The existence of SKES nationally is also grounds to hope that it may assume a co-ordinating role once other regional pacts are established. Other initiatives such as the Polish General Revisory Union for Social Co-operatives, established in 2007 and the Public Benefit Works Council in which non-governmental actors are part of a hybrid consulting body at the Ministry of Labour and Social Policy, are other examples of collaborative, cross-cutting and inter-sectoral dialogue that is essential to move out of a narrow sectoral and silo approach to the social economy. When mapping the Polish social economy, these new institutional sites for dialogue would appear as important co-ordinating bodies. But, the need for “recombinant linkages” vertically between different levels of governments and sectors and horizontally across sectors and government divisions cannot be over-emphasised. The policy initiatives that will flow from this have to be co-constructed. But before this can happen, the regional organisations have to be strengthened. This is where timing is critical. The Małopolskie Pact, must set an example to inspire other regions to follow suit. For this to happen, it requires more substantial support to begin the work of mobilising social economy actors in the region who will welcome representation on their behalf. This issue will be raised again as it is truly the essence of effective policy formation in the social economy.

The legal basis for strategic planning and development strategy

The Act of 5 June 1998 on voivodeship self government requires voivodeships to have a development strategy. Strategic planning at the voivodeship level includes, among other things, “supporting and running activities aimed at social inclusion and counteracting social exclusion”. Since 2004, voivodeships are obliged to adopt a social strategy. The provision of poviats and gmina self government also imposes an obligation on them to have strategic planning to meet social objectives, and each poviat should consult the gminas in its area before developing its strategy.

However, the Polish government adopted a National Development Strategy (2007-2015) drafted by the Ministry of Regional Development in November 2006. This overarching program informs strategic planning across the country, nationally, regionally and localities. In the wake of the financial crisis, the Polish government presented a “Stability and Development Plan – strengthening the Polish economy in the time of the world financial crisis”. Among the various provisions in this plan is a commitment to set up a “Social Solidarity Reserve” as income support for households living under the poverty line and a commitment support the long-term unemployed whose adversity has increased due to the crisis.

Furthermore, the background document identifies a legislative and systemic problem based on the inclusion of the requirements for developing a social strategy in the provisions of the law on social assistance. This greatly curtails the scope of social strategies and results in a strong emphasis on purely social issues, like social assistance, alcoholism, drug addiction, more rarely on labour market, and almost never on education, healthcare or housing. The Polish background document also emphasises the lack of integration of social strategies with other public activities. This also includes the lack of co-operation between the gminas and NGOs, in spite of a complex programme for co-operation among most gminas and NGOs. However, such a programme of co-operation is mandatory for public benefit activities. The three voivodeships in this study each have social strategies that illustrate some of these shortcomings.

The Małopolskie Voivodeship's Development Strategy for 2007-2013 is divided into three areas, economic competitiveness, social development and quality of life, and institutional capacity. Unfortunately, the area of social development and quality of life does not mention education, as if it were not important for social development and quality of life. Area V of the Małopolskie Voivodeship's social policy is devoted, among other things, to social integration: social policy with integrating qualities and improving the conditions of families in the Malopolski region. These policy documents mention goals such as equal opportunities for disabled people, running educational and social campaigns aimed at promoting family values and targeting the preparation of children and youth to perform family and social roles, etc..

The Mazowieckie Development Strategy until 2020 includes a Social Policy Strategy for 2005-2013. The latter mentions the need to prevent social exclusion via elimination of the reasons and results of poverty, unemployment, homelessness, alcohol and drug addiction, as well as disability. It also calls for support for actions aimed at elimination of barriers (architectural, communication, social and others) which make it more difficult for disabled people to participate equally in social and professional life. It speaks of the increasing trend in alcohol consumption, the promotion of a healthy lifestyle, developing attitudes in support of such behaviour, and equal opportunities for disabled people and counteracting social exclusion.

Finally, the Świętokrzyskie Voivodeship has no separate social policy strategy. Social issues are covered in the general Świętokrzyskie Voivodeship Development Strategy until 2020. It mentions support for reintegration into the labour market, for different forms of activity for the unemployed, including disabled people and people of post-working age.. It is the only development strategy at the voivodeship level that mentions support for civil society. It also calls for support for local community actions and the increased involvement of citizens, promoting citizenship attitudes, establishing local action groups as significant forms of self-government. Finally, it advocates the elimination of all forms of discrimination, including actions for gender equity.

Despite the existence of these strategies at the regional level, the OECD group of experts repeatedly heard statements from participants in the Polish seminars at the beginning of June that the poviats' and gminas' strategies were merely "paper documents" imposed on them by regional authorities. Moreover, social development strategies were necessary in order to apply for ESF funding. Many of these strategy documents were simply copies of the national document on social policy. These strategic documents were often written by a sole civil servant, without any contact or collaboration with other concerned agencies or with any relevant NGOs. Moreover, few of these strategies were ever implemented, nor could they be, given their origin. A number of interventions in the seminars illustrate this.

One vocal participant in the Krakow seminars from the Marshall's Office in Świętokrzyskie Voivodeship said that the poviats produced a strategy for development, but only because they were obliged to do so. Most of this was only wishful thinking or a simply copy of the law, without any hope of implementation. There is no co-ordinated monitoring of these strategy documents. This generates numerous documents, consulting with other specialists; but no one has been really trained nor employed as a result. Another participant shared this view and went further to lament the value of these documents that included proposals for conducting SWOT (strengths, weaknesses, opportunities, threats) analyses without providing the guidance for how such analyses would be conducted. The views expressed were by and large negative. This has to be taken into account not only with respect to the articulation of development strategies and the social economy, but to the value of designing development strategies from above, so to speak, that are suspended from the daily realities of the lives of those who will either be involved in their implementation or those who are identified as potential beneficiaries of these strategies. An example of incompatibility of strategic development strategies and lived realities is the allocation of European Structural Funds to vocational training courses that were attended by 1 147 unemployed people only 256 of whom found employment, barely 25%. Surely, this calls for an evaluation of priorities identified in these development strategies.

The Institute for the Development of Social Services (IRSS) carried out research on strategies for social policy in 2007. Their results illustrate the lack of co-operation between gminas in a powiat. Institutions at each level of self-government only focus on their own needs and their own opportunity structures. There is little evidence of planned co-ordination of tasks. There is also a lack of evidence of consultation between various levels of self-government concerning social policy and social integration. Moreover, there is very little co-operation among gminas in the same voivodeship concerning social policy and social integration. In fact, the Polish background document wonders if a few pages covered with general demands such as equal treatment and fragments taken from the Act on Social Assistance can even be called a strategy. Furthermore, concerning co-operation with NGOs there is little evidence of any co-operation in practice, nor any consultation with them.

Moreover, these strategies clearly limit the scope of social integration to purely social actions. Little is said about how to implement these strategies or how to measure their “success”. Overall, the Polish background document gives a clear impression that social policy and social integration strongly emphasises family and family policy, not individuals, and especially not their primary, secondary and higher education. The Polish background report laments that these social strategies are often prepared in a hurry, without the involvement of experts from the field. On many occasions they remain only provisions on paper, and do not represent the actual approach adopted to solve social problems in the field.

A public body representative in Warsaw also referred to the development of gminas or local level social policy strategies between 2006-2008, and their relationship to the social economy. Few gminas had strategic development plans before; today, they all must have a local social policy strategy in order to apply for EU funds. Many of the strategies that have been implemented are of very low quality. Most strategies are formulated by the local social welfare centres and the Family Planning Centres. Today, most gminas have developed some priorities and tasks to achieve them, simply because the Law on Social Welfare demands it. However, many of the documents are simply copies of the law itself, there is no budget for such activities and they do not take into account the role of the social economy. Perhaps the social economy is too new and will receive greater attention in the future. The legal framework poses limits too, since budgets have been reduced from five years to only one year. Moreover, there are different sector competencies to take into account. There is also a lack of coherent co-ordination between them and insights into the implementation of social policy. Concerning the role of civil society organisations in the development of these strategies only about one-third of the gminas involve them in consultations.

When local authorities do in fact collaborate with NGOs, their motives seem more instrumental rather than driven by the need to establish partnerships. A clear majority of local authorities only do so because they lack the funds necessary to carry out all the projects by themselves.⁷ Other reasons given for such collaboration with NGOs, in about one-third of the cases, include local NGOs that are well known to the social welfare centre, and/or the ability to offer lower prices and assure client satisfaction with the services provided. None of these instrumental reasons suggest closer collaboration in the future on the basis of a shared vision or partnership. Moreover, most of local social services centres do not believe that local government should help finance NGOs. Rather, the overwhelming majority of local service centres think the state should directly subsidise the establishment and operations of social enterprises and nearly all local social service centres feel that European subsidies are necessary.

The same problems are found in the case of regional development plans. The criticisms heard, which were only those of a few people subject to these plans, must be considered as positive proposals for reform. Strategic development plans must be drafted with the collaboration of those affected by them. As our focus is on the social economy and its capacity to address the social problems identified by the regions, it is proposed that the incipient Pact in Małopolskie region be invited to participate in the drafting of priorities, feasibility of achieving objectives and designing the enabling tools. The benefit to regional authorities is clear. Collaboration produces efficient results, or at worst, reduces the chances of ineffectiveness. There

are clear benefits for public authorities to work with organisations in setting priorities. Organisations are better placed to identify problem areas and propose policy action. For actors, the benefits of collaboration are clear.

Policy environment of the Polish social economy

Both the legal and the financial framework of the Polish social economy are very important aspects of their policy environment. Each will be dealt with briefly below.

The legal framework and social economy actors in Poland

The legal framework for the Polish social economy is quite diverse and includes numerous laws, such as the law regulating foundations from 1984, associations from 1989, co-operatives from 1982, etc. Each of these laws was amended once or twice in the 1990s. During the first years of the 21st century new laws have been passed, including the Act on Public Benefit Activities and Voluntary Movement in 2003 and the Act on Social Co-operatives in 2006. The former regulates the scope of co-operation between the “citizens’ sector” and public authorities, including sub-contracting of public tasks, support to NGOs for undertaking public tasks, etc.. There is also a law on social employment passed in 2003, as well as on professional rehabilitation and employment of disabled people from 1997. The Act on Social Co-operatives was recently amended in May 2009.

The social economy entered the national political scene in 2003-2004, with the development of a National Strategy for Social Integration. Here the social economy was seen as one of the principal instruments to achieve that goal. In 2005, the National Development Plan included the social economy as one of the basic concepts to achieve local development. Finally, in 2006 the Council of Ministers adopted the National Programme on Social Security and Social Inclusion for the 2006-2008 period. This document later became the Polish contribution to the European Union’s common policy in the field of social protection and social inclusion. It relies on an “open co-ordination method”, which when combined with the ESF funds, achieves a large impact. The National Programme constitutes an important incentive to transform the perception of social inclusion and has brought about important institutional and financial changes in Polish social policy. It establishes three fundamental priorities for action: i) development of the integrated family support system; ii) integration through activation; and, iii) mobilisation and partnership.

Given the importance of the second of these priorities for the future of the social economy, it is necessary to take a close look at “integration through activism”. The objective of this priority is to reform the tools and instruments of professional and social activism. The following detailed goals are mentioned: a) reforming the tools and instruments of active integration, including an activation orientated formula of social welfare benefits, developing a new toolkit for active integration, etc.; b) developing public-social partnerships; and, c) developing social economy institutions, particularly the social co-operative movement. It is assumed that these activities will result in creating favourable conditions for establishing alternative jobs by people excluded from the labour market. In this context, the task of social economy institutions is to increase the participation of citizens in shaping social policy at the local level. The National Programme on Social Security and Social Inclusion requires support for the following institutions: social inclusion centres, social inclusion clubs, social co-operatives, professional activity establishments, occupational therapy workshops and NGOs.

In summary, support for these activities will focus on four areas:

- In order to support the social inclusion sector, the Ministry of Labour and Social Policy will develop the permanent Co-operation Platform for Collaboration of Public Authorities and the Citizens’ Sector. It will provide support for the development of social economy advisory boards

and also initiate the development of social entrepreneurship. The Platform will also carry out independent monitoring of the social economy sector's development in various regions of Poland.

- Development of supportive infrastructure in the form of a consultancy and information system for social economy initiatives, support for accountancy and financial backup, as well as advisory and marketing institutions.
- Definition of the rules of access to capital and public assistance through the development of regional and local loan and grant funds, and rules governing them, for social economy institutions.
- Promotion and education to promote good practices and model solutions.

However, the 2006 survey of Polish NGOs indicate that most NGOs face very serious problems in carrying out their daily activities. In the past two years the most serious problems they have faced in their operations include the following:

- a lack of funds to acquire new equipment that is indispensable for the NGO's activities (73%);
- a lack of volunteers (56%);
- excessively complicated formalities for applying for an EU grant (53.7%);
- excessive bureaucracy in the public administration (51.5%);
- unclear rules for co-operation between NGOs and public administration (37.7%); and,
- burnout of its leaders (33.7%).

Fortunately, the document for a Strategy of Support for Civil Society Development 2009-2015 mentions Social Entrepreneurial Development under Priority V. Moreover, financial measures have been implemented by the Ministry of Labour and Social Policy, in particular there is a commitment to work with regional social economy funds. At present there are 11 Social Co-operative Support Centres in Poland. The social economy is also recognised as making a contribution to welfare pluralism. While these initiatives are admirable on many counts, they appear very top-down in their orientation, they ignore the present needs of most NGOs and beg the question about whether doing too much rather than too little can also stifle the development of the Polish social economy.

Moreover, some seminar participants noted that all actions by government appear to be determined by the existing funding programmes. The most important programme on fighting social exclusion is the ESF's HCOP, Priority VII, Measures 7.1, 7.2 and 7.3. However, these EU funds are also very fragmented. They also drew attention to the equally fragmented nature of government support to fight social exclusion that, in turn, produces fragmented responses to this problem. The two main actors at the regional/local level are the Regional Development Offices (ROPS) and the Local Labour Offices at the poviats level. They work mainly with providing training courses and seminars, but they do not necessarily co-operate with each other.

Participants in the Polish seminars repeatedly made reference to the impending reform of the Act on Social Co-operatives, which was amended as recently as May 2009. This was considered necessary due to the lack of clarity and many ambiguities in the existing regulations concerning social co-operatives. Until recently a social co-operative was comprised of 80% disadvantaged and 20% non-disadvantaged people.

While this may have promoted the inclusion of more disadvantaged people in social co-operatives, it also proved highly dysfunctional because many of the “managerial personnel” of a social co-operative had to be recruited among disadvantaged people. As a result, most social co-operatives simply lacked know-how, skills and competencies necessary for their functioning and growth.

Until now the law included very restrictive conditions reducing their attraction as a viable organisational form to provide productive opportunities for those excluded from the labour market and limiting their ability to achieve results. It seemed that this was a more useful way to address social problems than the strategic development plans that remain hollow shells for the time being. Changes in the co-operative law were ratified and signed at the very end of the OECD visit to Poland in June. The new law includes provision for the European Social Fund to be applied to social economy initiatives, including social co-operatives in the form of grants, loans and loan guarantees as well as providing financial, accounting, economic, legal and marketing advice.

The revised law on social co-operatives changes the proportion of members made up of people at risk of social exclusion and those not facing such challenges from 80%-20% to 50%-50%. However, it underlines that the number of people employed who are threatened by social exclusion may not constitute less than 50% of the total employment. This means that social co-operatives will no longer function as sheltered workshops mainly for the disabled, unskilled and long-term unemployed. Still, the involvement of a high percentage of workers affected by various kinds of disadvantage can limit the integration of social co-operatives into the local community if there is an insignificant involvement of other stakeholders, namely volunteers and other types of workers (Galera, 2008). Note however, that in other countries (*e.g.* Italy and Finland) these proportions are reversed, only 30% need to be disadvantaged workers.

In addition, the 2009 amendment to the Law on Social Co-operatives also stipulates that changes will be made to the Act on Public Procurement in such a fashion as to create preferences for companies employing people at risk of social exclusion. This means introducing social clauses to the Polish public procurement law. This is in accordance with Art. 26 and the preamble to the Directive 2004/18/EC of the European Parliament and the Council of 31 March 2004 on the co-ordination of procedures for the award of public works, supplies and services, allowing for social consideration to be taken.

A translated summary of the main elements of this amended law bring welcome changes that are broad and recognise the many support mechanisms necessary to promote social co-operatives as well as help them break out of narrow provisions that assume that disadvantaged people have the capacity to create viable co-operatives. The new law allows for flexibility in the number of members from designated or targeted communities, thereby opening up these co-operatives to members who can provide support to those less able to initiate productive and viable activity on their own.

In spite of these recent promising changes, the legal and administrative fragmentation poses serious challenges to the development and growth of the social economy that need to be taken into account when analysing the current situation of the social economy in Poland.

The financial framework for the Polish social economy

Several Polish laws regulate the types of financial support currently available to the social economy:

- Labour Funds support social co-operatives, on the basis of the Employment Promotion Act.
- The National Disabled People Rehabilitation Fund supports social co-operatives.

- Exemption from court fees when registering a new co-operatives. However, participants in the Polish seminars at the beginning of June said that judges nevertheless imposed high fees, in spite of the law.
- Grants offered by Social Co-operative Support Centres (OWSS) are allocated to upgrading the technical start-up of social co-operatives, legal and economic advice. OWSS have operated under the auspices of the Ministry of Labor and Social Policy, through the programme: “Supporting the development of social co-operatives” from 2006. The number of OWSS each year ranges from 10 to 12 operators across the country. OWSS has become a permanent component of the support system, but their activity is financed from the budget. Besides OWSS also operates Social Economy Support Centers (OWES) which were created under the ESF projects. OWES deal with broader themes than OWSS, including promotional and educational activities, such as OWES “Barka” from Poznań (Wielkopolskie Voivodeship). European Social Fund supports co-operatives and the HCOP provides support to all co-operatives, including social co-operatives. Priority VI. A Labour Market Open to All, allocates funds to the following purposes:
 - Advisory and training assistance to project participants.
 - Funds to support the development of enterprise among selected project participants (if registered).

Bridging funds in the form of specialised advisory and training services and financial aid. Priority VI is implemented at the regional level, so only organisations registered in a given voivodeship can compete for such funds. The objective of Priority VII of HCOP is to promote social inclusion. It can allocate up to EUR 163 million for this purpose. Measure 7.2.2 promotes start-up and operational financial support to entities that provide the following services to social economy organisations:

1. legal, accounting, marketing, financial advice services;
2. training to promote knowledge and skills required to start and run a business in the social economy sector; and,
3. development of local partnerships to promote the social economy and employment in the social economy sector.

Moreover, the HCOP proposes to establish up to 40 Co-operative Development Agencies (CDAs) to establish a nationwide support network for the social economy. Priority VII also speaks about competition for projects (Measure 7.2.1).

Local governments have their own instruments of support to the social economy. They may provide support in kind, *e.g.* access to equipment or property on preferential terms. Under the Act of Public Benefit and Volunteer Work, local governments may also provide financial support to NGOs and social co-operatives. This financial aid is distributed after a local competition at the initiative of local governments or as requested by NGOs. Grants can be spent on task implementation, but not on business operations. Since local authorities decide how to arrange such competitions, they have much flexibility and freedom to fund projects that meet local needs and also to choose the NGO partners they prefer.

Regional governments also provide funds to NGOs and social co-operatives; however, how they get funds varies and depends largely on their legal status. NGOs operating in the field of social inclusion can apply for grants from HCOP’s Priority VII. They represent 40% to 70% of all the entities applying for such

funds. NGOs can also apply for Labour Fund grants. Each of the three voivodeships in this study demonstrates a different pattern of distributing financial aid the NGOs.

Despite the availability of numerous programmes that provide funding to social economy organisations (NGOs, social co-operatives, social enterprises), the need for investment capital has not been met. The various programmes outlined above are essential but insufficient to meet both operational costs of social economy entities and to permit consolidation and growth, because they are, by and large, short-term and targeted programmes. The challenge is to combine these programmes with financial innovation that will include a diversity of financial tools to meet the diverse needs of the social economy.

Much of the discussion on the first day in Krakow focused on the need to make social enterprises more competitive on the open market and less dependent on public subsidies. However, seminar participants noted that it is difficult to establish social co-operatives under market conditions as they only receive a few months assistance and must then fend for themselves on the open market. One NGO that organised 16 disabled people spoke of its struggle to survive, to pay its rent and salaries, and buy goods. Only 30% of its income came from government grants, the remaining 70% had to come from the market. Another NGO expressed hope that all human capital projects could also get direct support in the form of an institutional grant, with simplified procedures and no EU red-tape and no limitations on how the funds were used.

Financing the social economy is a very important issue internationally. There are an increasing number of social finance institutions and intermediaries that have been created in recent years that are providing loan and equity or patient capital to social enterprises, social firms, community based enterprises, etc., to those economic actors that are considered high risk by mainstream financial institutions or simply unfamiliar. From the micro-credit revolution in the 1990's to the growth of ethical savings and lending institutions, to socially responsible investment, the landscape of social finance has changed dramatically in recent years. The OECD has followed this trend in its publications providing a synthesis of the new financial tools and instruments available to these hybrid enterprises (OECD, 2003; Noya, 2009). The OECD experts recommend an informed discussion on these instruments that exist in numerous countries in the North and in the South to assist in the design of new financial products, both loan and patient capital, for Poland. The co-operative banking sector in Poland should play a role in these discussions.

The emergence and rapid growth of social enterprises in many parts of the world, has created a new financial market to respond to the need for capital to finance these enterprises. This has important implications for the social economy and its capacity to participate in this evolving market. In many parts of the world, these needs have led to financial innovation, to the development of a customised financial sector that is not a mere replication or extension of existing financial products and instruments. Today's changing social investment landscape is complex, requiring a diversity of financial products to correspond with the life-cycle of social economy enterprises and organisations (start-up, or even pre-start up in some cases, consolidation and growth) and with their specific needs. This landscape also corresponds with a strategic reorientation from gifts to investment on the part of numerous large foundations and donors in the United States, for example, that refer to this new activity as venture philanthropy. The creation of new financial products and a new vocabulary (mission related investment, impact investing, programme related investment, social finance, solidarity finance, etc.) is a positive sign that the perception of social enterprises and the social economy is changing. As a result, the increasing trend towards ethical or socially responsible investment (SRI) represents a potential source of finance for the social economy. Institutional funds, such as pension funds in the United States and Canada, are also entering this market. Several large pension funds in the United States, for example, have taken the lead, providing important lessons for cautious institutional fund managers elsewhere, who continue to associate social enterprises with high risk investment beyond the legal boundaries set by fiduciary responsibility.

Government is facilitating the emergence and growth of this new financial market by developing enabling policy measures. This takes different forms in different countries and even between regions in certain countries, such as Canada. The participation of government includes legislation, fiscal incentives, direct injection of public funds, loan guarantees, and so on. In some countries a combination of these public policy measures are used. In others, such as the United States, government support is expressed primarily in designing enabling legislation.

Innovation has moved well beyond the creation of micro-finance institutions in the 1990's. Today, innovation in social finance even includes the creation of social stock exchanges in countries such as Brazil and South Africa, for example, that have inspired the Rockefeller Foundation in the United States to fund research at Oxford University in the United Kingdom on the development of secondary markets and a social stock exchange in other parts of the world (Mendell and Nogales, 2009).

In Quebec, a network of financial institutions that invests directly and in some cases, exclusively in the social economy, will be formalised before the end of 2009. Members of this include a provincial network of micro credit providers, a large credit co-operative, two labour solidarity funds, and two social economy investment funds established by the *Chantier de l'économie sociale*, RISQ (Social Investment Fund of Quebec) that provides loans and the recently established *Fiducie du Chantier de l'économie sociale* (see Boxes 11 and 12 below), a patient capital fund that provides long-term investment capital to social economy enterprises and organisations. This diversity of instruments responds to the diverse needs of the social economy. Until recently, for example, no long-term investment products were available, limiting all available finance to short-term lending. This greatly limited the capacity of social economy enterprises/organisations to consolidate their activities and to grow.

The financial architecture of social or solidarity finance continues to evolve in Quebec to meet the needs of the social economy. There is currently work in progress to develop two new sectoral investment funds, for example, one for housing and another for culture. These developments are possible because of the close relationships established between social economy financial institutions, the organisations and enterprises in which they invest and the local and regional development intermediaries. Not only is this an example of financial innovation, but more important, it is an example of an instituted collaborative strategy to assure the viability of social economy enterprises/organisations and their capacity to repay their loans and provide returns on investment. The integration of this financial activity into strategies for local and regional development both assists in identifying the financial needs and potential of social economy enterprises and organisations that are most often not recognised by conventional financial institutions. This is especially true for regions with high levels of unemployment, poverty and social exclusion.

Reference was made to the role that the co-operative banks could play in providing loan capital to social enterprises in Poland. An important study conducted by the Krakow University of Economics (UEK) identified the need for finance capital and equipment as the two most difficult problems facing social economy actors. Similar to other countries, social economy entities are mostly excluded from accessing commercial finance because they are considered high risk. Although financial initiatives such as CoopEst, established in 2006, represent a collective engagement by several European financial institutions, including Bank BIŚE in Poland, to provide long-term loan capital and guarantees for the social economy (co-operatives, mutual societies, associations, foundations and social enterprises) in Central and Eastern Europe, the need for finance capital remains.⁸ The Małopolskie Social Economy Pact includes the creation of a Social Economy Fund to meet the financial needs of social economy enterprises and organisations. This fund will provide loans and loan guarantees that include bridge loans for projects funded by the EU.

Box 11. Best practice: La Fiducie de l'économie sociale and finance solidaire in Quebec

The FIDUCIE of the *Chantier de l'économie sociale* was established in 2007. For several years, social economy enterprises expressed the need for financial products other than traditional grants and loans, and at the same time, discussed ways to retain long-term capital in their businesses. They wanted new products that would take their social mission into account. As for private and institutional investors, many of them were reticent about engaging in the social economy. This, despite convincing evidence of lower loan loss ratios in social economy enterprises and a survival rate twice that of traditional private businesses. The FIDUCIE is a response to these multiple needs. It is an intermediary between the financial market and social economy enterprises. The FIDUCIE offers a product to complement those available on the market already: "patient" capital, in other words, loans with a 15-year capital repayment moratorium. These investments are offered in two forms: operations patient capital, to finance costs related to working capital, marketing of new products, and the purchase of equipment, and real estate patient capital, to finance costs that are directly linked to the acquisition, construction, or renovation of real estate assets. The FIDUCIE works with an impressive network of stakeholders, increasing its capacity to effectively evaluate projects in a realistic and careful manner.

The FIDUCIE's initial supply of capital came from Economic Development Canada (a grant from the Government of Canada) and a number of investors including two large labour solidarity funds, the Fédération des Travailleurs du Québec's *Fonds de solidarité*, and the Confédération des syndicats nationaux's FONDACTION, *Fonds de développement de la CSN pour la co-opération et l'emploi* (Development Fund for Co-operation and Employment of the National Syndicate Confederation) and the Québec government, *Investissement Québec* (a loan from the Government of Quebec). With this initial fund of CAD 52.8 million, the FIDUCIE can invest in and support the development of social economy enterprises. By attracting different investors, the FIDUCIE is able to pool risk and reduce the cost of financing for enterprises.

Since it was established in 2007, the FIDUCIE has invested CAD 11.43million in 39 social economy enterprises in a diversity of sectors and throughout the regions in Quebec. These investments by the FIDUCIE have generated a total of CAD 66.2 million in investments that have created and/or consolidated more than 1,120 jobs. The leveraging capacity of the FIDUCIE is almost 1:6, demonstrating the significant impact of its initial investments in social economy enterprises.

The Social Economy Fund has been constituted as a foundation. Its members include the BGK (*Polish Bank Gospodarstwa Krajowego*), Krakowski Co-operative Bank, the Society for Social and Economic Initiatives SA and the Malopolskie Agency for Regional Development. Additional information is required on the current status and operations of this Fund. That said, the initiative is very important and can serve as an important example for other regions in Poland. It also affirms the vital role that universities can play to support the development of the social economy by providing the background research necessary to promote innovative and purposeful initiatives. This role is essential. Financial innovation in Quebec has benefitted greatly from collaboration between established and new actors in the social economy and university researchers who have developed new instruments and providers together. The Malopolskie initiative confirms both the ability to develop new financial instruments in partnership with government and the importance of enabling research.

Box 12. Best practice: Réseau d'investissement social du Québec (RISQ) du Chantier de l'économie sociale

The *Réseau d'investissement social du Québec* (RISQ), (the Social Investment Network in Quebec) was established in 1997, to meet the needs of social economy enterprises for finance capital. It invests only in co-operatives and non-profit organisations in the social economy. The objectives of RISQ are to promote the development of the social economy and to create and/or consolidate employment in the social economy. RISQ offers loans up to CAD 50 000 as well as financial support of CAD 5 000 for technical assistance that is provided before issuing a loan or at the time the loan is made. RISQ's financial products include loans, loan guarantees or participatory loans. RISQ developed an important manual for investment officers to understand social economy enterprises and the eligibility criteria for loans including providing goods and/or services in the public interest and promoting democratic governance in social economy enterprises. This guide is an important tool for social economy financial institutions across Quebec and Canada. It has contributed to better educating those who work in this new financial sector, those who work in local and regional intermediaries that support the social economy and government, for whom this was and continues to be a relatively new area of intervention. Most recently, the Government of Quebec, in its Action Plan for the Social Economy, gave RISQ an additional CAD 5 million to provide funds to support pre-start up for social economy enterprises. This is the first initiative of this kind and represents the recognition by government that social economy enterprises require time to explore the feasibility of new initiatives. Pre-start up funding increases the capacity of social economy enterprises to carefully develop business plans. Initial capitalisation for RISQ came from the Government of Quebec and the private sector.

Both RISQ and the FIDUCIE will be members of the solidarity finance network (Cap Finance) that will be formalised in December 2010. This network will bring together labour solidarity funds, credit co-operatives, micro-credit institutions and the two instruments of the *Chantier de l'économie*, RISQ and the FIDUCIE. It will also associate the numerous local intermediaries across the province of Quebec that provide financial support to social economy enterprises and organisations. The capacity of this social and solidarity finance network will greatly increase the capacity of these individual organisations. While they currently do collaborate, this formalised structure will institutionalise this collaboration and increase the ability for the social economy to access finance capital. There is a commitment on the part of these individual institutions to work together to leverage financial capacity of social economy enterprises and organisations. This formalised network will consolidate and increase this capacity. The collaboration of government through a variety of initiatives and policies continues to be essential to the development of financial instruments for the social economy

Regional differences

Poland experiences a low level of economic development among EU members. Its GDP (gross domestic product) is approximately one half of the EU average. Moreover, there are regional disparities within Poland due to large regional differences in economic development between the voivodeships, or the provincial level of government (NUTS 2). There are also very large discrepancies at the sub-regional level (NUTS 3) in all three voivodeships chosen for closer study. Regional variability characterises not only many countries but disparities are found within regions or provinces as well, complicating the capacity to develop regional development policy. The place of the social economy varies considerably in urban and rural environments, for example. As well, some sub-regions demonstrate more development capacity if they have been identified as poles of development attracting new industries or sectors of activity, including the new economy, culture, eco-tourism, to name some of the newer sectors of activity in today's economies.

Today, there are new possibilities for rural communities involved in food production and distribution, for example, with the growing commitment to organic consumption. And so on. This is mentioned in order to avoid a deterministic analysis that describes regional disparities without reference to selected experiences where such disparities are the basis for new social economy strategies. This is true for Europe and North America.

Innovative solutions are emerging in numerous settings that include reconversion of abandoned industrial sites, organic agriculture, eco-tourism, windmill technology as well as small scale social

economy enterprises in numerous sectors, especially home-care services to accommodate an aging population. The Polish regional landscape has its own particularities and potential. The OECD experts were invited to listen to speakers from three regions in Poland to share their experiences, concerns and challenges to complement information contained in the background report.

The regions of Małopolskie, Mazowieckie and Świętokrzyskie are distinct, with some overlap between Małopolskie and Mazowieckie, given that they include the large metropolitan centres of Krakow and Warsaw. The Świętokrzyskie region is primarily rural and does not include a large urban centre. The problems identified in the Świętokrzyskie region present more challenges given the low level of economic activity in the region and deeply embedded social problems within the region. That said, the issues raised earlier apply to this region as well, namely the need to move the social economy from providing palliative solutions embedded in social intervention alone to a more transformative strategy that embeds this form of intervention in a larger socio-economic development strategy.

Małopolskie Voivodeship

The OECD experts heard numerous presentations by social economy actors, government representatives from the three regions and researchers. Despite the regional specificities and the need to avoid a one-size-fits-all approach, what is common to all regions is a discrepancy between the existence of numerous supportive structures that are well poised to explore and develop social economy development strategies (less developed in the Świętokrzyskie region) and the realities that prevent an effective articulation between these structures both within the sub-regions (poviats and gminas) and with the communities/organisations/individuals they are targeting. For example, the Małopolskie region is clearly the most advanced in this regard. Supportive institutional structures include the Agency for the Development and Promotion of Co-operatives, the Foundation for the Development of Local Democracy in Małopolskie, the Institute of Regional Government and Administration, the Regional Centre of Social Policy (ROPS) in Krakow and the Foundation-Bureau of Social Initiatives (presentation by Joanna Kubik, ROPS). Joanna Kubik noted the Małopolskie Social Economy Fund and the important role played by the university in generating research and developing post-secondary programmes in the social economy. Małopolskie is also the birthplace of the first Social Economy Pact with significant potential to co-ordinate many otherwise disparate organisations. The creation of the Social Policy Observatory of Małopolskie is an important initiative with potential to consolidate research on social issues, as is the Social Economy Development Academy – Phase 1 in Krakow. 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. Initiatives such as social economy incubators created by the “ABC of the Social Economy Project” and others such as conferences, fairs and public events primarily in Krakow, are important means to raise public awareness.

The Małopolskie Pact for Social Economy (MSEP), sometimes called the Little Pact, distinguishes this region from the Mazowieckie and Świętokrzyskie Voivodeships. It grew out of the experience gained from EQUAL projects, together with the Regional Social Policy Centre, which was one of the EQUAL partners. The Pact began informal operations in 2007 and was officially signed by 25 entities in March, 2008. However, only five NGOs have joined it to date.

The Małopolskie Social Economy Pact, MSEP, was seen initially as a positive development by most participants in the Krakow seminars. However, some participants noted that it has no separate office or director. It only employs one person part-time at the ROPS office of in Krakow. The MSEP facilitates the exchange of information, but it does not participate in any kind of decision making or power-sharing. However, in this region social economy entities and NGOs are involved a consultation process related to the ESF’s HCOP, through its Monitoring Subcommittee.

Also the National Auditing Union of Workers' Co-operatives and Co-operative Development and Promotion Agency, a nationwide organisation, has its seat in Krakow. It represents the interests of the co-operative sector. In addition, there is a third entity known as the Krakow Forum of Social Organizations, KraFOS. The Regional Social Policy Centre in Krakow and the Voivodeship Labour Office in Krakow work to promote the social economy sector and attempt to represent it, according to the Polish background report.

Despite these support structures and significant initiatives, even in this region, the focus is more on social assistance than on social policy or socio-economic transformation. Moreover, as one moves into more local settings – poviats and gminas, there is a clear absence of locally derived strategies; rather the strategies adopted at the regional level or higher national and/or EU levels, drive local decisions.

The OECD experts were also informed that even at the micro level of the “enterprise” or organisation that promotes job creation for the disadvantaged, there are inefficiencies both in preparing those who will be employed as well as in management (Baranski presentation). When moving from the micro level of the enterprise vertically to the local, regional and national levels drawing upon the information provided during the Krakow seminar, there are clearly several issues that need to be carefully addressed to make the available structures and funding more effective in meeting their stated objectives. The problems range from an inadequate mechanism to transmit information from the national to regional level, to the need to better design support programmes to meet needs.

The OECD experts were informed that most poviats and gminas do not perform their own diagnoses of social problems as the basis for their own strategic planning. Instead, they turn to the documents provided by the regional authorities that provide a more general framework and are not informed by local realities. This issue was raised numerous times by speakers. The need to rethink the authorship of local development plans is critical. And, this must include broader participation of citizens. More on this subject is found below.

While the focus is on social problems and social intervention primarily, if the social economy will be effective in addressing these problems in an innovative manner that reduces the need for palliative strategies for those capable of productive activity, the social economy has to be recognised for its capacity to respond to social and societal objectives through economic activity. In promoting the creation of social economy enterprises, a key challenge is to develop markets for their goods and services, as already discussed in this document.

In the Małopolskie region, the basic ingredients of trust and knowledge of what social economy enterprises are is not yet well established. This was discussed above in the context of building relations with the financial sector, for example. But in this case, it should be remembered that the challenge is even greater. Without a better understanding and appreciation of the societal role played by these enterprises as well as their capacity to participate in the market, the numerous supporting structures will themselves become more fragile. The risk of losing their legitimacy rises without the development of more fundamental enabling tools that include public awareness, basic training and information sessions with potential social enterprise actors and providers of support services. Finally, the Małopolskie Social Economy Pact, while in its early phases, must already become the blueprint for similar pacts in the sub-regions of Małopolskie to promote similar dialogue in poviats and gminas, even as it builds its own base and legitimacy as a significant interlocutor in the social economy. This is essential to avoid some of the issues raised by the speakers invited to make presentations. The existence of similar sub-regional pacts would increase the capacity to better respond to the specificities of local settings and work with the regional pact on common strategies. The regional pact becomes a voice for all sectors (the partners involved) as well as for its sub-regional pacts.

The Social Economy Pact in Małopolskie must be recognised for its potential to play both a co-ordinating and a representative role; sub-regional pacts need to be established to address the needs of poviats and gminas. The existing Pact and the proposed sub-regional pacts make it possible to develop a more systemic approach to the social economy, removing it from its silo orientation that focuses on sectors and target populations to the exclusion of its inherent systemic characteristics and potential. A systemic approach permits not only a broader view of the social economy, but it is the basis for more efficient and effective policy development, to meet its objectives and to reduce the high transactions costs associated with a segmented, fragmented policy framework. Building collaborative multi-stakeholder intermediaries will considerably reduce, or even eliminate the information and co-ordination problems raised above. There is a wide body of literature that confirms the policy effectiveness of collaboration, co-construction and integrated policy formation. This requires a new mindset and an openness to move beyond institutional boundaries.

The OECD experts welcome the creation of the Małopolskie Pact as already noted. Once again, international comparisons are useful.

Box 13. Best Practice: Chantier de l'économie sociale, Quebec

In Quebec, the *Chantier de l'économie sociale* is a network of networks of social economy organisations that includes sectors present in the social economy producing goods and services, local development intermediaries (situating social economy enterprises in their localities and local development strategies), large social movements (co-operative movement, labour movement, women's movement, environmental movement) and the research community (research partnerships with universities). Government is not part of this network. This is important so that the network of networks can negotiate with different government divisions responsible for sectoral policy and with the municipal (local), provincial (regional) and federal (national) governments on cross-cutting issues.

The *Chantier* may be seen as a pact. As an institutional innovation, it has had a very positive impact on government policy. As a network of groups/movements/organisations it represents the many components of the social economy (work integration, adapted enterprises for the disabled, day-care, homecare) as well as numerous other sectors in which the social economy is present. But most important is the creation of what are known as "social economy poles" within each of the 17 regions across Quebec in this provincial (regional) network, the sub-regional pacts proposed for the Małopolskie region and eventually for other regions and sub-regions throughout Poland. The presence of these poles is critical both to mobilise citizen participation and engagement in the social economy and to propose strategies to both provincial and local governments that respond to the needs of localities. The social economy is thereby embedded in local needs and priorities. The construction of these poles did not occur overnight; they are formalised by agreements with the *Chantier*. Each local pole is a local *Chantier*, so to speak, with representation at the provincial level. The detailed architecture is beyond the needs of this report and available if requested. What is important to note is that this arrangement exists through a system of electoral colleges and a deep commitment to democratic governance and that the *Chantier* and the poles are recognised as representing the social economy in Quebec alongside the well established co-operative movement.

For the Quebec government, this has actually been very beneficial. The information provided by the poles and the provincial network has been instrumental in developing enabling policy for the social economy. As such, the enabling policy landscape for the social economy reflects its characteristics and needs that differ from the private sector and from social assistance programmes. Where these policies target work integration for socially excluded people, homecare, or adapted enterprises for the disabled, for example, they are certainly part of a "new welfare mix", a partnership between government and social actors in social service provision. In other cases, the government plays a facilitating role. For example, the development of social finance, the loan and equity instruments necessary for social economy enterprises has been and continues to be facilitated by policies that either inject funds directly into new social finance institutions, provide loan guarantees or tax incentives to potential participants in these new financial institutions.

The Social Economy Pact in the Małopolskie region can be replicated in the sub-regions and co-ordinated into a network similar to the one in Quebec, with its own characteristics, priorities, etc. Again the

Quebec *Chantier* provides a useful best practice experience that is recognised internationally for its effectiveness in developing the social economy locally and regionally and in shaping an innovative policy environment.

Today, there is a national action plan for the social economy in Quebec that involves eight ministries and is co-ordinated by the Ministry for Municipal and Regional Affairs and Territory, a ministry that itself transcends sectoral divisions. The impact of this plan is significant for government as it is an important illustration of the benefit of developing a horizontal policy environment to meet the intersectorality of the social economy. For the enterprises and organisations involved, this is an important achievement. For the sub-regions or localities, they are not passive recipients of programme documents with criteria developed at a distance. Rather, they contribute to the co-authorship of the policy framework that is an example of “recombinant linkages” – sub-regional and regional – that today include micro- and macro-economic policies which recognise the social economy and the need for enabling policy at all levels. The existence of local and regional intermediaries is key to this process.

Finally, for the actors involved, and they are numerous, this has eliminated attitudes of cynicism that often accompany policy initiatives “from above”. For the local actors, it has provided opportunities to develop trust (social capital) and to begin the hard work of educating the private sector that is still learning about the social economy and how it may work with these sectors in collaboration. The unfortunate reality that is found in most parts of the world, is that once social economy enterprises move from the margins to the mainstream, they must respond to accusations of unfair competition from the private sector, as previously noted. The public interest that is served by the social economy has to be better publicised. For government, the internalisation of social costs enabled by social economy enterprises as well as the numerous positive externalities (social cohesion, societal well-being, environmental benefit) is now well understood. This took time. The challenge is to bring this understanding to the private sector so that it understands its role and place in a plural economy.

The engagement of the Małopolskie region with the social economy, with its many challenges remaining, should be seen as a very important learning environment in the region itself, for the sub-regions and other parts of the country. At the same time, the lacunae identified in this region have to be addressed, of course.

Mazowieckie Voivodeship

The Mazowieckie Voivodeship generates just over 20% of the national GDP in contrast to the Małopolskie region’s much smaller contribution of just over 7%. No doubt the leadership role assumed by the Małopolskie region on the social economy from 2003 onwards explains its numerous activities and initiatives taken since that time. Despite the role of the Mazowieckie region in the Polish economy and its larger contribution to GDP, the percentage of long-term unemployed is much higher than in Małopolskie, especially among people over the age of 50 years. It is suggested in the background report that this population can be employed in social services. However, the specificities of the regions, especially regarding Małopolskie and Mazowieckie can only be drawn from summaries on the characteristics of these two regions in the background report and the presentations by numerous speakers.

In Warsaw, the presentations addressed the national situation along with presentations of social economy initiatives from the Mazowieckie region. The problems and challenges identified were similar to those raised in the Krakow seminar, especially the regret that the objectives and orientation of the EQUAL programme had been transformed in the new environment under the ESF-HCOP and the many limitations this programme poses, at least for the time being. The tools and experience acquired under EQUAL were somehow not transferred to this new programme, to the new regional divisions given the HCOP mandate.

But the experience of the EQUAL initiative did establish important initiatives, precedents and approaches both by social economy actors and policy makers. This is not lost.

A representative from the Mazowieckie Voivodeship Office discussed the Organization of Mazowieckie Social Policy between 2005-2013. It covers poverty, homelessness, alcoholism, drugs, etc., and represents the beginning of co-operation between local authorities and NGOs. However, because there are 314 municipalities and over 42 poviats in the Mazowieckie region with specific needs, there will be some differences in the local social strategies.

The focus has now shifted from a broad social economy orientation to a more narrow focus on employment of the disadvantaged. As well, the concern that there is a lack of coherence between local and regional policy was also raised in the Warsaw seminar. Even where such collaboration is emerging, the lack of experience in co-ordinating different administrative units with clearly defined responsibilities and priorities makes this very difficult. The same is true for sectoral fragmentation. While an important initiative such as the development of a “Social Economy in Operation” manual in this region is salutary, the population it serves is subject to different ministries, depending on whether the person is a welfare recipient, an ex-prisoner, and so on, reinforcing a silo approach and the limitations this poses. There was a repeated call by speakers for horizontal policy environments. The OECD experts fully support this as noted above. It stresses the value added of working towards both horizontally (inter-sectoral) and vertically (local, regional, national) integrated strategies, and of adopting the systemic approach referred to earlier.

The hosts in Warsaw made frequent reference to the high cost of fragmentation, especially those strategies prepared by numerous local governments annually and the inability to put these into practice. These strategies or development plans are required for EU funding today. One concern is that programme driven strategies are less likely to succeed. This is a step backwards, in many ways, to a top-down orientation, distant from the local communities and people these strategies are intended to serve. Participants in the seminar raised the commitment of the Post Accession Program to Support Rural Areas to prepare a manual for good strategies as a welcome initiative and one that should be replicated and extended to urban areas in all regions across the country.

On the question of inter-sectoral collaboration, the OECD experts were introduced to the BORIS (Support Office for the Movement of Self-Help Organisations) Association that spearheaded the creation of the Mazovia Federation in the Mazowieckie region, a federation representing over 40 NGOs that can make representations on their behalf to local governments. It is also developing common standards for the NGO members of Mazovia. The Mazovia Federation has also initiated the establishment of the Mazovian Social Assistance Forum and it will also act on behalf of the social economy to assure availability of European Social Fund financing for social economy projects for this voivodeship. These are important federative initiatives that will contribute to developing a better inter-sectoral approach to the social economy. While there is no formal pact in this region as yet, it would appear the BORIS is a model for a multi-stakeholder pact in this region.

In the exploration of the regional specificities studied, one should remember that these three regions were not randomly selected but carefully chosen because of their different features. Before turning to the third and final region, Świętokrzyskie, it is useful to back up and summarise. Because the regions of Małopolskie and Mazowieckie feature what might be called “mixed economies” with urban and rural populations, even though the Mazowieckie region is industrial and contributes more to the national economy, the two have large universities, extensive public infrastructure, commercial sectors, rural communities, etc. Małopolskie has been at the centre of debate on and development of the social economy. The national government, however, resides in Warsaw.

The OECD experts echo the concerns and proposals raised for more policy coherence, more policy co-ordination, better territorial integration, federation of groups and organisations. The *Chantier de l'économie sociale* was introduced as an example of an institutional innovation that, in today's context, is best considered as hybrid. But the social economy is inherently hybrid calling for institutional innovation by government. There are several examples of such innovation, which is best captured as "social innovation", whether it refers to government or the formation of new inter-sectoral networks and/or intermediaries.

It is interesting that in the United States, President Obama recently asked Congress to allocate USD 50 million in seed capital for the Social Innovation Fund to identify the most promising results-oriented non-profit programmes and expand their reach throughout the country. The idea is simple: to find the most effective programmes and then provide the capital needed to replicate their success in communities around the country that are facing similar challenges. It will focus on priority areas, including education, health care and economic opportunity. It will partner with foundations, philanthropists and corporations which commit matching resources, funding and technical assistance. While this does not explicitly speak to the social economy (this vocabulary is not widely used in the United States), it does recognise the value of partnerships between civil society and government. This is a national initiative but it will have to be articulated and implemented locally. The reference points for the Obama administration are local initiatives throughout the country that are "transforming communities". It will include collaboration with individuals, NPOs, business, social entrepreneurs, foundations and "catalyse partnerships" with government.

In 2005, Poland launched the Government Programme – Civil Initiative Fund (FIO) to provide financial support to civil initiatives during 2005-2007. Its importance was quickly recognised and continued funding became available in the form of a special reserve fund of the state budget for Civil Initiatives in 2008. The new Operating Programme for Civil Initiatives for 2009-2013 (OP FIO) will continue the main objectives of the previous work in this area, including strengthening the role of the third sector in the implementation of public tasks. In combination with the National Development Strategy for 2007-2015 and the Sectoral Strategy Supporting Development of Civil Society, it will provide the tools for policy development in the area of pro-social behaviour and structures of local communities and strengthen civil society structures. It maintains a complementary relation to the ESF's Human Capital Operational Programme, 2007-2013. Its five areas of priority include: the development of active, conscious citizens and active local communities; promoting efficient NGOs in a good community; social integration and activation; developing social entrepreneurship; and technical assistance for the management and implementation of OP FIO. The OP FIO will be financed by national public funds, not from foreign sources, like the ESF. It has allocated PLN 60 million annually to the OP FIO or approximately EUR 15 million per year.

There is also frequent reference to the Compact Agreements in the UK between government and the voluntary and community sector. While these are non-binding agreements, they are also encouraging partnerships between local government and civil society organisations, including the social economy. The Andalusian Pact was raised in our discussions with our Polish colleagues as another important example of social innovation. In this case, the partners include local and regional administration, the universities, regional employment offices, banking associations. The agreement also includes "strategic lines for the development and promotion of social economy companies in the community of Andalusia".

Box 14. Best Practice: The City of Montreal: A Social Economy Partnership for Sustainable Community Development

The City of Montreal recently signed a new partnership agreement with social economy actors that include sectoral organisations, community economic development corporations, municipal government representatives and academic researchers (City of Montreal, 2008). It has also created a special division within the department of economic development designated for the social economy. This partnership recognises the social and economic capacity of the social economy. The following quotation from this new partnership agreement demonstrates the city's acknowledgement of the role of the social economy in wealth creation, service provision and social inclusion.

Collective enterprises with co-operative, mutualist or non-profit status have contributed to the city's development by meeting residents' needs in a variety of ways. These organisations contribute to wealth creation and create job opportunities among educated workers as well as among those excluded from the labour market. They also help to improve Montreal's quality of life by providing accessible local-level services in areas such as recreation, culture, childcare, seniors assistance, healthcare, social services, waste management and food/culinary services. Community organisations have made significant contributions to the revitalisation of troubled neighbourhoods from a sustainable development perspective. They have also provided thousands of Montrealers with access to affordable housing through the creation of co-operatives and non-profit housing associations.

There are increasing examples of networking, intermediaries in which government may or may not participate, horizontal policy making (still *ad hoc* in many cases and not yet institutionalised). And, as stated above, the call to work across and beyond boundaries is heard within government circles recognising the need for cross-cutting policy dialogue, not only regarding the social economy, but as a new approach to effective policy formation. And the call to extend this dialogue to civil society organisations, creating new public spaces for deliberation and the co-construction of policy is also heard. The social economy is in fact an *ideal type* that confirms the benefit of such institutional innovation. Where it has yet to be introduced, the challenge is often to break through an institutional culture that is not easy to transform, both because of the size of government and because of embedded practices. But it is occurring incrementally in many parts of the world. Our Polish hosts and many presenters from the three regions recognise the need to move in this direction and there are incipient trends in Poland that confirm the benefit of such change.

Świętokrzyskie Voivodeship

Świętokrzyskie region only generates 2.6% of national GDP. The regional strategy to improve the quality of "social groups at risk of marginalisation" is an example of the recognition of the benefits of integrated approaches to social policy. The strategy explicitly calls for an integrated social assistance programme that goes beyond social assistance to combat a range of issues including unemployment, poverty, disability, need for care, education, long-term illness and alcoholism.

The data received on unemployment reveals that the largest number of unemployed are among youth, women and people living in rural areas, 82% of whom have no access to unemployment benefits. In the strategy to assist the disabled that includes numerous services and capacity building opportunities, the need to co-ordinate different levels of government and NGOs serving the needs of this population is raised.

The social economy is underdeveloped in this region. Existing social services are inadequate to respond to a growing population of elderly requiring care and accommodation, for example. This adds to the difficulty of a large number of unemployed that is worse in rural areas distant from Kielce. Social Integration Centres are unable to do any follow up to evaluate the effectiveness of their short-term support. There is no instituted means to assure labour market access.

In the Świętokrzyskie Voivodeship the structure most similar to an intermediary organisation for the social economy is perhaps the Świętokrzyskie Association of Social Organizations (SZOS). It was established in 2005. However, CARITAS (Catholic Social Service Organisations) is an important regional actor that also provides some semblance of co-ordination at the regional level. In Świętokrzyskie the main strategic documents are submitted to consultation with social economy entities.

The limitations of the HCOP programme is illustrated in the Świętokrzyskie voivodeships, for example, where, under Measure 2.1, among the 16 applications for the competition, 11 were retained, but only two received a contract. Under Measure 7.3 there were 43 applications; 30 were retained and 13 were awarded contracts for a maximum of PLN 50 000. It was also noted that Measure 7.2.1 was so popular that the entire budget of PLN 20 million was spent in only a few months.

A great deal of hope was expressed in the amendment to the law on social co-operatives that will permit broader membership and possible integration of the unemployed in a more supportive organisational structure that will now include mixed membership in these co-operatives, previously limited to the disadvantaged. Membership can also include gminas, for example. As well, there is scepticism regarding the capacity of the HCOP to achieve hoped for results. With its accent on training and little if any follow up, compounded with few if any investment opportunities (no dedicated financial instruments; little incentive for private investors), the HCOP programme does not perform an important leveraging role. Its narrow programme criteria limit this capacity.

Speakers who were invited to meet with the OECD experts from this region echoed the views expressed by those invited from the Małopolskie region regarding the local strategic plans municipalities are obliged to draft to be eligible for programme funding from the Marshall's office. Engaging communities to participate in this process was strongly suggested in order to design appropriate strategic plans. Such a process would also serve to mobilise citizens to participate, if such participation translates into concrete strategies.

Once again, return to Canada, this time to a national initiative called Vibrant Communities that exists in several cities across the country faced with deep poverty, social exclusion, unemployment (see Box 15). As a pilot project initiated by NGOs and foundations, community based socio-economic transformation strategies are designed in a multi-stakeholder setting that includes broad representation from the community.

The initial project, funded by a Canadian foundation that is an active participant in this initiative, was established for the period 2002-2006. Because of its demonstrated success, funding has been increased to 2011. The main objectives of Vibrant Communities are comprehensive local initiatives aimed at poverty reduction.

The success of Vibrant Communities has been to increase the engagement of citizens affected. No longer seen as victims, they are recognised as assets in the community. This change in mindset has had a significant impact. In Poland, where the focus is on the disabled, for example, the question of dignity is paramount, as it is for long-term unemployed people and, too often, the elderly as well, who are perceived through policy metaphors (demographic shock, for example) and abstract demographic data that translates their existence into a looming fiscal burden as this population increases in numbers. This image is certainly not shared by the many dedicated people who work closely with elderly people and are frustrated by policy regimes that classify people for purposes of programme design. The asset approach, influenced by the work of John McKnight in the United States, is not only empowering for those who change their self-perception and identity, but contributes to transforming the logic of government. Governments invest in community assets regularly such as roads, parks, hospitals, and so on. It has to consider its citizens as assets in which they invest.

Box 15. Best Practice: Vibrant Communities (Canada)

The principal objectives of Vibrant Communities are:

- Grassroots collaboration involving all sectors of the community in these initiatives.
- Identifying community assets and putting them to good use in poverty-reduction efforts.
- A commitment to learning, change and sharing our learnings – whether they are the product of our successes or failures. (<http://tamarackcommunity.ca>. Tamarack Institute is a partner in this Vibrant Communities initiative).

While government is not a partner in this initiative, it informs a growing interest in and commitment to support comprehensive community initiatives and collaborative multi-stakeholder planning that can also include different divisions and levels of government. It has inspired the creation of government learning circles, a first step in policy innovation.

Vibrant Communities has led to the development of innovative spaces for dialogue and shared learning. The *Vibrant Communities Government Learning Circle* is open to learners from all levels and portfolios of government interested in the local efforts of Vibrant Communities. The Government Learning Circle offers government participants opportunities to:

- be involved in a national network of government “actors” interested in better understanding community-building and poverty reduction through a community “lens”;
- access to a neutral forum where ideas and experiences can be exchanged openly;
- access to a neutral forum where ideas and experiences can be exchanged openly;
- talk with one another and learn together about the challenges and “what works” in collaborating for community change; and
- learn together about best practices in forming new, high-impact relationships between and among government, business and community leaders.

Source: <http://tamarackcommunity.ca>

Some Polish colleagues also raised this issue in their context. If people feel represented, or better still, if they can participate, then it is possible to mobilise and build a productive and active civil society. With the current emphasis on training, the complexity of the societal challenges faced by the population of Świętokrzyskie region cannot be met. Worse still is the prospect that the HCOP programme and funding will be seen as a failure rather than as a co-ordination problem, in which the solutions proposed and funded, do not correspond with the problems to be addressed by the HCOP.

Speakers also referred to the lack of awareness about the social economy at the county or municipal level. Even at the regional level, there is not a clear sense of what the social economy is or how it can contribute to ameliorating the quality of life. As this is such a new idea, there has to be preliminary educational work that precedes programme design. Clearly, programmes will have greater chances for success if they reflect the reality in which they operate and to which they have to respond. The suggestion made that the HCOP should be used to develop civil society initiatives is important to break this cycle of

misunderstanding or ignorance, resistance or cynicism and policy ineffectiveness that is sure to result. It was also suggested that the Polish government at the national level could fund this initiative as well.

This suggestion confirms the critical need for public education, for the mobilisation of knowledge and participation locally, to ground social economy initiatives in their community and to develop policy that flows from this process. The process of policy formation is critical to the capacity of government to innovate effectively and minimise information and co-ordination asymmetries. In regions such as Świętokrzyskie that face deeply rooted socio-economic challenges, it is not surprising that the capacity for governments (regional and/or local) to implement new, unknown programmes tied to new and unknown concepts is difficult, if not impossible. This would be true in disadvantaged regions in most countries.

In Quebec, for example, there are local development intermediaries in both urban and rural areas throughout the province, and there are social economy mandates within these intermediaries. The regional poles of the *Chantier de l'économie sociale* referred to above, can be located inside these intermediaries or exist as separate entities. It is the social economy actors, civil society, that determine this and they are all networked provincially. With this institutional architecture, a very low income region in Quebec, for example, establishes its own social economy pole (pact) that reflects its needs and aspirations. Priorities and funding are not the same as other regions, except for certain sectoral funding programmes that uniformly target sectors such as childcare, homecare, etc. across the province. Even in this case, if one of these sectors is dominant in a low income region, the conditions sought for the sector as a whole will largely reflect the needs of those facing the most difficult conditions. And so on. The benefit of community mobilisation cannot be minimised; the cost of not understanding this necessity and not providing support, is high for government whose programmes will miss their objectives and for citizens who will not be well served by government programmes and remain isolated and disempowered.

Finally, Caritas has played a seminal role in this region for the last twenty years. The work of Caritas is well known and is exemplary throughout the world. It was interesting to share the views of the Caritas representative who participated in the Krakow seminar. The necessity to work collaboratively is key to the ability of Caritas to carry out its work and move from palliative to transformative intervention.

Caritas participated in the drafting the Social Co-operatives legislation; they provide information and promote the creation of these co-operatives. As such, they act as a front office, so to speak, providing support to those wishing to establish a social co-operative. They are aware of the challenges these co-operatives face and will be able to work with the newly amended legislation to reduce their vulnerability.

Caritas has been able to use the HCOP more successfully both because they know the situation of the people they have been serving well and because they provide the social support necessary for training programmes to have positive outcomes. The social and vocational integration programmes and work with the disabled have produced important results. Their collaboration with the Ministry of Labour and Social Policy has also resulted in better conditions for the homeless. As a Church-based organisation, they are limited in their activities but have created some spin-off activities to meet their objectives.

The experience of Caritas is valuable given their collaboration with Social Integration Centres and their multi-faceted approach to poverty alleviation. Their links with government are solid, once again because of their demonstrated capacity. This is not the same for small Social Integration Centres (SICs) reliant on low-level and short-term funding. Where these centres collaborate with Caritas, their vulnerability is reduced, pointing again to the need for multi-stakeholder initiatives that include the many institutions involved in addressing social exclusion.

Finally, in this region as well, there were comments on the priority given to the socially excluded and the need to think holistically. The sustainability of the SICs, for example, rests on their capacity to have a

broader mandate. Local authorities need to work towards this objective in partnership with the community, the entire community, not only the beneficiaries. The social economy is about economic activity and risk taking, not only social intervention. Focussing on social assistance misses the transformative role that the social economy can play. The question of who is in and who is out of the social economy was raised to respond to this focus on social assistance distinguishing between co-operatives and SICs.

The Social and Regional Development Office is accepting applications under the HCOP for social enterprises, local initiatives and systems projects. They appear to be moving into a broader interpretation of the social economy, through this is still very new. Speakers referred to “teething problems”. If so, the need for support mechanisms is critical to accompany these initiatives through their early phases.

The overall view was that the Polish model of the social economy remains to be drafted. The OECD experts heard this from speakers in all three regions. At the moment, it is expected to respond to deeply rooted social issues. Its capacity to do this is limited. Government must maintain its commitment to social inclusion by forming partnerships with social economy actors, but they must promote a new social economy that is more than palliative. For this to happen, a redesign of existing programmes and policy is called for. This must be a process of co-construction. Even if it remains incipient, those currently working in the social economy must be the co-authors of such policy and programmes. At the same time, there has to be adequate training, not only of individuals who will enter the labour market, but for those given a mandate to implement social economy enabling policy. Other countries experienced this as well. There is no substitute for building a knowledge base among all those involved and within society at large that has yet to understand the social economy and its potential.

Current policy gaps and the needs of the social economy

Partnership with public authorities?

The 2006 survey of Polish NGOs indicate that most NGOs face serious problems in carrying out their daily activities. Their problems arise largely from the complex relations with public authorities and/or from the lack of funds to carry out their mission. The survey also reveals that approximately 75% of NGOs have no collaboration with local authorities. Moreover, according to the managers of Polish social enterprises, too often there is a lack of goodwill towards and knowledge about social enterprise. As a result, the little support that exists for social enterprises is often unrelated to their needs. Where some co-operation between local authorities and NGOs does exist, it ultimately depends on finding the right person in an institution, well disposed to an NGO. At the same time, because this is not widespread, that person needs to have enough time, energy and influence to support the NGO’s actions. This indicates that successful contacts between NGOs and the regional or local authorities are very often tenuous, individual and personal. It also indicates the lack of supportive procedures for developing existing social enterprises.

Evidence gathered by the OECD team clearly illustrates a pattern of clientelism. This is not conducive to the development of the social economy and the need for dialogue and co-operation, especially in this early phase where the mobilisation of sufficient knowledge to develop appropriate and enabling responses, requires such action. There is clearly an adaptation problem. For example, most of the local social development strategies were developed in-house by the local social services. Barely one half of these local social development strategies involved collaboration with other local authorities, such as the local labour office; only one-third were developed in collaboration with local NGOs.

The low level of awareness and understanding of the social economy underlies the difficulty of establishing partnerships between local and/or regional authorities and the many organisations that comprise the social economy. For example, in some voivodeships, there is no awareness yet in the public sector concerning the role that social economy entities might play in implementing social policy. The

dominant attitude is that public institutions should assume the key role in executing social assistance programmes and in implementing social integration strategies. The level of awareness and understanding of the social economy is higher in major urban settings than in rural areas, where the concept is still very new. Representatives of the social economy present at the OECD seminars emphasised these differences of awareness in urban and rural municipalities as an explanation for why there are more numerous implementation problems in rural areas.

In other voivodeships, the lack of awareness and understanding is related to the low level of professionalisation among local officials who often see NGOs as rivals for jobs, funds and influence. Moreover, local authorities are often not very open to innovation. In this setting, NGOs only turn to local authorities when they need funds, reducing their interaction to the submission of grant applications. The main actors in the social economy present at the OECD seminars concluded that the environment for the social economy is currently not favourable. All too often, local governments conceive the social economy as just another business activity.

In summary, available evidence suggests that there is little promotion of the idea of partnerships between the social economy and local authorities. Repeated testimony during the OECD team's visit to Poland revealed that there was very little participation of NGOs in the development of local social strategies and very little civil society participation in the implementation of social policies more generally. Public authorities develop the strategies and devise instruments to solve problems which they then implement themselves. It is not easy to mobilise social capital under such circumstances. The current relationship between local authorities and local NGOs is primarily based on clientelism, rather than partnership; although in some cases, the relationship is one of indifference.

There is a large discrepancy between the expectations of social service organisations and their capacity to deliver results. As in many parts of the world, the structure of the social welfare system in Poland considerably reduces the potential for change. For the system to be more flexible and open to new approaches, it requires change at all levels including the education of social workers, new approaches to organisational management, the development of an enabling institutional infrastructure to increase the capacity of local governments to design more effective social welfare policy, and so on. Moreover, institutional change will not succeed on its own. It must be accompanied by educational activities for those employed in local social and employment services and other local partners. These educational activities should be focused on integrating the actions of various public institutions and NGOs to increase their capacity to resolve local social problems and to develop the social economy. All this will require time in order to promote a new and shared understanding of how to achieve these objectives, that until now have been seen from only one perspective, reflecting either a given discipline, institution or workplace. This greatly limits the capacity to design enabling policy that integrates social and economic objectives to better serve those in need.

Public administration and the need for new hybrid approaches

Government is a major purchaser of goods and services in Poland, as in other OECD countries. These purchases are normally done on the basis of least cost to the public sector. However, the lowest price paid for goods and services does not necessarily consider the overall well-being of the community. This is increasingly recognised in public policy debates on procurement to promote social economy enterprises that cannot compete with private sector providers able to offer more competitive prices. The argument in favour of procurement policies recognises that one means to reduce the high social costs of poverty and social exclusion to government is to create markets for social economy enterprises that employ the disabled, provide training opportunities for those excluded from the labour market, help promote the activities of social economy enterprises in evolving sectors such as the environment, social tourism, culture, and others that work in the public interest. The productivity of some of these enterprises may be

lower, as in the case of those enterprises employing the disabled or training businesses. This results in higher cost and, thus corresponding higher prices in some cases. This should be acknowledged and is the underlying argument against accusations of unfair competition by the private sector.

As a significant purchaser of goods and services, government is able to contribute considerably to the need to develop more commercial markets for social economy enterprises. Prudent governance of public resources does not always mean the choice of the lowest price. Procurement is one example of a new approach to welfare provision that engages government differently, in a quasi-market relation. However, in many cases such as social economy enterprises for the disabled or WISE, for procurement policy to be effective, it must be combined with other forms of public support. A hybrid or integrated approach combining programme funding and a market relation, will, ultimately also be cost effective for government. A social assistance approach is more costly to society and to government. Increasing the market capacity of some social economy enterprises generates positive returns to government, in the form of increased tax revenues. In this respect, the adoption of so-called social clauses in public procurement procedures, that privileges social economy enterprises producing such goods and services while meeting public purpose goals, is an important and positive policy option that is being adopted in different parts of the world and endorsed by the European Union. (Public Procurement represents approximately 16% of GDP in the EU). This implies a new regulatory framework within individual countries and/or regions. It also implies a new mind-set that shifts the focus from price to societal value. Procurement is a policy option with direct measureable impact.

A changing mindset is a challenge in many areas of public administration. While this is not easy, it is possible to leverage examples of where this is occurring to inspire such change in those countries and/or regions where there might be more resistance. Often the resistance is simply because the approach is new and does not easily fit into established functional categories or correspond with a deeply embedded logic of public administration. As already noted in this report, a forceful case is made to consider support for social enterprises by government as an investment, not as an expenditure. This implies another shift in perception from considering social economy enterprises as recipients of public grants or philanthropic donations to recognise their contributions to the production of wealth.

The need for strong intermediaries for the social economy

Today, intermediary organisations exist at the national and/or regional levels that represent some elements of the Polish social economy, and a few fledgling intermediary organisations in all three voivodeships that explicitly promote the interests of the social economy. As noted earlier in this report, the growth of certain regional intermediaries, such as the MSEP pact and BORIS in Warsaw or the SKSE nationally is a very positive development. However, most intermediary organisations for the social economy have only emerged recently and are, therefore, still rather weak. This limits their visibility and ability to co-ordinate their efforts and speak with one voice in order to represent and promote the social economy. Moreover, while some form of consultation does exist between authorities at various levels and social economy actors, it leaves very little room for participation in decision-making or power sharing.

Despite the increasing possibility for dialogue between social economy actors and government, the limited definition of the Polish social economy and administrative fragmentation are critical barriers for the development and growth of the social economy in Poland today. There are no clear answers as to why these barriers exist, but they raise the following questions. Are the links between these social economy intermediaries and public actors non-existent? Are they inefficient? Are they just underdeveloped? The answers to these questions clearly result in different proposals for how to reduce or eliminate such barriers. If, for example, it is just a matter of time, establishing these links and new relationships is less of a challenge than if the answers to the first two questions are positive. In fact, the issues underlying these questions are not mutually exclusive. Acknowledging these barriers, however, is a critical first step.

In most other countries that lack strong intermediary structures, there are few opportunities for dialogue with social economy actors or for their participation in policy design and implementation. However, in Poland such structures exist, and yet they appear unable to adequately or effectively co-ordinate their efforts. This reinforces the conclusions that there are some very serious structural problems of co-ordination. Better use of these important intermediary policy spaces would contribute considerably to the development of the social economy as a whole, to a broadening of the current definition of the social economy and to increasing public sector support for its growth and development. These institutional barriers limit the capacity for a coherent strategy to develop the social economy.

There are some positive and far-reaching plans that will greatly assist in the development of supporting structures for the social economy. While this report has noted some limitations of the European Social Fund's HCOP Program, these are largely due to narrow eligibility criteria and the discretionary interpretation of this programme in different regional and local settings resulting in different implementation procedures. In contrast to this, Priority VII plans to establish 40 regional co-operative development agencies (CDAs) throughout Poland that will eventually be incorporated into one national co-operative network. It also includes provisions for a comprehensive education and advisory programme, involving employees of public bodies and NGOs that will mobilise knowledge about the social economy.

The recent creation of an Inter-ministerial Team for Systematic Solutions for the Social Economy by the Prime Minister's Office has been noted several times in this report as another very promising development. While this body is attached to the Ministry of Labour and Social Policy, it is a multi-stakeholder group including representatives from numerous sectors whose mandate is both to follow the development of the social economy and design enabling policy.⁹ This has great potential for policy coherence and resolving the information and co-ordination asymmetries identified in this report.

Both these developments are highly commendable. However, if the reasons for the current lack of co-ordination among existing social economy actors continues, the risk of either doing too little or too much to promote the social economy is high. A highly centralised and top-down approach including numerous programmes and policy initiatives can paradoxically also impede the growth of effective intermediaries and undermine their independence. Careful attention should be given to develop the social economy policy space to include social economy actors. In particular, closer attention should be given to development of the social economy actors' own definition of the field, in broad or narrow terms, and to the promotion of their own aspirations to provide social services both to their beneficiaries and to the communities where they operate. This also implies the need for much greater co-operation with local public authorities and moving from a clientelist relationship to one of real partnership.

Responding to the special needs of the disabled

Another problem that must be addressed concerns the special needs of disabled people. The disabled have different needs and, as noted, this often implies higher costs. However, the current law on social assistance does not differentiate between costs of projects for the disabled and others. In open competitions the only consideration is cost; everyone should be treated equally. But, many social economy organisations cannot compete on the open market or for projects determined by the lowest price. For example, public support was given to the Associations of Farmers' Wives, while many worthy projects for disabled groups were turned down because of cost. This is a striking illustration of how the lack of awareness and understanding of the social economy at the local level limits the effective implementation of government policy priorities for the social economy. Such discretionary actions suggest that a policy framework alone will not assure its delivery to those for whom such policy is intended. Moreover, continuity in services is very important for the disabled. Many disabled people need long-term assistance, but today only short-term help is available.

Today many former EQUAL projects face challenges when negotiating contracts for specific work projects for their clients. The poviats Labour Office now determines salaries for social co-operatives, but they often do this without detailed knowledge about the situation of disabled people, or consideration of how to combine social needs with market demands. It is less costly to use disability subsidies for temporary training programmes and top them up with “wages”, usually in some kind of sheltered programme. This results in a vicious circle of certified disabilities that are eligible for public disability subsidies. While this leads to lower employment cost, it also results in lower self-esteem among their beneficiaries. It is well known that motivation is central to client satisfaction. People suffering from mental illness are often stigmatised as disabled, therefore compromising their ability to make progress. Such people need contacts with “real” employers, since real jobs can often lead to the recovery of their mental health. But, once again, the current focus on the lowest cost for projects means that these groups must rely on discriminatory and stigmatising public subsidies, even when it runs counter to their needs.

The higher cost of projects serving the disabled must be better understood to increase their capacity to compete successfully for limited funding. Otherwise, the current failure of social co-operatives to get public support if they compete with private firms for projects will persist.

Another serious limitation of HCOP funding for the social economy is the priority given to financing training courses that do not include any specific social economy issues in their syllabus, such as the law, taxation, accounting and other issues they need to know. Therefore, it came as no great surprise that many participants in the Poland seminars did not feel that the current HCOP requirements were designed to meet the needs of social co-operatives.

The need for a more long-term perspective

In many parts of Poland today, social economy projects are very short term; they are limited to one year and there are no horizontal projects. If local budgets are only for one year at a time this limits local authorities to short-term decisions about allocating funds for social inclusion. This means that when local authorities contract out services to NGOs for providing employment services to people with disabilities, for example, all their funding terminates at the end of the financial year. Moreover, given the time necessary for making applications and their evaluation, this leaves even less time to actually undertake activities. One year budgets impose serious constraints on the gminas and their ability to support the social economy.

Short-term budgeting and repeated annual competitions for grants makes the planning and operations of social economy organisations providing social integration services extremely erratic. This also impacts directly on the quality of the services they provide disabled people and others threatened by social exclusion. This is clearly a problem that has to be addressed in a systematic fashion in order to avoid the concomitant policy failure associated with such short-term strategy. If social economy organisation activities are strained by the need for continuous applications for funding and the insecurity this brings, their potential will not be realised, nor can they realistically be expected to meet their objectives. Ultimately, the survival of small social economy organisations that cannot access more long-term funding is threatened.

Financial support for the social economy

There is an unmet need for financial resources. The current climate does not provide ample or enabling financial tools for social enterprises that include guarantee funds dedicated to such entities, a variety of investment tools and the participation of financial institutions, especially but not only the financial co-operatives. A special financial infrastructure is necessary that would be better fitted to the specific needs of social economy organisations and that would include public support.

As this report has noted, financial resources for the social economy must come from a variety of sources, including major financial institutions. To engage in a purposeful discussion on financial needs for the social economy, government must be committed to providing the necessary support and security to create a financial architecture for the social economy. In all countries in which new and hybrid financial institutions are investing in the social economy, this activity is predicated on a variety of public policy measures. These include partnerships with potential investors, reducing the financial commitment of non-government partners, providing government backed guarantees, fiscal policy measures including tax credits, and so on. Building new financial capacity is critical for social economy enterprises to consolidate their activities and to grow.

For the financial sector that includes existing financial institutions, incentives are needed. For new financial actors to emerge, an enabling policy framework is essential. In today's environment, creating opportunities for secured long-term returns on investment is even more attractive, given the volatility of financial markets and the demonstrated peril of speculative activity. The lower, but more secure returns that investment in the social economy can provide, has more purchase today. Studies confirming this must circulate as guides for how to create investment tools for the social economy. As noted earlier, today, the financial sector and the private sector generally are more aware of the numerous innovative financial instruments that have emerged in recent years to meet the needs of community based organisations, and social economy enterprises unable to access capital on financial markets. Micro credit, social and/or solidarity finance, programme related investment and so on, are better known and better understood today. The rising tide of socially responsible investment in recent years, especially at this time as investors react not only to the huge losses incurred in the current financial crisis, but search for more ethical investment opportunities, increases the capacity to work with financial investors to develop investment tools for social economy enterprises and organisations.

This may be easier in certain countries than others. In the U.S., for example, the long history of community based investment provides a legacy for the development of new tools and investment strategies, including the rise in venture philanthropy by numerous American foundations. In Canada, Quebec has taken the leadership in this field by developing a financial market for the social economy with a diversity of investment instruments ranging from micro-credit to quasi-equity or patient capital instruments. These were designed primarily by social economy actors in collaboration with government, the labour movement and civil society participants. The private sector has been the weaker link in Quebec thus far. In Poland, where a policy infrastructure exists, there is greater opportunity to design a new financial architecture for the social economy. Government support for the social economy at the national level, reinforced by ESF support, provides a solid foundation for this process to begin. For it to respond appropriately to the financial needs of the social economy, however, practitioners must participate in the design.

The modified law on social co-operatives includes provisions for ESF funds to be allocated to loans, grants and loan guarantees. This is a positive step both to increase the availability of financial resources but also to potentially act as a leverage to invite other financial institutions to participate as investors in the social economy. The importance of leveraging is demonstrated in many countries where private institutions participate more willingly if government demonstrates its commitment. In this case, it is the ESF that is playing this role. It can also act as a leverage for the Polish government to do likewise. Private institutions will be more likely to follow.

ESF's role in supporting the Polish social economy

The role of the ESF and EQUAL came up repeatedly during the Polish seminars. EQUAL Projects provided a platform for developing co-operation between the public administration, NGOs and private enterprises. Today, the absence of EQUAL project funding has created numerous problems that have not

yet been resolved by the ESF's new HCOP programme. Rather than take the achievements of EQUAL as evidence of good strategy from which to construct the next phase of funding, it now appears that without EQUAL project funding, many social economy organisations simply cannot survive. The decentralisation of ESF HCOP funding to bring these programmes closer to their potential beneficiaries, is not effectively meeting this objective. The HCOP does not promote close relations between municipal authorities and NGOs, as repeatedly noted above. The application process has become highly professionalised, excluding many potential beneficiaries intimidated by this process. Commercial companies now write project proposals, while small social economy actors are left out. Competitive public tenders result in such a perverse outcome. Rather than use the opportunity of the HCOP to promote partnership in which the business community can also participate, it reflects a return to an outmoded top-down administrative model providing grants to successful competitors, including NGOs and social economy organisations. There are at least two issues at stake here: the first is positioning NGOs and social economy organisations into a competitive bid with the private sector undermining the ability of social economy actors to access these funds and secondly, missing the opportunity to work collaboratively.

EQUAL and good governance

The EQUAL programme did effectively address the needs of the social economy. The Fountain Club House in Warsaw illustrates the effectiveness of EQUAL in contrast to the problems now associated with the HCOP programme. A representative of this important initiative explained how significant the EQUAL programme was for developing its successful programme. Because of support from EQUAL, it was possible to experiment with and develop the Fountain Club House ideas through a partnership with 12 other organisations, including the municipality, the labour office, private people and educational institutions. They also had international partners, benefitted from study trips abroad, received training in the club house model and, therefore, were able to improve the Polish model. EQUAL provided the support necessary to build and consolidate this project. It is an important example of the high cost of beginning a new programme that does not build upon the successful results of the EQUAL experience. This example confirms the benefits stemming from broader support than is currently available from HCOP. It could also provide many potential insights if this previous experience was shared with practitioners and programme officers in regions where the HCOP programme does not yet reflect the needs of social economy actors.

A similar testimony is found in the very positive views expressed by the SYNAPSIS organisation. EQUAL was very beneficial not only for the funding it provided, but also for providing the necessary conditions to construct some models that would otherwise not have been possible. EQUAL was flexible, promoted innovation and it supported experimentation, partnerships, etc.. However, today the interaction of SYNAPSIS with the National Rehabilitations Office is more rigid and they have not succeeded in getting a single new project approved. This reflects a clear shift in criteria, apparently to the detriment of previously successful EQUAL projects.

The broad and pragmatic partnerships that characterised EQUAL projects normally included the following elements: a) jointly agreed goals and values, b) mutual trust, respect and equality, c) mutual responsibility, d) transparency, e) mutual understanding of the political, economic, and cultural context and its institutional restrictions, and f) long-term commitments to working together. These criteria are often associated with good governance.

HCOP – a new regime or a step back?

Most participants in the seminars agreed that EQUAL was effective. Now that it has ended, many organisations are unable to survive, including many social inclusion centres. If a social economy organisation does not compete successfully for HCOP funds, it faces bankruptcy. Measures 7.1 and 7.2 provide support to the poviats Labour Offices, but NGOs and Social economy organisations have no

guarantee of funds. The stability of these NGOs is greatly affected both by the application process and the limited chances of success, but also, as noted above, by the short-term funding available through this new programme.

There were dozens of EQUAL partnerships between 2004 and 2006 in all three regions chosen for closer study. Now that these partnerships have ended, the main funding for Social economy organisations is HCOP's Measure 7.2. There are several gaps that are limiting the effectiveness of this programme. For example, there should be social clauses on the Law on Public Procurement at the local level. There should also be support for start-up funding for social co-operatives. Still, some maintain that HCOP is not all that different from EQUAL, except for the implementation process of this programme. Today, the emphasis is on the voivodeship level, but, as noted above, unfortunately, they lack the necessary experience. The issues are often too complex for the regional labour offices and the voivodeships.

This underlines the need for an education programme targeting regional and local authorities. The current programme is much more bureaucratic; the voivodeship administration seems to focus primarily on technical issues and compliance with laws, rather than taking the time necessary to work more closely with potential beneficiaries to understand how it can better meet the needs of these individuals and organisations. Some referred to EQUAL as a "Golden Era", when there were tenders, hope for better solutions and better funding. There needs to be not only legal changes concerning public procurement, but also much more education for the voivodeships. The new challenge after amending the law on social co-operatives will be to promote social economy solutions at the voivodeship level. Those given the responsibility to administer these new programmes will need to learn how to network with business and social economy partners. They will need to launch a local process to develop such networks and to support new and existing social economy centres.

This issue was raised earlier in this report and needs to be reinforced. If public administration officers are given responsibility for new programmes to meet new objectives, this has to be accompanied with public education. This is not only true for Poland. The social economy is still not well understood in many parts of the world and it is increasingly recognised that decentralising the responsibility for the social economy is the most effective means for programmes to meet their objectives. However, a policy decision such as this will face implementation barriers, if decentralised institutional settings given this responsibility do not provide adequate training for programme officers. This can be done in numerous ways. In the case of Poland, for example, one would propose that those who previously administered the EQUAL initiative, as well as those who benefitted from this programme, participate actively in such training. Their experience and knowledge of the social economy is an undervalued resource at this time that can reduce the current incompatibility between the HCOP programme and its target population. It could also contribute to an important debate on programme design, eligibility criteria and even the short-term funding currently offered.

New partnerships – a possible way forward?

Some prominent Polish scholars have argued that Poland is facing a basic civil society dilemma today. The level of social capital measured by generalised trust is very low, as are civic activity and participation. While many people may be dependent on the state for their livelihood, they do not trust the state, or each other (Hausner, 2008). The solution to this dilemma is not easy or readily available. Other scholars have proposed a series of concrete undertakings and actions to support the social economy. These should be designed in such a way as to involve various types of organisations, government, regional and local associations, NGOs, universities, expert circles, private enterprises, business groups and the media. Such broad and pragmatic partnerships bear strong similarities with EQUAL partnerships.

Certain well known observers in Poland emphasise that partnerships or institutionalised forms of collaboration are essential for the social economy to become a new social movement. This report has referred to the Quebec experience as a useful example of a broad collaborative partnership model that is at the heart of the development of the social economy movement. The collaboration and distributed governance that characterises the social economy in Quebec, has contributed both to the construction of a common identity and to its institutional capacity to negotiate with government. For government, this also represents lower transactions costs, as the needs of the social economy are better understood. The multi-stakeholder distributed governance that defines the institutional architecture of the social economy, has likewise inspired government to work horizontally and create its own institutional partnerships or collaboration within the public administration. This process of translating the benefits of horizontality within the social economy to government, has resulted in the recent passage of the Action Plan for the Social Economy by the province of Quebec and with the launching of the institutionalised partnership in the social economy by the City of Montreal, referred to earlier in this report.

As stated in the introduction to this report, it is clear that a model developed in another cultural and institutional context cannot simply be transferred to other settings. That said, the experience of EQUAL and the innovative institutional settings that exist in Poland at the national and regional levels today, such as SKES, the presidential team and the Małopolskie Pact, among others, suggests that the conditions for broad collaboration and partnership exist. Consolidating and expanding this collaboration across regions in Poland, will have an impact both upwards toward state institutions and downwards toward local communities.

How to activate existing institutional arrangements and to stimulate further development of partnerships is a challenge in Poland today. For the social economy movement to meet its objectives, both multi-partite/multi-stakeholder and multi-level partnerships are required. A model of collaboration and partnership will address several of the main problems identified in this report: fragmentation of the public sector dealing with social exclusion, lack of co-operation between different local administrative units and with NGOs, short-term funding, etc.

Perhaps the time is ripe for developing a new strategy for tackling the seemingly intractable problem of social exclusion in Poland, one that reintroduces the main aspects of EQUAL projects, one that builds on partnerships between the various concerned local and regional authorities and with the active participation of social economy, broadly defined to include services of general interest.

Conclusions and recommendations

This report has identified the challenges facing the social economy in Poland today. The OECD experts benefited from the opportunity to learn about the social economy in Poland from numerous social economy practitioners, government representatives at local, regional and national levels and researchers. The foregoing analysis is also based on the background report provided to the OECD experts and selected scholarly literature on the Polish social economy. The study visit contributed to a better understanding of the challenges raised by the background report and scholarly publications. The analysis and recommendations also benefit from knowledge about the social economy in other parts of Europe and North America. The conclusions and recommendations that follow flow from these two methodologies. This report reflects a synthesis of sources and voices with specific reference to selected interventions and initiatives that inform the analysis.

Divided into three broad groups, the following recommendations are therefore made:

Understanding and Disseminating the Social Economy Concept

1. The Ministry of Labour and Social Policy should undertake a critical review of the current understanding of the social economy with its strong focus on social inclusion.
2. The concept of social enterprises should be expanded to include goods and services of general interest.
3. Efforts should also be made by the Ministry of Labour and Social Policy to spread this broader definition of the social economy through an ongoing and organised series of seminars, workshops, special meetings, etc.
4. A series of conferences on the social economy and social enterprise could be arranged and hosted by Polish scholars together with the Ministry for Labour and Social Affairs and the Ministry for Regional Development.

Promoting Supportive Policies for the Social Economy

5. A national strategy is required to overcome the worst aspects and implications of the extreme fragmentation and complexity of the Polish political and administrative system, particularly with reference to the social economy.
6. For the social economy to effectively contribute to the improvement of the lives of people and communities, it must be integrated into policies that address health, social issues, education, the environment, labour market strategies, business development and so on.
7. Consultations should be held with the Inter-Ministerial Team for Systematic Solutions for the Social Economy about how to elaborate and develop a new strategy for promoting long-term partnerships between social economy organisations and regional and local governments at the voivodeship, powiat and gmina levels in social policy broadly understood, to cover most major aspects of life in contemporary society.
8. For the social economy to develop, supporting programmes have to respond to the needs of the social economy and those needs have to be expressed by those who will be best served by social economy enterprises.
9. The social economy needs effective enabling tools if it is to develop.
10. Access to capital is critical to the development of the social economy.
11. Serious consideration should be given to instituting three year budgets for social economy projects at the powiat and gminas levels and to developing the means to implement longer term budgets.
12. A ten to twenty year nation-wide programme designed to remove all the major institutional and cultural barriers to the full participation of disabled people in elementary, secondary and higher education, and thereby also in working life, should be developed by all gminas, powiats and voivodeships in Poland. Such education and training facilities and activities could be organised in close co-operation with the social economy with appropriate support and regulations.

Strengthening Networking Capacity

13. The Ministry of Labour and Social Policy should critically review current efforts to promote intermediary organisations for the social economy.
14. Consideration should, therefore, be given to establishing a training centre in Poland, supported and funded by relevant European and international bodies, at the national level for promoting the social economy in Poland, which would also provide training in the Poland regions.
15. Government support is necessary for ongoing research on the social economy.

Understanding and Disseminating the Social Economy Concept

The Ministry of Labour and Social Policy should undertake a critical review of the current understanding of the social economy with its strong focus on social inclusion. It should attempt to broaden the Polish perspective on the social economy to correspond more closely with those used or in practice in most other European Union countries and in Canada. In this regard, a common understanding must be inclusive to embrace both sectoral and inter-sectoral dimensions of the social economy. In other words, it must recognise the *multi-sectorality* of the social economy. This is key to the development of an *integrated systemic approach* to the social economy that will move it from a narrow sectoral focus targeting a certain population to a broader understanding of its transformative capacity. This calls for policy innovation by government that can best occur in horizontal, inter-ministerial spaces. Only in this way can government develop appropriate enabling policy measures. Otherwise, those sectors in the social economy that are more fragile and/or even those that may not succeed, will set its parameters and greatly curtail its potential. Should the current understanding of the social economy become the basis for an agreed upon understanding, the risk of this occurring is high.

A limited understanding, tied strongly to a single area of application, excludes the possibility for a broader interpretation and application of social economy policy by actors associated with that concept, as is currently the case with the almost exclusive association of the social economy with social integration. This both sets limits for what they can and cannot do, and also it limits what finances are available for their activities. Unfortunately, it also reinforces a heavy stigma since it is too strongly associated with people or activities not considered mainstream by most civil servants and ordinary citizens, who rarely purchase their products or services. For the social economy to be effective, it has to be part of an integrated strategy for socio-economic transformation. That means that government, at all levels, has to be engaged as a partner, accompanying social economy actors in various ways that include finance, infrastructure support, enterprise/business skills, training, and so on.

By focusing too strongly on one single area where social economy actors can provide acceptable solutions to important social problems, like work integration, one not only risks excluding many other areas where they can also provide solutions due to their unique innovative capacity, as previously noted but too strong a focus on a single issue also affects the public image of the social economy. One must not minimise the importance of public perception of the social economy. Expanding the scope of operation of the social economy could, therefore, also help to improve its image and not confine it to the margins. This permits a wider discussion on the role of the public sector and the basis for resisting the possible transfer of previously provided public services to the social economy. Its role to respond to new and unmet needs must be reinforced in the context of a “new welfare mix” that proposes a new partnership model with government rather than substitution for public provision and a rationale for disengagement by the public sector.

The concept of social enterprises should be expanded to include goods and services of general interest. This would permit social economy actors to break out of the narrow confines of a very worthy policy designed to promote social inclusion, and allow them to develop in other areas where there is a great demand for goods and services currently not available on the market nor provided by local governments. While this does not imply that social enterprises would abandon their present commitment to social inclusion, it could significantly contribute to currently unmet needs in general-interest services and reduce the stigmatisation and ghettoisation of vulnerable target groups by the general population. It would allow social enterprises to provide goods and services both to people facing social exclusion, and therefore not able to access such services even if available, as well as to the general population in local communities. This way many more citizens would come into direct contact with the social economy and learn to appreciate its advantages and understand its limitations.

As previously noted, all types of unemployment may lead to social exclusion and, therefore, it is also important to prevent it, especially among young people. However, the strong focus of public support on the disabled in Poland¹⁰, excludes many other groups at risk of social exclusion. For example, today there is very limited care for the elderly and little sheltered accommodation for them. At the same time, many women under the age of 25 who are among the long-term unemployed, could provide elder care. Instead, they receive no unemployment benefits, work in the grey zone of the economy and pay no taxes. Such activities could be organised by the social economy with appropriate regulations. Social economy enterprises in homecare exist in many countries to meet both the needs of serving an aging population requiring these services and to offer secure employment to the women providing these services. Not only would those employed be salaried and receive social benefits accruing to all salaried workers, but by moving this activity out of the grey economy, the nature of the value of this work would be recognised and the quality of services provided to elderly people would be regulated, guaranteeing their safety, security and well-being.

Efforts should also be made by the Ministry of Labour and Social Policy to spread this broader definition of the social economy through an ongoing and organised series of seminars, workshops, special meetings, etc., perhaps with invited foreign experts, for a variety of relevant civil servants and politicians at the voivodeship, poviats and gmina levels. In particular, it is vital to direct information on the social economy, and to demonstrate and promote good practices to the local authorities and those in charge in gminas and poviats. Clearly, the adoption by the Ministry of Labour and Social Policy of a true partnership approach to solving social problems, similar to the EQUAL design of partnerships, recommended below, would greatly facilitate the spread of a broader understanding of the social economy at the local level and the wider use of social economy solutions to major social problems. Its role to respond to new and unmet needs must be reinforced in the context of a “new welfare mix” that proposes a new partnership model with government rather than substitution for public provision and a rationale for disengagement by the public sector (Evers and Laville, 1994).

A series of conferences on the social economy and social enterprise could be arranged and hosted by Polish scholars together with the Ministry for Labour and Social Affairs and the Ministry for Regional Development. It should include both an international social economy conference, such as the one arranged in Krakow in 2004, as well as several regional conferences on the same theme. Such a series of conferences, both nationally and locally, would promote a discussion and debate of the development of the social economy and social enterprise practices in many different countries. Well known international experts from different international settings, including academics, such as those in the EMES European Research Network or the international CIRIEC network, as well as practitioners could be invited as keynote speakers, both to the national and regional conferences. Also experts from relevant international bodies working with questions of economic development, the social economy, social exclusion, etc., such as the OECD and its LEED Programme, the International Labour Organisation, United Nations

Development Programme should also be included in the agenda of this series of conferences. The first round of social economy conferences in Poland could then be followed up in a few years time by a second round, if on a somewhat smaller scale. This could greatly enlarge the exposure of both Polish academics and practitioners at various levels of government to the current debate about the social economy and social enterprise in various parts of the world.

Organising a series of conferences on social enterprise in Poland would maximise the exposure of both Polish practitioners and academics to the current thinking of these important networks of European and international researchers and in important international bodies working with such issues. In addition, it would also expose European and international researchers and international civil servants to development of the social economy and social enterprises in Poland. Such activities would also guarantee that Poland and Polish scholars would become active participants in the future development of these European and international networks and could continually benefit from them. This could have the added benefit of providing a platform for Poland to act as a regional centre for social economy and social enterprise development in the whole CEE and CIS region.

Moreover, the importance of raising public awareness of the social economy cannot be over-emphasised. Poland has developed important policy initiatives and has created innovative multi-stakeholder institutional spaces of deliberation and policy innovation. This is highly commendable. Still, there is a general lack of public knowledge about the social economy in Poland. This is critical for numerous reasons, not the least of which is to transform perceptions of the social economy as merely a new vocabulary to describe social programs for marginalised individuals. The consensual understanding of the social economy within some government circles, especially at the national level, while certainly welcome, is insufficient to change these perceptions also held by those administering social economy programs at the regional and local levels, in many cases. A concerted effort must be invested in raising public awareness through popular education, training of those engaged in regional and local administration responsible for developing social economy initiatives and organised public events, such as social economy fairs, for example. A social economy portal is an effective means to develop markets for social economy organisations and enterprises selling goods and/or services. It is also an effective means to generate internal markets for social economy actors, not aware of potential suppliers within the social economy, for example. Finally, meeting the need to transform perceptions, will make it easier to attract potential collaboration by the private sector and especially by financial institutions that do not, as yet, participate actively as investors in the social economy.

Promoting Supportive Policies for the Social Economy

A national strategy is required to overcome the worst aspects and implications of the extreme fragmentation and complexity of the Polish political and administrative system, particularly with reference to the social economy. Such a strategy should be both multi-level and horizontal in nature. The development of such a strategy should be undertaken in close collaboration with representatives of the voivodeships, poviats and gminas, especially collaboration between poviat employment services and social assistance centres is needed in this context. The social economy can certainly play its part in this process, but as complementary to many other programmes provided by public institutions including health care, education, labour market training, and so on. Administrative fragmentation is a serious problem and one that the social economy and social enterprises cannot influence on their own, but can easily become ensnarled in it.

The most significant problem of the Polish system of social inclusion institutions is the fragmentation and the lack of close co-operation among social authorities and with other local actors, according to the Polish background document. Social assistance institutions and labour market institutions often co-operate with each other, but mostly on the basis of personal contacts, rather than institutional co-operation that

promotes systemic solutions. The fragmentation of public social inclusion efforts at the levels of local gmina, powiat and voivodeship authorities hinders overall co-ordination of Polish social inclusion policy, as well as its effectiveness. A similar pattern is found for labour market policy. In addition to fragmentation at the central level, Labour Offices are found both at the voivodeship and powiat levels and employment councils are found at all three levels. These labour market institutions are independent from each other at the three relevant levels: national, voivodeship and powiat. Their responsibility for the professional and social rehabilitation of disabled people is also fragmented.

Much of the evidence included in this report refers to the confusion that results from the complexity and fragmentation so characteristic of the Polish legal, administrative and financial framework for the social economy. For social economy enterprises and organisations in Poland to develop and grow into sustainable providers of goods and social services, as they do in many other European Union countries and in North America, something must also be done to resolve, or at least to simplify this complexity and fragmentation. Commitment to develop a strategy to overcome this institutional barrier would be a step in the right direction. It should actively involve the regional and local levels of self-government in Poland.

OECD experts were provided with information on regional and national issues. The three regions selected, Małopolskie, Mazowieckie and Świętokrzyskie were selected because of their socio-economic specificities. While it is certainly true that a policy framework for the social economy must respond effectively to regional diversity, it is also true that a common framework that defines the basic parameters of the social economy and its common policy needs, will assist all regions. The response to regional disparity is to design policies for the social economy that will then be integrated into overall strategies of social and economic development developed within the regions. Where regions are facing long-term unemployment and deeply embedded social issues, such as Świętokrzyskie, for example, the social economy has to be embedded in a policy framework that addresses these problems in a systemic manner. The tendency to separate the social economy into narrow, targeted objectives, severely limits its capacity to adequately respond to those objectives. It risks becoming a modernised form of social assistance.

For the social economy to effectively contribute to the improvement of the lives of people and communities, it must be integrated into policies that address health, social issues, education, the environment, labour market strategies, business development and so on. For example, as this report has already pointed out, developing market or commercial capacity of social economy enterprises and organisations, brings benefits that exceed the immediate benefit of targeted programme funding. This does not suggest that the commercialisation of the social economy must override its social objectives; quite the contrary. Rather, it reinforces the argument made in this report that the social economy can both directly address social exclusion and poverty through work integration and creating employment opportunities for the disabled, but it can also contribute to local economic development.

Indeed, there are large and positive sectoral benefits that have been identified in Poland, but the capacity of the social economy to produce goods and a wide spectrum of general-interest services that are undersupplied by other actors (*e.g.* public agencies and for profit enterprises) must provide the overarching approach for such sectoral strategies. Anchoring of the social economy in local settings is key. The social economy privileges the use of local resources, generating new employment opportunities and economic growth. It is rooted in the local community. That said, local communities do not always have a high degree of social capital. The role of citizen mobilisation cannot be minimised even if achieving this varies in different social, political and cultural contexts. For example, social capital is often absent in poor communities and has to be built. This is certainly true in post-communist, post-socialist countries, where there is still low citizen trust in political institutions and participation in democratic processes. A better understanding of the capacity of the social economy to address multiple needs if the appropriate institutional infrastructure is in place, can contribute to building social capital. This is the context for then examining the nature of the enterprises and organisations that make up the social economy to best meet the

needs of communities. And these might differ, as is the case in the three regions in Poland, studied in this report. To apply a one-size-fits-all approach runs a high risk of policy failure, as has been pointed out. An integrated strategy considerably reduces the possibility of a very skewed or narrow approach, which focuses primarily on the development of organisations and enterprises to provide services for a targeted population, for example.

Consultations should be held with the Inter-Ministerial Team for Systematic Solutions for the Social Economy about how to elaborate and develop a new strategy for promoting long-term partnerships between social economy organisations and regional and local governments at the voivodeship, powiat and gmina levels in social policy broadly understood, to cover most major aspects of life in contemporary society. Such a strategy should promote the institution of partnership and collaboration, similar to that found at the core of the previous EQUAL projects.

Experience from EQUAL projects underlines the importance of building a close partnership between various regional and local actors for maintaining the deep and long-term commitment necessary to successfully achieve EQUAL objectives. This type of deep and long-term commitment is not all that different from the commitment necessary to achieve other important social goals, like fighting social exclusion or developing and sustaining the local social economy. Many of the most interesting features of partnership found in EQUAL projects seem to have been lost in the new ESF's Human Capital Operational Program.¹¹ This is unfortunate. Therefore, developing a strategy to reintroduce co-operation and partnership between social economy organisations and local authorities seems highly timely and necessary.

Two current initiatives undertaken in Poland are raised in the context of recommendations, as they have yet to be implemented or co-ordinated with new or amended policy measures. These are the amendments to the Law on Public Benefit and Volunteer Work and the Operating Fund for Civil Initiatives for 2009-2013. Both these policy measures are welcome responses to the need for better collaboration between social economy organisations and government. They are also welcome responses to the need for capacity building within civil society organisations. The stated objective to create conditions for better interaction between social economy organisations and public administration is a precondition for effective policy implementation. It acknowledges the need for better communication and co-operation between NGOs and social economy organisations and government, as a first step to developing strategic plans at all levels – local, regional and national. It also recognises that this can only occur through extended dialogue. Implementing this amendment will resolve a major institutional barrier that, today, severely limits the capacity of social economy organisations to work effectively with regional and local government.

Given that these initiatives will be implemented in the near future, the recommendation that these be part of an ongoing consultation with the Inter-ministerial Group on the Social Economy is reinforced to prevent the emergence of further co-ordination problems, if these policy initiatives are unevenly adopted and applied across the country. Although the Operating Fund for Civil Initiatives (2009-2015) is seen as complementary to the Human Capital Operation Program, and its stated objective is to co-ordinate its policy program with both the National Development Strategy (2007-2015) and the Sectoral Strategy Supporting Development of Civil Society (2009-2015), the risk of reinforcing the separation between the social and economic dimensions of the social economy remains, unless the Inter-ministerial Group on the Social Economy bridges this gap. If the Inter-ministerial Group is able to represent the hybrid nature of the social economy and integrate this into the National Development Strategy, this risk will be considerably reduced.

The commitment to promoting the activities of civil society on the part of the Polish government is salutary. Integrating these policy measures into a systemic approach for the social economy, recommended in this report, will increase the capacity of these various policy initiatives to succeed. This does not at all imply that all civil society initiatives are homogeneous or that they share equal economic potential, for

example: quite the contrary. The objectives of civil society are wide-ranging. However, the risk is that all activity will be conflated, missing the economic potential of the social economy, which must be recognised and supported with a different and more hybrid set of policy measures. Priority IV of the Operating Fund for Civil Initiatives represents a critical and invaluable step in the right direction.

For the social economy to develop, supporting programmes have to respond to the needs of the social economy and those needs have to be expressed by those who will be best served by social economy enterprises. Both the background documents received and the interventions of numerous individuals referred to the need for a more collaborative process at the local level. Rather than top down or bottom up, one can see the benefit of working in a circular manner. In Poland, the elements for this circular dynamic exist, for example, the Małopolskie Pact and the Standing Conference on the Social Economy (SKES) with their government interlocutors at the regional and national levels. The Inter-Ministerial Team for Systematic Solutions within the Scope of the Social Economy, created by the office of the Prime Minister at the national level can serve as a valuable co-ordinating body.¹² This is an important, if embryonic, initiative of institutional innovation that will be key to the consolidation and growth of the social economy and to its effectiveness. This, of course, also includes the need for sectoral networks at the local, regional and national levels.

A more integrated approach builds upon the well known and documented benefits of promoting social enterprises. The current focus on “output” in Poland, misses the nature of these enterprises and their potential contribution to local development. These include the wide participation of local stakeholders, the promotion of inclusive and distributed governance and greater participation of workers in decision-making within social enterprises (Sugden and Wilson, 2000). It also includes the institutionalisation of informal activities belonging to the underground economy, especially in the field of social and homecare services. Several social enterprise-like initiatives often arise informally and become formal once they are legally recognised. This is true in many countries, not only in Poland and other post-communist, post-socialist countries where the proportion of informal workers in the black market is very high. The formalisation of informal work has numerous collateral benefits or externalities, not the least of which is the dignity and security associated with creating “decent work”. The accreditation of new professions that requires institutional legitimisation through enabling laws, professional recognition, etc., contributes to local economic growth through the multiplier effects generated by legally earned income, and so on.

In all countries, regions and localities experiencing structural unemployment, poverty and low economic activity face a harder challenge. It is clear that the social economy cannot solve all problems and should not be expected to. For the social economy to be effective, it has to be part of an integrated strategy for socio-economic transformation. That means that government, at all levels, has to be engaged as a partner, accompanying social economy actors in various ways that include finance, infrastructure support, enterprise/business skills, training, and so on. Many international experiences confirm that government financial engagement, for example, is most effective when it is flexible and long term depending on the socio-economic realities of regions. And, most important is the growing recognition that long-term engagement by government *does not* imply dependency, as is so often suggested. These are investments by government in social and economic transformation whose long-term benefits to those individuals and organisations supported will 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. This question will be addressed further on as well as the regional issues that arise in the three regions the OECD was asked to examine.

As a socio-economic actor, the economic role of the social economy is too often missed or neglected. By limiting the social economy to programme directives targeting specific groups or individuals, its transformative capacity will be reduced. This limitation unfortunately describes the current approach to the social economy in Poland, largely driven by the objectives of the ESF-HCOP and its promotion of a

sectoral approach, focussing primarily on work integration and the disabled. For a region such as Świętokrzyskie, with deeply rooted and difficult social problems, this threat is present today. Since it is not a region with high levels of economic development, the potential of the social economy is thereby also reduced. While it is certainly true that high expectations are not a useful strategy, missing the transformational capacity of the social economy also reduces its capacity to move people from poverty or social exclusion into new activities. It reduces the capacity of the social economy to contribute to local economic development.

This report points to several systemic issues or problems that severely hamper the development and growth of the Polish social economy. These issues include, among other things:

- a) limitations of the Polish understanding of the social economy,
- b) the subsequent lack of appreciation of the social economy by many local public bodies and its potential to provide goods and various services of general interest, not only integrational services,
- c) the failure of the Polish education system to provide disabled people with a basic, secondary and higher education and therefore with employment,
- d) the lack of a closer partnership between the NGO/social economy sector and public bodies, particularly at the powiat and gmina levels,
- e) the short duration (1 year) of funds available to the social economy and the tardy fashion in which they are made available, and,
- f) the lack of independent and self-sustained intermediary organisations for the entire social economy broadly defined, or even narrowly defined as inclusionary social economy.¹³

All of these problems are, of course, accentuated and aggravated by the extreme fragmentation and subsequent complexity of the legal and administrative framework for the social economy and the finances available for sustaining and promoting the social economy in Poland. These issues are addressed below and concrete proposals or recommendations are made for each of them. Most of the eight recommendations put forth to meet these challenges will impact on more than one level of the administrative and political system. While some may be directed toward the Ministry of Labour and Social Policy, they usually call for close collaboration between the central, regional and local levels of government.

The social economy needs effective enabling tools if it is to develop. This report has proposed a number of specific tools to enable the development, consolidation and growth of social economy enterprises and organisations. They include finance, labour market strategies, the development of market capacity, business training, research and enabling macro policy. In the area of finance, for example, fiscal measures such as tax credits can complement loan guarantees to attract investment. *Government investment in new financial institutions providing loan and patient capital to the social economy is a powerful leverage to attract private capital, as is linking the social economy with ethical and responsible investment.*

Procurement can increase the market capacity of the social economy significantly. This is a direct and effective policy measure and the difficulties of countering accusations of unfair competition by the public sector will be considerably reduced when the public is better informed about the societal objectives served by social enterprises as well as about the nature and roles of the organisations included under this definition. For government, the multiplier effects of creating and assuring large markets for the social economy are clear.

Labour market strategies include not only those raised in this report as such developing and supporting WISE and adapted enterprises for the disabled, but also promoting new sectors such as social services and home care, often carried out in the informal economy. Certification of the work carried out by home care workers, for example, has positive implications for those performing these tasks. It also provides reassurance to the elderly who are in the care of strangers. Developing this sector also generates tax revenue for government, lost in the informal provision of homecare.

Business training is essential for many social economy enterprises and organisations. Government support for this must be perceived as similar to investment in WISE with the exception that this investment is at the start-up or even pre-start phase. In this context, Priority IV of the amended Law on Public Benefit and Volunteer Work, to develop social entrepreneurship, and its commitment to promote broader partnerships by including the business sector, is an important step. This will address many of the barriers and challenges faced by social enterprises that need support and guidance to develop management practices and strategies to gain wider access to markets.

Access to capital is critical to the development of the social economy. This includes developing a financial architecture of social or solidarity finance that includes both loan capital and patient or quasi-equity capital tools. It also requires a diversity of financial products to correspond with the life-cycle of social economy enterprises and organisations (start-up, or even pre-start up in some cases, consolidation and growth) and with their specific needs. These can be designed to serve individual sectors such as an investment fund for co-operative or non-profit housing, for example, or as investment instruments available across sectors. Today, financial innovation is inspired by the growing field of social finance in many parts of the world. As in all cases, replication is not a reasonable recommendation. However, learning and adaptation are certainly in order, given the opportunities to study these innovations as they occur elsewhere. The role of government is critical in this context and may take different distinct or combined forms, such as guarantees, direct financial contributions and enabling fiscal policy. Various approaches may be taken such as the development of new financial instruments and institutions and/or the engagement of existing financial institutions as investors in the social economy with appropriate protection against risk. Today, there are also possibilities associated with the growing commitment to socially responsible investment. This is perhaps new in the Polish context, but the growing commitment to sustainable development and ethical investment, are seeds for developing a new social finance sector.

The important research in recent years in Poland on developing new financial instruments needs to be part of the current policy dialogue on the social economy. Polish scholars have studied different models abroad to develop a model that best suits the needs of the social economy in Poland. The co-operative banks in Poland must be part of this discussion. The Social Economy Fund developed in the Małopolskie region could serve as a prototype for the development of social finance in Poland. As the members of this fund include the BGK, Krakowski Co-operative Bank, the Society for Social and Economic Initiatives SA and the Małopolskie Agency for Regional Development, this represents an important example of how such funds can be constituted to represent the diversity of actors involved in developing social economy initiatives and can serve as an important example for other regions in Poland. The research undertaken by the Krakow University of Economics that identified the need for finance capital and equipment as the two most difficult problems facing social economy actors, also affirms the vital role that universities can play to support the development of the social economy by providing the background research necessary to promote innovative and purposeful initiatives. This role is essential. Financial innovation abroad has benefitted greatly from collaboration between established and new actors in the social economy and university researchers who have developed new instruments and providers together. The Małopolskie initiative confirms both the ability to develop new financial instruments in partnership with government and the importance of enabling research.

Serious consideration should be given to instituting three year budgets for social economy projects at the poviats and gminas levels and to developing the means to implement longer term budgets. In lieu of this, or perhaps in conjunction with it, the development of regional social economy funds for the social economy should be seriously considered, based on the model found in the Malopolskie Voivodeship.

Short one year budgets are simply not conducive to the development and sustainability of social economy organisations and their activities. Efforts must be made at the poviats and gmina levels to rectify this adverse situation. Some argue that two year budgets for social projects are a minimum. However, since even this time horizon seems short, consideration should be given to instituting three year budgets for social economy projects at the poviats and gminas levels and to developing both the means to implement longer term budgets and built-in mechanisms and provisions for negotiating renewal of existing budgets without what are often lengthy procedures involved in initial allocations. This does not suggest automatic renewal procedures; rather it suggests tying budgetary decisions to mid-term and end of term evaluations of achievements and needs. It also implies that certain organisations and activities will be eligible for recurrent funding over longer periods of time, since not all social economy organisations can achieve financial independence.

Within a logic of investment in the public good and/or contract for service, such ongoing financial engagement by government needs little justification. For government, it means working closely with different sectors and actors in the social economy to determine the feasibility of financial independence. This will most likely result in developing a range of support from full financial autonomy within a protracted period (following the first three year funding period), to the need for extensive financial engagement (certain service sectors that cannot and should not be expected to achieve financial autonomy), to a number of in-between sectors and activities that can generate income to cover some of their operations. This understanding of the variability of social economy organisations and activities will contribute both to enhancing their capacity and to transforming state engagement from top-down uniform funding mechanisms to a collaborative process of policy innovation with flexible and more customised funding mechanisms.

While social exclusion clearly represents a major social problem in Polish society, the question is what role the social economy can play to address this difficult and complex issue that requires several layers of intervention and support. Certainly, improving the access of disabled people to secondary and higher education is paramount to increasing the possibilities for employment. **A ten to twenty year nation-wide programme designed to remove all the major institutional and cultural barriers to the full participation of disabled people in elementary, secondary and higher education, and thereby also in working life, should be developed by all gminas, poviats and voivodeships in Poland. Such education and training facilities and activities could be organised in close co-operation with the social economy with appropriate support and regulations. This programme should be co-ordinated by a multi-level and multi-stakeholder body at the national level with the authority to monitor progress in this crucial area of social exclusion.**

A focused ten to twenty year programme aimed at eliminating the institutional and cultural barriers to secondary and higher education for disabled people would seem both highly appropriate and timely. In exploring the role of the social economy, a better understanding of the needs of this very large population of disabled people is critical. There is no one single solution to respond to a range of disabilities. That said, the exclusion of people with disabilities from participating as active citizens in society must be a priority. This holds true whatever the range and extent of disability. The social economy can certainly play its part in this process, but as complementary to many other programmes provided by public institutions including health care, education, labour market training, and so on.

Issues of social exclusion cannot be resolved by the social economy alone. The social economy has a vital role to play in Poland and in numerous countries, as this report has confirmed, but is part of a policy regime that must apply integrated solutions, combining different approaches in collaboration with a diversity of actors to meet this challenge. For the disabled, social economy enterprises provide productive employment contributing to self-esteem and improvement in the lives of these people. Nearly 40 years ago, critical work in Italy confirmed the need to transform the treatment for intellectual disabilities from one based on institutionalisation and medication to transformative social and work experiences for many of these people. The problem is complex and has to be approached from a broad perspective. Rather than ignoring the larger structural barriers to the full participation of the disabled in society and passing this responsibility to a weaker partner like the social economy, a danger identified in this report, a national co-ordinated strategy is necessary to meet what is a serious long-term and structural challenge. However, this will clearly not happen overnight. Demands for change and pressure for its realisation must begin at the local level. This, in turn, will only succeed when concerned public servants and politicians at the local level begin to demand serious analysis of these educational barriers and call for long-term changes.

To assume that the social economy alone will address the complexities associated with disabilities is short-sighted. While there is evidence that the disabled benefit from productive work and numerous social economy enterprises in different parts of the world are employing these individuals, in Poland, their large numbers suggest that the more fundamental barriers have to first be met with appropriate policy measures. The social economy enterprises for the disabled will be better able to achieve their objectives and develop not only productive employment for disabled people but contribute to local development in communities. More positive results will be achieved by recognising the need to integrate education, health and labour market policy in a strategy to support the social economy. This is a useful example of the need for a systemic approach that actively includes the social economy.

Strengthening Networking Capacity

The Ministry of Labour and Social Policy should critically review current efforts to promote intermediary organisations for the social economy. In doing so, the Ministry should take into account the need to define the social economy more broadly and make an effort to expand it from the current highly focused solutions to particular social problems, such as social exclusion. The current limitation of the Polish understanding of the social economy and its strong focus on social inclusion tend to restrict the effective application of policy and ghettoise the social economy. If it were broadened to include the production of goods and services of general interest, not only would its field of operations grow accordingly, but also its capacity to develop correspondingly broad intermediary organisations at local, regional and national levels.

The lack of an independent, self-sustained intermediary organisation for the social economy, broadly defined, or even for social co-operatives, narrowly defined, constrains the extensive and protracted efforts to promote the social economy by the Ministry of Labour and Social Policy. Reasons for this need to be analysed in detail in each voivodeship, powiat and gmina and suggestions for removing such barriers need to be made. These barriers can take the form both of doing too little or doing too much to promote the social economy, as underscored in this report. They may also reflect the complexity and fragmentation of the administrative and financial system that include multiple contact points for fledgling intermediary organisations. Such complexity and fragmentation also disperse the efforts of intermediary organisations for the social economy and limit the support that such contacts can provide.

The need for policy coherence and the development of intermediaries has been repeatedly raised in this report. It further noted the importance of the collaboration between SKES and the Social Economy System Solutions Team created by the Prime Minister at the national level, and the creation of the Małopolskie Pact at the regional level, which are significant examples of an existing commitment to create

multi-stakeholder intermediary organisations or networks that represent the diversity of the social economy. But for these initiatives to be effective, they must be provided with the resources necessary to allow them to carry out their collaborative work. Moreover, resources must also be provided to transfer these experiences to other regions. The information and co-ordination asymmetries that fragmentation and the absence of policy coherence have generated can only be addressed in such hybrid, horizontal and multi-stakeholder intermediaries. This needs to be developed at all levels and co-ordinated at higher jurisdictional levels.

There are useful examples of the effectiveness of intermediaries in other parts of the world that can reinforce the efforts already in place in Poland and the need to support the emergence of intermediaries throughout the country. Policy efficiency and cost effectiveness are important goals for government. Both of these have been compromised by the fragmentation and incoherence of the current social economy policy framework in Poland. This is largely due to the decentralisation of responsibility for the social economy without building an enabling institutional environment to effectively carry out objectives. There is a large knowledge gap to be filled within the regions.

Intermediaries in Poland will face an additional challenge that must be addressed. They will emerge in an environment in which policy parameters for the social economy already exist. The noted benefit of a process of co-construction and co-governance of social economy policy must, however, not be lost, even though policy priorities and modalities are in place. That the Polish government is examining the effectiveness of its policies to enable the social economy, suggests that proposals emanating from these intermediaries will be well received. To avoid a patchwork approach to the social economy, the governance of intermediaries at the regional level will include representatives from the poviats and gminas; the governance of a national intermediary must include representation of regional (voivodeship) intermediaries. The possibility of creating a national pact to promote the social economy would be very welcome.

In spite of the challenges and shortcomings discussed in this report, it should be made very clear that Poland has made significant and notable progress in adopting the new and relatively unknown concept of social economy and developing much of the necessary infrastructure to sustain its development, both at the national, regional and local levels. In fact, Poland has clearly come much farther in developing this area than any of its regional neighbours in the CEE (Central and Eastern Europe) and CIS (Commonwealth of Independent States) countries. Polish documentation of and research on developments in this area are impressive and serve as a good example in the wider region. Therefore, the “Polish model” for actively promoting the social economy and social enterprises provides a best practice that could be used to promote similar developments throughout the regions of the CEE and CIS countries. **Consideration should, therefore, be given to establishing a training centre in Poland, supported and funded by relevant European and international bodies, at the national level for promoting the social economy in Poland, which would also provide training in the Poland regions. In addition, an academic journal on the social economy and social enterprises in the CEE and CIS region, could be promoted in Poland.** It would be similar to the academic journal *Emergo* established at the Krakow University of Economics in the early 1990s on important issues concerning economic and social transitions in the CEE countries.

Academics in Poland should be encouraged to participate actively in existing networks to promote and spread formal knowledge about the social economy. There are many examples of networks, conferences and seminars which bring together academics and experts to consider the social economy. They form an important opportunity not only to learn from what is happening in other countries and regions vis-à-vis the social economy, but also to share the experiences evident in Poland.

Finally, government support is necessary for ongoing research on the social economy. But this must go beyond traditional applied research in universities and the development of new curricula. While

these are essential to expand knowledge about the social economy and to prepare a new generation of university graduates who will be better equipped to understand the complexities, needs and objectives of the social economy, it is insufficient. ***Research partnerships between university based researchers and practitioners have to be developed and institutionalised. Popularisation of research results could also be promoted. Just as the benefits to government from the co-construction of policy have increasingly become clear, the co-construction of knowledge has demonstrated benefits both to practitioners and to researchers.*** For practitioners with specific research needs, these partnerships are invaluable. For researchers, the ability both to provide information and to conceptualise new patterns of resource allocation and income distribution emerging in the social economy are invaluable to construct a theoretical framework that provides a basis for better understanding the impact of the social economy on the economy and society. It is recommended that the Polish government study international examples of institutionalised partnership research such as the Community-University Research Alliances, funded by the Social Sciences and Humanities Research Council in Canada. This alliance has supported partnership research on the social economy across the country and has contributed to knowledge mobilisation and policy development in several regions across the country. There are other *de facto* or *ad hoc* research partnerships in many parts of the world and large organisations such as the labour movement and the co-operative sector have their own established research capacity. Innovations such as the Community-University Research Alliances are transferrable and they institutionalise a new approach to applied research that is best understood as the *co-construction of knowledge*. This is distinct from more corporatist/sectoral or policy research environments or consultancies. It is both hands off and hands on, bringing together the many stakeholders, including researchers, to work collaboratively on setting research priorities, establishing the methodologies and diffusing the results.

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ENDNOTES

- ¹ A non-profit conceptual framework has been provided by the American Johns Hopkins University since 1990. According to this conceptual framework, non profit entities share some common features. They are: *organisations* (they have an institutional presence and structure); *private* (they are institutionally separated from the state); *not profit distributing* (they do not return profits to their managers or to a set of “owners”); *self-governing* (they are fundamentally in control of their own affairs); *voluntary* (they attract some level of voluntary contribution of time or money) (Salamon and Anheier and Associates, 1999).
- ² A decisive step in defining the theoretical basis of non-profit organisations and the non-profit sector was marked by the work of the Filer Commission and in 1976 the Yale University *Program on Non-Profit Organizations*, involving 150 researchers (Borzaga and Defourny, 2001).
- ³ Other definitions especially used in the United States are: independent sector and NGO. The term NGO is normally used to designate non-profit organisations that perform their activities in the developing world. Nevertheless, the term tends to be used to refer also to organisations engaged in the promotion of economic and social development at a grass-roots level.
- ⁴ Sociologists and political scientists refer often to Karl Polanyi’s approach, which identifies three economic patterns: market, redistribution, and reciprocity (Polanyi, 1944). According to the “tri-polar” approach, the third sector occupies an intermediate space in which the different poles can intersect (Pestoff, 2005; Evers and Laville, 2004).
- ⁵ Regulation 108/2006 only allows for support to people threatened by social exclusion with view to their sustainable integration in employment and to combating all forms of discrimination in the labour market. Thus, a social enterprise receiving such support becomes a WISE because most funds for them are financed by EU programmes and have to obey their rules.
- ⁶ But there is a definition of “social reintegration” in the Act of Social Employment.
- ⁷ Some have argued that the main reason for the lack of collaboration between local authorities and social economy organisations is lack of trust in them and a lack of confidence that the public money will be spend properly and for eligible expenses.
- ⁸ The founding members of CoopEst are: *Crédit coopératif*, *MACIF Participations* and *IDES Investissements in France*; *Compagnia Finanziaria Industriale* (CFI) and SEFEA in Italy; Soficatra in Belgium and Bank BISE, Poland. Other investors include the International Finance Corporation (IFC-World Bank), *Crédit Mutuel* (France), APS Bank (Malta) and the *Cooperazione Trentina* (Italy). CoopEst works through local financial intermediaries.
- ⁹ This multi-stakeholder team, chaired by the Secretary of State in the Ministry of Labour and Social Policy, includes representatives from numerous ministries in government: Education, Finance, Science and Higher Education, Regional Development, the Department of Public Benefit, the Ministry of the Economy, representatives of various local government units, as well as the Strategic Advisors Group to the Prime Minister. It is also made up of non-government representatives including researchers from the University of Warsaw and the Krakow University of Economics, representatives of major foundations, such as

BARKA, NIDA and Caritas Kielce. Two social economy networks, the Standing Committee of the Social Economy and the National Association of Co-operatives are also members of this team.

¹⁰ While this may be justified by taking into account disabled employment rate or other indicators related to this group, at the same time it does so at the expense of other groups.

¹¹ However, some may argue that the HCOP still promotes horizontal issues, *e.g.* partnership, local development, equal opportunities, gender mainstreaming, empowerment and so on. Also, target groups that previously received support in the EQUAL projects gain support in the HCOP as well: like ex-inmates, disabled, young mothers, Roma minority, etc. However, comments heard during the June visit of the OECD team to Poland tend to undermine this optimistic interpretation.

¹² It is worth emphasising the team is already working on comprehensive legislation for social economy - which will contribute to reducing fragmentation of the social economy.

¹³ In addition, some experts point to potential problems with state aid as well, particularly in the future, and especially in the context of financing SE entities from structural funds.