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

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

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Draft paper prepared for the UNRISD Conference

Potential and Limits of Social and Solidarity Economy

6–8 May 2013, Geneva, Switzerland

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Introduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Why co-construction

1.1 Co-construction allows the SSE to realize its potential

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

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

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

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

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

1.2 Co-construction reduces information asymmetry and transaction costs

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

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

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

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

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

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

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

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

Initial policy design may not be able to foresee all of the outcomes of a policy or how the environment it applies to will evolve. But by ensuring that all parties are actively

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