

# Legal frameworks for the social and solidarity economy

**OECD Global Action**

Promoting Social & Solidarity Economy Ecosystems



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## OECD Global Action “Promoting Social and Solidarity Economy Ecosystems”

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The OECD Global Action “Promoting Social and Solidarity Economy Ecosystems”, funded by the European Union, through its work stream on legal frameworks, endeavours to: 1) increase knowledge and understanding on legal frameworks for the social and solidarity economy; 2) explore approaches and trends of legal frameworks to regulate the social and solidarity economy as a whole and social economy organisations; and 3) understand how legal frameworks can be used to promote and develop the social and solidarity economy in different contexts. This paper defines the legal notions, traditions and approaches to better understand legal frameworks that regulate the field. It presents and analyses the diversity, relevance and implications of legal frameworks that regulate the social economy; takes stock of the processes that lead to their design and implementation; identifies possible criteria for assessing their performance; and highlights the crosscutting issues and policy examples that could inspire countries.

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# Executive summary

## A variety of legal frameworks for the social and solidarity economy are increasingly being adopted

**The social and solidarity economy (SSE) and supporting policies have grown steadily across many sectors of activity over the past three decades.** The expansion of the SSE is partly due to the adoption by many national and subnational governments of legal frameworks to reinforce visibility, recognition and clarity around SSE organisations or the SSE as a whole as well as the types of support these entities can benefit from. The objective is also to allow more recognition and visibility in the market for SSE organisations. However, despite this progress, the design and implementation of legal frameworks for the SSE remain challenging due to the complex policy-making that the adoption of legal frameworks entails and the diverse understanding around the SSE, thus highlighting the need for international guidance to better understand the approaches and options for their adoption and the various purposes they can serve.

**All countries have introduced legislation for the SSE at the national and/or sub-national level.** Every country targeted by the Global Action has adopted at least one law on specific legal forms of SSE organisations (associations, cooperatives, foundations, mutual societies and social enterprises), while seven countries (France, Greece, Italy, Mexico, Portugal, Romania and Spain) have adopted a national framework law on the SSE<sup>1</sup> as a whole or on a set of SSE entities. A number of countries report that they are in the process of drafting or adopting additional laws on specific SSE organisations (e.g. India on cooperatives and the Netherlands on social enterprises).

**There is significant diversity in how countries have developed their respective legal frameworks. Two broad approaches to regulating the SSE can be identified.** Some countries such as Luxembourg and Greece utilise a substantial approach that provides a guiding set of principles and values of the SSE (e.g. primacy of people over capital, democratic and participative governance, general interest, etc.). Others such as Mexico and Portugal use a primarily statutory approach that identifies the specific legal forms that comprise the SSE (e.g. mutual societies, cooperatives) complemented with common principles and values of the SSE. This hybrid approach highlights both the common and cohesive characteristics of the SSE as well as the diversity of its actors.

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<sup>1</sup> The term “social and solidarity economy” refers to the set of entities and community-based organisations, whose activity is driven by values of solidarity, the primacy of people over capital, and democratic and participative governance. In some countries, this term is not widely used and can be referred to as the social economy, the third sector, the solidarity economy or the social sector of the economy, although these designations do not exactly coincide from a conceptual perspective (OECD, forthcoming<sup>[64]</sup>; Galera and Chiomento, 2022<sup>[65]</sup>). In the framework of this scoping paper, the term “social and solidarity economy” will be used to designate this field and define the scope of analysis, though acknowledging conceptual and country variations among these notions.

## The design of legal frameworks is shaped by historical and local factors, welfare state conditions and crises

**Legal frameworks are conditioned by national and local social, economic and institutional contexts.** They evolve differently in countries with centralised or quasi-federal and federal systems of government where both national and subnational levels can legislate (e.g. Brazil, Canada, Spain). Legal traditions such as common or civil law systems, as well as existing legislation influence the development of legal frameworks. For example, consultations with stakeholders in countries with a common law tradition such as the United States indicated that the lack of case law for new legal forms creates hesitancy in adopting them. Country-specific and global crises such as the Asian financial crisis of the 1990s and the 2007-2008 global financial crisis also contributed to the expansion of legal frameworks for the SSE. For example, Korea adopted the Social Enterprise Promotion Act in 2007 to help offset the effects of the global financial crisis, and the European Commission launched the Social Business Initiative in 2011 to support social enterprise models. Welfare state development is another factor that can shape the need to support SSE development and countries' readiness to legislate on the SSE. For example, consultations with stakeholders in some countries (e.g. Denmark) with mature welfare states have revealed a lower need to develop strong SSE ecosystems. In other countries, legislation for the SSE targeted organisations with a focus on serving broader communities and/or able to fill certain gaps in the provision of public services (e.g. India). The emergence of SSE ecosystems is not always linked to the welfare state development. SSE ecosystems can develop from the bottom-up even in countries where the welfare state is developed (e.g. France, the province of Quebec, Canada), and not all of the SSE entities provide goods and services that substitute or complement public services. For example, cooperatives serve their members in a variety of services and production activities.

**The maturity of the SSE ecosystem also affects the impact and therefore the development of legal frameworks.** The timing for the introduction of legal frameworks with respect to the level of development of the SSE ecosystem components (e.g. the institutional framework, access to finance and markets, business development and skills or the social impact measurement) matters. In many countries, the SSE ecosystem remains fragmented, with the various types of SSE entities operating independently from each other, having access to different markets and being regulated by different legislation. New legislation introduced to regulate either specific entities or the SSE as a whole can stifle innovation and constrain the development of the field, in particular when the ecosystem is not ready or when stakeholder consultation has not been wide and open enough so as to reflect social economy organisations and entities' needs or priorities. Some countries, based on local conditions and specificities, can decide that a legal framework is not always necessary to support the SSE as a whole and their adoption might restrain innovation. The need for legal frameworks develops as momentum and demand for the social economy grows. The Netherlands, for example, has a thriving social enterprise ecosystem despite the lack of a specific legal status. Only after social enterprises developed organically across the country was a formal legal status proposed in early 2021.

**However, the absence of a legal framework can eventually contribute to uncertainty and discourage further SSE development.** For example, Slovakia adopted a law that defined the social economy and created a specific legal status for social enterprises. Before the law, the scope of the SSE was limited in the country. The adoption of this law enabled vital access to finance from the EU and gave new legitimacy to social enterprises. The positive outcomes achieved by these different approaches highlight the importance of timing as well as national context in developing effective legal frameworks for the SSE.



## Legal frameworks create important opportunities for the development of the social and solidarity economy but countries also can choose not to adopt them

**Legal frameworks deeply influence the development of the SSE ecosystem and can be helpful in a number of ways.** Legal frameworks can help raise visibility and recognition to SSE entities, supporting them to enter new markets, access finance, and gain public recognition such as in France and Spain. In certain target countries, they played important roles in facilitating the development and expansion of the SSE, and in some cases, in bringing more consistence among its various components.

**However, some countries have decided that they are not the best available policy option so far to support the development of the SSE.** For example, the Netherlands and Poland have developed strong areas on the SSE without developing comprehensive legal frameworks, thus accelerating momentum in those parts of the social economy that are targeted. In some target countries, legal frameworks have constrained the development of the SSE to specific sectors (e.g. social services) or legal forms (e.g. cooperatives). They can also inhibit innovation and discourage the uptake of certain types of SSE organisations and/or their engagement in certain activities. Legal frameworks can also be politically challenging and slow to develop compared to other policy options, depending on the national context.

**Other policy measures interact with legal frameworks and in some cases can be used alternatively to support the SSE such as strategies, action plans or targeted measures.** Some countries choose to support the development of the SSE by providing financial support, creating tailored business support mechanisms and developing support infrastructure such as incubators and accelerators and creating institutional mechanisms to co-ordinate policy making for the SSE. In some target countries, policy makers have leveraged these policy initiatives to support the development of the SSE without adopting specific legal frameworks.

## Designing effective and supportive legal frameworks is challenging and requires stakeholder engagement and monitoring

**The complex policy making process to develop legal frameworks can be challenging unless it benefits from comprehensive preparation and stakeholder involvement.** For example, stakeholder input was an important factor driving the decision to propose a specific legal status for social enterprises in the Netherlands. This proposed status is open for public comment and feedback, helping to ensure that it meets the needs of SSE organisations. Actions like this help policy makers determine the correct course of action as well as the appropriate moment to do so.

**Few countries and regions with legal frameworks for the SSE include mechanisms to evaluate their performance and amend them as necessary.** Despite the widespread adoption of legal frameworks for the SSE among target countries, few of the relevant laws include provisions for their evaluation (e.g. the Province of Quebec, Canada, Luxemburg). This makes it difficult to assess the performance of legal frameworks and ensure that they reflect the specific needs of SSE organisations. The lack of evaluation can also inhibit adapting legal frameworks to the evolving needs of SSE organisations, causing them to place otherwise avoidable competitive impediments.

**The growing importance of the SSE coupled with actions by countries to develop legal frameworks has reinforced the need for international guidance.** Target countries signalled the need for guidance to leverage on international best practices and experiences of design, scope, definitions, implementation and monitoring to further develop the SSE. The OECD, among other international initiatives, is developing comprehensive, high-level policy guidance to equip policy makers to navigate this complex area.

# 1 Introduction

**The social and solidarity economy (SSE) is playing an increasingly important role in many communities, regions and countries.** SSE organisations have provided critical services during the COVID-19 crisis to their communities to offset the social, economic and health consequences of the pandemic (OECD, 2020<sup>[1]</sup>). This has highlighted the important contribution of the SSE in not only mitigating crises but also building back better to improve the resilience of economies and societies (OECD, 2018<sup>[2]</sup>). Beyond its repair function and crisis-management capacities, the SSE has emerged as a critical lever to building more inclusive economies and societies. It is an important vehicle for social innovation, durable employment and sustainable and inclusive growth. The SSE accounts for roughly 6% of all employment in the European Union.<sup>2</sup> The steady expansion of the SSE coupled with its contribution and potential to address the social and economic challenges arising from changes in global trends and the future of work, such as automation or growing urbanisation, have led many countries to initiate policies, strategies, action plans and legal frameworks to support it (OECD, 2018<sup>[2]</sup>). Building conducive policy ecosystems, including through the adoption of legal frameworks when relevant, is required to realise the full potential of the social and solidarity economy and support its contribution to the local employment and socioeconomic development.

## The importance of legal frameworks for the social and solidarity economy

**Legal frameworks are a critical component of the policy ecosystems that support the development of the social and solidarity economy** (OECD/European Union, 2017<sup>[3]</sup>). Legal frameworks can help promote the social and solidarity economy as a lever for socioeconomic development and have a significant impact on the visibility and recognition of the field. The adoption of specific laws might help reinforce the identity of the field and its actors by bringing clarity on the nature, roles and activities of the social and solidarity economy entities, which also enable external stakeholders understand the benefits of supporting them. Legal frameworks can also help the adoption of policy tools and targeted public support schemes, including financial and non-financial mechanisms.

**Over the past ten years, several countries – European, OECD and beyond – have adopted specific legal frameworks on the social and solidarity economy or specific components of it to promote its development.** Some countries recognise the field, using different terms, such as the social and solidarity economy, the social economy or the third sector, or applying the same concept in different ways. Some other countries recognise and have regulated specific entities that compose the social and solidarity economy, such as associations, cooperatives and more recently social enterprises. The increased interest of policy makers is also observed in draft laws (regulations), systems of accreditation such as labels, national strategies and/or plans. Understanding the experiences of different countries and regions in the design and implementation of these legal frameworks and policies offer lessons to further develop and improve them, especially concerning possible bottlenecks or success factors. Please refer to Annex B and Annex D to see a list of relevant laws and regulations in all target countries.

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<sup>2</sup> [https://ec.europa.eu/growth/sectors/social-economy\\_en](https://ec.europa.eu/growth/sectors/social-economy_en).

**This paper clarifies why and how different legal frameworks adopted to regulate SSE and its entities have been designed and developed, the context and conditions under which they have been developed, and how their performance and impact are assessed.** It focuses on refining the understanding around legal frameworks for the social and solidarity economy, which include framework laws or specific laws as well as elements of organisational law (i.e. legal features provided by company law, association law, cooperative law, etc.) that covers the social and solidarity economy entities (associations, cooperatives, foundations, mutual societies and social enterprises). Supporting legislation, such as tax law or financial law, are included when relevant. It also covers legal frameworks for the SSE at the national and subnational level. The objective is to highlight the diversity of legal frameworks, and also to explore how federal countries ensure coherence among different legal frameworks.

**Countries targeted for this work are the 27 EU Member States as well as six additional countries: Brazil, Canada, India, Korea, Mexico and the United States.** The paper gathers original data using a combination of survey data, desk research, literature review, expert consultation meetings, focus groups and interviews. Using this data, this paper documents the diverse approaches and traditions informing legal frameworks across the participating countries and assesses how recent legal, institutional and political changes affected legal frameworks for the SSE as well as its overall recognition. It also considers the influence of national and subnational contexts on the design, adoption and implementation of legal frameworks for the SSE. It assesses the conditions in which legal frameworks emerge and evolve over time, or alternatively lead certain countries not to adopt legal frameworks for the social and solidarity economy at all.

**The scoping paper will not tackle technical legal issues or analyse the specific legal provisions to include in legal frameworks for the social and solidarity economy.** Its main objectives are to:

- capture the diversity, relevance and implications of legal frameworks that regulate the social economy within different contexts;
- take stock of the processes that led to the design of these legal frameworks;
- identify possible criteria for assessing their performance; and
- highlight the crosscutting issues and policy examples that could inspire countries.

# 2 Understanding legal frameworks for the social and solidarity economy

**This section defines the social and solidarity economy as well as the legal notions and traditions (civil law and common law) that help better understand legal frameworks that regulate the field.** It also explains the difference between framework and specific laws and how regulation is developed at national and/or subnational level depending on the administrative organisation of the state: unitary, federal or quasi-federal.

## Defining the social and solidarity economy

### ***Social and solidarity economy***

**The social economy refers to the set of associations, cooperatives, mutual organisations, foundations and, more recently, social enterprises, whose activity is driven by values of solidarity, the primacy of people over capital, and democratic and participative governance** (OECD, 2018<sup>[2]</sup>). Social economy organisations distinguish themselves in two respects: their *raison d'être*, as they primarily address societal needs and pursue a social purpose, and their way of operating because they implement specific business models based on collaboration, typically at the local level.

**The solidarity economy aims to transform economies and societies to adopt practices based on solidarity and social inclusion.** The term has different meanings depending on the geographical context in which it is used. In South America, especially in Brazil, it mainly refers to the popular economy<sup>3</sup> and to self-governed economic initiatives in rural and urban areas. In Canada, it is linked to community economic development that refers to local action by people to create economic opportunities that improve social conditions, particularly for those who are most disadvantaged (Canadian Community Economic Development Network, n.d.<sup>[4]</sup>). In Europe, it also includes solidarity initiatives, mainly, but not exclusively, in proximity services (e.g. elderly or child care services) (European Union, 2012<sup>[5]</sup>; Noya and Clarence, 2007<sup>[6]</sup>).

**Sometimes the term solidarity is used in association with the term social economy to capture the diversity of approaches** and encompass the set of associations, cooperatives, mutual societies,

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<sup>3</sup> The popular economy consists of spontaneous initiatives that are not covered by formal arrangements on taxation, social protection, minimum wage regulations, unemployment benefits or legal registration. It comprises self-employed, microenterprises, traders and self-help practices. The popular economy and the solidarity economy are not the same, but they are aligned in many ways insofar as actors often find collective ways of meeting social and economic needs, as evidenced for example by lending circles, community kitchens and other mutual aid and insurance practices (RIPESS, 2015<sup>[6]</sup>). Close to the concept of popular economy is that of the informal economy that “refers to economic activities and transactions that are sufficiently hidden so that they are unmeasured or untaxed, and it is presumed that economic agents are at least passively aware that bringing these activities to the attention of authorities would imply tax or other legal consequences. In addition, the focus tends to be limited to only marketable activities involved in the production and transaction of legal goods and services” (Andrews, Caldera Sánchez and Johansson, 2011, p. 7<sup>[6]</sup>).

foundations and social enterprises, as well as community-based, grassroots and more spontaneous<sup>4</sup> initiatives aimed at experimenting with new paths of economic development.

### ***Social and solidarity economy organisations***

The social and solidarity economy refers to four groups of entities that share common principles and practices – the association, the cooperative, the foundation<sup>5</sup> and the mutual society –, to which the notion of social enterprise has been added more recently in order to recognise entrepreneurial and market-oriented approaches driven by the objective to serve the general interest or the interest of specific vulnerable groups.<sup>6</sup> Two parallel dynamics led to this recognition: new trends of cooperatives and mutual societies towards the pursuit of general interest aims and the shift of associations towards an entrepreneurial stance.

An **association** or **voluntary organisation** is a self-governing, independently constituted body of people who have joined together voluntarily to take action for the benefit of the community. They are not established for financial gain (OECD, 2003<sub>[7]</sub>).

A **cooperative** is an autonomous association of persons and/or legal entities united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (International Cooperative Alliance, 1995<sub>[8]</sub>; International Labour Office (ILO), 2018<sub>[9]</sub>). As defined by the International Cooperative Alliance (1995<sub>[8]</sub>), the cooperative principles include: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and, concern for the community. A cooperative includes one or more kinds of users or stakeholders, which enables to distinguish four main types of cooperatives, namely the producer cooperatives, worker cooperatives, consumer/user cooperatives, and multi-stakeholder cooperatives (International Labour Office (ILO), 2018<sub>[9]</sub>).

**Foundations** are philanthropic organisations, organised and operated primarily as a permanent collection of endowed funds, the earnings of which are used for the long-term benefit of a defined geographical community or non-profit sector activity. Foundations operate as grant-making institutions, and also as providers of social, health and cultural services. It thus provides a significant link between the private and non-profit sectors, acting as a recipient of private capital and a funder of non-profit organisations. Foundations are tax-exempt, incorporated, not-for-profit and organisationally autonomous (Noya and Clarence, 2007<sub>[6]</sub>).

A **mutual society** is an organisation owned and managed by its members and that serves the interests of its members. Mutual societies can take the form of self-help groups, friendly societies and co-operatives. Mutual societies exclude shareholding as they bring together members who seek to provide a shared service from which they all benefit. They are widely represented in the insurance and health sectors (Noya and Clarence, 2007<sub>[6]</sub>).

A **social enterprise** is any private entity whose activity is conducted in the general interest or in the interest of specific vulnerable groups, and whose main purpose is not the maximisation of profit for the sake of personal enrichment but its reinvestment for the continued attainment of its social and societal goals. It

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<sup>4</sup> This scoping paper focuses on formal SSE entities that have a legal existence and are regulated through legal frameworks.

<sup>5</sup> Foundations were included in the social economy in some countries (e.g. France) as an increased number of foundations adopted social economy values and principles. Foundations may not always be included in the scope of the social and solidarity economy, as in Korea, Mexico and Quebec (Canada).

<sup>6</sup> Social entrepreneurship refers to a field that is distinct from but sometimes overlapping with the social economy. It includes a broad set of initiatives with a social impact dimension in a spectrum ranging from for-profit to non-profit entities. Likewise, social innovation covers the design and implementation of new solutions that imply conceptual, process, product, or organisational change, which ultimately aim to improve the welfare and wellbeing of individuals and communities. While the social economy and civil society are often engaged in social innovation, it can also arise in other fields like the public sector or the traditional private sector.

has the capacity for bringing innovative solutions to social problems, among which are social exclusion and unemployment (OECD, 1999<sup>[10]</sup>). The OECD definition considers that social enterprises emerge from the social economy and extend the scope of the social economy beyond its traditional forms. The European Commission has defined a social enterprise as “an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities” (European Commission, 2011<sup>[11]</sup>).

## Defining legal notions

### Legal and regulatory frameworks

**Legal frameworks refer to statutory<sup>7</sup> laws, framework or specific, enacted by parliament.** Their main objective is to support policy implementation across levels of government through the notions of *obligation* and *enforcement* (Terpan, 2015<sup>[12]</sup>). The distinction between legal and regulatory frameworks is clearer in some EU jurisdictions than in others. In France,<sup>8</sup> for example, the distinction has been added in the Constitution, which is not the case in all countries.

**In OECD countries, regulation refers to the set of instruments by which governments enforce requirements on enterprises and citizens.** Regulation include laws, formal and informal orders and subordinate rules issued by all levels of government, and rules issued by non-governmental or self-regulatory bodies to whom governments have delegated regulatory powers (OECD, 2018<sup>[13]</sup>). Regulation falls under two categories:

- **Primary legislation** also known as “principal legislation” or “primary law”, refers to regulations approved by the parliament or congress. This category further distinguishes between primary laws initiated by parliament and those initiated by the executive power.
- **Subordinate regulation** also referred to as “secondary” or “delegated legislation” includes regulations that can be approved by an executive authority such as the head of government, an individual minister or the cabinet. Examples include regulations, rules, orders, decrees, etc. Many subordinate regulations are subject to disallowance by the parliament/congress.

The distinction between primary and subordinate regulation is linked to the type of authorities/bodies that produce the “draft” law or regulation and those which approve it. Draft law or regulation is initiated by the government, even if it is ultimately approved by parliament. As such, it falls under “regulatory policy” and is considered a primary regulation or legislation if adopted by parliament and secondary otherwise. Table 2.1 distinguishes primary and subordinate legislation and provides the main advantages and disadvantages of both types of legislation.

**Table 2.1. Primary and subordinate regulation**

	Definition	Advantages for SSE	Disadvantages
<b>Primary legislation</b>	- Enacted by parliament - Refers to statutory laws: framework and specific	- Recognition of the field and the specificities of social and solidarity economy organisations through	- Process is time-consuming - Regional and local authorities might be restricted in enforcing legal

<sup>7</sup> Statutory law is written law, adopted by parliament. Customary law or regulatory law is adopted by the executive or the judiciary power. Statutory law may originate from national and subnational level.

<sup>8</sup> <http://www2.assemblee-nationale.fr/decouvrir-l-assemblee/role-et-pouvoirs-de-l-assemblee-nationale/les-fonctions-de-l-assemblee-nationale/les-fonctions-legislatives/le-domaine-de-la-loi>.

	- The competence to design and adopt primary legislation is usually national but could be shared with subnational level in federal countries (e.g. Belgium, Canada) and quasi-federal countries (e.g. Spain).	legislation. - Clear definition of roles and responsibilities of stakeholders: state, social economy organisations, subnational authorities, networks, etc. - Better implementation of supporting measures.	frameworks.
<b>Subordinate legislation</b>	- Refers to procedures, regulations, guidelines adopted by the executive power: government to enforce laws. - The competence to adopt or enact regulatory frameworks is usually national but could also be shared with subnational level.	- Implements/complements legal frameworks - Clarifies or fills gaps.	- Requires coordination across levels of government - Time gap between the development of legal and regulatory frameworks: Laws can sometimes not be fully implemented because the decree for their application (more of a regulatory nature) takes long to be adopted.

Source: Authors' elaboration

### ***Civil law and common law traditions***

**Countries considered in this paper can be classified under two major legal traditions – civil law and common law.** These traditions impacted the development of regulation in general, including for the social and solidarity economy.

**The civil law tradition** refers to legislation developed in continental Europe in the Middle Ages. It originates in Roman law and uses statutes and comprehensive codes as primary source of regulation. Countries with civil law systems such as Brazil, most EU countries, Korea and Mexico have comprehensive legal codes that are developed and continuously updated (O'Connor, 2012<sup>[14]</sup>). This trend is also prevalent in their regulations for the social and solidarity economy. These countries developed legal definitions as well as overarching and specific legal frameworks for the social and solidarity economy either at national or subnational level (e.g. Brazil, Mexico) or both (e.g. Korea, Spain).

**The common law tradition** emerged in England in the Middle Ages. Contrary to the civil law tradition, common law is based on case law established by judges. As such, it is generally uncoded and does not lead to creating comprehensive compilation of regulation and statutes (O'Connor, 2012<sup>[14]</sup>). This also is reflected in regulation for the social and solidarity economy in common law countries such as Canada (except the province of Quebec), India, the United Kingdom and the United States. These countries didn't develop codified legal definitions for the social and solidarity economy or extensive specific regulation for its organisations (except in some cases for cooperatives, charities/trusts and non-profit organisations). For example, in the United Kingdom, social economy organisations such as cooperatives are registered under a variety of legislation: Industrial and Provident Societies Act<sup>9</sup> or Companies Act (Spear, 2014<sup>[15]</sup>).

### ***Framework and specific laws***

**Framework laws are general laws that signal a clear intention of parliaments to frame a whole-of-government approach to develop and mainstream the social and solidarity economy across sectors and policies** (Hiez, 2021<sup>[16]</sup>). They generally outline the principles and values of the social and solidarity economy, give a context-based definition of the field and its organisations and entities (e.g. Mexico) and support its scaling up. Framework laws, have flourished in many target countries: at national (e.g. France, Greece, Mexico, Romania, Spain, and Portugal) and subnational level (e.g. Province of Quebec, Canada) (Poirier, 2016<sup>[17]</sup>). Framework laws do not offer a comprehensive repository for all types

<sup>9</sup> An Industrial and Provident Society is an organisation that conducts a business or trade, either as a co-operative or for the benefit of the community. The Industrial and Provident Societies Act (1965) was repealed and replaced by the consolidating Co-operative and Community Benefit Societies Act adopted in 2014.

of social and solidarity economy organisations and entities. This is why they are most often preceded or complemented by specific laws (Hiez, 2021<sup>[16]</sup>).

**Specific laws are laws dedicated to social and solidarity economy organisations, namely associations, cooperatives, foundations, mutual societies and social enterprises.** They have significant impacts on the ability of social and solidarity economy organisations to engage in economic activities as they define their legal nature and governance structure and rules (Hiez, 2021<sup>[16]</sup>). In some cases, they might give a broad definition of the social economy (e.g. Luxembourg<sup>10</sup>). Target countries developed specific laws which provide details about legal forms/statuses, governance rules of social and solidarity economy organisations, and in some cases tax benefits they are entitled to. In some countries, specific laws have been updated and revised to ensure alignment with and/or implementation of the general principles set out in framework laws (e.g. France<sup>11</sup>).

**Specific laws introduce legal forms or legal statuses.** A *legal form* is the legal structure adopted by an organisation, e.g. association, or cooperative or limited liability company (ESELA, 2015<sup>[18]</sup>). Legislation that defines legal forms for SSE organisations establish specific purposes and set specific rules on the ownership, governance structure as well as distribution of profit, and governance control of organisations to distinguish them from other legal forms such as standard companies. A *legal status*, or qualification, can be adopted by a number of legal forms – for-profit and not-for-profit – based on the compliance with certain criteria such as asset lock<sup>12</sup>, and stable and continuous production of goods and services (European Commission, 2020<sup>[19]</sup>). A legal status has an impact on the treatment of those legal forms, for example, the fiscal treatment (ESELA, 2015<sup>[18]</sup>).

### ***National and subnational legal frameworks***

**Legal frameworks are developed at national and/or subnational level depending on the administrative organisation of the state, unitary, federal or quasi-federal** (OECD/UCLG, 2019<sup>[20]</sup>; OECD/UCLG, 2019<sup>[21]</sup>) and are usually determined by the constitution. At the subnational level, the development of legal frameworks for the social and solidarity economy largely depends on the legislative capacity of subnational authorities as well as the strategic priority given to the field (OECD, 2020<sup>[22]</sup>):

- **Unitary countries** (e.g. France, Korea, Portugal and Slovakia) are governed as a single power in which the central government has complete sovereignty. This situation does not prevent the existence of subnational governments that might have some political and administrative autonomy.
- In **federal countries** (including confederations) (e.g. Brazil, Canada, India, the United States), sovereignty is shared between the federal government and self-governing regional entities, which have their own constitution (in most cases), a parliament and a government (and thus a legislative capacity).
- **Quasi-federal countries** (e.g. Spain) have several characteristics of federal countries, such as a large autonomy devolved to subnational level, while being formally unitary countries according to their constitution.

<sup>10</sup> 2016 Act on Societal Impact Companies.

<sup>11</sup> The 2014 Framework Law on the Social and Solidarity Economy revised or updated other specific laws such as the law on associations: <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000029313296>.

<sup>12</sup> Asset lock is a measure designed to ensure assets, including profits generated by the activities, are retained. The non-profit nature – or limited-profit nature as promoted by the European Economic and Social Committee (2019<sup>[63]</sup>) – and the public-benefit aim of social economy organisations and enterprises are implemented in most countries through the accumulation of indivisible reserves of capital that constitute most or the whole patrimony of the entity. The indivisible patrimony cannot be appropriated by any of the stakeholders of the organisation and is directed to the realisation of the statutory purpose (OECD, 2009<sup>[67]</sup>). In case of dissolution, the asset lock implies the obligation to transfer any assets to a similar SSE organisation operating a similar social purpose.



**Box 2.1. What is referred to by “Legal frameworks for the SSE” in this scoping paper?**

In the framework of this scoping paper, the term “legal frameworks for the SSE” refers to a broad set of legislation applying to the social and solidarity economy or specific components within it. As elaborated in Section 3, legal frameworks can include both framework laws, which refer to the social and solidarity economy as a whole, and specific laws, which refer to a specific type of SSE organisation. Framework laws for the SSE differ greatly in terms of their main objectives (e.g. to recognise and promote the SSE vs. to regulate the field) and the approach used to define the field (e.g. SSE, social economy, third sector), which can vary by country and even region. Regarding specific laws, SSE entities can be regulated under legal frameworks that introduce either legal forms or in some cases, legal statuses, as observed for social enterprises (OECD, 2022<sup>[23]</sup>). Finally, legislation pertaining to tax conditions for SSE organisations is also an important component of the legal framework for SSE organisations that can help to drive uptake of new legal forms or statuses as well as facilitate access to finance.

Using this term accommodates the diverse legal approaches that countries have adopted regarding the SSE. Moreover, it acknowledges the range of legislative options available to policy makers throughout the decision making process.

# 3 Overview of legal frameworks for the social and solidarity economy

Based on country examples, this section documents the diversity of approaches to legal frameworks for the social and solidarity economy in target countries and explores why social and solidarity economy legal frameworks are implemented. It also analyses the drivers for adopting such laws as well as the main types of legal frameworks and policy levers that countries use to support the development of the social and solidarity economy.

## Why are social and solidarity economy legal frameworks implemented?

The main objective of legal frameworks for the social and solidarity economy is to enshrine in the law a definition of the field, its purpose and principles, as well as to define ownership and governance rules related to social and solidarity economy entities. Legal frameworks support recognition and visibility, and provide clarity regarding the SSE concepts and governing principles. Some countries that have adopted a legal framework for the social and solidarity economy explicitly include in the law itself the expected objectives. In the Canadian province of Quebec, the 2013 *Loi sur l'économie sociale* (Social Economy Act) states in article 1 that the object of the Act is to "recognise the specific contribution of the social economy to the socioeconomic development of Quebec, in numerous sectors of activity and in all of Quebec's territories."<sup>13</sup> In Spain, article 1 of the *Ley 5/2011 de Economía Social* (Law 5/2011 on the Social Economy) refers to "the establishment of a legal framework common for all the entities that are part of the social economy and the promotion measures applicable to them."<sup>14</sup> In Portugal, article 1 of the *Lei de Bases da Economia Social* (2013 Social Economy Framework Law) indicates that the law aims to establish "the general bases of the legal system of the social economy, as well as the measures to encourage its activity according to its own principles and purposes."<sup>15</sup>

Most target countries introduced legal frameworks to establish a legal basis for a comprehensive set of policy measures and an allocation of missions across levels of government in support of the social and solidarity economy. As such, legal frameworks help mainstream the field in public policies, develop cross-sectoral cooperation and set mechanisms for representation that facilitate structured dialogue between authorities and social economy organisations. In some countries, specific policy needs, such as job creation, have driven the establishment of legal frameworks for the social and solidarity economy as a whole or for specific types of SSE entities. In Korea, the Social Enterprise Promotion Act (2007) was aimed to stimulate work integration and reduce unemployment (ILO, 2017<sup>[24]</sup>). In Finland, the Act on Social Enterprises (2003, last amended in 2019) has strongly focused on creating employment

<sup>13</sup> *Loi sur l'économie sociale, Recueil des lois et des règlements du Québec* (RLRQ), c. E-1.1.1 (<http://legisquebec.gouv.qc.ca/en/ShowDoc/cs/E-1.1.1>).

<sup>14</sup> <https://www.global-regulation.com/translation/spain/1437714/law-5-2011%252c-from-29-march%252c-social-economy.html>; translation provided by authors.

<sup>15</sup> *Lei de Bases da Economia Social* (Lei nº 30/2013).

opportunities by requiring that 30% of social enterprise employees have a disability or experience long-term unemployment.

**National legal frameworks for the social and solidarity economy serve different purposes. They can:**

- **Confirm a commitment to promoting the social economy, especially if it is recognised in the constitution**, for example the traditional role played by cooperatives (e.g. Spain), grassroots organisations or practices (e.g. *ejidos* in Mexico) in addressing social and societal needs and/or contributing to economic activities such as agriculture.
- **Build on the importance and dynamism of social and solidarity economy entities** to support, beyond recognition, the emergence or strengthening of SSE ecosystems and provide public support measures, such as capacity building, tailor-made funding and finance, public procurement and better access to markets (e.g. novel legal forms and financial instruments for social enterprises in the United Kingdom).
- **Recognise the full potential of SSE organisations** to provide social services to a large number of users and beneficiaries, sometimes in complement to public action (e.g. Italy) (ECNL, 2012<sup>[25]</sup>) but also to become fully integrated into a plural economy.
- **Provide national overarching frameworks applicable to all levels of government for specific social and solidarity economy organisations such as cooperatives.** This is particularly important in federal countries (e.g. India) and quasi-federal countries (e.g. Spain) where both national and subnational level have the capacity to legislate. Providing national frameworks help harmonise legal frameworks across levels of government and can ensure more consistency among national and subnational policy objectives.
- **Broaden the scope of the social and solidarity economy and enable a new generation of laws on legal entities, beyond the existing ones.** This relates mostly to the development of social enterprises, where a number of target countries provided a more comprehensive framework that allows new entities to operate. In France, the 2014 Framework Law on the Social and Solidarity Economy introduced the concept of social enterprises. In India, legislation enacted in 2003<sup>16</sup> enabled a new generation of cooperatives known as producer companies (UNSRID, 2016<sup>[26]</sup>). In Italy, social cooperatives were active since the early 1970s without a specific formal legal recognition (Fici, 2015<sup>[27]</sup>). They pushed for a legal framework that was adopted in 1991.
- **Channel financial and other resources.** Some EU countries took advantage of the opportunities offered by specific funds such as the European Social Fund (ESF) to implement laws on the social economy and comply with the requirements of funders.

**Subnational governments can introduce laws in federal and quasi-federal countries.** They do so to recognise the contribution of social and solidarity economy entities to local or regional economic development (UNSRID, 2016<sup>[26]</sup>) and to reflect local realities. In some cases, legislation at the subnational level can support experimentation in specific areas before results may be generalised at the national level (Hiez, 2021<sup>[16]</sup>).

**In countries where both national and subnational levels share legislative competences, a more bottom-up approach to legal frameworks is observed.** However, the lack of alignment across levels of government may create conflicts of norms and uncertainty, thus undermining coherence and consistency of legal frameworks. In most cases, subnational laws:

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<sup>16</sup> This legislation refers to the Indian Companies Act of 1965 that was amended in 2003. Later in 2013 the Companies Act of 1965 was superseded by the Companies Act of 2013 that was amended several times since then.

- **Intervene in the absence of national framework or specific laws.** In Brazil, there is no federal-level law on the social and solidarity economy, however, nine states out of 27 have their own social economy laws. In 2013, the Province of Quebec in Canada adopted the Social Economy Act. This Act legally requires the Quebec government to adopt a social economy action plan. In Korea, there is no framework law on the social economy. However, the City of Seoul took the lead in 2014 by enacting the Framework Ordinance on the Social Economy, along with the Municipal Ordinances on Public Purchases and Marketing Support of the Products of Social Economy Enterprises and on Public Procurement for Realisation of Social Values.
- **Define the nature, mission and activities of some social economy organisations** such as cooperatives and their value added to social cohesion, employment, generating and maintaining the social and economic fabric, the development of democracy, social innovation and local development.

## What are the drivers for SSE legal frameworks?

### **Historical and political background**

**The emergence of a social and solidarity economy ecosystem and its legal frameworks depends on various factors, including a country's historical and cultural background.** The extensive history of the social and solidarity economy predates official legal recognition. Historically, the development of legal frameworks for the social and solidarity economy coincides with the need to engage with economic policy from a different angle, by giving priority to community interests and promoting alternative ways to address social needs and organise economic activities that favour the primacy of people over capital. In various target countries, the social and solidarity economy and its (informal) entities have existed for centuries and were first observed by practitioners and academics long before being granted formal legal recognition.

**Contemporary legal frameworks for the social and solidarity economy entities originated in the early 20<sup>th</sup> century during the Industrial Revolution in Canada, Europe, and the United States.**<sup>17</sup> The growing inequality in income and living conditions between workers and industrial leaders triggered the establishment of grassroots SSE organisations such as mutual societies, cooperatives and associations. Similar trends were observed in countries with large agricultural sectors such as Italy, Portugal and Spain, where agricultural cooperatives, credit unions and other SSE organisations were established to improve living conditions. As these organisations became more prevalent, a number of Western European countries, Canada and the United States adopted general legal frameworks for various entities such as associations, foundations, cooperatives, and mutual societies that traditionally formed the social and solidarity economy (Gaiger, 2017<sup>[28]</sup>).

**Although many emerged during the same era, national legal frameworks for the SSE were developed under different economic, social and political conditions.** The roots of legal frameworks for SSE entities in countries with a high level of agricultural or artisanal activities (Brazil, India and Mexico) are generally focused on supporting the establishment of mutual help and economic cooperation practices (Gaiger, 2017<sup>[28]</sup>). For example, Mexico has a very strong focus on legal entities to protect agricultural workers, which is strongly linked to the redistribution of land from landowners to farmers following the 1920 Mexican Revolution. In order to secure the property rights of farmers, various legal forms granting collective ownership over the land to farmers were established (Conde Bonfil, 2015<sup>[29]</sup>). In Latin America and India, informal organisations remain widespread in rural areas. Internal migration from rural to urban areas has

<sup>17</sup> Examples of SSE organisations can be found much earlier. In the Middle Ages, charitable organisations (mostly driven by religious motives) were already active in providing public services to local communities and citizens. For example, England attempted to codify the purposes of charitable gifts in the preamble of the Statute of Charitable Uses in 1601.

driven the emergence of newer forms of informality as well as the need for novel forms of co-operation to ensure the provision of basic social and economic needs. This has led to the emergence of mutual help and economic co-operation in these urban areas. (Gaiger, 2017<sup>[28]</sup>).

**In addition, women can play a critical role in driving the development of the social and solidarity economy.** In India, where women represent 65% of the social enterprise workforce (British Council, 2017<sup>[30]</sup>), the government has adopted an active approach to support SSE organisations in which women are engaged, and to protect them from risks associated with working in low-wage, often precarious jobs (Morais, Dash and Bacic, 2016<sup>[31]</sup>). Women are also at the forefront of SSE development in some European countries. In Belgium, 72% of the total employment in the social economy is occupied by women.<sup>18</sup> In France, 68% of the workforce in the social and solidarity economy are women (CNCRESS, 2019<sup>[32]</sup>). In Portugal, women represent 77% of the labour force of the social economy (Martinho, 2018<sup>[33]</sup>).

**Visions for the future and objectives of the SSE also differ among countries. In a number of target countries, the SSE is seen as an avenue that goes broader than merely generating employment to broader well-being.** The main consequence of the SSE is that it enhances the quality of life of its members and beneficiaries (improving access to health care and health insurance, adequate housing, microfinance, education, etc.). Supported with adequate policies, SSE reduces poverty and addresses inequalities and stimulates cooperation and the socialisation of the means of productions (e.g. emergence of *ejidos* in Mexico in the early 1900s). The social and solidarity economy favours the emergence of self-managed organisations that aim to divide the generated surplus among all its members/workers. It is due to this that the SSE is strongly connected to the notion that it can provide a viable alternative system of production to the current global economic system (Gaiger, 2017<sup>[28]</sup>). This conceptualisation has led to dynamic and innovative approaches to support the social economy. Brazil in particular is seen as “a touchstone for public policy for SSE” (ILO, 2017<sup>[34]</sup>).

**The SSE is often understood to be complementary to the free market systems in most European countries, Canada and the United States.** The SSE provides a democratically-informed economic approach that complements the state and private action. As such, the SSE represents a pluralist approach that benefits from the engagement of many types of actors including traditional private businesses that choose to act in a socially responsible manner despite operating outside of the SSE (Noya and Clarence, 2007<sup>[6]</sup>).

### ***Welfare state and provision of public services***

**The organisation of the welfare state<sup>19</sup> and the provision of public services by target countries may have an impact on the development of the social and solidarity economy ecosystem and the emergence of SSE organisations.** Countries from Northern Europe (Denmark, Norway, Sweden,) are known for strong government interventions regarding the welfare state (Kostilainen, Houtbeckers and Pättiniemi, 2016<sup>[35]</sup>). Given this large role taken on by the government, they have experienced less need to develop a strong SSE ecosystem and the emergence of SSE organisations is limited to specific sectors (e.g. cooperatives in certain sectors) (Borzaga and Defourny, 2001<sup>[36]</sup>).

**In Western European countries, the government played an important role in steering a high level of welfare state after the Second World War.** In Canada, the United States and other countries with liberal welfare regimes<sup>20</sup>, the welfare state was largely focused on basic support for those groups most in

<sup>18</sup> Figures refer to 2015. Sources: Office national de sécurité sociale (ONSS), Banque-Carrefour des Entreprises (processed by the Observatory for the Social Economy - <https://observatoire-es.be>).

<sup>19</sup> The classification based on geographical elements (Nordic countries, Western-European countries, Eastern and Southern European countries) builds further on the analysis of the socio-economic context of Defourny and Nyssens (2010<sup>[62]</sup>).

<sup>20</sup> Canada, the United Kingdom and the United States are usually consistently grouped with respect to their welfare state in literature on this area, which does not necessarily prevent variations. For example, for healthcare, Canada and the United Kingdom rely on a public healthcare systems while the US mainly rely on a private system.

need by creating legal frameworks for charity work (Esping-Andersen, 1989<sup>[37]</sup>; Esping-Andersen, 1990<sup>[38]</sup>; Ferragina and Seeleib-Kaiser, 2011<sup>[39]</sup>). In some countries, the government “assigned” the responsibility of providing certain services to SSE organisations (Borzaga and Defourny, 2001<sup>[36]</sup>). This trend usually started through subsidising and awarding grants to charitable organisations such as associations and foundations as complementary elements of the governments, which are therefore considered part of the traditional actors of the SSE ecosystem in these countries.

**In countries where public service provision is limited due to economic crises or budgetary constraints, citizens may start to co-operate in order to fill in certain gaps in the provision of public services or address new needs arising in local communities.** These gaps can be filled by co-operation on family level or on community level (Borzaga and Defourny, 2001<sup>[36]</sup>). For this reason, cooperatives that focus on member’s interest as well as cooperatives that focus on serving broader communities are more prevalent in these countries. Similarly, mutual societies are generally established to provide health insurance. In India, the diversity of SSE organisations is mostly explained by applying business models to solve social problems in sectors as energy, sanitation, housing, and other similar sectors (Morais, Dash and Bacic, 2016<sup>[31]</sup>).

### ***Global and local crises***

**Since the 1970’s, a series of global and country-specific crises have catalysed the evolution and expansion of the SSE.** The majority of target countries for this paper were affected by economic instability during the 1970s, which strained government budgets and expanded demand for public services (Borzaga and Defourny, 2001<sup>[36]</sup>). The crises of this period reveal two trends. First, most countries with established welfare states (mostly European countries, Canada and the United States) experienced reductions in government expenditures that severely affected the welfare state. In order to maintain an equal level of services to its citizens, countries looked for (i) other partners to provide public services (SSE organisations) and (ii) legal frameworks to mobilise capital from partners in the private sector. At the same time, governments adopted a more market-oriented approach vis-à-vis non-profit organisations, which shifted their focus away from fixed amounts of subsidies towards tenders and public contracting (ILO, 2017<sup>[34]</sup>). Second, many target countries confronted sharp increases in unemployment, creating demand for job opportunities. Consequently, new SSE organisations were primarily focusing on job creation, fighting unemployment and facilitating the integration of people with less access to the regular labour market, as exemplified by the emergence of work integration social enterprises during this era.

**Similar patterns can be observed during other crises such as the Asian Financial Crisis of the 1990’s and the 2007-2008 global financial crisis.** The former raised the position of the SSE on the Korean political agenda (ILO, 2017<sup>[24]</sup>) and the latter increased attention towards SSE organisations and instigated a flurry of new legislative activity in a number of target countries.<sup>21</sup>

**In recent crisis, the SSE has not only proven its “repair” potential to address immediate problems, it has also proven resilient in the face of economic shocks.** During the global financial crisis, SSE organisations experienced fewer job losses than their profit-driven counterparts (Monzón and Chaves, 2016<sup>[40]</sup>) and helped to drive faster labour market recoveries more effectively than traditional companies (Jiménez and Strano, 2018<sup>[41]</sup>). The ongoing COVID-19 pandemic is another example. Only 1% of the

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<sup>21</sup> For example, Korea adopted the Social Enterprise Promotion Act in 2007 to help offset the effects of the global financial crisis. The European Commission launched the Social Business Initiative in 2011, which was described by the Commissioner for Employment, Social Affairs and Inclusion (László Andor) as follows: “*Socially responsible business stems from a realisation that the crisis is not just economic and financial but also about ethics. Values like solidarity, sustainability, inclusiveness and integrity are not always upheld by business and I believe our economies have suffered as a result. This is where social business and CSR can have a decisive impact and thus also contribute to Europe’s 2020 goals of more jobs and growth*” (Press Release European Commission 15<sup>th</sup> of October 2011, “More responsible business can foster more growth in Europe”).

social enterprises surveyed across 38 countries were forced to close due to the economic consequences of the COVID-19 crisis (British Council, 2020<sup>[42]</sup>).

**Finally, country-level events can also spur the development of legal frameworks for the SSE.** Changes in political leadership can positively or negatively influence the policies on SSE organisations. In Brazil, increased recognition for SSE organisations emerged alongside the democratisation of the country during the 1980's. The election of the Workers Party in 2003 led to more proactive support for SSE organisations by the Brazilian government. Due to the strong connections of the Workers Party with social movements, the new government efforts led to the establishment of the National Secretariat for Solidarity Economy (SENEAS) in 2003 and a four-year national development plan (ILO, 2017<sup>[34]</sup>).<sup>22</sup> Proof that political changes influence the policies can be found two decades later. The latest Brazilian governments have adopted a more “charitable and philanthropic vision” on SSE, and as a result have dismantled the SENEAS and the secretariat was subordinated as a sub-secretariat under the Ministry of Citizenship (Morais, Dash and Bacic, 2016<sup>[31]</sup>). In 1976, the Indian Foreign Contribution Regulation Act (FCRA) was issued to manage the funds and donations from foreign sources towards non-profit organisations, and limiting the amount of donations that could be done in foreign currencies. In 2020, the FCRA was amended, restricting the possibilities of receiving donations and funding from foreign sources, unless prior certification or approval is given by the government.

**EU-level regulatory actions to promote greater sustainability will also affect operating conditions for the SSE.** In particular, new regulations promoting environmental, social and governance (ESG) approaches for businesses will likely influence SSE organisations operating in Europe. First, the draft Directive on Corporate Sustainability Reporting and Corporate Due Diligence and Accountability (2021<sup>[43]</sup>) stipulates that all companies ranging from SMEs to large firms will be obligated to comply with European ESG norms. Similarly, a draft Directive on Sustainable Corporate Governance is designed to enable companies to focus on longer-term socially and environmentally sustainable value creation rather than short-term benefits. Finally, the Taxonomy Regulation 2020/854 establishes important technical criteria to measure ESG performance. Though these developments are not directly related to the SSE, they reflect a potentially growing trend of using additional legal approaches and standards to further the objectives of SSE organisations even as SSE-specific legislation is adopted.

## What do legal frameworks for SSE regulate?

### *They may focus on legal entities in the social and solidarity economy*

**Social and solidarity economy entities are characterised by specific features that translate into particular provisions in legal frameworks.** These features include: their *raison d'être*, as they primarily address societal needs and pursue a social purpose; their *way of developing economic activities*, as they provide goods and services by implementing particular business models and adopting an entrepreneurial approach (market orientation, job creation); and their *governance* relying on democracy and stakeholder inclusion (open membership, democratic decision-making processes). These specific features translate into specific provisions.

**All countries targeted by the Global Action have laws that regulate the entities traditionally recognised as part of the social and solidarity economy,** namely associations, cooperatives, mutual societies and foundations (see Annex A). For example, most countries have a law on associations or a law on cooperatives, that are also the most used legal forms by the social and solidarity economy organisations (according to respondents to a 2020 OECD mapping survey). These entities are usually recognised through legislation that defines legal forms, which provide these entities with a specific identity and

<sup>22</sup> Under the current government, the institutional framework of the solidarity economy is fragmented. The National Secretariat for Solidarity Economy was dismantled and the field is overseen by a small team within the Ministry of the Economy.

establish them as a particular type of legal entity. These legal frameworks were usually adopted long before the notion of social and solidarity economy was introduced.

**More recently, the social and solidarity economy has expanded its reach to include social enterprises.** Social enterprises either use existing legal frameworks, or are regulated through specific legislation (OECD, 2022<sup>[23]</sup>). They can also be promoted through action plans and strategies designed to support their growth on a wider scale.

### *Associations/non-profit corporations*

**Nearly all target countries have general legal frameworks on (incorporated) associations** (or the equivalent of “non-profit corporations”, for example in the US).<sup>23,24</sup> Given their nature, associations pursue primarily a *social purpose*. The non-distribution condition prohibits them from distributing any kind of profit to members or directors. The same non-distribution constraint can be applied when the legal entity is dissolved and members are not entitled to the liquidation surplus of the legal entity, which should be distributed to a legal entity with a similar altruistic or social purpose. This dual non-distribution constraint is called *asset lock*. Furthermore, there usually are no additional rules on inclusive governance. However, some target countries state the one member-one vote as the default rule in legal frameworks regulating associations, while other target countries even prohibit multiple voting rights among members (e.g. in France).

**The structure of revenues of associations varies significantly.** First, some associations exclusively or quasi-exclusively rely on grants, donations or subsidies as their sole streams of revenues, while the revenues of other associations are almost fully generated by providing goods and services through market activities. Equally, some associations exclusively rely on volunteers, and therefore do not create employment opportunities, while the hiring practices of others play an important role in overall job creation and enhancing labour market access for vulnerable or marginalised groups.

**In certain countries, there are ongoing debates regarding whether associations can undertake economic/market-based activities.**<sup>25</sup> In some target countries (e.g. Denmark, Finland, Spain and Sweden), associations tend to be more limited and are seen as organisations for cultural or leisure activities with no market-based activities. In these countries, the use of cooperatives is preferred when economic activities are undertaken. In other target countries (e.g. Belgium, France, Luxembourg), associations are, due to historical reasons, the primary actors in the SSE ecosystem with a specific legal and tax regime in case they develop market-based activities.

### *Cooperatives*

**Cooperatives are, in some countries, the most commonly used legal entity for the social and solidarity economy.** Countries like Brazil, Canada, India, Korea and Mexico, among others, consider cooperatives as the main models of social and solidarity economy, mainly due to their strong emergence in the primary (agricultural) sector and activities in rural areas (ILO, 2017<sup>[24]</sup>; Morais, Dash and Bacic, 2016<sup>[31]</sup>; Conde Bonfil, 2015<sup>[29]</sup>). In some European countries (e.g. France, Greece, Italy, and Spain), cooperatives have played an important role as actors of the social and solidarity economy (see Box 3.1), mostly pushed by an agricultural context, while in others (Denmark, Finland, Sweden,) cooperatives are

<sup>23</sup> Academic literature usually mentions “non-profit organisations” when describing the SSE actors in the US. Non-profit organisation is the umbrella term for the three different legal forms: unincorporated associations, incorporated associations (non-profit corporations) and trusts.

<sup>24</sup> In Québec (Canada), there is no specific law on associations. Non-profit organisations are an exception to the *Loi sur les compagnies* (Companies Act) and are regulated in its Part III about legal persons or associations having no share capital.

<sup>25</sup> For example, under the former Belgian Law on Associations and Foundations (until 2019), Belgian associations were not allowed to primarily undertake economic activities.



the common form because of the limitations for the development of economic/market activities for associations.

**Legal frameworks for cooperatives vary significantly among the target countries, for example regarding the pursuit of mutual versus general interest aims.** Some countries regulate cooperatives as economic entities aimed at promoting the sole interests of their members (e.g. Germany until very recently). Some other countries have always enabled cooperatives to conduct activities for non-members, such as in Northern European countries where the evolution of traditional cooperatives towards a stronger social stance has always been admitted. A change in legislation occurred in other countries, like Italy, France, Portugal, Spain, to enable the pursuit of general interest aims, beyond the interests of their members.

**Additional country variation among legal frameworks for cooperatives relate to the definition of cooperatives and the level at which cooperative laws are adopted.** Different types of cooperatives can be identified, including the producer cooperatives, worker cooperatives, consumer/user cooperatives, and multi-stakeholder cooperatives (International Labour Office (ILO), 2018<sup>[9]</sup>). Some target countries define cooperatives as companies (Belgium, France, Italy) while others define them as associations (the Netherlands, credit unions in the United States). Other target countries have legislation that differentiates multiple types of cooperatives. For example, Korea has specific legislation for different types of cooperatives such as agricultural cooperatives, fishery cooperatives, credit unions, and consumer cooperatives. Most target countries have a national-level legal framework applicable for all types of cooperatives (Belgium, France, Italy) or at subnational level (Canada, Mexico, the United States). As an alternative to this, the Cooperatives Act of the province of Quebec (Canada) provides a general legal framework that, at the same time, identifies different cooperatives (producer cooperatives, consumer cooperatives, work cooperatives, shareholding workers cooperatives and solidarity cooperatives). A specific legal framework also regulates the financial services cooperatives.<sup>2627</sup>

**Diverging opinions exist regarding the distinctive components of cooperatives and whether they should be included in the social and solidarity economy.** Decision-making processes in cooperatives are based on democratic principles (i.e. one person, one vote). Cooperative members have a double relationship with their cooperative: they are the owners of the cooperative as they own the shares of capital and they are the users of the cooperative (they work, consume or produce through their cooperative).<sup>28</sup> Similarly, an essential component of cooperatives is the pursuit of economic activities using an entrepreneurial approach. Most target countries (Brazil, France, Italy, Korea, Mexico and Spain) consider cooperatives to be a fundamental part of the SSE, because of their important role in improving living conditions for its members (housing, health insurance, microfinance), enhancing employment opportunities and creating solidarity among workers. Nevertheless, in some target countries, policy makers have struggled to define the *social purpose approach* of cooperatives. As a result, the distinction between cooperatives and traditional company forms has not been clearly drawn, especially in cases where the national cooperative legislation does not enforce cooperative principles as rules (e.g. Luxembourg). As a consequence, in target countries like Germany and Luxembourg, legal scholars have been debating the self-interest of cooperatives and whether they can be considered as SSE organisations (Birkhölzer, 2015<sup>[44]</sup>).

**Given their specific background, some labels or qualifications are exclusively reserved for cooperatives.** In 1999, Spain introduced the Social Initiative Cooperatives within the general framework of cooperatives. Social Initiative Cooperatives are cooperatives that “*mainly engage in either the provision of welfare services in health, educational, cultural or other activities of a social nature, or in the*

<sup>26</sup> <http://legisquebec.gouv.qc.ca/fr/showdoc/cs/C-67.3>.

<sup>27</sup> Agricultural Cooperatives Act (1957), Fishery Cooperatives Act (1962), Credit Union Act (1972), Consumer Cooperative Act (1999) and Framework Act on Cooperatives (2012).

<sup>28</sup> For more information on this aspect, see the guidelines of the International Cooperative Alliance (ICA, 2015<sup>[60]</sup>).

*development of any economic activity whose object is the employment of people suffering from any kind of social exclusion and, in general, satisfy social needs not met by the market*". The Social Initiative Cooperative was introduced to uphold "the social demands of solidarity and the new activities carried out for resolving the unemployment problems" (preface of Law 27/1999 on Cooperatives). In Belgium, only cooperatives are eligible for recognition as social enterprises (replacing the former "*company with a social purpose*" legal status) according to the revised Belgian Code on Companies and Associations (2019). Cooperatives can be recognised by the Ministry of Economy as social enterprises when their primary purpose is to create a substantive positive impact on people, society or environment.

### Box 3.1. The Mondragon Corporation – Spain

Founded in 1956, Mondragon Corporation is a large multinational corporation that comprises 96 cooperatives largely centred in the Basque region of Spain. The majority of the employees at the Mondragon Corporation are partners who own a portion of the company. Consequently, though the corporation pursues profitability and is subject to competitive pressures, its profits are reinvested into the cooperative and distributed among its over 80 000 employee-owners as well as towards social objectives.

Mondragon stands out as a genuinely large enterprise and one of the nation's largest sources of pay checks. They have annual revenues of more than 12 billion euros (\$14.5 billion). The group includes one of the country's largest grocery chains, Eroski, along with a credit union and manufacturers that export their wares around the planet.

The Mondragon Corporation's guiding principles include solidarity, the democratic selection of its governing bodies, profit re-allocation among members in proportion to their usage of the cooperative, equitable wage distribution, and the pursuit of sustainable local development, among others. This business model has enabled it to expand internationally and sell its products in over 150 countries. Moreover, these qualities enabled the cooperative to navigate the challenges presented by the COVID-19 crisis without having to lay off significant numbers of employees compared to other firms.

The resilience and global expansion of the Mondragon Corporation highlight the competitiveness and adaptability of the cooperative business model and SSE organisations more generally.

Source: <https://www.mondragon-corporation.com/>  
<https://www.nytimes.com/2020/12/29/business/cooperatives-basque-spain-economy.html>

### *Foundations/trusts with a charitable or public-benefit purpose*

**Not all target countries have legislation on charitable or public-benefit foundations, or on trusts,** its functional equivalent in common law countries (Canada, India, the United Kingdom and the United States). Given their specific legal characteristics (no members), target countries in most civil law countries qualify foundations as philanthropic organisations that operate primarily as financing vehicles for the SSE ecosystem (Belgium, France) (Fraise et al., 2016<sup>[45]</sup>). An exception to this can be found in the Netherlands, where foundations are the main actors in providing services of general interest in areas such as education, healthcare and social housing.

**Similar to associations, foundations are restricted in distributing profits to their directors and other insiders ("*non distribution constraint*" or "*asset lock*") and are obliged to pursue an altruistic or public benefit purpose.** It should be noted that in most target countries, the presence of a charitable purpose or public benefit purpose is not a mandatory requirement for foundations or trusts. Both legal

forms can be incorporated for private purposes as well, mostly appearing in the context of estate planning or as a special purpose vehicle for controlling shareholders of a company.

**Due to the lack of members, most foundations and trusts are *self-governing* organisations, led by the board of directors.** Therefore, some target countries have implemented mandatory governance regulation on foundations and trusts (e.g. regulation on the removal of directors, mandatory regulation on conflict of interests, obligated supervisory board/two-tier board).

### *Mutual societies*

**Legal frameworks on mutual societies vary among target countries.** While various target countries do not have a specific definition or legal framework for mutual societies (e.g. Brazil, Canada, India, Mexico, and the United States), other countries have specific regulations that recognise an association or cooperative as a mutual society. The lack of a specific legal framework on mutual societies is usually caused by an overlap with citizen or consumer cooperatives such as insurance cooperatives, pension funds, and credit unions, or, to a smaller extent, associations. For example, without having a specific legal framework, mutual societies in Mexico exist and are defined as a group of people that build “a fund of financial assistance” (Conde Bonfil, 2015<sup>[29]</sup>).

**Target countries such as Belgium and France that have adopted legal frameworks on mutual societies generally orient frameworks for entities that are active in very specific areas.** This is most common in the insurance and health sectors. Belgium and Luxembourg, for example, have laws on health insurance mutual societies.<sup>29</sup> These legal frameworks are characterised by a high degree of strict regulation with restrictions on governance and transparency, particularly when mutual societies play a role in the welfare state.

### *Social enterprises*

**As social enterprises become more prevalent, a number of target countries have recently discussed or introduced legal frameworks to regulate them.** The European Comparative Synthesis Report on the social enterprise ecosystems (European Commission, 2020<sup>[19]</sup>) identifies three trends to regulate social enterprises:

- the introduction of specific legal frameworks often by adjusting existing cooperative or company legislation (e.g. Czech Republic, Italy, Latvia, the United Kingdom and the United States);
- the introduction of new legal statuses that can be adopted by one or several legal forms, being not-for-profit or for-profit entities (e.g. Belgium, Denmark, France, Italy, Korea, Slovenia). The Netherlands is currently in the legislative process of adopting the *besloten vennootschap maatschappelijk (BVM)*, a specific legal status for social enterprises; and
- the introduction of new legal statuses within a broader recognition of a larger phenomenon – the social economy, the third sector or the social and solidarity economy (e.g. France). In addition, in target countries such as Luxembourg and Slovakia, the debate on the legal framework for social enterprises has resulted in an overarching legal framework for the SSE in general.

**Given the hybrid nature of social enterprises, the implementation of the three key elements of SSE organisations (entrepreneurial approach, social purpose, inclusive governance) can be a challenge.** Countries have adopted a number of approaches designed to ensure that social enterprises act in accordance with the social and solidarity economy core principles and values.

**The social purpose of social enterprises can be maintained using a range of legal approaches.** Certain countries such as Luxembourg and Italy identify specific activities that social enterprises must

<sup>29</sup> Law of 6<sup>th</sup> of August 1990 on mutual societies and national unions of mutual societies (Belgium); Law of 1<sup>st</sup> of August 2019 about mutual societies (Luxembourg).

pursue to be eligible for the status of an SSE organisation. In Luxembourg, Societal Impact Companies must be active in one of the sectors enumerated in article 1 of the 2016 Act on Societal Impact Companies. Likewise, the 1991 Italian Law on Social Cooperatives requires the cooperative to be active in rather A-list activities (health care, environmental protection, and enhancement of cultural heritage) or B-list activities (organisations that conduct entrepreneurial activity oriented to job inclusion of disadvantaged or disabled workers/people, regardless of the sector or area). In other organisations, there is no specific list although legal requirements may stipulate that companies must have a designated social objective.

**Social enterprises in many target countries are legally required to respect a full or partial profit distribution constraint to be recognised as such.** Two “major” mechanisms can be distinguished, relying on the annual profits or on the capital paid in. In the first case, the amount of profit that can be redistributed to owners or shareholders is limited to a fixed percentage of the annual profits. For example, French SSE-companies and ESUS-companies cap the amount of profit that can be distributed at 50% of the annual profits. The United Kingdom Community Interest Companies (2004) can only distribute 35% of the annual profits to its shareholders. In the second case, the amount of profit that can be distributed to one shareholder is capped with a fixed yield rate, calculated upon the amount of capital that is paid in by the shareholder. For example, a Belgian cooperative recognised as a social enterprise can distribute an amount that does not exceed a yield of 6% calculated on the capital paid in by the members of the cooperative. Variations can also be made by combining these mechanisms, such as in Italy where the social enterprise has a maximum 50% of the annual profits that can be distributed to the shareholders, and the distribution may not exceed a certain rate (2.5%), calculated upon the capital paid in by the shareholders. In case of dissolution, additional constraints – known as the asset lock – may require the entity to transfer all its assets to a similar organisation pursuing similar social objectives in order to avoid any personal enrichment or financial gain for the owners.

**Some legal frameworks on social enterprises require the participation of workers in the decision-making process.** French companies with an SSE-label or ESUS-label (recognised by the French Framework Law on the SSE of 2014) are required to organise participation of stakeholders in some company decisions. On the other hand, Belgium recently abolished the legal requirement for workers’ participation in its former social enterprise form (“*vennootschap met social oogmerk*” / “*société à finalité sociale*” (*company with a social purpose*)) because it was considered as an impediment to the development of social enterprises. Some legal frameworks have mandatory rules on restricting excessive remuneration of the directors or the remuneration of employees in general.

### Box 3.2. Statuses and registration schemes for social enterprises

**Some target countries use certification and registration schemes to verify that social enterprises meet certain criteria.** In 2014, Denmark introduced the Act on Registered Social Enterprises. Based on this act, social entrepreneurs were able to register themselves as social enterprises when they met with five criteria: (i) the enterprise must have a social purpose which is “a primary purpose that is beneficial to society with a social, cultural, employment-related, health-related or environmental aim.”, (ii) significant commercial activity, (iii) independence of public authorities, (iv) inclusive and responsible governance, and (v) a social management of profit which means that the social enterprise must spend its profits on social objectives or reinvest them in the enterprise.

**Another example is the Italian “Social Enterprise” label, eligible to every legal entity that meets certain criteria.** This includes an entity (association, foundation, cooperative, company forms) that pursues activities of civil, solidarity and general utility purposes and that generates at least 70% of its revenues in one or more sectors specified in the Legislative Decree (health care, environmental protection, enhancement of cultural heritage, etc.). Alternatively, this label can also be obtained independently from the sector of activity by organisations that conduct entrepreneurial activity oriented to inclusion of disadvantaged or disabled workers/people in the labour market.

**Some target countries require a certification process for SSE organisations.** For example, Community Interest Companies in the United Kingdom have to pass the community-interest test executed by the Community Interest Regulator before they can incorporate as a Community Interest company. The test checks whether the purposes of the company “could be regarded by a reasonable person as being in the community or wider public interest.” Likewise, Korean SSE organisations that want to obtain the “social enterprise” label under the Social Enterprise Promotion Act (2007) are required to go through a certification process of the Ministry of Employment and Labour.

**Issuing a limited-duration recognition is another method to ensure the SSE-character of social enterprises.** French entities that are recognised as ESUS (solidarity enterprise of social utility) are only certified as such for five year periods. Similarly, the Association for Finnish Work issues three-year certifications for social enterprises. This approach is often used for specific accreditation schemes, such as the one recognising Work Integration Social Enterprises in a range of countries. This approach ensures that formally recognised SSE organisations periodically undergo subsequent evaluations to verify that they still qualify.

#### *Community-based initiatives*

**In some countries, there is also a growing legal recognition of community-based initiatives to acknowledge the engagement of communities in local development.** These legal frameworks are the reflection of local realities and historical backgrounds. In Mexico for instance, regulated for the 1934 land reform, *ejidos* are state-owned agricultural lands that are farmed, individually or collectively, by communities who benefit from the usufruct. These organisations are recognised as being part of the social and solidarity economy in the Mexican law on the social sector of the economy. In India, the Waqf Act adopted in 1995 regulates Waqfs, namely initiatives recognised under *Charia* law<sup>30</sup> and created for religious or charitable purposes. These initiatives relate to charitable trusts and can be considered as part of the social and solidarity economy.

<sup>30</sup> *Charia* refers to a set of laws based on the interpretation of the prescriptions of the *Quran*, *Sunna* and *Figh* (legal provisions developed by Muslim scholars).

## **Legal frameworks for the SSE also focus on defining and recognising the social and solidarity economy overall**

### *Legal definitions of the social and solidarity economy*

**Two approaches – statutory (legal forms) and substantial (principles) – coexist to legally define the social and solidarity economy.** The statutory approach consists of listing the legal forms that are part of the social and solidarity economy while the substantial approach defines the social and solidarity economy through a set of principles (Hiez, 2021<sup>[16]</sup>). Some countries, such as Luxembourg have adopted a substantial approach and define the guiding principles and values of the social and solidarity economy. Legal frameworks adopted in other countries, such as France, Mexico, Portugal and Spain, provide a list of the legal forms being considered as part of the social and solidarity economy, relating to a statutory approach. However, none of these countries follow a strict statutory approach as the legal frameworks also define the principles and common values of the social and solidarity economy, leaving a door open to other legal entities, when complying with these principles, to be recognised as part of the social and solidarity economy (Hiez, 2021<sup>[16]</sup>). Annex B provides an overview of the definitions of the social and solidarity economy – or similar terms – included in national framework laws or specific laws across the countries targeted by the Global Action.

**A hybrid approach that combines statutory and substantial elements may result from the need to recognise new entities – such as social enterprises – as being part of the SSE, beyond the typical legal entities (associations, cooperatives, mutual societies and foundations).** In Mexico, the Social and Solidarity Economy Law (2012) defines the aims of the field as well as the principles and values of its organisations while providing a list of the legal forms being part of the Social Sector of the Economy. This list also includes “all forms of social organisation for the production, distribution and consumption of socially necessary goods and services” (article 4), showing openness to other forms than the ones clearly identified. The 2011 Law on the Social Economy in Spain defines the guiding principles of the social economy entities and lists the specific entities that are included in the social economy. Likewise, the law opens to “those entities that carry out economic and entrepreneurial activity, whose operating rules comply with the principles listed in the previous article” (article 5). The French and Portuguese laws adopt the same hybrid approach to define the SSE, recognising as part of the field the entities that respect the guiding principles defined in the legislation. In Greece, the Law on Social and Solidarity Economy (4430/2016) includes a list of principles pertaining to the social and solidarity economy, while also including provisions amending the Law 4019/2011 which introduces the new legal form of Koinsep (Social Cooperative Enterprise).

### *Framework Laws*

**Framework laws have been developed in some target countries to enhance the visibility and recognition of the social and solidarity economy and related entities.** This may do so either through a statutory or substantial approach. In 2011, Spain introduced the Law on the Social Economy. In addition to laying out ruling principles, the main purpose of this Law was to create a common legal framework that clearly identifies SSE legal forms<sup>31</sup> (statutory approach) and adds to the list “unique entities created under specific rules that are governed by the principles of SSE organisations are part of the social economy” (substantial approach). A similar approach was adopted by Mexico when implementing the Law on Social and Solidarity Economy in 2012. Article 4 of the Law enumerates legal forms that could be classified as social economy organisations: *ejidos*, communities, organisations of workers, cooperative societies,

<sup>31</sup> Article 5 of the Law enumerates the following legal forms: cooperatives, mutual societies, foundations and associations engaged in an economic activity, employee-owned enterprises, insertion companies, special employment centres, fishermen’s associations, agricultural processing companies.

companies belonging largely or solely to workers (“formal approach”) and then defines “in general, all forms of social organisations for the production, distribution and consumption of socially necessary goods and services” as social organisations (“material approach”) (Conde Bonfil, 2015<sup>[29]</sup>). In 2014, France adopted the Framework Law on the Social and Solidarity Economy available to both non-profit entities and for-profit entities like cooperatives. The law also introduced the ESUS label which enabled commercial companies to enter into the SSE ecosystem as long as they complied with the requirements of the law. In Spain and Portugal, framework laws on the social economy recognise and promote the field but do not regulate the specific entities that are grouped under this umbrella term.

### ***Enforcement mechanisms***

**Most target countries have a formal check on the legal requirements of the SSE organisations.** This typically implies that the articles of association for the SSE organisation must contain certain provisions or clauses (e.g. clearly stating the social purpose of the SSE organisation in its articles of association).

**In addition to either an initial certification process or a time-limited certification, some target countries use reporting standards as a tool to monitor compliance.** Belgian and Italian social enterprises, for example, are required to complete annual reporting processes, with the latter also required to publish results on their own websites. Nevertheless, few SSE certifications utilise mandatory reporting standards or specific impact indicators. In addition, it is noteworthy that the bylaws of Luxembourg Societal Impact Companies must contain concrete indicators that enable the company to measure its impact on its social goals.

## **What other instruments in the policy ecosystem complement legal frameworks to support SSE development?**

### ***Fiscal Measures***

**Target countries use a range of tax incentives and fiscal policies to encourage the development of the SSE and incentivise socially beneficial activity in specific sectors and target groups.** Leveraging tax laws and fiscal policies to support the SSE and incentivise socially beneficial behaviours is a way for governments to achieve positive social outcomes with minimal public expenditure while also creating incentives to preserve the social mission of SSE entities. This section will discuss the various ways in which the target countries utilised fiscal policy to support SSE organisations and publicly beneficial activities.

**Tax exemptions for SSE organisations enable them to direct their funds towards social objectives and create important incentives to operate as an SSE entity.** The majority of target countries provide some form of income tax exemption to associations and foundations, particularly those that do not engage in commercial activities. In some target countries, income tax exemptions restrict certain commercial activities of the eligible non-profit organisations, mainly to maintain a level playing field among corporations that operate the same activities (e.g. the economic activities of eligible non-profits will be strictly limited to necessary activities to pursue its social mission (Denmark, Luxembourg) or completely restricted (Croatia). Social Initiative Cooperatives in Spain, with a recognised non-profit mission, are taxed on up to 10% of their revenues. Likewise, certain countries such as Belgium and France do not tax income for SSE organisations that utilise profit locks. Tax benefits outside the scope of corporate income taxes (Value Added Tax (VAT)) can be considered as well. For example, the Slovakian Act 112/2018 on Social Economy and Social Enterprises includes the possibility of reducing the VAT rate to 10% for goods and services that are provided by registered social enterprises that use 100% of their profit for their primary social objectives (European Commission, 2020<sup>[46]</sup>).

**Tax reimbursements and similar measures can be used to encourage individuals and businesses to donate to or invest in SSE entities.** Donors are often able to claim tax reimbursements on donations to specific SSE entities (e.g. Canada, Belgium, Germany India, Luxembourg, the Netherlands and the United States) and in some cases can automatically choose to direct a certain percentage of their annual tax contributions to an organisation of their choice. These policies enable individuals to donate to SSE organisations of their choice, thus facilitating access to funding for the SSE. Some target countries incentivise investment in SSE organisations by providing specific tax advantages or deductions to the investors. For example, investors in France, Italy and the United Kingdom who invest in social enterprises are eligible for tax deductions, while cooperatives benefit from specific tax in most target countries. Another creative approach relates to “win-win loans” for individuals lending money to SSE organisations (e.g. Belgium) which exempts interest rates paid by SSE organisations from income tax. In the United Kingdom, the Social Investment Tax Relief programme helps to support charities and includes specific conditions on which companies can benefit from the programmes. Criteria include being registered as a charity, community interest company, community benefit society or an accredited social impact contractor employing fewer than 250 people and having less than GBP 15 million in assets.

**Sector or activity-specific tax benefits enable countries to incentivise specific activities or sectors rather than specific types of organisations.** For example, businesses in Finland and Hungary that operate in sectors such as healthcare, sports, social services, education, vocational training and similar activities are exempt from VAT. Belgium provides social security tax breaks for organisations operating in the healthcare and social services sectors. This approach enables governments to provide targeted support that reflects their policy priorities. In addition, subnational governments (provinces, regions, municipalities) can award specific tax breaks as well to these organisations. For example, the Korean Social Enterprise Promotion Act (2007) explicitly grants local authorities the competence to grant tax breaks to recognised enterprises.

**Many target countries incentivise specific hiring practices, such as vulnerable workers, using a mix of tax benefits and direct transfers.** Organisations that hire vulnerable or disadvantaged workers are often exempted from social security contributions for those employees. Given the traditional connections between SSE organisations and work integration social enterprises (WISEs), a number of target countries provide tax breaks on social insurance costs and other employment costs to eligible organisations (e.g. France, Italy, Lithuania, Spain). Additionally, organisations that hire disadvantaged or vulnerable employees but are not work integration social enterprises, are sometimes eligible to apply for wage subsidies, such as in Finland and Portugal. These measures can be useful for policy makers to promote labour market integration and social inclusion even in the absence of specific legal frameworks for the SSE (e.g. Poland).

**A risk for legislators are the diverging approaches and interpretations that exist between organisational law (framework laws on SSE entities) and tax law.** For example, India provides tax-exempt status for entities with a stated charitable purpose, and reduced VAT percentages for SSE entities that have charitable activities, although the interpretation of charitable purpose and charitable activities differs. To address this issue the Dutch government implemented a uniform public benefit status<sup>32</sup> (*Algemeen nut beogende instelling*, or ANBI), which is required for organisations that wish to benefit from VAT and corporate income tax deductions (European Commission, 2020<sub>[19]</sub>).

### ***Financial support and tailored financial instruments***

**Governments may choose to allocate funding and develop financial instruments to help SSE organisations access adequate and sustained sources of finance.** SSE entities finance their activities through a range of resources, such as revenues from sales, public subsidies, private investments,

<sup>32</sup> In order to be designated as a Public Benefit Organisation (*Algemeen nut beogende instelling* – ANBI), the aim and the actual activities of the organisation must serve 90% or more of a public interest.



donations or volunteering. They often struggle to access finance for a number of reasons, including their prioritisation of social impact over profit objectives, limited business competencies and strict legal rules for financing institutions, which make them appear to be high-risk and low reward investments (ILO, 2017<sup>[34]</sup>). Public actors can play a role in providing financial support but also in developing instruments to help leverage and guarantee private resources.

**Policy makers provide SSE organisations with financial support in the form of subsidies, at the national and subnational levels.** The City of Seoul also used financial support for the SSE to mitigate effects of an economic crisis and support public welfare. In 2009, Seoul experienced a rise in unemployment. The city provided financial support to social enterprises in order to create new employment opportunities and mitigate effects of the unemployment crisis. Other local governments across Korea followed this example and enacted their own laws and ordinances regarding the social and solidarity economy (ILO, 2017<sup>[24]</sup>). Another example relates to public policies that were implemented in Mexico City, in order to promote the social and solidarity economy in Mexico City (UNRISD, 2020<sup>[47]</sup>). Additionally, the National Bank for Agriculture and Rural Development in India has set up a system that offers funding to women which have no access to commercial banks (Morais, Dash and Bacic, 2016<sup>[31]</sup>). At the supranational level, the European Union facilitates access to finance and support countries' efforts through European initiatives (European Social Fund and European Regional Development Fund).

**Specific policy measures, often in collaboration with SSE actors, are taken to support SSE organisations through diverse financial instruments, such as loans, investment capital, guarantees or bonds.** Policy makers can play a role in unlocking and attracting private funds, using public support to help leverage and guarantee private resources for SSE entities (OECD/European Union, 2017<sup>[3]</sup>). In the EU, Regulation 346/2013 on European social entrepreneurship funds delineates the criteria organisations must meet to qualify for funding, namely the pursuit of a measureable and positive social impact that they prioritise over the pursuit of profit. In Italy, the 1985 Marcora Law supports the country strong cooperative tradition through two funds that provide low-interest loans and investment capital to enable worker buy-outs. Another example of financing can be found in the Canadian province of Quebec where the *Chantier de l'économie sociale* has established its own "quasi-private equity fund", the *FIDUCIE* (Mendell, 2008<sup>[48]</sup>). The objective of this trust is to create a capital fund to support SSE organisations by granting them capitalisation loans, which exempts the receiving SSE organisation from repaying capital for the first 15 years and therefore provides them with access to long-term investment capital. The establishment of the fund was supported by the federal and the provincial government (Mendell, 2008<sup>[48]</sup>). In India, the Government and the Reserve Bank provide micro-loans (microfinance) to achieve financial inclusion and livelihood promotion. They play an important role in the emergence of SSE organisations in the country (Morais, Dash and Bacic, 2016<sup>[31]</sup>). Another mechanism is the issuance of Social Impact Bonds (SIB) introduced in Belgium and the United Kingdom, and experimenting with SIB-projects, but so far interest seems rather limited as evidence of their performance still needs to be proven (Rijpens et al., 2020<sup>[49]</sup>). Alternative modes of participative financing and investing also include crowdfunding and community bonds.<sup>33</sup>

### **Public procurement**

**Public procurement policies favouring the SSE can enhance access to markets for SSE organisations.** In 2017, public procurement represented 11.8% of GDP on average across the OECD, representing over USD 674 billion (OECD, 2017<sup>[50]</sup>). Public authorities are increasingly considering the social benefits of public procurement contracts in addition to competitive neutrality and price (Barraket and Weissman, 2009<sup>[51]</sup>). This shift represents an important opportunity for SSE organisations and for policy makers to leverage public procurement to drive positive social impacts while supporting the development of the SSE as a whole.

<sup>33</sup> <https://tiess.ca/financement-et-investissement-participatifs-en-economie-sociale/>

**The use of social clauses in public procurement at both the national and local level can empower SSE organisations** to generate employment opportunities for vulnerable individuals, improve social cohesion and support the overall development of the SSE (OECD/European Union, 2017<sup>[3]</sup>). Limited knowledge of the SSE among policy makers can create legal uncertainty. Likewise, lack of knowledge on state-aid regulations can create legal uncertainty and obstacles in supporting SSE organisations in EU member states, who are constrained by EU state-aid restrictions. Stakeholder consultations have confirmed that this has had a chilling effect on the inclusion of social clauses in certain countries, often depending on how strictly their national judicial systems interpret EU state-aid rules.

### ***Institutional framework***

**Designated government institutions can help provide a single reference point for SSE entities and co-ordinate policies across government.** Korea established the Korea Social Enterprise Promotion Agency in 2010 as part of the Ministry of Employment and Labour. The primary objective of the Agency is to provide social enterprises with support systems and develop an evaluation and monitoring system (ILO, 2017<sup>[34]</sup>). Other examples of government agencies that act as a single reference point are the *Instituto Nacional de la Economía Social (INAES)* in Mexico, the National Secretary of Social and Solidarity Economics National Secretariat (SENEAS) in Brazil, the Ministry of Labour, Employment and the Social and Solidarity Economy in Luxembourg or a specific Secretary of State for the SSE in France (Fraisie et al., 2016<sup>[45]</sup>). In India, the Ministry of Cooperation, which was established in July 2021, is perhaps the most recent example of a designated government institution, which in this case specifically supports cooperatives.

While a designated institution such as a ministry, agency or department can be beneficial, it is vital that such an institution is capable of co-ordinating efforts across the government to avoid unpredictable and inconsistent implementation of SSE initiatives and interpretation of legal frameworks for the SSE.

## **How are legal frameworks designed and implemented?**

**Designing and implementing regulation for social and solidarity economy organisations and ecosystem can be challenging.** Legal frameworks can be developed through a top-down process led by the public authorities or emerge through bottom-up, often led by grassroots movements at the local level.

**Some target countries have used structured approaches to create clarity on the precise nature of the SSE and of the various types of organisations.** Denmark for example created a specific National Committee in order to prepare the Act on Registered Social Enterprises of 2014. Slovakia held a two year long consultation process and collected input from academics, social entrepreneurs, (local) governments, etc. before adopting the Act on Social Economy and Social Enterprises in 2018 and defining the scope of SSE in the country. However, countries such as the Netherlands chose, until recently, to let their SSE ecosystems develop without adopting framework laws or creating specific legal entities for SSE organisations.

**To encourage stakeholder participation in the design and implementation of SSE initiatives, some target countries have institutionalised the participation of civil society organisations in their legislative process.** Countries have accomplished this through formal mechanisms such as official participation and consultation moments, through informal mechanisms or through general customs (advocating or lobbying by civil organisations or federations). The implementation of the SSE in Quebec for example has shown that strong institutional participation by civil society groups such as trade unions, employer organisations, and the public can improve SSE-related policy making (Mendell, 2008<sup>[48]</sup>). The 2013 Social Economy Act recognises privileged interlocutors, namely the *Chantier de l'économie sociale* and the *Conseil québécois de la coopération et de la mutualité*, and establishes partners' table on the social economy to be consulted on social economy affairs. In France, biennial consultations mobilising

national and subnational authorities as well as representatives of the field have been introduced in the 2014 Framework Law on the Social and Solidarity Economy, confirming a more bottom-up approach to building the ecosystem. In the Netherlands, the *BVm* legislative proposal was also under consultation. In Italy, the reform of the third sector was initiated by the government's guidelines for the reform of the third sector which were publically open for comments for two months in 2014. The final Law No. 106 was enacted two years later in June 2016 and has been since implemented by several decrees, including Legislative Decree 117/2017 (Code of the Third Sector) and Legislative Decree 112/2017 (Revision of the Social Enterprise Law).

**The difficulty of adopting a common understanding and definition of the SSE as a field and of the specific features and dynamics of its different organisations can create a challenging environment for advocacy and policy making.** This has been the case in France where the policy-making process had to reconcile various perspectives brought by the traditional SSE actors and newly-formed social enterprises with a company legal status (OECD/European Union, 2017<sup>[3]</sup>). These challenges coupled with the often disparate nature of the SSE can make it difficult for SSE organisations to advocate collectively for their interests. This can also lead ministries or subnational governments to adopt different, sometimes contradictory definitions or strategies related to the SSE.

**Federations of SSE organisations such as Social Enterprise UK can help establish a common voice capable of advocating for the diverse needs of SSE organisations.** Employers' federations have traditionally represented SSE-organisations (e.g. Unisoc) in Belgium and are involved, formally or informally, in the preparation of legislation. However, the lack of a common understanding of the SSE remains an obstacle to effective advocacy. The Netherlands has the common approach of organising a broad public consultation, which could be a potential remedy for the obstacle, while Slovakia has done a broad consultation round of diverse experts (European Commission, 2020<sup>[46]</sup>).

**While legal frameworks for the SSE are often set at the national or subnational level, local communities can play an important role deepening and expanding SSE ecosystems.** The local, community-based orientation of many SSE organisations makes them attractive partners for local governments seeking to resolve obstacles in their community and fulfil local needs. However, as local governments often lack the legal power to design or adopt new legislative frameworks, they are largely reliant on national or subnational legal frameworks and entities. Local governments can advocate for specific legislative changes, but it is also important that national and subnational level policy makers include local governments in their consultation process when developing, implementing and amending legal frameworks for the SSE.

The different practices developed by target countries highlight the need for a holistic approach to design and implement legal frameworks, using five levers:

- **Political consensus** to develop a transversal approach to the social and solidarity economy across different departments/ministries and levels of government, thus helping to shift it from a niche field (e.g. social services) to wider recognition.
- **Commitment of policy makers in the design process** to refine their understanding of SSE realities and support wider stakeholder engagement.
- **Large involvement of various stakeholders** to ensure the relevance and appropriateness of legal frameworks and that they meet the needs of SSE organisations and entities. This also helps bring coherence among various legal options or types of laws.
- **Country-specificity** to ensure that legal frameworks are adopted at the appropriate level, depending on the administrative organisation of states and that they are context-based.
- **Evaluation and monitoring** to capture the contribution of the social and solidarity economy in creating social and economic impact and that legal frameworks are aligned with the evolution and development of the field.

# 4 Trends and commonalities across countries in regulating the social and solidarity economy

Different approaches and trends can be identified in the countries targeted by the Global Action to introduce legal frameworks that regulate the social and solidarity economy. Legal frameworks are the result of interactions between the national and subnational levels and contexts, the policy-making process and the level of development, integration and interaction of the different components of the ecosystem including evaluation. Relying on the overview provided in Section 3, this section aims to bring out trends and commonalities and draw lessons from the diverse situations across countries.

## Approaches and trends for legal frameworks for the social and solidarity economy

Legal frameworks for the social and solidarity economy either regulate SSE organisations through specific legislation, or recognise and explicitly define the overall field, being the social and solidarity economy (or the social economy or the third sector).

### ***Coexistence of national and subnational legislation on SSE entities or on SSE as a field***

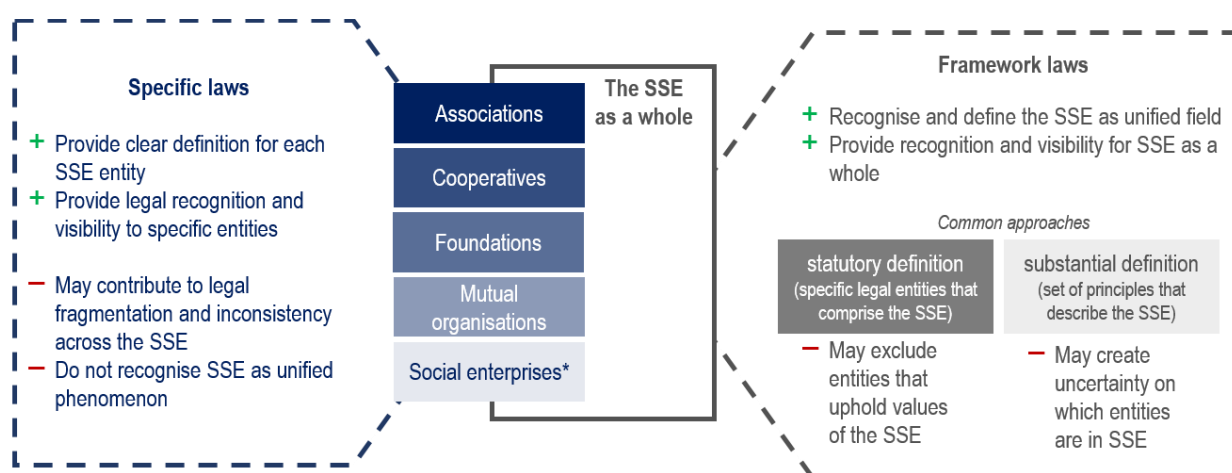
**Depending on countries, legal entities are regulated at the national and/or at the subnational level**, which can lead to the coexistence of diverse norms for a given entity within a same country. Stakeholder consultations revealed that multi-layered legislation may possibly bring legal confusion in certain cases. However, confusion could be prevented if the scope of application of each norm is clearly defined to avoid contradictory provisions. For example, in Belgium, the Brussels-Capital Region introduced a specific “social enterprise” legal status available to all legal entities, including some public legal entities, which conform to a set of criteria; this regional legal status coexists with the “social enterprise” legal status, only available for cooperatives, introduced at the federal level in 2019. In Canada, the Canadian Cooperatives Act– that regulates non-financial cooperatives that carry business in more than one jurisdiction – coexists with provincial and territorial cooperative legislation and regulations. India’s experience is similar with the cooperative legislation being adopted at the central level (Multi-State Co-operative Societies Act, 2002) and at state level. In Spain, subnational governments can develop their own legal framework for cooperatives, based on the Social Initiative Cooperative adopted at the country level, which results in a diversity of types and classifications of cooperatives (including social initiative cooperative, social welfare cooperative, social integration cooperative and social cooperative (European Commission, 2016<sup>[52]</sup>). On the contrary, the United States has a strong tradition of adopting “Model Acts”, providing state legislators with a “basis” law, leaving the possibility of amending certain provisions or adding extra regulation.

**Likewise, legal frameworks for the social and solidarity economy as a field can be adopted at the national or at the subnational level.** A national law can help ensure the coherence among various legal

frameworks adopted at subnational levels while subnational legal frameworks can be seen as an opportunity to experiment locally policy frameworks before deploying them to the whole country (Hiez, 2021<sup>[16]</sup>). In Spain for example, the social economy development in some Autonomous Communities, such as Balearic Islands, Galicia, Murcia and Navarre, among other regions, is strongly connected with some crucial developments at the national level to achieve a comprehensive legal ecosystem. The OECD mapping and consultation meetings also highlighted that subnational legal frameworks can ensure a better alignment with local realities and needs. In Canada for instance, the province of Quebec adopted the Social Economy Act in 2013 while this notion is not recognised at the national level or in other provinces and territories.

### Figure 4.1. Main approaches and trends in introducing legal frameworks for the social and solidarity economy

The infographic provides an overview of how the utilisation of specific laws and framework laws produces different types of legal frameworks for the SSE. The infographic also provides a brief overview of certain positive and negative aspects of the respective legal configurations.



\*Social enterprises are not a specific legal form, but rather can take a diversity of legal forms (including associations, cooperatives or foundations for example) and legal statuses.

Source: Authors' elaboration

### **Cohabitation of pre-existing legislation and SSE-specific legal frameworks**

**Some countries regulate the social and solidarity economy entities independently from any reference to a broader phenomenon, being the SSE, the social economy or the third sector.** This is the case for example in many European countries (e.g. Austria, Germany, the Netherlands and Sweden) as well as in India and the United States where the notion of the SSE is not used to recognise this set of entities and organisations sharing common features and values.

**In other countries, pre-existing legislation that regulate the SSE entities coexist with SSE-specific legal frameworks,** such as in Bulgaria, France, Greece or Slovakia. Whether countries introduce entirely new legal frameworks or update existing legislation, pre-existing legislation may affect or even impede the impact of new legislation concerning the social and solidarity economy. When the social and solidarity economy is recognised as an overarching phenomenon, it is expected to bridge the longstanding tradition of cooperatives, mutual societies and associations with more recent initiatives. Legal frameworks that regulate "traditional" social economy organisations (associations, cooperatives, foundations, charities) existed prior the establishment of SSE-specific legal frameworks. These legal frameworks are often

technical and focus on the organisational aspects of the specific legal entities (legal rules regarding incorporation, governance, board of directors, nullity of decisions, dissolution). In some cases, these legal frameworks also promote strongly the SSE values and principles, such as in the Quebec law on cooperatives, which enunciates the international cooperative principles as “rules of action”.<sup>34</sup> This legislation can appear outdated, or add obstacles to the development of conducive SSE ecosystems. For example, in France, the 2014 *Loi relative à l'économie sociale et solidaire* updated various provisions of the 1947 *Loi 47-1775, portant statut de la coopération*.<sup>35</sup> The OECD mapping and expert consultations highlight the need, in some cases, to update or improve pre-existing legislation to bring in more coherence, avoid inconsistencies between existing legislation and adapt to the evolution of SSE ecosystems and more generally to the latest trends (e.g. digitalisation, greening, COVID-19 implications). As mentioned earlier, sometimes the introduction of subnational SSE legislation and legal frameworks can further complicate these interactions and create markedly different SSE ecosystems within the same country.

**Introducing new legal frameworks can create unexpected inconsistencies and contradictions with pre-existing legislation, which can prevent new legal frameworks for the SSE from operating as intended.** For example, SSE legislation was developed over time by multiple national and subnational government agencies in Korea in response to various crises, leading to cases of conflicting legislation. This can create uncertainty for SSE entities, that may face unclear or even contradictory regulations related to their tax obligations, eligibility for certain forms of public support or even which type of legal entity they are considered to be. Ideally, legal frameworks should be developed using an integrated approach that involves a wide range of ministries and government institutions in order to identify any potential conflicts or inconsistencies with existing legislation.

### ***Linking legal framework approaches and the development stage of the SSE ecosystems***

**Countries where the distinct aspects of the social and solidarity ecosystem are integrated (i.e. cooperatives, social enterprises, associations, mutual societies and foundations recognise themselves as part of the same phenomenon) tend to place emphasis on an overarching and substantial approach to legal frameworks:** In these countries (e.g. the Province of Quebec, Canada, France, Portugal and Spain), the SSE ecosystem is well-developed and its components are supported by specific policies and strategies (fiscal measures, public procurements, etc.). In this context, the approach to legal frameworks is developed and expanded in stages, first with the adoption of specific laws to clearly define and regulate the SSE organisations and entities and later with the adoption of framework laws that provide an official definition of the social and solidarity economy and recognition to its specific governing rules and principles. Legal frameworks help also mainstream the various contributions of the field to other policies and strategic objectives.

**Countries where the social and solidarity economy ecosystem is developed but not integrated tend to privilege legislation on specific organisations or entities:** In these countries, the SSE ecosystem is developed but not fully supported by tailored policies that could create a high level of integration between its different components (e.g. Brazil, India, the Netherlands). In this context, the approach to legal frameworks is more focused on defining organisations and entities and not on creating a general legal framework for the social and solidarity economy.

### ***Exploring instances where SSE organisations are not fully regulated***

**In some cases, policy ecosystems can be conducive to SSE development even in the absence of legal frameworks.** In some countries, SSE organisations are not fully regulated. However, other targeted policies or strategies (e.g. tax incentives, national or subnational strategies, specific measures, etc.) put in

<sup>34</sup> *Loi sur les coopératives* (Cooperatives Act), article 4: <http://legisquebec.gouv.qc.ca/fr/showdoc/cs/c-67.2>.

<sup>35</sup> <https://www.legifrance.gouv.fr/loda/id/LEGISCTA000029314877>.

place to support SSE development can lead to the development of a conducive ecosystem effect, even in the absence of comprehensive legislative measures.

**SSE entities have partial legal recognition in a number of countries targeted by the Global Action**, including India, Mexico, the Netherlands and the United States. Likewise, federal systems where regions have developed distinct legal frameworks for the SSE can also create inconsistent operating environments for SSE organisations within a single country. While this can inhibit SSE development by contributing to SSE fragmentation, specific policies or strategies such as tax incentives and support strategies can achieve a conducive ecosystem even without complimentary legal frameworks. For example, despite the lack of any national legal framework for the SSE, local governments in the Netherlands have successfully utilised public procurement and other strategies to support social enterprise development. For example, Amsterdam, Harlem, the Hague and Rotterdam support SSE organisations, in particular social enterprises, with several programmes and action plans and by facilitating their access to resources through strategic collaborations.<sup>36</sup> Even without any supportive national legislation or legal status, the number of social enterprises in the Netherlands is estimated to have nearly doubled between 2010 and 2016 (European Commission, 2020<sub>[19]</sub>). This outcome highlights how, under certain circumstances, policy ecosystems can stimulate the SSE development or the development of certain SSE entities despite the lack of specific legislation.

## Legal frameworks can facilitate the use of other policy instruments for the SSE

**Legal frameworks for the SSE can enhance the efficacy of other policy instruments in some cases by providing it with legal recognition, which facilitate its inclusion in other initiatives.** While legal frameworks help complement and complete SSE ecosystems, they cannot catalyse its development alone. This section will explore how legal frameworks can interact with other policy instruments to support SSE ecosystems.

**Legal frameworks can enable authorities to use certification and registration systems to ensure that tax exemptions and fiscal benefits are directed at entities with firm commitments to achieving social objectives.** In Estonia, only non-profit associations and foundations that have been approved by the Tax and Customs Board are eligible for income tax reductions. Other countries such as Italy, Germany and Hungary and the Netherlands award public benefit status to various types of SSE entities which enables them to qualify for specific tax exemptions and/or reductions depending on their type of operations. In Finland, tax conditions for non-profit welfare associations and foundations are determined on a case-by-case basis, with only those found to contribute to the public good exempted from taxes on income generated by commercial activities.

**Additionally, legal frameworks can help facilitate access to markets and access to finance for SSE entities.** As discussed in section 3, including social clauses in public procurement regulations at the national and local level provides critical opportunities to SSE entities while also enabling policy makers to leverage public procurement to support social welfare by involving SSE entities. Legal frameworks can also support access to finance by providing SSE entities with legal recognition, which is often necessary for them to access many types of funding. For example, stakeholder consultations confirmed that one benefit of creating a specific legal form for social enterprises in Slovakia was enabling their access to European Social Funds.

**Recognising individual SSE entities can help them qualify to participate in business support programmes such as business development, skills and training.** Stakeholder consultations revealed few business support services specifically targeting SSE entities and that they are often ineligible for many types of business support services. Creating specific legal forms can facilitate the inclusion of SSE entities

<sup>36</sup> <https://www.platform31.nl/nieuws/haarlem-in-actie-voor-sociaal-ondernemerschap>.

in business support services and also identify a common identity for the SSE, enabling business support services to target it more broadly. Moreover, legal frameworks can directly create support organisations for SSE entities. For example, the Belgian region of Wallonia created a formal legal status for social economy consulting agencies, which provide business services to current and potential social economy organisations. Another option is to make existing business support services available for all SSE entities. In this case, there is no need to create a new legal form (especially when referring to “traditional” SSE entities). However, while this option is easier to put in place, business support needs to be tailored to the needs of each SSE entity. The objective is to recognise a common SSE identity rather than a collection of specific entities. This might help identifying the contribution of SSE as a field and not as a set of isolated types of entities.

**Beyond individual policy areas, legal frameworks can reinforce government commitments and actions towards the SSE and can be used to facilitate comprehensive support for the SSE as a whole.** For example, the Social Economy Act (2013) adopted by the Canadian province of Quebec legally requires the government to formulate a social economy action plan. Three action plans (2008, 2015 and 2020) have been adopted thus far. This approach demonstrates how legal frameworks can facilitate cross-governmental co-ordination regarding the SSE, thus enabling a more consistent and proactive policy support for the SSE.

## Evaluating legal frameworks for the SSE

**Evaluation of legal frameworks for the social and solidarity economy helps assess on a regular basis their performance and relevance.** It is an opportunity to provide constant feedback for their improvement and revision, thus allowing the field to evolve. The need for evaluating legal frameworks for the social and solidarity economy has been expressed by public authorities and social and solidarity economy entities in many target countries.

### *Improving legal frameworks through evaluation*

**Evaluation of the legal frameworks for the social and solidarity economy has been developed in target countries albeit not at a large scale.** Countries such as France, Luxembourg, and Mexico, as well as the Province of Quebec in Canada, have enshrined evaluation in their framework laws. It is used as a tool to support improvement, revision or update of legislation and monitor its implications on the development of the field. Evaluation usually refers to *processes* that lead to the adoption of legal frameworks and *outcomes*: framework and specific laws and their impacts on the development of the field: uptake of new legal forms, number of registered organisations, number of other legal frameworks, creation of business support services, etc. (Box 4.1).



#### Box 4.1. The OECD regulatory quality or performance

Pursuing “regulatory quality” is about enhancing the performance, cost-effectiveness, and legal quality of regulations. Regulatory quality refers to **processes**, i.e. the way regulations are developed and enforced. Processes should be **in line with the principles of consultation, transparency, accountability and evidence**. Regulatory quality also refers to **outcomes**, i.e. whether regulations are **effective, efficient, coherent and simple**. This means that laws and regulations should:

1. serve clearly identified policy goals, and are effective in achieving those goals;
2. be clear, simple, and practical for users;
3. have a sound legal and empirical basis;
4. be consistent with other regulations and policies;
5. produce benefits that justify costs, considering the distribution of effects across society and taking economic, environmental and social effects into account;
6. be implemented in a fair, transparent and proportionate way;
7. minimise costs and market distortions;
8. promote innovation through market incentives and goal-based approaches; and
9. be compatible as much as possible with competition, trade and investment facilitating principles at domestic and international levels.

**The performance of legal frameworks is linked to their capacity to support achievement of specific objectives:** recognition, visibility, legal definitions, ease of registration, doing business, taxation, etc. Evaluation helps determine:

- i) whether implementation of laws is effective or not and how they help achieve objectives;
- ii) their positive and unexpected impacts; and
- iii) how stakeholders are or not associated to their design and implementation.

Source: (OECD, 2012<sup>[53]</sup>; OECD, 2014<sup>[54]</sup>; OECD, 2018<sup>[13]</sup>)

**In Canada, the 2013 Social Economy Act implemented in the Province of Quebec was developed as a collaborative project with stakeholders, who are recognised as partners.** The Act recognises stakeholder roundtables and establishes an obligation of dialogue between provincial authorities and stakeholders for developing policies and action plans. To assess outcomes, article 16 of the Act introduced an accountability mechanism (Box 4.2). For each action plan, the local government must present an evaluation report to the provincial assembly and an implementation plan is shared with all stakeholders. In addition, the Act envisages a ten-year implementation report to assess its long-term effectiveness, taking stock of achievements and adapting the Act to changing realities. A report was submitted in November 2020 to the provincial assembly covering the 2015-2020 action plan.

#### Box 4.2. The Accountability Mechanism of the Quebec Social Economy Act (Canada)

The Province of Quebec in Canada has adopted the Social Economy Act in 2013 with the objective to recognise the contribution of the social economy to the socioeconomic development and to sustain the government's commitment to the social economy in the long run.

The Act sets up an accountability mechanism to assess its outcomes. This accountability mechanism relies on three pillars:

- the establishment of a privileged relationship encouraging dialogue between the government and the social economy stakeholders, namely the *Chantier de l'économie sociale*, the *Conseil québécois de la coopération et de la mutualité* and the member-organisations of the Panel of Social Economy Partners;
- an obligation to adopt an action plan on the social economy, after consultation of the social economy stakeholders, every five years. The action plan also establishes the reporting mechanisms to account for the policy actions taken to support the social economy;
- a requirement to publish a report on the implementation of the action plan, which is also tabled in the National Assembly. The report serves, in combination with stakeholder consultations, as the basis to design the subsequent action plan.

In addition, a ten-year report is envisaged to assess the Social Economy Act and its long term effectiveness, with the objective of taking stock, reporting on changes having taken place, and adapting law to changing realities.

Source: Social Economy Act (Quebec, 2013), OECD stakeholder consultations, OECD international expert meeting on "Leveraging Legal Frameworks to Scale the Social and Solidarity Economy" (10 December 2020), (Quebec, 2020<sup>[55]</sup>)

**In France, although the 2014 Framework Law on the Social and Solidarity Economy does not set a specific method or tool to assess the performance of the law, it states the need for a bi-annual assessment.** It also refers to the bi-annual conferences between regions, the government and social economy networks to take stock of achievements and explore opportunities to improve laws, policies and strategies.

**In Mexico, the 2012 Law on the Social and Solidarity Economy specifies that an independent entity should have the responsibility to evaluate legal frameworks.** The Council for the Evaluation of Social Policies is responsible for evaluation. Having a specialised institution leading the evaluation process is considered as a success factor. Nevertheless, the institution being part of the administration, the evaluation process might be viewed as a control mechanism (Raquel Ortiz-Ledesma, 2019<sup>[56]</sup>).

**In countries, where social enterprises are prevalent (e.g. Denmark, the Netherlands, Slovakia), the challenge is to assess the performance of the legal status or form** social enterprises adopt and its adequacy with their governance and business models and the pursuit of social and economic goals. The aim is to demonstrate, depending on context and country specificity, the importance (and need), or not for ad-hoc legislation to promote and develop social enterprises, especially when substantive rules are coupled with policy measures of a fiscal nature (Fici, 2017<sup>[57]</sup>).

#### ***Updating existing legislation to address inconsistencies and ensure coherence***

**Evaluation can be used to revise pre-existing legislation to minimise regulatory inconsistencies, achieve coherence of legal frameworks and equip SSE ecosystems to adapt to emerging trends such as digitalisation and the effects of the ongoing COVID-19 crisis.** Although OECD stakeholder

consultations confirmed that policy makers in a number of target countries recognised the need to amend and update pre-existing legislation to harmonise it with new SSE legislation, many also indicated that doing so was unlikely to take place in the near future due to inadequate cross-ministerial co-ordination, political commitment and expertise of the SSE among policy makers. This common obstacle highlights the importance of regularly assessing the performance of legal frameworks and establishing effective and timely mechanisms to address underperforming or clashing legislation.

**In Luxembourg, the Ministry of Labour, Employment and Social and Solidarity Economy (MLESSE) organised a comprehensive cross-government process with all other ministries to identify legislation that could be amended** to ensure that social economy organisations were not inadvertently disadvantaged compared to other legal forms (European Commission, 2020<sup>[19]</sup>). This process culminated in 2018 with a number of amendments that extended specific rights to social enterprises that were previously reserved for non-profit organisations. Slovenia revised the 2011 Social Entrepreneurship Act in 2018, integrating at the same time the overarching notion of the social economy with the objective to reduce confusion around the field.

### ***Defining evaluation criteria and tools aligned with the specificities and needs of the social and solidarity economy***

**Criteria that are mostly used to evaluate legal frameworks relate to their impacts on the performance of social and solidarity organisations.** This includes: uptake and number of organisations and entities, registered entities as part of the social and solidarity economy; number of closures; jobs created; location of jobs, etc. These criteria are important but not sufficient. Some elements are recognised as ensuring a more successful legal framework and could be used to evaluate their performance: i) a sequenced and inclusive process with an active involvement of the relevant stakeholders; ii) assessments allowing adjustments and revisions of legal frameworks (when needed); iii) political interest and investment in assessing the field.

**To be successful, strategies to assess legal frameworks for the social and solidarity economy should be implemented through a pragmatic approach informed by practitioners and networks.** This should also include impact measurement to understand in which context some legal options are more appropriate than others. Assessment should also benefit from feedback of users/beneficiaries of legal frameworks.

**Evaluation of legal frameworks for the social and solidarity economy could build on the OECD Recommendation on Regulatory Policy and Governance and the EU Better Regulation Toolbox (Box 4.3) to define these criteria and tools.** They could include:

- ***stakeholder consultation*** to ensure common understanding of strengths and weaknesses of existing legal frameworks;
- ***ex-ante assessment*** to determine if the need for regulation is real or if revising existing legislation is sufficient;
- ***ex-post evaluation*** to update or revise laws and ensure that they are effective, efficient, coherent and simple to use;
- ***periodicity*** to clearly define when assessment and evaluation could take place. This could be achieved through annual conferences that bring together all the stakeholders of the ecosystem to achieve greater consensus.

### Box 4.3. The EU Better Regulation Guidelines and Toolbox

The European Commission's Better Regulation policy emerged since the early 2000s and gradually evolved. The Commission applies it in its own law- and policy-making and encourages also the other EU institutions and the EU Member States to do likewise.

In 2015, the European Commission designed the Better Regulation' Guidelines. 'Better Regulation' is defined in these Guidelines as an approach to policy and law-making that reaches objectives at minimum costs, and ensures that political decisions are prepared transparently with the involvement of stakeholders and informed by the best possible evidence.

It is based on the principles of **necessity** (need for intervention), **proportionality** (not to go beyond what is strictly needed), **subsidiarity** (to act at the appropriate level of governance and only at EU level when it cannot be done nationally or locally) and **transparency**.

The Better Regulation Guidelines set out in particular that law and policy-making have to be:

- open and transparent;
- backed by the comprehensive involvement of stakeholders and;
- informed by a sound evidence base.

The Better Regulation' Guidelines are complemented by the Better Regulation "Toolbox". Three tools provide Better Regulation with the means to deliver evidence-based policy-making, namely:

- ex-ante impact assessment (also referred to as RIA in some countries);
- ex-post evaluation and;
- involvement of the public and stakeholders through consultation.

Better Regulation should lead to an improved quality of legislation, simplification and a reduction of regulatory burdens, including cumulative ones – all while maintaining benefits. Inspired by the drive for sustainable development, it takes social and environmental as well as economic impact of policies and laws into consideration.

Source: (Golberg, 2018<sup>[58]</sup>) (European Commission, 2017<sup>[59]</sup>)

# 5 Conclusion

**The steady growth of the social and solidarity economy in recent decades testifies to its growing social and economic importance.** As social and solidarity economy organisations scale and enter new sectors, it will be important to develop legal frameworks that reflect their specific needs and address challenges they face. Already, many OECD countries and beyond have developed comprehensive legal frameworks for the social and solidarity economy. Some countries targeted by this scoping paper also are in the process of drafting or adopting additional legislation related to the social and solidarity economy. Activity to develop legal frameworks at the subnational level is also becoming more prevalent. This can be seen in countries such as Brazil, Canada, India, Mexico, Spain and the United States. They have also been important drivers for the development of the SSE in countries such as Korea.

**Legal frameworks are an important asset for the social and solidarity economy, but one that might come with challenges.** As countries act to support the social and solidarity economy, legal frameworks can be an important but challenging component of the ecosystem to do so. Practices and examples analysed in target countries reveal that it is important that legal frameworks reflect the specific needs and conditions of the social and solidarity economy in each national context. The same legal framework transposed into two different countries is likely to produce different outcomes due to the influence of their local contexts. It is important that countries have access to the tools and knowledge needed to create a favourable legal environment for the social and solidarity economy that empowers organisations to operate successfully and maximize their impact.

**Through its work on the social and solidarity economy, the OECD will provide knowledge for countries to better utilise legal frameworks in order to most effectively support the development of the social and solidarity economy.** The OECD is developing an international guide on legal frameworks for the social and solidarity economy that is expected to be published in early 2022. This guide will provide policy makers with detailed and actionable guidance on the importance of legal frameworks as well as their limitations. Additionally, the international guide on legal frameworks will equip policy makers to determine when legal frameworks are necessary, how to develop effective legislation and how to successfully implement them over the long term. In concert with other international policy guidance on the social and solidarity economy, the work of the OECD on legal frameworks for the social and solidarity economy will help empower SSE organisations to deliver positive social outcomes while driving inclusive and sustainable growth.

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## Annex A. English translation of SSE entities from original language

The table provides a list of the names of entities and legal frameworks in original languages as well as their translation in English. All translations are suggested by the authors.

Country	Name in original language	Translation in English
<b>List of entities</b>		
France	Entreprise solidaire d'utilité sociale (ESUS)	Solidarity enterprise of social utility
Italy	Impresa sociale	Social Enterprise
Korea	사회적 기업	Social Enterprise
Luxembourg	Société à Impact Sociétal (SIS)	Societal impact company
Netherlands	Besloten vennootschap maatschappelijk (BVM)	Social private limited company
Spain	Cooperativa de iniciativa social	Social Initiative Cooperative
<b>List of legal frameworks</b>		
Belgium	Ordonnance relative à l'agrément et au soutien des entreprises sociales (Région de Bruxelles-Capitale)	Ordinance on the Accreditation and Support of Social Enterprises (2018) (Brussels-Capital Region)
Belgium	Code des Sociétés et Associations	Code on Companies and Associations (2019)
Bulgaria	Закон за предприятията на социалната и солидарна икономика	Act on Enterprises of the Social and Solidarity Economy (240/2018)
Canada	Loi sur l'économie sociale (Québec)	Social Economy Act (2013) (Quebec)
Canada	Loi sur les coopératives (Québec)	Cooperatives Act (1982) (Quebec)
Denmark	Lov om registrerede socialøkonomiske virksomheder	Act on Registered Social Enterprises (2014)
France	Loi relative à l'économie sociale et solidaire	Framework Law on the Social and Solidarity Economy (2014)
Finland	Laki sosiaalisista yrityksistä	Act on Social Enterprises (2003, revised in 2012)
Greece	NOMOS 4430/2016: Κοινωνική και Αλληλέγγυα Οικονομία και ανάπτυξη των φορέων της και άλλες διατάξεις	Law on Social and Solidarity Economy (4430/2016)
India	वक्फ अधिनियम,	Waqf Act (1995)
Italy	Legge delega 106/2016 per la riforma del Terzo settore, dell'impresa sociale e per la disciplina del servizio civile universale	Law 106/2016 for the Reform of the 'Third Sector', social enterprise and universal civil service
Italy	Disciplina delle cooperative sociali	Law on Social Cooperatives (1991)
Korea	사회적기업 육성법	Social Enterprise Promotion Act (2007)
Korea	서울특별시 사회적경제 기본 조례	Framework Ordinance on the Social Economy (2014) (City of Seoul)
Luxembourg	Loi du 12 décembre 2016 portant création des sociétés d'impact sociétal	Act on Societal Impact Companies (2016)
Mexico	Ley de la Economía Social y Solidaria	Law on the Social and Solidarity Economy (2012)
Portugal	Lei de Bases da Economia Social	Social Economy Framework Law (2013)
Romania	Legea nr. 219/2015 privind economia socială	Law on Social Economy (219/2015)
Slovakia	Zákon o sociálnej ekonomike a sociálnych podnikoch	Act on Social Economy and Social Enterprises (2018)
Slovenia	Zakon o socialnem podjetništvu (ZSocP)	Social Entrepreneurship Act (2018)
Spain	Ley 5/2011 de Economía Social	Law 5/2011 on the Social Economy
Spain	Ley 27/1999 de Cooperativas	Law 27/1999 on Cooperatives

## Annex B. Definitions of the social and solidarity economy and similar notions used in legal texts

The table below provides an overview of the definitions of the social and solidarity economy – or similar terms – included in national framework laws or specific laws across the countries targeted by the Global Action. This table aims to show the diversity of approaches used to define the social and solidarity economy although it must be acknowledged that the objectives and scope of the below-mentioned legal texts greatly differ.

Country	Name and date of the legislation	Definition
Bulgaria	Act on Enterprises of the Social and Solidarity Economy (240/2018)	<p>(Article 2) This act aims to promote the development of a social and solidarity economy as a branch of the economy with special rules for: 1. improvement of access to employment and training to acquire or improve professional qualification aimed to raise the living standard of the persons referred to in Item 4 of Article 7; 2. the creation of conditions for support of the social inclusion and independent lifestyle of the persons pursuant to Item 4 of Article 7; 3. reduction of social inequality and sustainable territorial development.</p> <p>(Article 3) Social and solidarity economy is a form of entrepreneurship aimed at one or several social activities and/or social goals, including by the production of various goods or the provision of services in cooperation with state or local authorities, or independently.</p> <p>(Article 4) The following shall be the principles of social and solidarity economy: 1. advantage of social before economic goals; 2. association for public and/or collective benefit; 3. publicity and transparency; 4. independence from state authorities; 5. participation of the members, workers or employees in managerial decision-making</p> <p>(Article 5) The subjects of social and solidarity economy shall include cooperatives, not-for-profit, legal persons operating for public benefit and social enterprises.</p>
France	Framework Law on the Social and Solidarity Economy (2014)	<p>(Article 1) I-The social and solidarity economy is a form of entrepreneurship and economic development adapted to all areas of human activity, to which legal entities under private law adhere if they meet the following cumulative conditions:</p> <ol style="list-style-type: none"> <li>1. A goal other than the mere sharing of profits;</li> <li>2. A democratic governance, defined and organised by the statutes, providing for information and participation, the extent of which is not solely linked to the capital contribution or to the amount of the financial contribution of the members, employees and stakeholders in the achievements of the company;</li> <li>3. A management in accordance with the following principles: <ul style="list-style-type: none"> <li>– The profits are mainly devoted to the objective of maintaining or developing the activity of the company;</li> <li>– The compulsory reserves constituted, which may not be shared out, may not be distributed. The statutes may authorise the general assembly to incorporate into the capital sums taken from the reserves established under this law and to increase the value of the shares accordingly or to make distributions of bonus shares.</li> </ul> </li> </ol> <p>II- The social and solidarity economy is composed of the activities of production, transformation, distribution, exchange and consumption of goods or services implemented:</p> <ol style="list-style-type: none"> <li>1. By legal persons under private law constituted in the form of cooperatives, mutual benefit</li> </ol>

		<p>societies or unions under the mutual benefit code or mutual insurance companies under the insurance code, foundations or associations governed by the law of 1 July 1901 relating to the contract of association or, where applicable, by the local civil code applicable to the departments of Bas-Rhin, Haut-Rhin and Moselle;</p> <p>2. By commercial companies which, under the terms of their articles of association, fulfil the following conditions:</p> <ul style="list-style-type: none"> <li>– They comply with the conditions set out in paragraph 1 of this article;</li> <li>– They seek to be socially useful within the meaning of Article 2 of this law;</li> <li>– They apply specific management principles (see Framework Law for more details).</li> </ul>
Greece	Law on Social and Solidarity Economy (4430/2016)	<p>(Article 2.1)</p> <p>"Social and Solidarity Economy" is defined as the set of economic activities based on an alternative form of organisation of relations of production, distribution, consumption and reinvestment, based on the principles of democracy, equality, solidarity, cooperation, and respect for people and the environment.</p> <p>(Article 3.1)</p> <p>"Social and solidarity economy bodies" are:</p> <ol style="list-style-type: none"> <li>a) "Social Cooperative Enterprises",</li> <li>b) Social Cooperatives of Limited Responsibility (CSOs) governed by Article 12 of Law 2716/1999 (A' 96), supplemented by the provisions of Law 1667/1986 (A' 196), Article 12 of Law 3842/2010 (A' 58) and this Law,</li> <li>c) Employees' Cooperatives, established by Article 24,</li> <li>d) Any other legal person not having a single person, if it has acquired legal personality, such as agricultural cooperatives of Law 4384/2016 (A' 78), civil cooperatives of Law 1667/1986, Civil Companies of Articles 741 et seq. of the Civil Code, if the following conditions are cumulatively met (...)</li> </ol>
Italy	Law 106/2016 for the Reform of the 'Third Sector', social enterprise and universal civil service	<p>(Article 1)</p> <p>1. The third sector is defined as the group of private entities established for the pursuit of civic, solidarity and social utility purposes on a non-profit basis, and which, in implementation of the principle of subsidiarity and in accordance with their respective articles of association or deeds of incorporation, promote and carry out activities in the general interest by means of voluntary and non-remunerative action, by mutuality, or by the production and exchange of goods and services.</p>
Luxembourg	Act on Societal Impact Companies (2016)	<p>(Article 1)</p> <p>The social and solidarity economy is a form of entrepreneurship to which legal entities under private law adhere if they fulfil the following conditions:</p> <ol style="list-style-type: none"> <li>1. Pursue a continuous activity of production, distribution or exchange of goods or services.</li> <li>2. Meet primarily at least one of the following two main conditions: <ul style="list-style-type: none"> <li>– They aim to provide, through their activity, support for people in vulnerable situations, either because of their economic or social situation, or because of their personal situation and particularly their state of health or their need for social or medico-social support. These persons may be employees, customers, members, subscribers or beneficiaries of the company;</li> <li>– They aim to contribute to the preservation and development of social ties, the fight against exclusion and health, social, cultural and economic inequalities, gender equality, the maintenance and reinforcement of territorial cohesion, environmental protection, the development of cultural or creative activities and the development of initial or continuing training activities.</li> </ul> </li> <li>3. To be autonomous in the sense that they are fully capable of choosing and dismissing their governing bodies and of controlling and organising all their activities.</li> <li>4. Apply the principle that at least half of the profits generated are reinvested in the maintenance and development of the company's activity.</li> </ol>
Mexico	Law on the Social and Solidarity Economy (2012, last amended in 2019)	<p>(Article 3)</p> <p>The Social Sector of the Economy is the sector of the economy referred to in the eighth paragraph of article 25 of the Political Constitution of the United Mexican States, which functions as a socio-economic system created by socially owned organisations, based on relations of solidarity, cooperation and reciprocity, privileging work and the human being, formed and administered in an associative manner, to satisfy the needs of its members and the communities where they develop, in accordance with the terms established in the present Law.</p>

		<p>(Article 4) The Social Sector of the Economy shall be composed of the following forms of social organisation:</p> <ul style="list-style-type: none"> <li>– Communal farmlands (<i>ejidos</i>); Communities; Workers' organisations; Cooperative Societies; Enterprises that are majority or exclusively owned by the workers; and</li> <li>– In general, all forms of social organisation for the production, distribution and consumption of socially necessary goods and services.</li> </ul> <p>(Article 8) The aims of the Social Sector of the Economy are as follows:</p> <ol style="list-style-type: none"> <li>1. To promote the values of human rights, social inclusion and, in general, the full development of the human being;</li> <li>2. To contribute to the socio-economic development of the country, participating in the production, distribution and consumption of socially necessary goods and services.</li> <li>3. To promote education and training by encouraging practices that consolidate a culture of solidarity, creative and enterprising culture;</li> <li>4. To contribute to the exercise and improvement of participatory democracy;</li> <li>5. To participate in the design of plans, programmes and projects for economic and social development, in terms of the applicable legislation;</li> <li>6. Facilitate the participation and access to training, work, property, information, management and equitable distribution of benefits without discrimination of any kind to the Associates of the Sector Organisations;</li> <li>7. Participate in the generation of sources of work and better ways of life for all people;</li> <li>8. Promote the full creative and innovative potential of workers, citizens and society,</li> <li>9. Promote productivity as a mechanism for social equity.</li> </ol> <p>(Article 9) The Organisations of the Sector shall take into account the following principles in their internal organisation: Autonomy and independence from the political and religious sphere; Participatory democratic regime; Self-management form of work; Interest in the community.</p> <p>(Article 10) The Sector Organisations shall orient their actions on the following values: Mutual aid; Democracy; Fairness; Honesty; Equality; Justice; Plurality; Shared responsibility; Solidarity; Subsidiarity; Transparency; Trust; Self-management; and Social Inclusion.</p>
Portugal	Social Economy Framework Law (2013)	<p>(Article 2) 1. Social economy shall be understood as the set of economic and social activities freely undertaken by the entities referred to in Article 4 of this law. 2. The activities provided for in paragraph 1 are intended to pursue the general interest of society, either directly or through the pursuit of the interests of its members, users and beneficiaries, when socially relevant.</p> <p>(Article 4) The following entities, as long as covered by the Portuguese legal system, are part of the social economy:</p> <ul style="list-style-type: none"> <li>– Cooperatives; Mutual associations; Charitable institutions; Foundations; Private social solidarity institutions not covered by the previous subparagraphs; Associations with altruistic purposes acting within the cultural, recreational, sports and local development scope; The entities covered by the community and self-managed sub-sectors, integrated under the terms of the Constitution into the cooperative and social sector; and</li> <li>– Other entities endowed with legal personality, which respect the guiding principles of the social economy as provided for in Article 5 of this law and are included in the social economy database.</li> </ul> <p>(Article 5) Social economy entities are autonomous and act within the scope of their activities in accordance with the following guiding principles:</p> <ul style="list-style-type: none"> <li>– The primacy of people and social objectives;</li> <li>– Free and voluntary membership and participation;</li> </ul>

		<ul style="list-style-type: none"> <li>– Democratic control of the respective bodies by their members;</li> <li>– Conciliation between the interests of members, users or beneficiaries and the general interest;</li> <li>– Respect for the values of solidarity, equality and non-discrimination, social cohesion, justice and equity, transparency, shared individual and social responsibility and subsidiarity;</li> <li>– The autonomous and independent management of public authorities and of any other entities outside the social economy;</li> <li>– The allocation of surpluses to the pursuit of the purposes of social economy entities in accordance with the general interest, without prejudice to respect for the specificity of the distribution of surpluses, proper to the nature and substratum of each social economy entity, as enshrined in the Constitution.</li> </ul>
Romania	Law on Social Economy (219/2015)	<p>(Article 2)</p> <p>(1) The social economy is the set of activities organised independently from the public sector, the purpose of which is to serve the general interest, the interests of a community and/or personal non-pecuniary interests by increasing the employment of persons belonging to vulnerable groups and/or producing and supplying goods, providing services and/or carrying out works.</p> <p>(2) The social economy is based on private, voluntary, and solidarity-based initiative, with a high degree of autonomy and responsibility, and limited distribution of profits to members.</p> <p>(Article 3)</p> <p>(1) For the purposes of this law, social enterprises may be:</p> <ul style="list-style-type: none"> <li>(a) cooperative societies of the first degree, operating on the basis of Law No 1/2005 on the organisation and functioning of cooperatives, republished;</li> <li>(b) credit cooperatives, operating under Government Emergency Ordinance No 99/2006 on credit institutions and capital adequacy, approved with amendments and additions by Law No 227/2007, as amended;</li> <li>(c) associations and foundations, operating on the basis of Government Ordinance No 26/2000 on associations and foundations, approved with amendments and additions by Law No 246/2005, as subsequently amended and supplemented;</li> <li>(d) mutual benefit societies for employees, operating pursuant to Law No 122/1996 on the legal status of mutual benefit societies and their unions, republished;</li> <li>(e) pensioners' mutual benefit societies, which are set up and operate on the basis of Law No 540/2002 on mutual aid houses for pensioners, as amended and supplemented subsequent additions;</li> <li>(f) agricultural companies, which operate on the basis of Law No 36/1991 on agricultural companies and other agricultural associations, as subsequently amended;</li> <li>(g) any other categories of legal persons which, according to the legal acts of establishment and organisation, cumulatively comply with the definition and principles of the social economy provided for in this Law.</li> </ul> <p>(2) Federations and unions of legal persons referred to in paragraph (1) may be social enterprises.</p> <p>(Article 4)</p> <p>The social economy is based on the following principles:</p> <ul style="list-style-type: none"> <li>(a) priority given to the individual and to social objectives over profit-making.</li> <li>(b) solidarity and collective responsibility;</li> <li>(c) convergence between the interests of the associated members and the general interest and/or the interests of a community;</li> <li>(d) democratic control of the members over the activities carried out;</li> <li>(e) voluntary and free nature of the association in the forms of organisation specific to the social economy;</li> <li>(f) separate legal personality, autonomy of management and independence from public authorities;</li> <li>(g) allocation of the major part of the financial profit/surplus to the attainment of objectives of general interest, of a community or in the non-pecuniary personal interest of the members.</li> </ul>
Slovakia	Act on Social Economy and Social Enterprises	<p>(Article 3)</p> <p>The social economy is the sum of productive, distributional or consumer activities carried out</p>

	(2018)	<p>through economic activity or non-economic activity independently of state bodies, whose main goal is to achieve a positive social impact.</p> <p>(Article 4)</p> <p>(1) The subject of the social economy is a civic association, foundation, non-investment fund, public benefit organisations, religious organisations, trade companies, cooperatives or sole proprietors which:</p> <ul style="list-style-type: none"> <li>(a) are not majority controlled by a state body, the state body does not finance them for the most part, does not appoint or elect a statutory body or more than half of its members and does not appoint or elect more than half of the members of the management body or supervisory body,</li> <li>(b) are engaged in an economic or non-economic activity within the framework of social economy activities, and</li> <li>(c) if they undertake or perform other gainful activity in accordance with special regulations, they do not perform them exclusively for the purpose of making a profit or use the profit from them in the manner provided for in this Act.</li> </ul> <p>(2) For the purposes of paragraph 1 letter a) financing is not the provision of support under this Act or special regulations.</p>
Slovenia	Social Entrepreneurship Act (2018)	<p>(Article 2)</p> <p>Social economy is defined as an economy consisting of social enterprises, cooperatives, companies for people with disabilities, employment centres, non-governmental organisations (associations, institutes, institutions or foundations), which are not established solely for the purpose of making a profit, operate for the benefit of their members, users or wider communities and produce commercial or non-commercial products and services.</p>
Spain	Law 5/2011 on the Social Economy	<p>(Article 2)</p> <p>The term social economy refers to all economic and entrepreneurial activities carried out in the private sphere by entities which, in accordance with the principles set out in article 4, pursue either the collective interest of their members or the general economic or social interest, or both.</p> <p>(Article 4)</p> <p>The social economy entities act on the basis of the following guiding principles:</p> <ul style="list-style-type: none"> <li>– Primacy of people and social purpose over capital, which takes the form of autonomous and transparent, democratic and participatory management, leading to prioritising decision-making more in terms of people and their contributions of work and services provided to the entity or in terms of the social purpose, than in relation to their contributions to the social capital.</li> <li>– Application of the results obtained from the economic activity mainly according to the work contributed and the service or activity carried out by the members or their members and, where appropriate, to the social purpose of the entity.</li> <li>– Promotion of internal solidarity and with society that favours commitment to local development, equal opportunities between men and women, social cohesion, the insertion of people at risk of social exclusion, the generation of stable and quality employment, the reconciliation of personal, family and working life and sustainability.</li> <li>– Independence from public authorities.</li> </ul> <p>(Article 5)</p> <p>1. The social economy includes co-operatives, mutual societies, foundations and associations that carry out economic activity, labour companies, insertion companies, special employment centres, fishermen's associations, agricultural processing companies and singular entities created by specific regulations that are governed by the principles set out in the previous article.</p> <p>2. The social economy may also include those entities that carry out economic and entrepreneurial activity, whose operating rules comply with the principles listed in the previous article, and which are included in the catalogue of entities established in article 6 of this Act.</p> <p>3. In any case, social economy entities shall be regulated by their specific substantive rules.</p>

Note: Authors' translation of official legal texts

Source: Authors' elaboration

## Annex C. National legal frameworks for the social and solidarity economy

The table provides an overview of national legal frameworks for the social and solidarity economy, including framework laws, specific laws on the social and solidarity economy entities and national action plans and strategies.

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies and Action plans
<b>EU Member States</b>			
Austria		<ul style="list-style-type: none"> <li>• Cooperative Law (1873)</li> <li>• Limited Liability Company Act (1906) – Public-benefit limited companies</li> <li>• Federal Act on Associations (2002)</li> </ul>	
Belgium		<ul style="list-style-type: none"> <li>• Law on mutual societies and national unions of mutual societies (1990)</li> <li>• Code on Companies and Associations (2019) that integrates the former Law on Associations and Foundations, the revised book on cooperatives as well as the legal status of “social enterprise” available for cooperatives</li> </ul>	
Bulgaria		<ul style="list-style-type: none"> <li>• Cooperatives Act (1999) – Cooperatives for people with disabilities</li> <li>• Act on Integration of people with disabilities (81/2004)</li> <li>• Act on Enterprises of Social and Solidarity Economy (240/2018).</li> <li>• Act on Non-Profit Legal Entities (81/2000)</li> <li>• Act on Public Cultural Associations (89/1996)</li> </ul>	<ul style="list-style-type: none"> <li>• Bi-annual Social Economy Action Plans, which establish cross-government objectives to promote the development of the social economy in Bulgaria</li> </ul>
Croatia		<ul style="list-style-type: none"> <li>• Act on Trusts and Foundations (OG 36/1965, 64/2001)</li> <li>• Act on Institutions (OG 76/1993, 29/1997, 47/1999, 35/2008)</li> <li>• Act on Cooperatives (OG 34/2011, 125/2013, 76/2014)</li> <li>• Act on Vocational Rehabilitation and Employment of people with disabilities (OG 157/2013, 152/2014)</li> <li>• Act on Associations (OG 74/2014, 70/2017)</li> <li>• Act on Credit Unions (141/2006, 25/2009, 90/2011)</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy for Social Entrepreneurship Development (April 2015)</li> </ul>
Cyprus <sup>37</sup>		<ul style="list-style-type: none"> <li>• Cooperative Societies Law (22/1985)</li> </ul>	<ul style="list-style-type: none"> <li>• National Action Plan for the</li> </ul>

<sup>37</sup> Note by Turkey: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.



		<ul style="list-style-type: none"> <li>• Law on <i>Associations and Foundations</i> (104(I)/2017)</li> <li>• Social Enterprise Law (2020)</li> <li>• Companies Law (Cap 113/1968)</li> </ul>	Development of Social Enterprise Ecosystem (2018)
Czech Republic		<ul style="list-style-type: none"> <li>• Business Corporations Act (90/2012) – Cooperatives, Social Cooperatives</li> <li>• Civil Code (89/2012) – Associations, Institutes, Foundations</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy for the Support of Small and Medium Entrepreneurs 2014–2020, which includes social enterprises</li> </ul>
Denmark		<ul style="list-style-type: none"> <li>• Act on Registered Social Enterprises (2014)</li> </ul>	
Estonia		<ul style="list-style-type: none"> <li>• Apartment Ownership Act (1995) – Commercial Associations</li> <li>• Foundations Act (1995)</li> <li>• Commercial Code (1995) – Private Limited Company</li> <li>• Non-Profit Associations Act (1996)</li> </ul>	<ul style="list-style-type: none"> <li>• National Development Plan for Civil Society 2015-2020</li> <li>• National Development Plan for Civil Society 2021-2030 (under development)</li> </ul>
Finland		<ul style="list-style-type: none"> <li>• Act on Social Enterprises (1351/2003) (revised in 2012)</li> <li>• Cooperatives Act (22/1901)</li> <li>• Associations Act (1/1919)</li> <li>• Foundations Act (109/1930)</li> <li>• Insurance Companies Act (174/1933)</li> </ul>	
France	<ul style="list-style-type: none"> <li>• Framework Law on the Social and Solidarity Economy (2014)</li> </ul>	<ul style="list-style-type: none"> <li>• Law on the contract of association (1901) – Associations</li> <li>• Mutuality Code (revised in 2019) – Mutuals</li> <li>• Law 47-1775 (1947) – Cooperatives</li> <li>• Law 87-571 (1987) – Foundations</li> <li>• Law 91-3 (1991, revised in 2018) – Insertion Enterprises</li> <li>• Law 2001-624 (2011) – Collective interest cooperatives (SCIC)</li> <li>• Framework Law on Social and Solidarity Economy (2014) – Solidarity Enterprises of Social Utility (ESUS), Cooperatives of Activity and Employment (CAE)</li> </ul>	<ul style="list-style-type: none"> <li>• Growth Pact for SSE (2018)</li> </ul>
Germany		<ul style="list-style-type: none"> <li>• German Cooperatives Act (revised in 2006)</li> <li>• Public benefit legislation (2013)</li> <li>• German Civil Code (2002) – Associations, Foundations</li> <li>• German Commercial Code (1897)</li> <li>• Fiscal Code (1977, revised in 2002)</li> <li>• Limited Liability Companies Act (1892, last amended in 2021)</li> </ul>	
Greece	<ul style="list-style-type: none"> <li>• Law on Social Economy and Social Entrepreneurship (4019/2011)</li> <li>• Law on Social and Solidarity Economy (4430/2016)</li> </ul>	<ul style="list-style-type: none"> <li>• Law on Mental Health Services (2716/1999) – Limited Liability Social Cooperatives (KoiSPE)</li> <li>• Law on Civil Cooperatives (1667/1986)</li> <li>• Law 602/1915 - Agricultural Cooperatives</li> <li>• Law 3190/1955 - Limited Liability Companies</li> <li>• Law 921/1979 - Women's Agrotourism Cooperatives</li> <li>• Law 4430/2016 - Social Cooperative Enterprises, Workers Cooperatives</li> </ul>	
Hungary		<ul style="list-style-type: none"> <li>• Act 141 on Cooperatives (2006) – Social cooperatives and sub-types such as school cooperatives or employment cooperatives</li> <li>• Act CLXXV on the Freedom of Association, Non-profit Status and the Operation and Support of Civil Organizations (2011) – NGOs with economic activities</li> </ul>	

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

		<ul style="list-style-type: none"> <li>• Act V of the Civil Code (2013)</li> <li>• Business Associations Act (4/2006)</li> </ul>	
Ireland		<ul style="list-style-type: none"> <li>• Companies Act (1963-2013) – Company Limited by Guarantee</li> <li>• New Companies Act (2014)</li> </ul>	<ul style="list-style-type: none"> <li>• National Social Enterprise Policy 2019-2022</li> </ul>
Italy	<ul style="list-style-type: none"> <li>• Law 106/2016 for the Reform of the 'Third Sector', social enterprise and universal civil service</li> <li>• Legislative Decree 117/2017, Code of third sector entities</li> </ul>	<ul style="list-style-type: none"> <li>• Law 3818/1886 – Mutual benefit societies</li> <li>• Law 381/1991 – A-type social cooperatives engaged in social, health and educational services and B-type social cooperatives engaged in work integration</li> <li>• Law 118/2005 and Legislative Decree 155/2006 provide for more general legal framework on social enterprises and introduce principles of pluralism of organisational forms</li> <li>• Legislative Decree 112/2017 – Revision of the Social Enterprise Law</li> </ul>	
Latvia		<ul style="list-style-type: none"> <li>• Commercial Law (2002)</li> <li>• Association and Foundations Law (2004)</li> <li>• Public Benefit Organisation Law (2004)</li> <li>• Social Enterprise Law (2018)</li> </ul>	
Lithuania		<ul style="list-style-type: none"> <li>• Law on Social Enterprises (2004)</li> <li>• Decree No.4-20 (2015) – Social Business</li> <li>• Law of Associations (1969)</li> <li>• Law on Cooperative Societies (1993)</li> <li>• Law of Charity and Sponsorship Foundations (1996)</li> <li>• Law on Public Establishments (1996)</li> </ul>	
Luxembourg	<ul style="list-style-type: none"> <li>• Act on Societal Impact Companies (2016)</li> </ul>	<ul style="list-style-type: none"> <li>• Law on Non-Profit Associations and Foundations (1928)</li> <li>• Law on the Restoration of Full Employment (41/2009) - Work Integration Social Enterprises</li> <li>• Law on Commercial Societies (1915, revised in 2017 and 2021) – Cooperatives, <i>Limited Liability Companies</i></li> </ul>	
Malta		<ul style="list-style-type: none"> <li>• Draft Social Enterprise Act (June 2015), which seeks to offer both a new legal form of 'social enterprise company' and a 'social enterprise organisation' label</li> <li>• Cooperatives Societies Act (2002)</li> <li>• Voluntary Organisations Act (2007)</li> </ul>	
Netherlands		<ul style="list-style-type: none"> <li>• Civil Code – Associations, Foundations, Public Limited Companies, Private Limited Companies</li> </ul>	
Poland		<ul style="list-style-type: none"> <li>• Act on Vocational and Social Rehabilitation and Employment of Disabled Persons (1997) – Professional activity establishments (ZAZ)</li> <li>• Law on Social Cooperatives (2006)</li> <li>• Code of Commercial Companies (2000)</li> <li>• Act on Foundations (1984)</li> <li>• Act on Associations (1989)</li> </ul>	<ul style="list-style-type: none"> <li>• National Programme for Social Economy Development</li> </ul>
Portugal	<ul style="list-style-type: none"> <li>• Social Economy Framework Law (2013)</li> </ul>	<ul style="list-style-type: none"> <li>• Decree-Law No. 72/90 (1990) – Mutual Associations</li> <li>• Code (51/1996)</li> <li>• Law on Private Institutions of Social Solidarity (IPSS) (172-A/2014)</li> <li>• Cooperative Code (2015)</li> <li>• Decree-Law 7/98 (1998) - Social Solidarity Cooperatives</li> <li>• Framework Law on Foundations (24/2012)</li> <li>• Code of Mutual Associations (190/2015)</li> </ul>	
Romania	<ul style="list-style-type: none"> <li>• Law on Social Economy (219/2015)</li> </ul>	<ul style="list-style-type: none"> <li>• Law on Protection of People with Disabilities (448/2006) - WISEs</li> <li>• Government Ordinance 26/2000 - Associations, Foundations</li> </ul>	<ul style="list-style-type: none"> <li>• National Strategy for Social Inclusion and Poverty Reduction 2014-2020</li> </ul>

		<ul style="list-style-type: none"> <li>• Law 540/2002 - Mutual Aid Associations of Retirees (RMAA)</li> <li>• Law on the Organisation and Functioning of Cooperatives (1/2005)</li> </ul>	
Slovakia		<ul style="list-style-type: none"> <li>• Act on the Employment Services (5/2004, amended in 2008)</li> <li>• Act on Social Economy and Social Enterprises (112/2018)</li> <li>• Act on Public Association (83/1990)</li> <li>• Commercial Code (513/1991)</li> <li>• Act on Small Business (455/1991)</li> <li>• Act on Non-Profit Organisations (213/1997)</li> <li>• Act on Foundations (34/2002)</li> <li>• Act on the Commercial Register (530/2003)</li> </ul>	
Slovenia		<ul style="list-style-type: none"> <li>• Act on Institutes (1991)</li> <li>• Act on Cooperatives (1992)</li> <li>• Act on Foundations (1995)</li> <li>• Act on Work Rehabilitation and Employment of People with Disabilities (2004) - Limited Liability Companies with status of companies for people with disabilities, Institutes and Cooperatives with employment centre status</li> <li>• Act on Associations (2006)</li> <li>• Social Entrepreneurship Act (2011, revised in 2018)</li> <li>• Act on Non-Governmental Organisations (2018)</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy for the Development of Social Economy from 2021-2031</li> </ul>
Spain	<ul style="list-style-type: none"> <li>• Law 5/2011 on the Social Economy</li> </ul>	<ul style="list-style-type: none"> <li>• Royal Decree 1776/1981 – Agrarian Transformation Societies</li> <li>• Law 27/1999 – Cooperatives, Social Initiative Cooperatives, Mixed Cooperatives</li> <li>• Law 1/2002 – Associations</li> <li>• Law 50/2002 – Foundations</li> <li>• Royal Decree 1420/2002 – Mutuels</li> <li>• Law 44/2007 – Social Integration Enterprises</li> <li>• Law 3/2011 – Fishermen’s Guild</li> <li>• Law 44/2015 – Labour Societies</li> <li>• Law 21/2015 – Employment Integration Enterprises</li> <li>• Special employment centres (1/2013, revised 9/2017)</li> <li>• Royal Decree 1/2013 on the Rights of Persons with Disabilities and their Social Inclusion</li> <li>• Royal Decree 1993/1995 – Mutual Societies for Work Accidents and Occupational Diseases of the Social Security</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy on Social Economy 2017-2020</li> </ul>
Sweden		<ul style="list-style-type: none"> <li>• Economic Associations Act (1987, revised in 2018)</li> <li>• Foundation Act (1994)</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy for Social Enterprise and Social Innovation (2018)</li> </ul>
<b>Non-EU countries</b>			
Brazil		<ul style="list-style-type: none"> <li>• General Law of Cooperatives (1971)</li> <li>• Federal Constitution (1988)</li> <li>• Law No. 9.637/1998 – Social Organisation (OS)</li> <li>• Law No. 9.790/1999 – Public Interest Civil Society Organisation (OSCIP)</li> <li>• Law No. 9.867/1999 – Social Cooperatives</li> <li>• Civil Code (2002) – Associations, Foundations, Cooperatives</li> <li>• Law No. 12.101/2009 – Nonprofit Organisations granted with a Certificate of Beneficent Social Assistance Entity (CEBAS)</li> <li>• Law 130/2009 – Credit Cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>• National Strategy of Impact Investment and Social Business ENIMPACTO (2017)</li> <li>• National Policy for Solidarity Economy (Bill 6606/2019, not approved yet) – defines the status of Economic Solidarity Ventures.</li> </ul>

		<ul style="list-style-type: none"> <li>• Law 12.460/2012 – Worker Cooperatives</li> <li>• Law 13.019/2014 – Civil Society Organisations</li> </ul>	
Canada		<ul style="list-style-type: none"> <li>• Insurance Companies Act (1991) – Mutuals</li> <li>• Credit Unions and Caisses Populaires Act (1994)</li> <li>• Canada Cooperatives Act (1998)</li> <li>• Not-for-profit Corporations Act (2009) – Associations</li> <li>• Non-profit Law (2012) – Non-for profit Organisations, Charitable Organisations, Foundations</li> <li>• Community economic development (CED) charities (2012, revised 2017)</li> </ul>	
India		<ul style="list-style-type: none"> <li>• Societies Registration Act (1860)</li> <li>• Indian Trusts Act (1882)</li> <li>• Waqf Act (1995)</li> <li>• The Multi State Co-operative Societies Act (2002)</li> <li>• Companies Act (2013) – Section 8 companies</li> <li>• Foreign Contribution Regulation Act (FCRA) (2020)</li> </ul>	
Korea		<ul style="list-style-type: none"> <li>• Agricultural Cooperatives Act (1957)</li> <li>• Fishery Cooperatives Act (1962)</li> <li>• Credit Union Act (1972)</li> <li>• Consumer Cooperative Act (1999)</li> <li>• Social Enterprise Promotion Act (SEPA) (2007)</li> <li>• Special Act on the Improvement of Quality of Life for Rural Communities (2011) - Rural Community Enterprise Scheme</li> <li>• Framework Act on Cooperatives (2012)</li> <li>• National Basic Living Security Act (2012) – Self-reliance Enterprises</li> <li>• Special Act on Promotion and Support for Urban Regeneration (2013) – Community Enterprises</li> </ul>	
Mexico	<ul style="list-style-type: none"> <li>• Social and Solidarity Economy Law (2012, latest revision in 2019)</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Civil Code (1928, revised in 2021) – <i>Civil Societies and Associations</i></li> <li>• Law of Limited Liability Societies of Public Interest (1934, revised in 2012)</li> <li>• Law of Social Solidarity Societies (1976, revised in 2018)</li> <li>• Social Assistance Act (2004, revised in 2021) and Law for the Promotion of the Activities carried out by the Civil Society Organisations (2004, latest revision 2018) – <i>Foundations, Charities, and Trusts</i></li> <li>• Law of Agricultural and Rural Insurance Funds (2005)</li> <li>• General Law of Cooperative Societies (2009, latest revision in 2018)</li> <li>• Agrarian Law (2012, latest revision in 2018) – <i>Ejidos, Communities, Rural Production Societies, Rural Associations of Collective Interest</i></li> </ul>	
United Kingdom		<ul style="list-style-type: none"> <li>• Industrial and Provident Societies Act (IPSA) (1965)</li> <li>• Co-operative and Community Benefit Societies Act (2014)</li> <li>• Companies Act (2006) - Company Limited by Guarantee (CLG), Company Limited by Shares (CSL), Community Interest Company (CIC), Public limited company, Private limited company</li> </ul>	<ul style="list-style-type: none"> <li>• Social investment: a force for social change - UK strategy 2016</li> </ul>

		<ul style="list-style-type: none"><li>• The Community Interest Company Regulations (2005)</li><li>• Charities Act 2011 - Charitable Incorporated Organisation (CIO)</li></ul>	
United States		<ul style="list-style-type: none"><li>• Statutory Public Benefit Limited Partnership (SPBLP)</li></ul>	

Source: Authors' elaboration based on 2020 OECD mapping survey, 2020-2021 OECD focus groups, PLP background papers.

## Annex D. Subnational legal frameworks for the social and solidarity economy

The table provides an overview of subnational legal frameworks for the social and solidarity economy, including framework laws, specific laws on the social and solidarity economy entities and subnational action plans and strategies. For some federal countries, such as Brazil, Canada, India and the United States, this table does not cover the whole country and focuses on some specific States or Provinces.

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies, plans and other support mechanisms
<b>EU Member States</b>			
Belgium	<ul style="list-style-type: none"> <li>Wallonia: Decree on the social economy (2008)</li> </ul>	<ul style="list-style-type: none"> <li>Brussels-Capital Region: Ordinance on the accreditation and support of social enterprises (2018)</li> <li>Flanders: Decree on the support of entrepreneurship in the social economy and the promotion of CSR (2012)</li> <li>Legal forms accredited as WISE's (accreditation delivered by regional authorities)</li> </ul>	<ul style="list-style-type: none"> <li>Brussels-Capital Region: Strategy 2025 (2015). Within this strategy, Objective 10 aims to create a favourable ecosystem to the emergence and growth of social enterprises.</li> <li>Flanders: Flemish Action Plan towards more ethical public procurement</li> <li>Wallonia: Circular on the implementation of a sustainable purchasing policy for Walloon regional contracting authorities (2013)</li> </ul>
Czech Republic			<ul style="list-style-type: none"> <li>The Pardubice region launched a programme in 2018 to provide up to EUR 8000 to new social enterprises.</li> </ul>
Denmark			<ul style="list-style-type: none"> <li>Many municipal governments actively support SSE organisations through awareness raising, funding and business support schemes. The role of municipal governments in this respect has increased as national-level support activity has declined in recent years.</li> </ul>
Germany			<ul style="list-style-type: none"> <li>A number of larger cities such as Berlin, Munich and Cologne have also pursued support strategies promoting social entrepreneurship.</li> <li>Bavaria               <ul style="list-style-type: none"> <li>The Bavarian Ministry for Social Affairs can award up to EUR 30 000 of kick-start funding to social cooperatives.</li> <li>Bavaria's Initiative on Social Cooperatives created an expert group to provide guidance on how to support social cooperative development.</li> </ul> </li> </ul>

Italy	<ul style="list-style-type: none"> <li>• Trento: Regional law on the Social and Solidarity Economy (LP 1706/2010, n. 130)</li> <li>• Lazio: Regional law on the Social and Solidarity Economy (LR (04/08/2009, n. 10)</li> <li>• Tuscany: Region law on the Third Sector (22/07/2020, n. 65)</li> </ul>		<ul style="list-style-type: none"> <li>• The Piedmont region operates a guarantee fund for social cooperatives</li> <li>• The Trento region operates the Intervento 18 initiative, which provides subsidies to social cooperatives to support employment and inclusion of disadvantaged groups.</li> </ul>
Netherlands			<ul style="list-style-type: none"> <li>• A number of cities including Amsterdam and Utrecht have initiated municipal level strategies or direct subsidies to support social enterprises (see Annex D).</li> </ul>
Spain	<ul style="list-style-type: none"> <li>• Galicia: Law on the Social Economy (6/2016)</li> </ul>	<ul style="list-style-type: none"> <li>• Social Initiative Cooperatives – Aragon, Galicia (Coop law 1998, Article 126), Madrid (1999 Section 121), La Rioja (203, Section 139), Castilla-La Mancha (2010, Article 149), Basque Country (Decree 61/2000), Castilla y Leon (2002 Article 124), Catalonia (2002 Article 128), Baleares (2003 Article 138, 139), Murcia (2006, Article 130-131), Navarra (2006, Article 77-78), Asturia (2010, 184)</li> <li>• Employment integration enterprises (EI) – Andalusia, Aragon, Baleares, Canarias, Catalonia, Castilla La Mancha, Castilla Y Leon, La Rioja, Madrid, Navarra, Basque Country, Valencia</li> <li>• Cooperatives – Catalonia (Law 12/2015)</li> <li>• Social Security Mutual Societies – Catalonia (Law 10/2003)</li> </ul>	<ul style="list-style-type: none"> <li>• Barcelona City Council Decree for Socially Responsible Public Procurement (4043/13)</li> <li>• Basque Social Economy Office (within Basque Department of Work and Justice)</li> <li>• Galicia: Social Economy Council</li> <li>• Navarra: Social Economy Plan (2017-2020)</li> <li>• All autonomous communities have departments specifically focused on cooperatives.</li> </ul>
<b>Non-EU countries</b>			
Brazil			<ul style="list-style-type: none"> <li>• Bahia: State Policy for the Promotion of Solidarity Economy (2011)</li> <li>• Espirito Santo: State Support Policy for Solidarity Economy (2006)</li> <li>• Federal District: State Policy for Impact Investments and Social Businesses (2021)</li> <li>• Minas Gerais: State Policy for Impact Investments and Social Businesses (2020)</li> <li>• Paraiba: State Policy for Impact Investments and Social Businesses (2021)</li> <li>• Pernambuco: State Policy for Solidarity Economy (2006)</li> <li>• Rio Grande do Norte: State support to Popular Solidarity Economy (2006); State Policy for Impact Investments and Social Business (2019)</li> <li>• São Paulo: State Policy for Solidarity Economy (2011)</li> <li>• Santa Catarina: State Policy of Solidarity (2019)</li> <li>• Rio Grande do Sul: State Policy in support of Popular Solidarity Economy (2019)</li> <li>• Rio de Janeiro: State Policy of Solidarity Economy (2019); State Policy</li> </ul>

			for Impact Investments and Social Business (2019)
Canada	<ul style="list-style-type: none"> <li>• Quebec: Social Economy Act (Loi sur l'économie sociale) (2013)</li> </ul>	<ul style="list-style-type: none"> <li>• Quebec: Cooperatives Act (1982)</li> <li>• Manitoba: Cooperatives Act (1998)</li> <li>• Nova Scotia: Community Interest Company (CIC) (2012)</li> <li>• British Columbia: Community Contribution Company (CCC) (2013)</li> </ul>	<ul style="list-style-type: none"> <li>• Quebec:</li> <li>• Social Economy Action Plan (2015-2020)</li> <li>• Social Economy Action Plan (2020-2025)</li> </ul>
India		<ul style="list-style-type: none"> <li>• State of Maharashtra <ul style="list-style-type: none"> <li>- The Maharashtra Public Trusts Act (1960)</li> <li>- The Maharashtra Co-operative Societies Act (1960)</li> </ul> </li> <li>• State of Andhra Pradesh <ul style="list-style-type: none"> <li>- Co-operative Societies Act (1964)</li> <li>- Charitable and Hindu Religious Institutions and Endowments Act (1987)</li> <li>- Mutually Aided Co-operative Societies Act (1995)</li> </ul> </li> <li>• State of Telangana <ul style="list-style-type: none"> <li>- Co-operative Societies Act (1964)</li> <li>- Charitable and Hindu Religious Institutions and Endowments Act (1987)</li> <li>- Mutually Aided Co-operative Societies Act (1995)</li> </ul> </li> <li>• Union Territory of Delhi <ul style="list-style-type: none"> <li>- Co-operative Societies Act (1972)</li> </ul> </li> </ul>	
Korea	<ul style="list-style-type: none"> <li>• Seoul Metropolitan City Framework ordinance on Social Economy (2014)</li> <li>• 17 metropolitan governments have enacted a framework ordinance on Social Economy.</li> </ul>	<ul style="list-style-type: none"> <li>• Community businesses are overseen by and register with local governments.</li> </ul>	
Mexico		<ul style="list-style-type: none"> <li>• Federal District: Cooperative Development Law (2006)</li> <li>• 8 states have legal frameworks governing mutual societies, which are not regulated at the federal level</li> <li>• Civil Societies and Civil Associations are regulated by the Civil Code of each State.</li> <li>• Laws for Welfare Private Institutions and Laws on Charity in several States</li> </ul>	<ul style="list-style-type: none"> <li>• Social Development Laws in Aguascalientes, Baja California Sur, Campeche, Colima, Chihuahua, Durango, Guanajuato, Nuevo León, Oaxaca, Puebla, Querétaro, Quintana Roo, Tamaulipas, Veracruz and Zacatecas, that include clauses on the social economy</li> </ul>
United Kingdom			<ul style="list-style-type: none"> <li>• Scotland's Social Enterprise Strategy 2016-2026</li> <li>• Scotland's Social Enterprise Action Plan 2021-2024</li> </ul>
United States		<ul style="list-style-type: none"> <li>• Delaware <ul style="list-style-type: none"> <li>- General Corporation Law (2006) – Charitable Nonprofits</li> <li>- Uniform Unincorporated Nonprofit Association Act (2011)</li> <li>- Trust Law (2012) – Charitable Trusts</li> <li>- Corporation Law for Cooperative Agricultural Associations (2012)</li> </ul> </li> <li>- Limited Liability Company Act (2014)</li> <li>- Workers Cooperative Act (2016)</li> </ul>	



		<ul style="list-style-type: none"> <li>-General Corporation Law, Subchapter XV (2013, latest revision in 2020) – Public Benefit Corporations</li> <li>-Insurance Code, Chapter 31, § 3107 (2017) – Credit Union Groups</li> <li>-Revised Uniform Limited Partnership Act (2018)</li> <li>• California <ul style="list-style-type: none"> <li>-Corporations Code, Title 1, Nonprofit Corporation Law (1978)</li> <li>-Credit Union Law (1979) – Credit Unions</li> <li>-Civil Code, § 817-817.408 (2009) – Limited Equity Housing Cooperatives / Workforce Housing Cooperative Trust</li> <li>-Probate Code, § 15000-19530 (2011) – Charitable Trusts</li> <li>-Corporations Code, Title 3 (2011) – Unincorporated Associations</li> <li>-Corporations Code, Title 1, Social Purpose Corporations Act (2014)</li> <li>-Corporations Code, Title 1, Cooperative Corporation Law (2015)</li> <li>-Corporations Code, Title 1, Corporations for Specific Purposes – Nonprofit Cooperative Agricultural Marketing Associations, Benefit Corporations</li> </ul> </li> <li>• New York <ul style="list-style-type: none"> <li>-Not-for-Profit Corporation Law (2013)</li> <li>-Benefit Corporation Law (2013)</li> <li>-Trust Law (2013) – Charitable Trusts</li> <li>-Cooperative Corporations Law (2013) – Worker Cooperative Corporations, Agricultural Cooperative Corporations, Credit and Agency Corporations</li> </ul> </li> </ul>	
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Source: Authors' elaboration based on 2020 OECD mapping survey, 2020-2021 OECD focus groups, PLP background papers.

## Annex E. Fiscal benefits and main support mechanisms for the social and solidarity economy

The table provides an overview of fiscal benefits for the social and solidarity economy, at the national and subnational level, as well as other support mechanisms available for the SSE entities. The table is not exhaustive due to the diversity of fiscal benefits and other support mechanisms for the SSE that exist.

	Fiscal benefits for the SSE	Other support mechanisms for the SSE
<b>EU Member States</b>		
Austria	<ul style="list-style-type: none"> <li>• Tax benefits are granted for any public-benefit limited company, association, foundation and any other organisation pursuing public-benefit goals.</li> <li>• Individuals and companies can deduct donations up to 10% of their personal and corporate income tax when donations made to certain listed organisations with the public-benefit status.</li> <li>• Housing cooperatives benefit from direct subsidies from both the national and provincial governments. Similarly, roughly 90% of limited-profit housing associations benefit from public subsidies. Limited-profit housing associations have developed strategic partnerships with many municipal authorities to provide low-cost housing.</li> <li>• Labour-cost subsidies – such as the “employment subsidy” and the “employment bonus” – are provided to enterprises that focus on the (re)integration of unemployed or other hard-to-place groups into the labour market.</li> </ul>	<ul style="list-style-type: none"> <li>• Four accreditation schemes mainly for WISEs (socio-economic enterprises, non-profit employment projects/companies, integrative enterprises, and low-threshold part time projects) have been established. These accreditations allow SSE organisations to benefit from diverse public subsidies.</li> </ul>
Belgium	<ul style="list-style-type: none"> <li>• Under certain conditions, WISEs benefit from a reduced VAT rate.</li> <li>• Social security tax breaks are provided in the healthcare and social service sectors.</li> <li>• WISEs' profits are placed into asset locks and are subject to tax reductions at the regional level.</li> </ul>	<ul style="list-style-type: none"> <li>• The Social Innovation Factory, created in 2013, “promotes, guides and supports social entrepreneurship and social innovation in tackling societal challenges” and combines the roles of advisory structure and incubator.</li> <li>• In Flanders, various measures were undertaken to support WISEs such a large structure for collective support programs, subsidies for management consultancy, support for innovation and CSR and scientific management courses.</li> <li>• Several social economy consulting agencies (<i>Agences-conseil</i>), which are recognized support and advice structures for social enterprises, currently operate in Wallonia.</li> </ul>
Bulgaria	<ul style="list-style-type: none"> <li>• Tax incentives provided by the Corporate Income Tax Act (not specific to social enterprises) for donors of certain vulnerable groups (people with disabilities, socially disadvantaged, etc.) and benefits for employers of long-term unemployed people or people with disabilities.</li> <li>• Insertion enterprises (cooperatives of and for disabled) can request the assignment of the annual corporate tax due. A</li> </ul>	<ul style="list-style-type: none"> <li>• The Working Group on Social Economy oversees the implementation of Social Economy Action Plans.</li> </ul>

	<p>reimbursement up to 30% off the insurance contributions for the total number of working staff.</p> <ul style="list-style-type: none"> <li>• Tax reduction to institutional donors of up to 10% of the accounting profit donating to social enterprises.</li> </ul>	
Croatia	<ul style="list-style-type: none"> <li>• Non-profit organisations performing economic activities are exempted from the VAT if their annual revenue does not exceed 300 000 HRK (around 40 000 EUR).</li> <li>• Non-profit organisations that are not carrying economic activities are not obliged to pay profit tax.</li> <li>• Individuals and companies may receive a reduced tax base for donations to NPOs in the amount up to 2% of their annual income.</li> <li>• Employers can receive subsidised wages for employing people with disabilities as well as use reduced social security costs when employing young persons, unemployed or long-term unemployed persons, persons who are employed for the first time and for professional training.</li> </ul>	<ul style="list-style-type: none"> <li>• The Strategy for Social Entrepreneurship Development plans the establishment of a Guarantee Fund for social enterprises to enable easier access to capital for social enterprises and reduce risk for investors.</li> </ul>
Cyprus		
Czech Republic	<ul style="list-style-type: none"> <li>• Associations, foundations, religious groups, public benefit companies and non-profit legal forms enjoy a range of exemptions from income taxes.</li> <li>• All organisations that employ persons with disabilities enjoy specific income tax reductions valued up to EUR 2300.</li> </ul>	<ul style="list-style-type: none"> <li>• Social enterprises can apply for funding for community service jobs if they are involved in maintenance of public areas or greenery etc.</li> <li>• Between 2009 and 2013, the Ministry of Labour and Social Affairs initiated two main public grant schemes: one providing investment finance (OPHRE programme), the other providing non- investment finance (IOP programme). A wider system of consultancy and support for social enterprises took root during this period.</li> </ul>
Denmark	<ul style="list-style-type: none"> <li>• Public benefit organisations do not pay any corporate income tax on their "ideal" activities nor on the economic activities necessary to support their social mission.</li> <li>• Organisations and social enterprises with the public-benefit status can use a reduced VAT rate of 7%, instead of the normal rate of 19%</li> <li>• Social enterprises do not benefit from any exemption on indirect labour costs. If they have employees, they must follow all regulations</li> </ul>	<ul style="list-style-type: none"> <li>• The Danish Centre for Voluntary Effort is a government-run centre that promotes the non-profit sector.</li> <li>• Many support mechanisms for the SSE were discontinued in 2015 due to shifting policy priorities at the national level.</li> </ul>
Estonia	<ul style="list-style-type: none"> <li>• Organisations that hire disadvantaged workers are exempt from social security costs.</li> <li>• Non-profit associations and foundations can benefit from income tax reductions if they are approved by the Tax and Customs Board. This approval enables entities to collect tax-deductible donations from the public and enables their volunteers to claim tax reimbursements.</li> </ul>	<ul style="list-style-type: none"> <li>• The National Foundation of Civil Society aids non-profit associations and foundations that benefit the public. Its programme 'Step of change' addresses business model and investment development.</li> <li>• If a non-profit organisation has been successful in any EU-funded calls, the National Foundation of Civil Society co-finances its projects.</li> <li>• The National Foundation for Civil Society and the Good Deed Foundation established the Social Innovation Incubator in 2016.</li> </ul>
Finland	<ul style="list-style-type: none"> <li>• WISEs and labour cooperatives are eligible for public wage subsidies for disadvantaged employees that vary depending on the specific characteristics of the employee.</li> <li>• Tax conditions for non-profits are determined on a case-by-case basis. Generally, non-profit welfare associations and foundations that contribute to the public good are not taxed on their income from commercial activity. However, if they are not determined to act in the public good, they face a 20% income tax.</li> <li>• Specific business operations such as health care, social services, education, vocational training and others are exempt from VAT.</li> </ul>	<ul style="list-style-type: none"> <li>• If the purpose of their operations is to promote health and social wellbeing, non-profit associations, foundations, non- profit limited companies and cooperatives can apply for funding from the Funding Centre for Social Welfare and Health Organisations.</li> </ul>

France	<ul style="list-style-type: none"> <li>• SCICs' revenue that is allocated to the asset lock is tax-exempt.</li> <li>• Sports and cultural associations can be exempt from corporation tax on services provided to their members.</li> <li>• Foundations are not subject to corporation tax for activities directly related to their purpose.</li> <li>• SCICs' VAT rate depends on the activity carried out.</li> <li>• Sports and cultural associations can be exempt from VAT on services provided to their members.</li> <li>• Foundations are not subject to VAT for activities directly related to their purpose.</li> <li>• Associations and WISEs can benefit from reduced social security taxes for the employment of workers under certain conditions.</li> <li>• Legal entities can donate tax-free up to 10% of their previous year's profit or up to 3% of their personnel costs during the current year to eligible NPOs and foundations.</li> </ul>	<ul style="list-style-type: none"> <li>• Social economy enterprises have access to regional support schemes dedicated to innovation.</li> <li>• Associations are eligible for employment subsidies if they hire unemployed or low qualified workers.</li> <li>• All enterprises are eligible for public grants according to their activity field (social services, home care services, childcare, cultural activities, sports, etc.)</li> <li>• There are numerous although diversified support initiatives at regional level. Key initiatives include the Rhône-Alpes Forum of Solidarity Employment (until 2015) to promote employment in the sector, the PROGRESS program of the Provence-Côte d'Azur Region to develop the social economy, and the Languedoc-Roussillon Region initiative to provide support services to social innovation projects.</li> </ul>
Germany	<ul style="list-style-type: none"> <li>• Companies with public benefit status are exempt from corporate income tax, local business tax and VAT on their activities related to their social objectives, and are subject to only 25% of corporate income tax and 19% of the regular VAT on their economic activities.</li> </ul>	<ul style="list-style-type: none"> <li>• From 2012-2014, Germany's development bank KfW operated a funding programme for social enterprises.</li> <li>• KfW provides low-interest loans to third sector organisations for a range of activities.</li> <li>• KfW has provided start-up coaching to social entrepreneurs since 2015.</li> </ul>
Greece	<ul style="list-style-type: none"> <li>• Limited liability social cooperatives are exempted from income municipal and corporate taxes, except VAT.</li> </ul>	<ul style="list-style-type: none"> <li>• There is extensive support infrastructure in the form of incubators and accelerators for SSE organisations across Greece</li> <li>• The Support Centre for Social and Solidarity Economy is operated by the Ministry of Labour that plans to establish nearly 100 support centres for SSE organisations.</li> <li>• Limited liability social cooperatives benefit from favourable public procurement status by national and local authorities.</li> </ul>
Hungary	<ul style="list-style-type: none"> <li>• Organisations that qualify for public benefit status (including social cooperatives, associations, foundations and non-profit companies) enjoy tax exemptions/reductions.</li> <li>• All associations and foundations are exempt from a range of national taxes. Those engaged in specific activities (sports, social care, care, training, etc.) are also exempt from VAT.</li> <li>• Associations and foundations are exempt from local taxes</li> </ul>	<ul style="list-style-type: none"> <li>• National Co-operation Fund</li> </ul>
Ireland	<ul style="list-style-type: none"> <li>• Guarantee companies that obtain a charity number may be eligible for specific tax exemptions.</li> </ul>	<ul style="list-style-type: none"> <li>• Social Innovation Fund</li> </ul>
Italy	<ul style="list-style-type: none"> <li>• Social cooperatives entities with SE status have advantageous corporate tax conditions (IRES).</li> <li>• A-Type social cooperatives enjoy a favourable (5%) VAT rate if they provide services such as healthcare, education and welfare support to disadvantaged people.</li> <li>• B-Type social cooperatives are exempt from the payment of social insurance contributions for the disadvantaged workers they have integrated.</li> <li>• Donating to public benefit organisations including social cooperatives qualifies donors for corporate tax advantages: a 30% reduction of the corporate tax base for a single donation up to EUR 30 000 or a 10% deduction from the net income of the donor.</li> <li>• Donations of goods and services for public benefit purposes may receive tax advantages.</li> <li>• Public benefit provisions govern non-profit companies if they have public benefit status. In this case, non-profit companies do</li> </ul>	<ul style="list-style-type: none"> <li>• The Marcora Fund facilitates access to finance for cooperatives</li> <li>• The Ministry of Economic Development has actively supported social enterprises and social cooperatives since 2015.</li> </ul>

	<p>not need to pay taxes after their public benefit activities and remain exempt from local business tax.</p> <ul style="list-style-type: none"> <li>Investing in social enterprises enables individuals to gain a deduction equal to 30% of the sum invested valued up to EUR 1 million and companies to gain a deduction equal to 30% of the sum invested valued up to EUR 1.8 million.</li> </ul>	
Latvia	<ul style="list-style-type: none"> <li>WISEs are exempt from enterprise income tax and VAT if they provide social care/assistance or have an annual turnover of less than EUR 40 000. WISEs are also reimbursed for employee social insurance contributions.</li> <li>Donors to WISEs are eligible for certain tax reimbursements.</li> </ul>	<ul style="list-style-type: none"> <li>The European Social Fund project “Support for social entrepreneurship” (2015-2022), a support measure of the Ministry of Welfare and ALTUM, aims at offering financial grants and developing social enterprises in Latvia.</li> <li>Local authorities that wish to support social enterprises have several support instruments at their disposal, such as free use of municipal property, privilege public procurement procedures, etc. For instance, in 2016, the city of Riga’s local government implemented a grant programme “Promotion of employment among groups at risk of social exclusion in Riga” focusing on WISEs.</li> </ul>
Lithuania	<ul style="list-style-type: none"> <li>Public enterprises, associations and foundations with income less than EUR 300 000 are exempt from taxes for the first EUR 7250 of profit and at a rate of 15% for any additional profits.</li> <li>VAT is not applied to any activities related to public benefit services.</li> </ul>	<ul style="list-style-type: none"> <li>WISEs can benefit from state aid, which covers wages, social security contributions and costs linked to assistance, transportation and arrangement of the workplace for people with disabilities.</li> </ul>
Luxembourg	<ul style="list-style-type: none"> <li>SISs can benefit from exemptions from corporate income tax, communal business tax and net wealth tax.</li> </ul>	<ul style="list-style-type: none"> <li>Department of Social and Solidarity Economy</li> <li>6zero1 is a government-run incubator supporting SISs</li> <li>SSE Cluster of the Greater Region is an initiative supporting SSE development in Luxembourg and the French region of Meurthe and Moselle.</li> </ul>
Malta	<ul style="list-style-type: none"> <li>Voluntary organisations and cooperatives are exempt from income tax.</li> </ul>	<ul style="list-style-type: none"> <li>Registered voluntary organisations may make public collections without any further authorisation and benefit from grants, sponsorship or other financial aid.</li> <li>Every cooperative must contribute 5% of the surplus from incomes to the Central Cooperative Fund at the end of each accounting period, which in turn may be used to further cooperative education, training, and research, among others.</li> </ul>
Netherlands	<ul style="list-style-type: none"> <li>Corporate tax reduction for organisations meeting the requirements for public benefit status (ANBI status), such as having the aim and the actual activities of an organisation with 90% public interest.</li> <li>Donations to organisations that have ANBI status can be deducted from income tax over and above a threshold of 1% of the total income reported to the tax authorities (and at least 60 EUR). The maximum deduction is 10% of this income.</li> </ul>	<ul style="list-style-type: none"> <li>The municipality of Amsterdam has initiated a support program for WISEs which includes a variety of measures (e.g., investment fund, guidance, etc.). Another measure undertaken by the municipality is the “Project preparation Subsidy Sustainable Initiatives.”</li> <li>The municipality of Utrecht launched the “Working together for work” program as well as several platforms, such as the Social Impact Factory, in order to inform and connect social entrepreneurs.</li> </ul>
Poland	<ul style="list-style-type: none"> <li>Some exemptions from income tax under certain conditions.</li> <li>ZAZs and ENPOs are VAT exempt under certain conditions.</li> <li>The employment costs of social cooperatives can be covered by a local government. If an ENPO acts as a CIS, it is allowed to benefit from a partial reimbursement of its employees’ salaries. ZAZs’ employment costs can be partially covered by PFRON</li> </ul>	<ul style="list-style-type: none"> <li>About 60 EU-funded social economy support centres provide business support services to SSE organisations.</li> </ul>
Portugal	<ul style="list-style-type: none"> <li>Private Institutions of Social Solidarity enjoy exemptions from business tax, VAT, property tax and donation-based income.</li> <li>Associations and foundations are exempt from business taxes and VAT for the provision of public-benefit related services.</li> </ul>	<ul style="list-style-type: none"> <li>The Antonio Sergio Cooperative for the Social Economy promotes the social economy.</li> </ul>

	<ul style="list-style-type: none"> <li>Cooperatives are exempt from business tax if their mission relates to housing, construction and social solidarity. Cooperatives also enjoy exemptions from municipal taxes and real-estate taxes.</li> </ul>	
Romania	<ul style="list-style-type: none"> <li>Associations, foundations, social enterprises and cooperatives enjoy tax exemptions on income while their donors can claim tax reimbursements from their donations.</li> <li>No SSE organisations enjoy reduced social security contributions.</li> </ul>	<ul style="list-style-type: none"> <li>Local public authorities can grant for subsidies associations and foundations that provide social services. Public authorities at the local or national level can also allocate grants for associations' and foundations' general interest activities.</li> <li>Several funding schemes have been launched under the European Social Fund, including the "Support for Social Enterprises start-up" launched in August 2018.</li> </ul>
Slovakia	<ul style="list-style-type: none"> <li>Civic associations and NPOs providing socially beneficial services and foundations are exempt from taxes for the non-profit activities.</li> <li>VAT applies only in cases of SEs whose yearly taxable income is 50 000 EUR.</li> <li>SEs with higher income registered according to the Act on Social Economy and Social Enterprises and those that are socialising 100% of their possible profit may apply for the lowered VAT rate.</li> <li>In the case of employing a long-term unemployed person, the employer may apply for a reduced rate of social insurance payment. In case of employees with health disabilities, the health insurance payment is half that of other employees.</li> <li>Tax percentage assignation model under which legal entities and natural persons may participate.</li> </ul>	<ul style="list-style-type: none"> <li>All enterprises that create jobs for disadvantaged jobseekers can apply for a public subsidy supporting the newly created or sustained job.</li> <li>A spectrum of financial aid schemes (investment and compensatory aid) has been introduced under Act on Social Economy and Social Enterprise.</li> </ul>
Slovenia	<ul style="list-style-type: none"> <li>Associations, institutes, and foundations are exempt from paying taxes for non-profit activities.</li> <li>Exemption from VAT for activities in the public interest and if taxable income does not exceed 50 000 EUR per year</li> <li>Companies and employment centres people with disabilities are exempt from paying taxes and social security contributions for all employed persons in the company</li> </ul>	<ul style="list-style-type: none"> <li>Most programmes, actions and tenders of the Ministry of Labour, Family, Social Affairs and Equal Opportunities are traditionally open to social enterprise organisation types in relation to active labour market policies, social affairs, family and people with disabilities. For instance, from 2009 to 2015 the Ministry allocated 8.3 million EUR to SE development, which included pilot project tenders and public works for SEs.</li> </ul>
Spain	<ul style="list-style-type: none"> <li>Profits of social initiative cooperatives with a recognition of their non-profit mission can be exempt or applied to just 10% of revenues. Reduction of 95% in the Economic Activities Tax.</li> <li>Special employment centres for social initiative can benefit from direct subsidy and reduction in the annual business tax for each person with disabilities hired.</li> <li>Employment integration enterprises benefit from reductions in the social security contributions of workers at risk of exclusion. Subsidies for economic compensation of the labour costs supported due to the integration process.</li> <li>Special employment centres not only those for social initiatives: benefit from reductions in the social security contributions of people with disabilities employed. Subsidies for economic compensation of the labour costs supported</li> <li>Donors (legal entities or physical persons) have no tax relief or other types of benefits.</li> </ul>	<ul style="list-style-type: none"> <li>At national level, three main measures have been developed to promote and support the social economy, in addition to the fiscal benefits: budget support (e.g., grants and subsidies for incorporating certain types of workers into the enterprises, direct investments in materials that contribute to the competitiveness of enterprises, subsidised technical support and training, etc.), technical assistance (e.g., providing support to SSE organisations in areas such as internationalisation or innovation), and employment policies (e.g., giving workers the possibility to capitalise unemployment benefits when the beneficiary decides to establish a cooperative).</li> </ul>
Sweden	<ul style="list-style-type: none"> <li>Non-profit associations can benefit from tax exemption on incomes from sales if at least 90% of their activities are related to a public benefit aim (e.g. care for children and youth, social assistance, health care, culture, sports, education) and if at least 80% of the financial turnover are channelled to fulfil this public benefit.</li> <li>If an association, business or public organisations employ a person with 'reduced working ability' they can benefit from a grant to cover part of the salary cost.</li> </ul>	<ul style="list-style-type: none"> <li>The Strategy for social enterprises launched in 2018 includes advisory activities, competence development, support for business development and knowledge dissemination as well as support to incubators and development of impact assessment measures.</li> </ul>

Non-EU countries	
Brazil	<ul style="list-style-type: none"> <li>• Under the Federal Constitution, public authorities cannot tax educational, health, and social assistance non-profit private organisations. Tax immunity covers the organisation's assets, income and services relating to essential activities.</li> <li>• Tax exemptions are set out in federal, state, or municipal law. For example, under Law No. 9,532/1997, philanthropic, recreational, cultural, or scientific non-profit organisations and/or civil associations are exempted from income tax and social contribution on net profits if they comply with certain requirements.</li> <li>• VAT levied on products sold by non-profit social assistance entities is not payable, if the economic result obtained is used for the development of the organisation's social purposes.</li> <li>• Tax immune entities with the CEBAS designation do not pay the National Institute of Social Security Tax (INSS), the Contribution for the Social Integration Programme (PIS) and the Social Security financing (COFINS).</li> <li>• Some states have full or partial tax exemptions on donations for non-profit entities.</li> </ul>
Canada	<ul style="list-style-type: none"> <li>• Non-profit organisations and registered charities are exempt from income tax, including tax on capital gains.</li> <li>• In some provinces, nonprofit organisations also benefit from tax exemptions on goods and services (GST).</li> </ul>
India	<p><i>Tax Registered Charity</i></p> <ul style="list-style-type: none"> <li>• Income earned by a Tax Registered Charity is exempt from income-tax. As a condition to avail the exemption from income-tax, a Tax Registered Charity is required to spend at least 85% of its income on charitable activities in India in the year in which the income is received.</li> <li>• Any fiscal donations given to a Tax Registered Charity entitles the donor to a tax deduction of up to 50% of the donation given, subject to limits based on the income level of the donor as per section 80G of the Income Tax Authority (ITA).</li> <li>• Any benefit or cash assistance received by a person from a Tax Registered Charity is not taxable in the hands of the receivers.</li> </ul> <p><i>Co-operative Society</i></p> <ul style="list-style-type: none"> <li>• For co-operative societies, certain incomes (but not all) are not taxable, without any end-use conditions.</li> <li>• For consumer co-operative society, fixed deduction of Rs. 100 000 (income in excess of Rs. 100 000) is chargeable to income-tax</li> </ul> <p><i>Producer Company</i></p> <ul style="list-style-type: none"> <li>• Certain incomes of a Producer company are not chargeable to income-tax</li> </ul> <p><i>Concessions under the Goods and Services Tax (GST), 2017</i></p> <ul style="list-style-type: none"> <li>• Under the GST law, services provided by way of charitable activities by an entity registered as a Registered Charity under the ITA are exempt from GST</li> <li>• The GST law provides exemption from payment of GST under reverse charge if the service receiver is a charitable trust registered with the Income-tax Authorities and receives services from a person based outside India.</li> </ul>

	<ul style="list-style-type: none"> <li>• A Charitable Institution running an educational institution which qualifies to be a “charitable activity” under the GST law, is exempted from charging GST.</li> </ul>	
Korea	<ul style="list-style-type: none"> <li>• SSE organisations that meet the eligibility criteria may benefit from subsidies and grants, including for labour costs, business development of social enterprises, and operational expenses of village companies.</li> </ul>	<ul style="list-style-type: none"> <li>• The Korea Social Enterprise Agency, a public institution under the Ministry of Employment and Labour, assists SSE organisations with commercialization, provides consulting and supports the development and operation of social economy networks.</li> <li>• The Korea Credit Guarantee Fund provides credits for social enterprises, cooperatives, village companies, and self-sufficiency enterprises.</li> </ul>
Mexico	<ul style="list-style-type: none"> <li>• Charitable organisations benefit from income tax exemption if the organisation has been authorised as a non-profit entity (donataria autorizada) by the Tax Administration Service (SAT).</li> <li>• Donations received by non-profit entities are exempt from VAT.</li> <li>• Tax on property depends on the local laws. For instance, in Mexico City, tax-deductible organisations can apply for a 100% tax credit for the relevant property tax if their activities involve promotion of human rights, attention to vulnerable groups, research and scientific activities, urban development, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• The National Institute for Social Economy (INAES) runs several actions and programs such as an e-learning platform (SINCA), trainings, and events for SSE organisations.</li> </ul>
United Kingdom		<ul style="list-style-type: none"> <li>• Social Investment Tax Relief Scheme for individual investments into SSE organisations</li> <li>• Registered charities can claim Gift Aid and receive GBP 0.25 from HM Treasury for every GBP 1 (EUR 1.13) donated by UK tax payers</li> </ul>
United States	<p><i>Charitable Organisations and Private Foundations</i></p> <ul style="list-style-type: none"> <li>• Organisations working exclusively for religious, charitable, scientific, testing for public safety, literary, educational, or other specified purposes that meet the required criteria are exempt from taxes under Internal Revenue Code Section 501(c)(3). Organisations qualifying for tax-exempt status under Section 501 (c)(3) are classified as private foundations and benefit from the same tax exempt as charitable organisations, with an exception of organisations listed in Section 509 (a).</li> <li>• Non-profits desiring to offer donors tax-deductible contributions must also comply with I.R.C. § 170(c). Eligibility to receive deductible contributions is limited to domestic entities essentially meeting the criteria of § 501(c)(3).</li> </ul> <p><i>Churches and religious organisations</i></p> <ul style="list-style-type: none"> <li>• Churches and religious organisations may qualify for exemption from federal income tax under Section 501(c)(3).</li> </ul> <p><i>Other Non-Profits</i></p> <ul style="list-style-type: none"> <li>• Apart from Section 501 (c)(3), organisations may be exempt from taxes given they meet the specified requirements. These include social welfare organisations, civic leagues, social clubs, labour organisations and business leagues.</li> </ul>	<ul style="list-style-type: none"> <li>• Main Street Employee Ownership Act (2018)</li> <li>• Federally tax-exempt non-profit organisations can issue tax-exempt debt to finance certain kinds of projects and also benefit from reduced postal rates for specific types of mail. They can also opt out of state unemployment insurance tax systems, opting instead a pay-as-you-go system under which they must only reimburse their own former employees who post claims and need not contribute to the state’s overall pool. Property and sales tax exemptions are also available and qualification largely, though not entirely, tracks federal tax-exempt status.</li> </ul>

Source: OECD based on 2020 OECD mapping survey, 2020-2021 OECD focus groups, PLP background papers.



# The Legal frameworks for the social and solidarity economy

**OECD Global Action** – Promoting Social & Solidarity Economy Ecosystems

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The OECD Global Action “Promoting Social and Solidarity Economy Ecosystems”, funded by the European Union, through its work stream on legal frameworks, endeavours to: 1) increase knowledge and understanding on legal frameworks for the social and solidarity economy; 2) explore approaches and trends of legal frameworks to regulate the social and solidarity economy as a whole and social economy organisations; and 3) understand how legal frameworks can be used to promote and develop the social and solidarity economy in different contexts.

This paper defines the social and solidarity economy as well as the legal notions and traditions, approaches and trends that help better understand legal frameworks that regulate the field. It presents and analyses the diversity, relevance and implications of legal frameworks that regulate the social economy within different contexts; takes stock of the processes that lead to the design of these legal frameworks; identifies possible criteria for assessing their performance; and highlights the crosscutting issues and policy examples that could inspire countries. It also draws on stakeholder consultations conducted in Brazil, Canada, India, Korea, Mexico and the United States.