Local Economic and Employment Development (LEED)

Policy Guide on Legal Frameworks for the Social and Solidarity Economy

OECD

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Preface

The social and solidarity economy has gained significant visibility in recent years, spurred in large part by its critical role in responding to COVID-19 and other crises in ways that build resilience. The values of the social and solidarity economy, notably the primacy of people over capital, along with its declared mission to pursue social objectives, put social impact at the core. It has pioneered many new business models such as fair trade, organic trade, and the circular economy. It also addresses social challenges, from assisting refugees to tackling housing and food security issues. It provides jobs as well as essential goods and services, particularly for disadvantaged individuals.

Through its proven ability to inspire innovation, the social and solidarity economy can make a powerful contribution to a more just digital and green transition as well as inclusive economic policies. Cooperatives and community-based enterprises mobilise communities around common goals such as reducing carbon emissions or promoting renewable energy. Through education and training programmes, it assists job seekers, the under-skilled, young people, and other disadvantaged groups in developing their capabilities to find employment in an increasingly digital world. And it offers new ways of using digitalisation for people-centred approaches, such as through platform cooperatives.

Building on decades of work at both the OECD and the EU, we joined forces in 2020 to deliver a Global Action "Promoting Social and Solidarity Economy Ecosystems" to unleash its potential. In December 2021, the European Union released the EU Social Economy Action Plan, and in November 2022 a transition pathway for the "proximity and social economy" industrial ecosystem. In June 2022, the OECD adopted the OECD Recommendation on the Social and Solidarity Economy and Social Innovation. Indeed, we are not alone among international organisations in driving this important agenda. The ILO Resolution on Social Economy and Decent Work, for example, was also adopted in June 2022.

Many countries, regions and cities nevertheless still struggle to build the right conditions for the social and solidarity economy to thrive. Two of the most critical challenges are legal frameworks and social impact measurement. The twin guides, Policy guide on legal frameworks for the social and solidarity economy and Policy guide on social impact measurement for the social and solidarity economy, provide concrete support to help policy makers at all levels take action. These guides can be adapted to different national approaches and offer a checklist for policy actions as well as success factors and pitfalls to avoid in these areas, building on international practice.

The priority now is to put these guides to good use to reap the benefits. We will continue to work with national and local institutions and other international organisations to further develop the social and solidarity economy, and we are certain these policy guides will be of great help.

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Foreword

The OECD has been working for over two decades on policies for the social and solidarity economy (SSE), including in collaboration with the European Union. In 2020, the OECD launched the Global Action "Promoting Social and Solidarity Economy Ecosystems", funded by the European Union's Foreign Partnership Instrument, to support its development and internationalisation. The Action has focused on two critical policy levers that can help unlock the potential of the social and solidarity economy, namely legal frameworks and social impact measurement, in addition to other drivers of a strong policy ecosystem. The Action has brought together international peer learning partnerships to share good practices, produce international statistics, and take a deep dive on particular themes (e.g., internationalisation and social procurement) as well as particular groups (such as youth leading social enterprises, women and refugees). Countries targeted by the Action include all EU member states and six non-EU countries (Brazil, Canada, India, Korea, Mexico, the United States).

Through its work stream on legal frameworks, the OECD Global Action provides 1) analysis of existing frameworks and specific laws for the SSE, 2) pros and cons of legal options and approaches that can be used in different contexts, and 3) policy guidance and good country practices to help policy makers effectively design, implement and evaluate legal frameworks that support the development of the SSE.

Legal frameworks, when deemed appropriate, support the recognition of the SSE, raise its visibility and help to take it mainstream. The SSE is diverse and has evolved differently across countries and sometimes even within countries. Legal frameworks are a policy area that reflects this diversity. They are often closely linked to factors such as local history, legal traditions, the nature of the administrative organisation and intervention, and the need to achieve specific objectives such as for job creation or to serve specific communities. Also, they can help to clarify the purpose and role of the SSE and the types of entities that engage in it.

This guide will help policy makers make the most of legal frameworks for the SSE through a step-by-step guidance, in particular, to define the rationale for legal frameworks and select the relevant legal options and approaches. The guidance also provides examples of measures to complement laws with other policy tools such as fiscal and procurement policies to reinforce their efficacy. Finally, it provides concrete examples and tools to involve stakeholders throughout the different phases of the legal life cycle.

This policy guide was developed by the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE), as part of the Programme of Work and Budget of the OECD Local Employment and Economic Development (LEED) Programme. It was approved by the LEED Directing Committee on 23 February 2023 via written procedure.

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This Guide was prepared by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director, as part of the Programme of Work of the Local Employment and Economic Development (LEED) Programme. It was produced with the financial assistance of the European Union, in the framework of the OECD Global Action "Promoting Social and Solidarity Economy Ecosystems" and builds on the OECD LEED Paper "Legal Frameworks for the Social and Solidarity Economy" published in June 2022. It also builds on a recent report focusing specifically on legal frameworks for social enterprises. The views expressed herein do not necessarily reflect the official opinion of the European Union.

The content of this guide was drafted by Amal Chevreau, James Hermanson and Viktoria Chernetska, Policy Analysts, with guidance from Antonella Noya, Head of the Social Economy and Innovation Unit. Marleen Denef and Bram Van Baelen, lawyers at Impact Advocaten, as well as Deborah Burand, Professor of Clinical Law at New York University, provided background research and contributed to drafting this guide. Additional research and comments were provided respectively by Daniel Bayram and Julie Rijpens, Policy Analysts. Nadim Ahmad, Deputy Director of CFE and Karen Maguire, Head of the Local Employment, Skills and Social Innovation Division (CFE) provided guidance, comments and suggestions.

This guide provides step-by-step guidance complemented by best practice examples that can inspire policy makers. The guidance builds on learnings, information, data and findings from different reports, studies, and grey literature as well as stakeholder consultations, surveys, and the global social economy community. The authors thank the numerous participants around the world that have contributed to:

- Learnings and outcome papers of the Peer-learning Partnership on legal frameworks produced as part of the Global Action.
- Survey data from 33 countries, expert consultation meetings, focus groups and interviews with relevant actors in the SSE ecosystems of participating countries.
- Stakeholder consultation discussions, gathering national and local policy makers, SSE representatives, and academic and research experts in Brazil (16 February 2021), Mexico (18 February 2021), United States (4 March 2021), India (11 March 2021), Canada (16 April 2021), and Korea (23 April 2021).
- A survey disseminated to the Expert Group on Social Economy and Social Enterprises (GECES) of the European Commission, in particular its members with an expertise on the countries targeted by the Action.
- Learnings from the session on legal frameworks as part of the high-level virtual conference "The Social and Solidarity Economy: From the Margins to the Mainstream", held in September 2021.

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Executive summary

Legal frameworks for the social and solidarity economy (SEE) exist in countries around the world, with many national and subnational governments in the process of adopting new ones. Many countries have adopted at least one law on specific legal forms of SSE entities (associations, cooperatives, foundations, mutual societies and social enterprises). Other countries have adopted a national framework law on the SSE as a whole (e.g., France, Mexico) or related notions such as the social economy (e.g., Spain, Portugal) or the third sector (e.g., Italy). A number of countries report that they are in the process of drafting or adopting additional laws on specific SSE entities (e.g., India on cooperatives and the Netherlands on social enterprises).

Legal frameworks can create important opportunities for the development of the social and solidarity economy. They can help raise visibility through legal recognition of SSE entities, facilitating their entry into new markets, their access to finance, and to public support. Such frameworks can also play an important role in facilitating the development and expansion of the SSE, and in some cases addressing inconsistencies across different types of social economy entities. Legal frameworks can also be used to establish a legal basis for a comprehensive set of complementary policy measures and facilitate targeted public schemes (financial and non-financial, tax incentives, etc.) for SSE entities to help them develop and thrive.

Legal frameworks can also serve to help mainstream the SSE in public policies. They can be used to develop cross-sectoral co-operation between different ministries and governmental agencies to better coordinate policies for the SSE and minimise conflicts or gaps in decision-making processes and resource distribution. They can also set institutional mechanisms or bodies (agencies, ministries) that serve as points of reference for SSE entities to facilitate their access to support services, resources and information. In some countries, specific policy needs, such as job creation, have driven the establishment of legal frameworks for the SSE as a whole, or for specific types of SSE entities (e.g., social enterprises in Korea).

However, countries might decide that they are not the most appropriate policy option to support the development of the SSE. Suboptimal legal frameworks can constrain the development of the SSE by limiting its activity to specific sectors (e.g., social services) or recognising only some legal forms (e.g., cooperatives) and not other possible forms. If poorly designed and implemented, they can also inhibit innovation and discourage the uptake of certain types of SSE entities and/or their engagement in certain activities.

Adopting legal frameworks is often a complex and time-intensive process. Unlike other policy areas, adjusting legal frameworks or developing new ones involves a lengthy legislative approval process that may span multiple legislative chambers and voting procedures. Given this complexity, it is important to understand the successive phases to develop legal frameworks, and proactively implement a plan to navigate them.

Why this guide?

This guide provides comprehensive and concrete guidance on how to develop legal frameworks for the SSE. The objective is not to push for the adoption of legal frameworks for the SSE, but rather to support those that consider legal frameworks as an appropriate lever to develop the SSE. This guide is applicable to wide a range of country contexts and varying degrees of SSE development. It seeks to help policy makers develop a clear understanding of what the SSE is, as well as the diversity of entities, practices, and business models that the SSE encompasses.

This guide equips policy makers to determine if, why and when to design legal frameworks, the core steps to develop and implement effective legislation, as well as how to evaluate its performance over time. Legal concepts and options are clarified, as well as the differences between legal forms and legal statuses. The guide also provides an overview of different options such as framework versus specific laws, identifies key factors that shape their development, and the decision to engage in the process of designing them such as stakeholder participation and engagement.

How can policy makers use this guide?

The main target audience of this guide is policy makers at all levels of government, including public administrations and parliament. This guide is relevant to all public authorities around the world who wish to design and implement legal frameworks, and a conducive policy ecosystem for the SSE more broadly. The guidance hereafter is also useful for SSE entities and their representatives to participate in the life cycle of legislation.

This guide does not provide one-size-fits-all policy advice. Rather, it presents possible initiatives and concrete actions that can be taken at the national or local level, drawing on international good practice examples. Policy makers can select the policy recommendations that match the specific needs and conditions of the SSE in their country or region. This enables them to adapt the recommendations and to develop tailored legal frameworks that promote their own policy objectives.

This guide is structured around four main policy actions related to the life cycle of legal frameworks. They include: 1) asses the need and relevance for legal frameworks (scoping phase), 2) select relevant legal options and involve stakeholders (development phase), 3) evaluate the performance of laws (assessment phase) and, 4) foster international peer exchange. These policy actions do not follow a chronological order, but rather a logical sequencing that reflects a legal cycle. A list of guiding questions for policy makers is available at the beginning of each action and further compiled into a single checklist. Each country, region or city will determine where, on this spectrum, the policy push might be needed at a given moment in time.

To help policy makers, this guide offers an actionable checklist and country examples to develop legal frameworks for the SSE. It also offers practical advice in the form of success factors and pitfalls to avoid. The boxes showcase good practice examples and step-by-step guidance that draws from the experiences of countries and regions worldwide.

Infographic 1. About this guide

What are legal frameworks for the social and solidarity economy?

Legal frameworks refer to a broad set of legislation applied to the social and solidarity economy or specific components within it. They support policy implementation across levels of government through obligation and enforcement.

They include:

- Framework laws that recognise and promote the social and solidarity economy; regulate it, or both
- Specific laws apply to social and solidarity economy entities, namely associations, cooperatives, foundations, mutual societies and social enterprises

Why do legal frameworks matter?

- Clarify the SSE or related notions (e.g., the social economy, the solidarity economy or the third sector),
- Raise visibility
- Facilitate access to markets and access to finance
- Establish a legal basis for complimentary policy measures and targeted public schemes
- Develop co-operation between government agencies and ministries to better co-ordinate policies

What are the pitfalls in developing legal frameworks?

- Limiting the SSE to certain sectors or legal forms and thus constraining its development
- Poor design and implementation without stakeholder consultation
- Delay to see results due to the complex and time-intensive process
- Lack of formal mechanisms to evaluate their performance and adapt to evolving needs

Infographic 2. How to use this guide?

How can this guide help policy makers?

This guide equips policy makers to determine **if, when and why to design legal frameworks, the core steps to follow and how to successfully implement and evaluate them**.

The objective of this guide is **not to push for legislation** but rather to support those that would consider legal frameworks as an appropriate lever to develop conducive social and solidarity economy ecosystems.

Policy makers can:

Asses the need and relevance for legal frameworks
(SCOPING PHASE)
When and why are legal frameworks necessary? How to define and demarcate the SSE from other practices? Who should be involved?

Evaluate the performance of laws
(EVALUATION PHASE)
How are legal frameworks developed and enforced? Did they reach their objectives? What are their potential implications? Do they need to be updated or revised?

Select relevant legal options and involve stakeholders
(DEVELOPMENT PHASE)
What are the legal options available and how can policy makers distinguish between them? How to use other policy tools? How to make sure that stakeholders have their say?

Foster international peer exchange
(INTERNATIONAL PEER EXCHANGE PHASE)
How and what can countries, regions and cities learn from each other's successes and overcome pitfalls?

What is the social and solidarity economy?

The social and solidarity economy is made up of a set of organisations such as associations, non-profit organisations, cooperatives, mutual organisations, foundations, and, more recently, social enterprises. In some cases, community-based, grassroots and spontaneous initiatives are part of the social economy. The activity of these entities is typically driven by societal objectives, values of solidarity, the primacy of people over capital and, in most cases, by democratic and participative governance. See more: OECD Recommendation on the Social and Solidarity Economy and Social Innovation.

Introduction

What do we mean by the social and solidarity economy?

The social and solidarity economy (SSE) has gained global prominence as a driver of job creation and economic activity with social impact. Based on estimates, in the European Union, social and solidarity economy entities employ over 13.6 million people, which is 6.3% of the total workforce (CIRIEC, 2017[1]). In Colombia and Mexico, the SSE accounts for 4% and 3.2% of overall employment respectively (OECD, Forthcoming[2]). In addition to job creation, countries are increasingly recognising the contributions of the SSE to the green and digital transitions and to community building at both the national and subnational level.

The SSE encompasses diverse notions and concepts[1]. Depending on local context, history and tradition, the social economy, the solidarity economy and the third sector can be used alongside the SSE, though with important differences. These notions have emerged to capture specific types of activity and entities by various groups of stakeholders. While they may overlap on some aspects, they define the SSE and its entities from different perspectives. The SSE has emerged to include both the social economy and the solidarity economy. The term was adopted in the late 1990's to better recognise the common bonds of the social economy and the solidarity economy while recognising their important distinctions (Galera and Chiomento, 2022[3]). The SSE is increasingly used by practitioners and academics, as well as at the international level (e.g., the ILO and the UNTFSSE). This term has also gained traction in recent research as well as national legislation in certain countries (e.g., Bulgaria, France) (OECD, Forthcoming[2]). In June 2022, the OECD adopted the Recommendation on the Social and Solidarity Economy and Social Innovation (2022[4]), which provides an international standard and policy framework for countries, regions and cities wishing to develop the SSE.

The SSE is typically made up of entities such as associations, non-profit organisations, cooperatives, mutual societies, foundations, and, more recently, social enterprises. **Community-based, grassroots and spontaneous initiatives can also be part of the SSE**. As mentioned in the OECD Recommendation on the Social and Solidarity Economy and Social Innovation, the activity of these entities is typically driven by social objectives, values of solidarity, the primacy of people over capital and, in most cases, by democratic and participative governance (OECD, 2022[5]). SSE entities distinguish themselves in two respects: their *raison d'être*, as they primarily address social 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. More recently, the notion of social enterprise has been added in order to recognise entities that trade goods and services, that fulfil a social objective and whose main purpose is not the maximisation of profit for the owners but its reinvestment for the continued attainment of its social goals (OECD, 2022[5]).

What do we mean by legal frameworks for the SSE?

Legal frameworks refer to a broad set of legislation applying to the SSE or specific components within it. In general, legal frameworks refer to statutory[2] 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[6]).

Framework laws for the SSE (or related notions) differ in terms of their main objectives. They can recognise and promote the SSE; regulate the field, or both. They might outline the principles and values of the SSE, give a context-based definition of it and its entities (e.g. Mexico) and support its scaling up. Framework laws, have flourished in many countries: at national (e.g. France, Greece, Mexico, Romania, Spain, and Portugal) and subnational level (e.g. Province of Québec, Canada) (Poirier, 2016[7]). The approach used to clarify the SSE or related notions (e.g., the social economy, the solidarity economy or the third sector), can also vary by country and even region.

Specific laws apply to SSE entities, namely associations, cooperatives, foundations, mutual societies and social enterprises. They have significant impacts on the ability of SSE entities to engage in economic activities as they define their legal nature, governance structure and rules (Hiez, 2021[8]). In some cases, they might give a broad definition of the social economy (e.g. Luxembourg[3]). 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[4]).

Legal frameworks accommodate the diverse legal approaches that countries have adopted regarding the SSE. They acknowledge the range of legislative options available to policy makers throughout the decision making process (see Annex B for definitions of the social and solidarity economy and similar terms/notions used in legal texts).

Why are legal frameworks important for the SSE?

Legal frameworks, when deemed appropriate, can help raise visibility of SSE entities, helping them to gain public recognition (e.g., France). They can also play an important role in facilitating the development of the SSE, and in some cases, in bringing more consistence among its various components (e.g., Spain). Legal frameworks can also be used to design a comprehensive set of complementary policy measures and facilitate the application of targeted public support schemes (financial and non-financial, tax incentives, etc.) for SSE entities allowing them to develop and thrive.

They can help mainstream the SSE in public policies. They can also be used to facilitate cross-sectoral co-operation on SSE policies between government agencies and set mechanisms for representing such public bodies in charge of the SSE that facilitate structured dialogue between authorities and SSE entities. In some countries, specific policy needs, such as job creation, have driven the creation of legal frameworks for the SSE as a whole or for specific types of SSE entities (e.g. social enterprises in Korea).

Legal frameworks can be developed at national and/or subnational level depending on the administrative organisation of the state, unitary, federal or quasi-federal (OECD/UCLG, 2019[9]; OECD/UCLG, 2019[10]). This is usually determined by the constitution. At the subnational level, the development of legal frameworks for the SSE largely depends on the legislative capacity of subnational authorities as well as the strategic priority given to it (OECD, 2020[11]). In some countries, legal frameworks at the subnational level have intervened in the absence of national framework or specific laws. In Brazil, there is no federal-level law on the SSE, however, nine states out of 27 have their own SSE laws. In 2013, the Province of Québec in Canada adopted the Social Economy Act.

However, countries might decide that they are not the most appropriate policy option to support the development of the SSE. For example, the Netherlands and Poland have developed through different

approaches, strong areas of the SSE without developing comprehensive legal frameworks, thus accelerating momentum in those parts of the SSE that are targeted. In some countries, legal frameworks have constrained the development of the SSE to specific sectors (e.g. social services, work integration) or legal forms (e.g. cooperatives). If not introduced in a timely manner or poorly designed and implemented, they can also inhibit innovation and discourage the uptake of certain types of SSE entities 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.

Why is involving stakeholders important in developing legal frameworks for the SSE?

Stakeholders are important partners for policy makers throughout the development, adoption and implementation of legal frameworks for the SSE. Each of the following sections in this guide highlight when and how policy makers could/should actively engage with stakeholders to determine whether legal frameworks for the SSE are warranted, identify which legal frameworks are best suited to their objectives and evaluate their performance. It may be simpler and faster for policy makers to develop legal frameworks through a top-down process. Certain countries and regions that developed legal frameworks for the SSE without stakeholder input ultimately failed to meet their full range of needs and often defined the SSE in overly narrow terms (OECD, 2022[12]). Consequently, such legal frameworks may have benefitted certain types of SSE entities while constraining the overall development of the SSE ecosystem or excluding certain legal forms, sectors or types of activity (OECD, 2022[13]).

Engaging with a range of stakeholders at different stages of the development of legal frameworks might take different forms. This helps to ensure that policy makers benefit from a diverse set of viewpoints. SSE entities are active across numerous sectors and use a wide range of legal forms, organisational structures and business models. Consequently, they have a diverse range of needs and challenges and may not be affected in the same manner by a given law. Legal frameworks need to reflect these varied needs. Therefore, it is important for policy makers to identify diverse stakeholders and incorporate them into the stakeholder consultation process. (Box 2.7) provides an overview of stakeholders that should typically be included in any stakeholder consultation related to developing, evaluating or amending legal frameworks for the SSE.

More broadly, citizens, networks and businesses, among others, can provide valuable insight into the potential impact and performance of a law or regulation. It is important to enable members of the public to help shape laws and regulations in order to enhance their design and implementation (OECD, 2021[14])). Additionally, stakeholders can help to evaluate the performance of laws and regulations once they have been adopted by, for example, providing insight into the cost of complying with legal frameworks or the ease of accessing public support measures (OECD, 2021[14]).

Why might policy makers want to develop legal frameworks for the SSE?

The steady expansion of the SSE has led many countries to initiate policies, strategies, action plans and legal frameworks to support it (OECD, 2018[15]). The increasing contribution and potential of the field to address the social and economic challenges arising from global trends and the digital and green transitions, have spurred interest in the SSE in many countries and regions. This increased interest is also observed in draft laws (regulations), systems of accreditation such as labels, national strategies and/or plans. Building conducive policy ecosystems, including through the adoption of legal frameworks when relevant, can help to realise the full potential of the SSE and support its active participation to local development at large.

> *The OECD Recommendation on the Social and Solidarity Economy and Social Innovation encourages countries to develop and adopt a social economy framework that is supported at all levels of government with a view to scale the impact of their social economy for the benefit of all. One of the building blocks is to set up suitable legal frameworks for SSE entities by:*

- Engaging with social economy organisations to better design legal frameworks for them, including their members.
- Identifying areas where existing legal frameworks disadvantage social economy organisations, compared to other types of economic actors.
- Recognising and promoting different legal forms for social economy organisations, when appropriate, especially for newer types of social economy organisations such as social enterprises.
- Advancing efforts to harmonise definitions for social enterprises in particular, and exploring opportunities for mutual recognition through the use of appropriate labels and certifications or criteria with which social enterprises should comply.
- Encouraging internationalisation strategies of social economy organisations through information sharing, international co-operation, and regulations that facilitate trans-border activities and partnerships with international firms.
- Developing regular evaluation requirements to improve and update laws and policies to evolve with the needs of social economy organisations and including stakeholder feedback as well as qualitative and quantitative evidence.

The growing importance of the SSE coupled with actions by countries and regions to develop legal frameworks has reinforced the need for international guidance. The design and implementation of legal frameworks for the SSE can be challenging due to the complex policy making and the diverse understanding around the SSE. Countries have signalled the need for analysis, guidance and international peer exchange to leverage on best practices and experiences to design, scope, define, implement and monitor legal frameworks to further develop the SSE. Understanding the different steps of the legal life cycle and building on learnings from international peer learning can offer lessons especially concerning possible bottlenecks or success factors.

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Notes

[1] Different notions, terms concepts coexist with the social and solidarity economy and are used in different regions and countries (OECD, Forthcoming[2]). The term social economy is prevalent in Europe and includes a broad and diverse set of organisational forms (Noya and Clarence, 2007[16]; OECD, 2014[17]). The notion of third sector is positioned between the state and the market and encompasses organisations that do not qualify as private or public sector entities (OECD, n.d.[20]; Mertens, 1999[18]; Salamon and Sokolowski, 2018[21]). Some countries used this concept when developing their legal frameworks, including the United Kingdom and Italy (Galera and Chiomento, 2022[3]). Countries such as Canada (with the exception of the province of Québec) and the United States typically refer to the non-profit sector, which mainly relates to the non-distribution constraint according to which organisations cannot legally redistribute their surpluses to their owners (Defourny, Develtere and Fonteneau, 1999[19]).

[2] 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.

[3] 2016 Act on Societal Impact Companies.

[4] 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.

1 Assess the need for and relevance of legal frameworks

This chapter provides guidance as to if, why and when legal frameworks should be developed. It takes into account the maturity of the SSE ecosystem and how legal frameworks can support broader policy objectives such as fostering job creation or tackling informality. The chapter goes on to identify the benefits, boundaries and common characteristics of legal frameworks for SSE development with provides practical insights on how to identify the stakeholders needed to spearhead the legal framework process and distinguish the SSE from other business practices.

Why is this important?

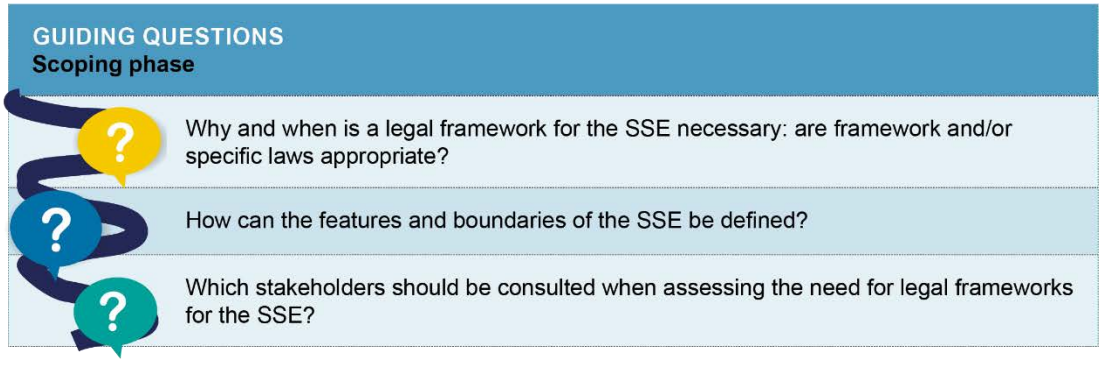
Legal frameworks deeply influence the development of the social and solidarity economy (SSE) and can be helpful in a number of ways. They can help raise visibility and expansion of SSE entities, support them to enter new markets, access finance and gain public recognition such as in France and Spain. Just as they can help to unleash the potential of the SSE, legal frameworks can also create constraints that impede its development such as restricting the SSE to specific sectors, activities or types of business models. They can also stifle the development of the entire SSE ecosystem if they do not adequately meet the needs of SSE entities and do not consider the specific conditions of a given country or region.

Policy makers need to assess *if, why* and *when* it may be beneficial to adopt/revise legal frameworks for the SSE and the impact that legislation, or lack thereof, can have for its development. This assessment corresponds to the scoping phase. The need to develop legal frameworks for the SSE depends on local context, legal traditions and culture. This makes it important for policy makers to independently identify the right moment to develop them (OECD, 2022[1]).

This section equips policy makers with concrete guidance to better identify why and when it could be appropriate and/or relevant to develop legal frameworks for the SSE. It also helps them identify stakeholders that need to be consulted and involved.

How can policy makers help?

Infographic 1.1. Guiding questions: Scoping phase



Across countries the following success factors and pitfalls to avoid can help to better capture, if why and when to develop legal frameworks for the SSE.

Infographic 1.2. Success factors and pitfalls to avoid: Scoping phase

SUCCESS FACTORS **Scoping phase**	PITFALLS TO AVOID **Scoping phase**
✓ There is no one-size-fits-all approach to defining the SSE or its components. Defining and demarcating the SSE is necessary to formulate a legal framework and should reflect local, social, economic, and historical specificities.	✗ Developing definitions of the SSE and its entities that do not consider local social and economic conditions as well as the historical development of the SSE at national and international level.
✓ Legal frameworks can provide clarity by delineating the boundaries of the SSE and its entities. This can improve visibility, access to markets, public support measures, and access to finance, among other benefits.	✗ Developing unclear, imprecise, or restrictive definitions of the SSE or its entities.
✓ Avoid top-down decision making processes by engaging with a diverse range of stakeholders when assessing the need for a legal framework. This helps to ensure that the decision to pursue a legal framework or not reflects the needs and preference of diverse stakeholders.	✗ Choosing path of action and/or defining the SSE without stakeholder consultation.
✓ Setting clear policy objectives early on in the process helps to drive consensus and navigate the often long and complex development phase.	✗ Neglecting to establish clear policy objectives before starting to develop legal frameworks.

Determine why and when legal frameworks for the SSE should be developed

Determining why and when legal frameworks are needed is influenced by many factors. In most countries, the structure and purpose of legal frameworks for the SSE are conditioned by local histories, institutional organisation and even global and local crises (OECD, 2022[1]). Legal frameworks also 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 and the United States). In addition to those geographic and jurisdictional boundaries, there are other conditions that can affect the decision to adopt SSE legal frameworks or not. This includes the perceived role and function of the economy in addressing social issues, which in turn will influence the role that legislatures and courts play in establishing and responding to SSE initiatives. Several of these conditions may be more prevalent in some forms of administrative organisation than others.

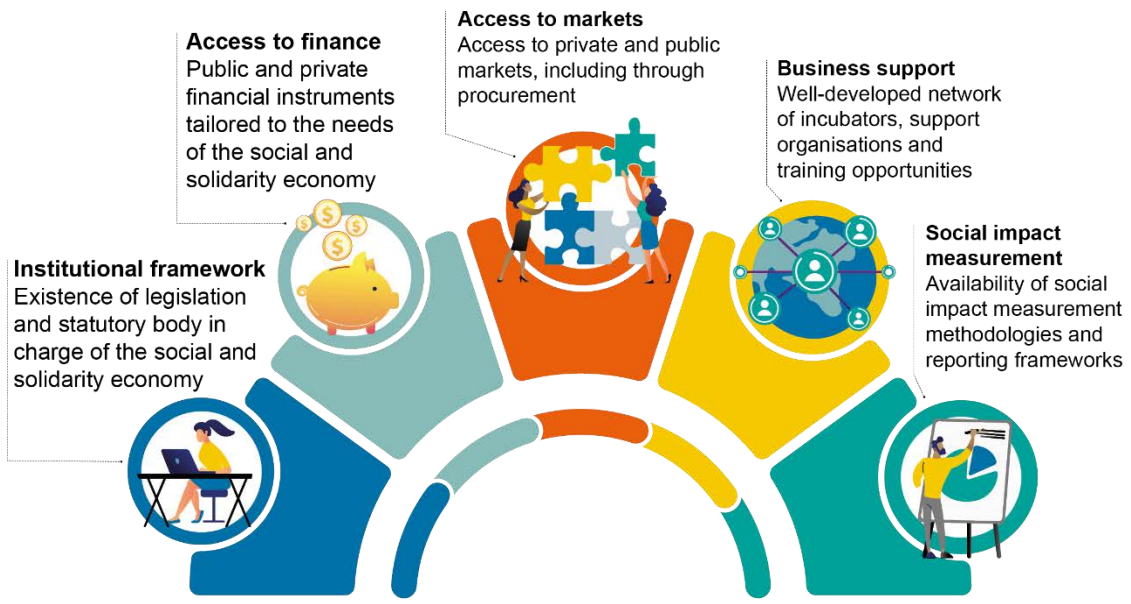
Consider the maturity of the SSE ecosystem

The maturity of the SSE ecosystem affects 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 matters. Existing legislation on the diverse components of the SSE can already be enabling and allow to harness its potential. Legislation that is introduced too early can be displeased by SSE entities.

It can also stifle innovation and constrain the development of the SSE. Countries can also decide that a legal framework is not always necessary to support the SSE.

For example, the following elements, among others, might help to assess the maturity of the SSE ecosystem (OECD, n.d.[2]) :

Infographic 1.3. Indicative elements for mature SSE ecosystems



Source: Authors' elaboration

Depending on the maturity of the SSE ecosystem, positive implications and potential secondary effects of legislation weigh differently.

Infographic 1.4. Pros and cons of legal frameworks

POSITIVE IMPLICATIONS	POTENTIAL SECONDARY EFFECTS
Regulating, either through framework laws or specific laws, may raise awareness of the field and give SSE organisations greater legitimacy and access to finance and markets (e.g. Slovakia).	Legal frameworks can impede the SSE development if unclear or excessively narrow. Legal frameworks which introduce many criteria and/or an unclear or complex definition might enhance confusion around the SSE or fail to clearly identify entities that may qualify as such in a given context.
Regulating may clarify the boundaries of the SSE and its entities, as well as the specific features and principles of its entities compared to other actors	The lack of a legal definition could lead to different and potentially inconsistent definitions or criteria by the various institutions involved in providing support to social enterprises.
Not regulating may enable the field to develop organically without constraints imposed by public authorities. This might be especially appropriate, when the SSE ecosystem is in early stages of development and therefore might not be mature enough to be captured by legislation and/or absorb new legislation (e.g. new legislation might mean a heavy bureaucratic burden for some SSE entities with few resources).	The development of new or adjustment of existing legislation can be complex and lengthy undertaking. Other policy levers may be more appropriate and less resource- and time- intensive to introduce.

Source: Authors' elaboration

Establish clear policy objectives for legal frameworks

Legal frameworks for the SSE can support a wide range of policy objectives (Box 1.1). Countries and regions often introduce legal frameworks for the SSE to enhance the recognition and visibility of the SSE (France, Spain, Portugal, or at a subnational level in the province of Québec (Canada) (Almeida and Ferreira, 2021[3]). Additional policy objectives may include welfare state development, reducing informality, and creating jobs for specific groups.

Box 1.1. Examples of policy objectives underpinning legal frameworks for the SSE

Canada

- In the province of Québec, the Social Economy Act (2013) aims to support the development of the social economy and to facilitate access to support measures. Furthermore, the Act defines the role of the Government and the Administration in the social economy (e.g. requirements for all ministers of the government to recognise the social economy as an integral part of the socioeconomic structure of Québec, functions of the Minister of Economy, the creation of social economy action plan and correlated five-yearly review).

France

- The French Social and Solidarity Law of 2014 created a coherent policy regarding SSE entities to support their job creation potential. It created a common framework encompassing a range of organisations using diverse types of legal forms. Earlier, France also established the State Secretariat for the Social and Solidarity Economy in 2000 to help increase the visibility of the SSE and promote effective policy making.

Greece

- The 2016 Law on Social and Solidarity Economy in Greece was adopted as an instrument for both the productive reconstruction of the Greek economy and for the socio-economic transformation to a more sustainable economy, after the financial crisis in 2008 and the financial austerity measures in the years after. The law adopts an expansive view of the SSE with the aim of promoting it across as many sectors of economic activity as possible. Additionally, it established the Special Secretary of the Social Economy and created a new legal status enabling entities of any legal form that meet specific criteria to register on the National Registry of the Social and Solidarity Economy.

Luxembourg

- Luxembourg created a dedicated solidarity-based economy ministry in 2009 that subsequently evolved into the Ministry of Labour, Employment and Social and Solidarity Economy (MLESSE) in 2013. The 2016 Law on the Societal Impact Company (SIS) provides a definition of the SSE as business models that meet specific conditions related to economic activity, profit distribution, management and social purpose.

Source: (Chabanet and Lemoine, 2021[4]), (Sarracino and Peroni, 2015[5]), (Adam, 2019[6])

- ***Improve clarity and recognition***. Most countries often make the decision to develop legal frameworks by the need to enshrine a definition of the SSE in the law, including its purposes and principles, as well as to define ownership and governance rules related to SSE entities. For example, the 2015 Law of Social Economy (no. 219) of Romania was adopted because of the lack of a clear legal framework for the SSE, as well as to facilitate access to funding opportunities offered by the EU (Box 1.2) (European Economic and Social Committee, 2018[7]). In Spain, article 1 of the Law on the Social Economy (5/2011) 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.” In Portugal, article 1 of the 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” (OECD, 2022[1]).

Box 1.2. Clarifying the SSE for better support allocation - Romania

In 2015, Romania introduced the Law 219/2015 on Social Economy with the aim to define the social economy, regulate different types of social enterprises and establish measures to promote and support it. The Law also regulates the principles of the social economy. Amended in 2022, the Law was simplified and provided for the certification with the status of social enterprises for legal entities active in the field of the social and solidarity economy (SSE). Different types of entities can be certified as social enterprises whatever their legal form may be. To be recognised as a social enterprise, legal entities that comply with the principles as determined by the Law can apply for a social enterprise certificate, awarded by the National Agency for Employment. Thus, different types of organisations can act as social enterprises while using various forms of incorporation. As of 2015, entities, established by the specific legislation regulating their legal form (such as associations, cooperatives, foundations, NGOs, etc.) can carry out social economy activities only if they are certified according to the Law no. 219/2015. By March 2021, 1 641 entities were certified as social enterprises. The highest number of social enterprises were certified in the years when financing through the European Social Fund was available (notably in 2021, 1849 entities were certified as Social Enterprises (SE)).

Moreover, the law introduces the status of "social insertion enterprise", which is to be understood as a new category of work integration and social enterprises (WISEs), specifically regulated by this law that emphasises the instrumental use of the social economy towards the aim of social inclusion. Social enterprises that meet the additional criteria set out in the Law (e.g. at least 30% of employees belong to vulnerable groups) can apply for the status of social insertion enterprise that is certified by the award of the so-called "social label". By March 2021, 45 Social Insertion Enterprises (SIE) were certified.

Furthermore, the Law sets out the establishment of a Single Register of Social Enterprises, to be administered by the National Agency for Employment, with the aim to overlook the situation and the evolution of the social economy sector at national level.

Source: (ADV Foundation, 2022[8]), (ADV Foundation, 2021[9]), (European Commission, 2019[10])

- ***Enlarge the scope of the SSE***. This often relates to the development of social enterprises, where a number of countries provided a more comprehensive framework that allows these 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 enabled a new generation of cooperatives known as producer companies (UNSRID, 2016[11]). This legislation refers to the Indian Companies Act of 1965 that was amended in 2003 and superseded by the Companies Act of 2013 that was amended several times since then. In Italy, social cooperatives were active since the early 1970s without a specific formal legal recognition (Fici, 2015[12]). They pushed for a legal framework that was adopted in 1991.
- ***Scale up the SSE***. Legal frameworks could also contribute to scaling up SSE entities and their entry into new sectors (Hiez, 2021[13]). By raising the visibility of SSE entities, legal frameworks can be an important lever to help them overcome challenges that they face when deciding to scale up (OECD/European Union, 2016[14]). For example, in Portugal, the SSE has significantly grown, in terms of its weight in wealth production and job creation, since the adoption of the Portuguese Social Economy Framework Law in 2013 (Monteiro, 2022[15]). Between 2013 and 2016 an increase of 17.3% in the number of entities and 14.6% in gross value added has been observed (Monteiro, 2022[15]).
- ***Support welfare state development***. 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 entities with a focus on serving broader communities and/or able to fill certain gaps in the provision of public services (e.g. India). Another example is the United States where the private sector, both for-profit and non-profit, traditionally plays an important role in the delivery of welfare services (Elizabeth T. Boris, 2010[16]; Plerhoples, 2022[17]). In 2010, researchers estimated that over half of the social services provided in the United States were channeled through public-private partnerships whereby government funding reached intended beneficiaries through not-for-profit service providers (Elizabeth T. Boris, 2010[16]). This shifting role of the federal government has contributed to the considerable growth of the non-profit sector in the United States. Additional research from the Johns Hopkins Center for Civil Society Studies found that the United States' nonprofit sector was the third largest employer in the United States' economy, overtaking even the manufacturing sector (Salamon and Newhouse, 2020[18]).

- **However, the emergence of SSE ecosystems is not always linked to the welfare state development.** The SSE is also active in other fields (e.g., consumption, circular economy). SSE ecosystems can develop from the bottom-up even in countries where the welfare state is developed (e.g., France, the province of Québec, 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 (OECD, 2022[1]). Additionally, the perceived role that corporations and other economic actors in the SSE play in the delivery of important social services and/or in advancing larger social goals is also important (Box 1.3). Similarly, the role and level of government authority in ensuring the delivery or advancement of these services and goals also needs to be ascertained during the scoping and development phases. As suggested below, at each juncture in the scoping and development phases of an SSE framework are questions of whether and where government action is appropriate. Accordingly, an understanding of the authority, culture and tradition is useful to help ground these discussions and determinations.
- ***Foster job creation.*** Countries have also adopted legal frameworks for the SSE or its components to address poverty and income inequality or promote job creation and employment of disadvantaged groups (Brazil, Mexico) (Gaiger, 2015[19]). In Mexico, SSE entities like cooperatives provide an instrument for employment and self-employment, and in doing so, offer an alternative for traditional firms. In Korea, the Social Enterprise Promotion Act (2007) aimed to stimulate work integration and reduce unemployment (ILO, 2017[20]). In Finland, the Act on Social Enterprises (2003, last amended in 2019) has strongly focused on creating employment opportunities by requiring that 30% of social enterprise employees have a disability or experience long-term unemployment. In Austria, Bulgaria, Croatia, Germany, Romania, Slovenia and Spain, statuses recognising WISEs specifically have been introduced to facilitate work integration of people with disability (European Commission, 2020[21]) In 2022, Poland passed the Act on Social Economy regulating the social enterprise status. This status is available to several legal forms, provided they operate for the purpose of reintegration (persons at risk of social exclusion will account for 30% of the employed in total) or for providing social services to the local community.
- ***Tackle informality.*** The SSE has been identified as a vehicle that could help to tackle labour informality, given its ability to reach disadvantaged groups, facilitate access to training and support the formalisation of work through its entities, such as cooperatives (ILO, 2018[22]; OECD, 2022[23]). In India, for example, informal entities remain widespread, in particular in rural areas. Internal migration from rural to urban areas has 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 (Box 1.4). In countries such as Brazil, these trends have led to the emergence of mutual help and economic co-operation in these urban areas (Gaiger, 2017[24]). Conducive and tailored legal frameworks can help unleash the SSE's full potential for tackling informality and its impacts and provide solutions to support the transition to formal work in many economic sectors. In addition

to that, novel multidimensional strategies that integrate a range of policies are needed to address informality holistically (OECD, 2022[23]).

Box 1.3. Regulation of the non-profit sector in the United States

Regulation of the non-profit sector in the United States is shared by the federal and state governments. The primary agency charged with federal oversight is the Internal Revenue Service (IRS), which generally focuses on whether organisations meet tax-exempt requirements and comply with federal laws, including those governing the use of funds intended for a charitable purpose. The IRS makes determinations about whether organisations will be granted federal tax-exempt status. Depending on the state jurisdiction where not-for-profit organisations are incorporated, these federal tax-exempt determinations by the IRS also may confer comparable or similar tax-exempt status under state and local laws. The IRS also receives annual reporting of financial data from tax-exempt organisations.

The IRS is not the only federal agency, however, to oversee not-for-profit organisations. Other federal agencies also provide specialised oversight in their particular areas of expertise, such as the Federal Trade Commission, which among other things regulates non-profits for unfair or deceptive acts or practices (such as deceptive fundraising practices), and the Department of Justice, which among other competencies has enforcement authority over non-profit organisations engaged in economic crime (such as fraud and foreign corrupt practices, among others).

At the state level, the state attorney general is typically responsible for regulating the not-for-profit organisations incorporated in her/his state.

Source: Internal Revenue Code Section 501l (3); see generally, explanation of requirements to receive tax exemptions a non-profit charitable organisation (https://www.irs.gov/charities-non-profits/charitable-organizations/exemption-requirements-501c3-organizations).

Identify the benefits of legal frameworks

The adoption of legal frameworks usually brings three major benefits for SSE development: i) definition of the SSE and SSE entities; ii) possible adoption of other policy measures to promote and support the SSE; and iii) raising its profile vis-à-vis funders and authorities (See infographic 1.5).

Infographic 1.5. Potential benefits of legal frameworks for the social and solidarity economy

Source: Authors' elaboration

- ***Definition of the SSE and SSE entities***. Legal frameworks are approved by parliaments. As such, they carry more authority than other policy instruments such as strategies and action plans. On the other hand, legal frameworks cannot be easily revised in the event of political change, as this requires a formal process. In most cases, they identify and recognise the SSE as a field (for example through framework laws) and/or the main features, mission governance rules and activities of SSE entities (through specific laws).
- ***Possible adoption of other policy levers to promote the SSE***. Legal frameworks facilitate the adoption of differentiated legal regimes and a wide range of support measures for SSE entities: tax and fiscal arrangements; tailored access to public procurement; access to suitable and targeted public funding schemes; reduction of incorporation and registration costs; specific incentives to encourage employment of specific groups (e.g. disadvantaged individuals or persons with disabilities). In addition, entities also know what is legally required from them to qualify for public support.
- ***Raising the profile of SSE entities vis-à-vis funders and authorities***. Legal frameworks provide an opportunity to raise the profile of SSE entities towards other stakeholders. Clear labelling helps identify the potential benefits of investing in and/or collaborating with SSE entities while supporting their social mission. SSE entities are built for and prioritise their social/societal mission over profit-maximisation for personal enrichment, and this is secured in their legal form or statutes through various mechanisms (e.g. limited profit distribution, non-distributable profit reserves, asset-locks, etc.).

Box 1.4. The evolving policy landscape for cooperatives in India

The cooperative movement in India traces its origin to the early 1900s. It started in the agriculture and related sectors as a mechanism for pooling people's limited resources aiming to access the benefits of the economies of scale. Today, cooperatives still play a major role in India's economy with a prominent presence in sectors such as housing, dairy, savings and credit. There are more than 290 million members in 854 000 cooperatives, accounting for 13.3% of direct employment and 10.91% of self-employment in India. Cooperatives are present throughout the country, though with notable differences among jurisdictions. For example, while in the State of Maharashtra there are more than 205 000 cooperatives registered, only 81 organisations are present in the Union Territory of Lakshadweep.

In 2021, cooperative affairs were transferred from the Ministry of Agriculture to the newly established Ministry of Cooperation. This ministry provides a separate administrative and policy framework to oversee the cooperative movement in the country. Main activities of the Ministry include facilitating the development of Multi-State Cooperative Societies and ease of business for cooperatives. Additionally, a new National Cooperation Policy is being formulated to fulfil the mandate given to the Ministry of Cooperation. The new policy aims to create an appropriate policy, legal and institutional framework to help cooperatives unleash their potential, among other objectives. The latest development concerning the cooperative sector is the submission of a bill in December 2022 by the Ministry of Cooperation to amend the Multi-State Cooperative Societies Act (2002). The amendment seeks to strengthen the governance, improve the monitoring mechanism and ensure the financial discipline of Multi-State Cooperatives Societies.

Source: (ICA, 2021[25]), (Government of India, 2021[26]), (ICA, 2020[27]), (Ministry of Cooperation, 2022[28]); (Ministry of Cooperation, 2022[29])

Identify stakeholders to be consulted on the need for legal frameworks

The need for legal frameworks can be spearheaded by public authorities or emerge through bottom-up processes led by grassroots movements. Stakeholder consultations are an effective way for policy makers to gauge the need and support for legal frameworks for the SSE. It is preferable to include SSE networks, umbrella organisations and federations in decisions to pursue legal frameworks for the SSE. Doing so helps to better capture the realities and needs on the ground by enriching policy makers understanding of the SSE with stakeholder perspectives and aligning SSE needs with strategic objectives of policy makers. For example, Denmark 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.

Other countries have institutionalised the participation of civil society organisations in their legislative process. They have done so through formal mechanisms such as official participation and consultation periods, through informal mechanisms or through general customs (advocating or lobbying by civil organisations or federations). For example, the implementation of the SSE in the Province of Québec (Canada) 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[30]). The Québec 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 a partners' table on the social economy to be consulted on social economy affairs. In France, the 2014 Framework Law on the Social and Solidarity Economy established biennial stakeholder consultations on the SSE, helping to ensure regular bottom-up feedback (OECD, 2022[1]). Additionally, the National Council

of the Social Economy, a policy shaping body, brings together diverse stakeholders such as practitioners, experts and academics to discuss the SSE in France (OECD, n.d.[31]).

In certain instances, consultations have made it clear that stakeholders prefer that policy makers do not pursue certain legal options. This is best highlighted by the case of Ireland (Box 1.5) in which stakeholders preferred not to establish a specific legal form for social enterprises.

Box 1.5. Ireland: Exploring the possibility to adopt a dedicated legal form for social enterprises

In July 2019, the Irish Government's Department of Rural and Community Development introduced the National Social Enterprise Policy 2019-2022, which includes a definition of social enterprises but also acknowledges that further research on legal forms for social enterprises is needed. To this end, Rethink Ireland and the Department of Rural and Community Development commissioned a research study that consulted policy makers, social enterprises, network organisations and academics to gain insights on the barriers experienced by social enterprises as they relate to legal form, as well as the benefits and necessity of creating a dedicated legal form for social enterprises. Ultimately, the study did not recognise the need for a distinct legal form for the following reasons.

Many of the barriers identified were less to do with legal form, and more to do with compliance, access to resources, governance, visibility and recognition of social enterprises. The majority of the Irish social enterprises surveyed agreed that a dedicated legal form would resolve many issues and could facilitate the future development of the SSE. However, the majority (59%) of respondents also believed that their current legal form met their current and future needs. There was also a view that some of the identified barriers could be alleviated by greater use of existing legal forms, such as those of a company, an association, a cooperative, or hybrid structures reflecting both for-profit and not-for-profit components of a social enterprise. Moreover, respondents held very different views regarding the features that a dedicated form would comprise.

Additionally, issues relating to clarity about social enterprises and simplifying governance systems would remain to be addressed, irrespective of whether or not a specific legal form was adopted. Finally, the task of establishing a relatively permanent legal form would imply a significant and lengthy undertaking. Considering all this, the study recommended utilising other policy levers to support social enterprises before seeking to adopt a dedicated legal form based on the development of the SSE.

Source: (Lalor and Doyle, 2021[32]; Thomson Reuters Foundation and Mason Hayes & Curran LLP, 2020[33])

Determine the boundaries and common characteristics of the SSE

Define the features and boundaries of the SSE

The SSE and its related concepts include a range of diverse entities. It merges two notions: the social economy and the solidarity economy. The social economy encompasses associations, cooperatives, foundations, mutual societies and social enterprises, while the solidarity economy refers to more spontaneous, grassroots-level initiatives (OECD, 2022[23]). There are many types of SSE entities, with various social objectives, business models and legal forms that have emerged worldwide, which can make it challenging for policy makers, practitioners and academics to develop a common definition or clear boundaries for the SSE.

Policy makers need to develop a clear understanding of the SSE (or, in certain countries, the social economy or third sector) and its respective entities. The SSE shares common underlying principles and practices. SSE entities pursue societal objectives, often at the local level, in a manner that prioritises people over the pursuit of profit for personal enrichment. They also implement distinct ownership and decision-making practices. Additionally, collaboration and co-operation are central values for SSE entities that enable them to partner with other SSE entities, public and private sector actors to achieve social objectives and access resources (OECD, Forthcoming[34]). This can help to develop coherent policy objectives or co-ordinate efforts related to the SSE. It can also enhance public engagement with the SSE and ultimately accelerate the development of the overall SSE.

Adopt a pragmatic approach to demarcate the SSE from other practices

Multiple approaches can be used to defining and demarcating the SSE. Such approaches have evolved at different moments and were conditioned by distinct cultural, economic and social conditions, as well as the needs and viewpoints of stakeholder groups, including academics, practitioners and policy makers (Galera and Chiomento, 2022[35]). They have typically described the SSE or related concepts as a set of initiatives that are not public or not-for-profit and utilise alternative business models to provide goods and services while achieving societal objectives. Similarly, private-sector business practices that promote societal goals can sometimes make it difficult to differentiate between SSE actors and initiatives and the rest of the economy (Box 1.6). Academics, policy makers and stakeholder groups have sought to define the SSE and related concepts for distinct reasons, which has contributed to varying definitions of the SSE, the social economy, the third sector, and the entities that comprise them (OECD, Forthcoming[34]).

By adopting a pragmatic approach, policy makers can distinguish SSE entities from others, often to implement targeted policy measures. As countries have adopted formal definitions and developed legal frameworks for the SSE and its entities, they have adapted their definition of the SSE to reflect their historical, economic and social context. Academic approaches to defining the SSE typically aim to clarify their area of study and identify the motivations of SSE actors. They can help inform efforts by policy makers seeking to demarcate SSE entities from other entities and practices that might seem similar.

Box 1.6. Distinguishing the SSE from other business practices

Conventional enterprises have adopted a range of business practices designed to make their activities more socially and/or environmentally friendly. Generally speaking, these efforts promote social and environmental considerations in a number of ways, such as by addressing negative externalities created by business activity or actively promoting certain social or environmental goals. Importantly, using practices does not enable businesses to qualify as part of the SSE as they retain the pursuit of profit as their primary motive and may not limit profit distribution or concentrated decision-making power.

These practices include approaches such as **Corporate Social Responsibility (CSR)**, which originally emerged in the mid-20th century and refers to instances where businesses uphold social and environmental objectives that are not immediately related to its fundamental economic performance or legal responsibilities. This can mean both actively engaging in socially beneficial practices such as philanthropy as well as avoiding or offsetting social or environmental harm.

This notion of responsibility beyond profit maximisation and shareholder returns encapsulated by CSR has served as the foundation of other concepts such as stakeholder theory, corporate citizenship, and the principles of **Responsible Business Conduct (RBC)**. RBC encompasses principles and standards that minimise the negative effects business activities while also promoting sustainable development. This practice integrates environmental, human rights and social considerations into the decision-making

process of firms and is particularly important for multi-national enterprises that operate across numerous different national legal, social and environmental contexts.

Environment, Social and Governance (ESG) Criteria assess enterprise performance with respect to the environment, climate change, resource management, human rights, labour practices, product safety, transparency and accountability. This enables investors and consumers to identify more sustainable, socially responsible firms. There are multiple approaches to ESG reporting such as the OECD Guidelines for Multinational Enterprises, which provides companies with guidance and standards of due diligence that help them to identify and avoid potential negative effects of their activities.

Social purpose businesses are conventional enterprises that also promote social and/or environmental objectives. This concept goes beyond traditional CSR practices by integrating social and environmental objectives into the core of an enterprise's business practices. This approach has been adopted by notable firms such as BlackRock, which actively seeks to drive social and environmental benefits with its investments while still prioritising profits.

Source: (OECD, Forthcoming[34]), (Eilbirt and Parket, 1973[36]), (OECD, 2020[37]), (Porter and Kramer, 2011[38]), (OECD, 2018[39]), (OECD, 2014[40]), (Fairfax, 2021[41])

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2 Select legal options and involve stakeholders

This chapter defines the steps needed to navigate through the development phase of legal frameworks for the SSE. It provides guidance on different approaches (statutory, substantial and hybrid) to use when designing framework laws as well as when to introduce or adjust legal frameworks, labels and statuses. Finally, the chapter highlights how best to engage relevant stakeholders to build consensus around a desired legal framework and to leverage complementary policy options in the development phase.

Why is this important?

The process to develop legal frameworks can be challenging unless it benefits from comprehensive preparation and stakeholder involvement. Although there are no uniform trajectories to develop and implement social and solidarity economy (SSE) legislation (Jenkins, 2021[1]) there is a need for policy makers to develop a thorough understanding of some common elements needed for a successful law-making process, including political consensus, diverse and sustained stakeholder involvement, institutional commitment, co-ordination and appropriate timing. These considerations correspond to the **development phase** during which policy makers are presented with different options and approaches to SSE regulation and alternative policy measures that they can leverage to develop the SSE. Therefore, it is important to strike the right balance between tailoring legal frameworks to the diverse and often locally rooted SSE ecosystem on the one hand and avoiding fragmentation through "siloed" approaches to developing the SSE on the other hand.

This section will outline essential steps to navigate through the development phase. It will guide policy makers to select the appropriate legal approach for their country or region. It will provide guidance on determining the need for framework vs. specific laws, as well as the benefits of legal frameworks vs. other public policies. Additionally, it will discuss how to encourage stakeholder inclusion and how to achieve consensus among policy makers and the SSE field. It will also discuss opportunities to revise existing legislation and create coherence with existing legislation. Finally, it will explore alternative policy options that can be implemented without engaging in a complex and time-intensive legislative process.

How can policy makers help?

Infographic 2.1. Guiding questions: Development phase

Across countries the following success factors and pitfalls to avoid can help policy makers to achieve this objective.

Infographic 2.2. Success factors and pitfalls to avoid: Development phase

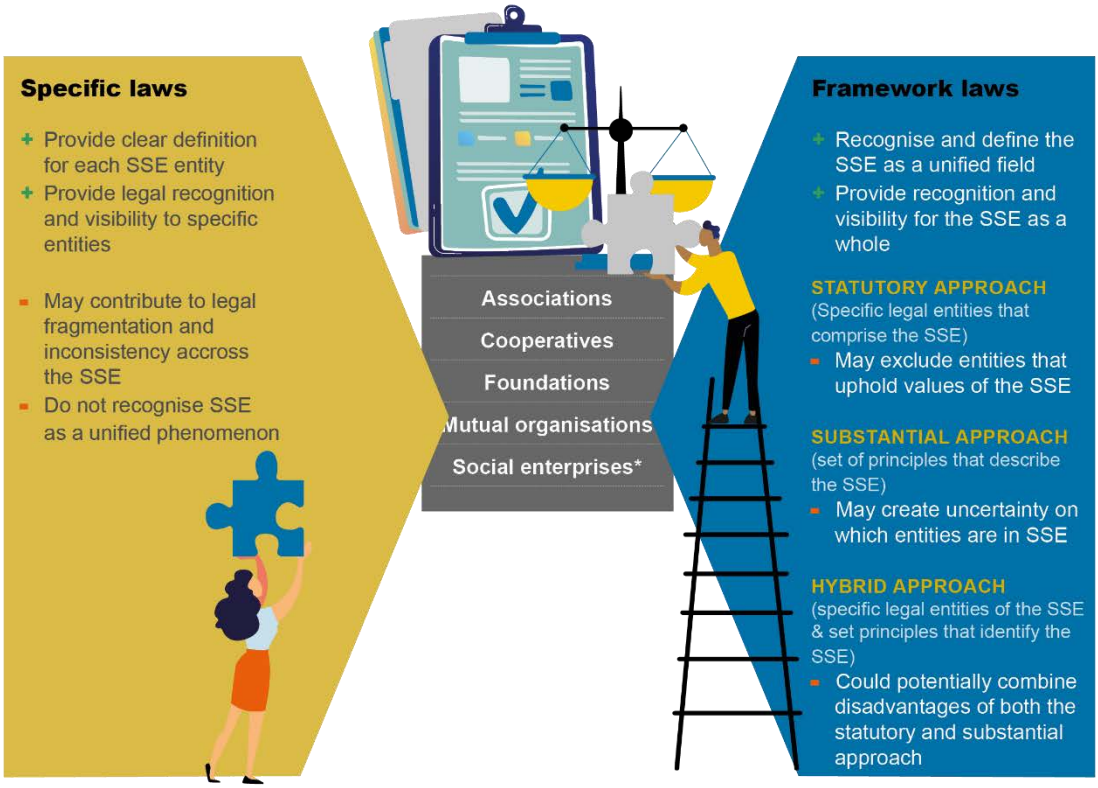
SUCCESS FACTORS **Development phase**	PITFALLS TO AVOID **Development phase**
✓ Large involvement of various stakeholders to ensure the relevance and appropriateness of legal frameworks and that they meet the needs of SSE entities. This also helps bring coherence among various legal options or types of laws.	✗ Constraining the development of the SSE to specific sectors or business models through top-down legislation.
✓ Country-specificity to ensure that legal frameworks are adopted at the appropriate level, depending on the administrative organisation of countries, and that they are context-based.	✗ Neglecting subnational/local realities and regulations, although SSE entities are often locally anchored.
✓ Co-ordination across government levels and among departments as well as organisation of consultations with stakeholders, including newly emerging entities and intermediaries.	✗ Not addressing incoherence between different government levels and among government departments.
✓ Take into account the diversity of the SSE within and between countries and regions as well as the different conditions that impact legislation in a given country.	✗ Applying one-size-fits-all approaches to designing legal frameworks for the SSE and/or transplanting legal frameworks adopted in other countries without taking local specificities into account.

Determine the appropriate legal approach for the SSE

Identifying the available options for legal frameworks and gaining political support among elected officials and governments is a challenging but necessary step (see infographic 2.3). This often requires raising awareness about the specific social and economic benefits of the SSE as well as foster understanding of the specificities, benefits and needs of different SSE entities. With this, policy makers are better equipped to understand and chose among different options for legislation. Depending on the administrative organisation of a country, competences for the development of legal frameworks might be spread out or shared among national and subnational lawmakers.

Infographic 2.3. Overview of impacts of framework and specific laws for the SSE

The infographic provides an overview of different types of legal frameworks and the positive and negative aspects of the respective legal approaches.



Note: social enterprises are not a specific legal form, but rather can take a diversity of legal forms (including, associations, cooperatives and foundations for example) and legal statuses.
Source: (OECD, 2022[2])

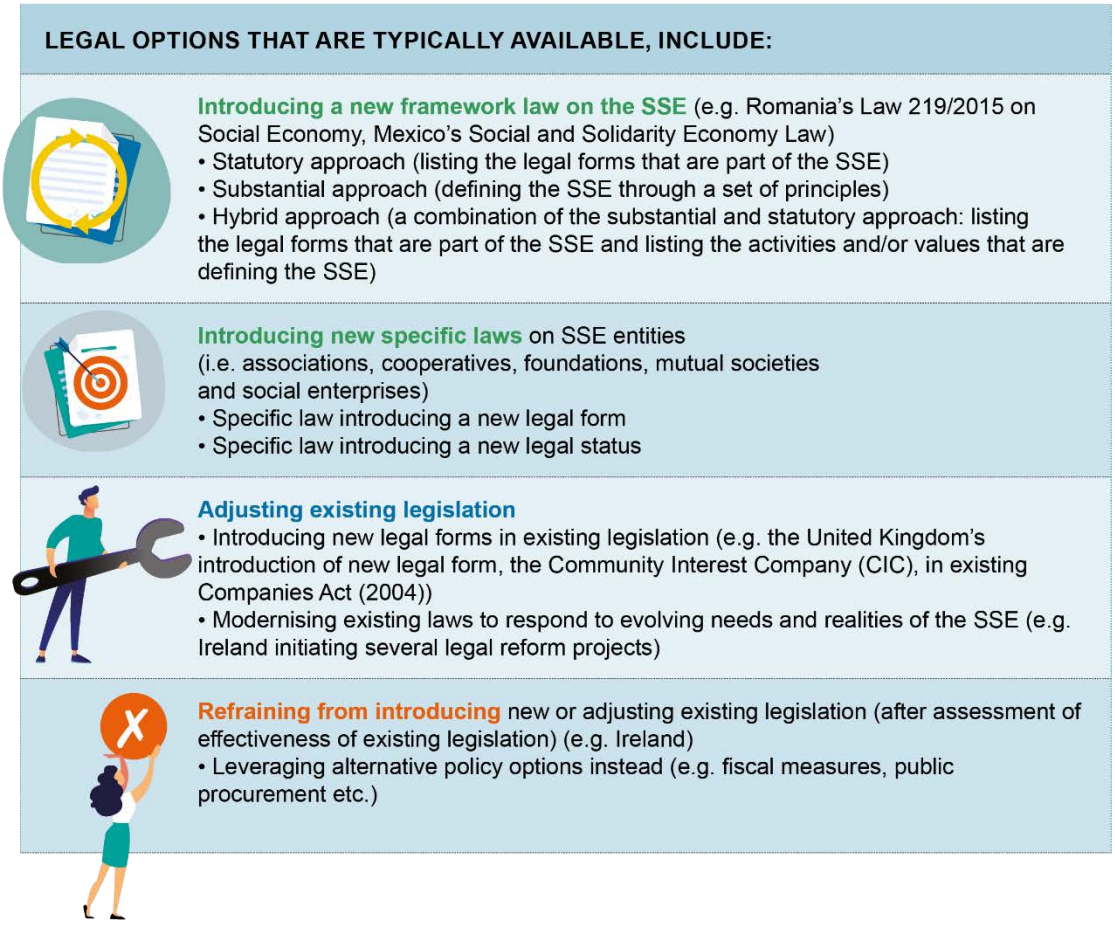
Grasp and distinguish the different legal options available

Countries where the distinct aspects of the SSE 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. Canada (Québec), France, Portugal and Spain), the SSE ecosystem tends to be well-developed and its components are supported by specific policies and strategies (fiscal measures, public procurements, etc.). In this context, specific laws that regulate certain SSE entities already exist before the notion of the SSE has emerged. This can be particularly observed with regards to more "traditional" SSE entities, such as associations, cooperatives and foundations, that are often regulated by long-established laws. With a subsequent adoption of framework laws countries seek to provide an official definition of the SSE and recognition to its specific governing rules and principles. Legal frameworks also help mainstream the various contributions of the SSE to other policies and strategic objectives.

Countries where the SSE ecosystem is developed but not integrated tend to privilege legislation on specific 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,).

In this context, the approach to legal frameworks is more focused on defining entities and not on creating a general legal framework for the SSE.

Infographic 2.4. Options for legal frameworks on the SSE



Source: Authors' elaboration

Introduce framework laws

Framework laws signal a clear intention of parliaments to frame a whole-of-government approach to develop and mainstream the SSE across sectors and policies (Hiez, 2021[3]). They can outline the principles and values of the SSE, define the SSE and its entities (e.g. Mexico) and support its development. Framework laws have been adopted in some countries at the national (e.g. France, Greece, Mexico, Romania, Spain, and Portugal) or subnational level (e.g. Province of Québec, Canada) (Poirier, 2016[4]). The approach used to clarify the SSE can also vary by country and even region (e.g. notions of the social economy, the solidarity economy or the third sector) (see also Annex D). Framework laws usually do not offer a comprehensive repository for all types of SSE entities. This is why they are most often preceded or complemented by specific laws (Hiez, 2021[5]). Framework laws are used to achieve a range of policy objectives and thus vary in form and function. Some define and raise the visibility of the social economy whereas others also assign specific responsibilities to government institutions to support the SSE or even regulate specific SSE entities.

There are three approaches to defining the SSE when designing framework laws, with each having advantages and disadvantages. Hence, policy makers need to assess which of these approaches best fits their context.

The **statutory approach** enlists the existing legal forms that are considered part of the SSE. According to the OECD, the following legal forms are part of the SSE: associations, foundations (including charities), cooperatives and mutual benefit organisations, as well as social enterprises, provided they are legally recognised through legal forms and/or statuses. Besides these forms, country-specific legal forms can be added as well (e.g. *ejidos* in Mexico[1], *misericórdias* in Portugal[2]). The advantage of the statutory approach is that it provides legal certainty and clarity, as SSE entities are recognised based on their legal form. The advantage is apparent when governments want to harness SSE entities for certain policy objectives. The disadvantage is the formalistic character of this approach causes the recognition to be based on legal forms, regardless of the activities that are undertaken by the entities and the existence of their potential impact and benefit to society.[3] Conversely, it is possible that certain entities are considered SSE entities without in reality creating a social impact.

The **substantial approach** defines the SSE through a set of principles (Hiez, 2021[3]). Regardless of their legal form, entities are qualified as part of the SSE based on the activities they undertake, their sector or their specific values etc. Some countries, such as Luxembourg have adopted a substantial approach and define the guiding principles and values of the SSE. The advantage of the substantial approach is its inclusive and wide approach, regardless of the legal form of the SSE entity (Hiez, 2021[3]).The disadvantage is the mere difficulty regarding the recognisability and enforceability. It requires more control to verify whether an entity is part of the SSE. Furthermore, the substantial approach does not provide clear criteria which makes it difficult for the general public to recognise SSE entities. Labels and statuses might provide a solution for this.

Often, countries decide to adopt a **hybrid approach** that combines the statutory and substantial approaches. This hybrid approach recognises SSE entities based on a list of legal forms that are considered to be SSE entities, regardless of the undertaken activities ("statutory approach"), and then a list of activities or values that are considered to be part of the SSE ("substantial approach"). The advantage of the hybrid approach is that it has the potential to combine the advantages of both the statutory and the substantial approach. On the flipside, this also means a risk of conflating the disadvantages of both approaches. Examples of the hybrid approach are the French Law on Social and Solidarity Economy, the Portuguese Social Economy Law (2013), the Bulgarian Law on Social and Solidarity Economy Enterprises (Box 2.1) and the Greek Social and Solidarity Law (2016) (Box 2.2) that all define the values of their respective SSE, while at the same time enlisting the different legal forms that are considered to be SSE entities.

Further examples include the 2011 Law on the Social Economy in Spain that 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). Similarly, Mexico's Social and Solidarity Economy Law (2012) defines the aims of the SSE as well as the principles and values of its entities 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.

Box 2.1. Framework Law (Bulgaria)

Bulgaria adopted a framework law on the SSE in 2018. Broadly speaking, the Act on Enterprises of the Social and Solidarity Economy serves three purposes: defining the SSE, its principles and is components; empowering national and local authorities to promote the SSE; and establishing a register of social enterprises. The Act defines the SSE as "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 co-operation with state or local authorities, or independently". It identifies five overarching principles of the SSE [1] and classifies three types of entities as "subjects of the social and solidarity economy", namely cooperatives, not-for-profit legal persons operating for public benefit and social enterprises.

The Act explicitly provides multiple levels of government with the ability to promote the SSE. At the national level, the Minister of Labour and Social Policy is responsible for promoting the SSE and social enterprises by assisting dialogue on the subject and promoting inclusion of stakeholders within SSE related initiatives. The Minister is tasked with helping them find specialised funding for their activities, organising training campaigns to develop their managerial capacity and maintaining a distinct certification brand for social enterprises as well as their goods and services. Additionally, the Act requires the Minister to co-ordinate with the National Statistical Institute to develop indicators for the SSE. Local governments are also encouraged to help SSE entities by supporting access to electronic platforms, developing support programmes at the municipal level, and cooperating with SSE entities. These measures may help to facilitate greater cross-government support for the SSE and equip policy makers at all levels of government to utilise a range of public resources to support SSE entities.

Entities of any legal form may apply to be listed on the register of social enterprises as established by the Act. Entities registered as social enterprises can qualify for incentives provided by public authorities such as a certification label on their products and greater support from local authorities, including access to finance and municipal property. While recent data on the number of social enterprises listed on the register remains unavailable, the European Commission estimates that over 3800 social enterprises were active in Bulgaria as of 2015. One notable feature of the register is the division of social enterprises into two categories: Class A or Class A+. Class A social enterprises meet four criteria: their activities generate social value as defined by the Minster; they are managed in a transparent manner with stakeholder participation throughout the decision-making process; at least 50% of after-tax profits are spent on social economy purposes; and, no less than 30% of employees are from a defined list of disadvantaged groups. Class A+ social enterprises meet all of these criteria but must also operate in areas with high unemployment, spend at least 50% (minimum BGN 75 000) of their post-tax profits on their social mission, and employ at least 30 persons from disadvantaged groups.

Note: [1] Priority of social over economic objectives; association for public and/or collective benefit; publicity and transparency; independence from state authorities; and participation of members, workers or employees in managerial decision-making.
Source: (European Commission, 2019[6]), (European Commission, 2020[7])

Box 2.2. Framework Law (Greece)

In 2011, Greece approved the first law regarding social economy and social entrepreneurship (Law 4019/2011). The 2011 Law was replaced in 2016 by the framework law on Social and Solidarity Economy (Law 4430/2016) with the aim to clarify and simplify the Greek legal framework for the SSE, as well as to spread SSE practices in all potential fields of economic activity. Law 4430/2016 has introduced a series of new terms (e.g. social innovation, social benefit, collective benefit) to Greek legislation. Moreover, it attempts to unify the Greek SSE by recognising three different legal entities (Social Cooperative Enterprises (Koin.S.Ep), Social Cooperatives of Limited Responsibility and Employees' Cooperatives (Koi.S.P.E)) as constituents of the Greek SSE sector by default. Additionally, the law broadens the SSE spectrum to include other legal forms provided they meet the given criteria (e.g. democratic decision-making, redistribution of profit).

In a similar vein, Law 4430/2016 expanded the registry of SSE entities to accept all legal forms that obtain the status of an SSE entity (previously the registry covered only for Koin.S.Ep and Koi.S.P.E). Run by the Ministry of Labour, Social Security and Social Solidarity (MoL), the registry is operated as an online database and consists of two subcategories: one registry in which the registration is mandatory for Social Cooperative Enterprises, Social Cooperatives of Limited Responsibility and Employees' Cooperatives, while a second registry is open for all other legal forms that conform to the criteria set out in the 2016 Law. Thus, not all entities, which may be de facto social economy entities, are actually appearing in the registry. Nevertheless, the number of registrations has been gradually increasing since 2012, with a total number of 1,737registered SSE entities in May 2020.

Despite achieving notable breakthroughs, Law 4430/2016 has been criticised for creating legal ambiguity as well as conflicts with other laws, and for restrictive clauses, in particular the percentages on re-distribution of profit, reinvestment and employability, which are difficult to comply with for some entities, and even challenge the viability of their business model.

Source: (Social Enterprise UK, European Village, 2017[8]; Kalo Greek Government, n.d.[9]; Adam, 2019[10])

Introduce specific laws to define legal forms or legal statuses

Specific laws address SSE entities, namely associations, cooperatives, foundations, mutual societies and social enterprises. They impact the ability of SSE entities to engage in economic and social activities as they define their legal nature as well as governance structure and rules (Hiez, 2021[3]). Some specific laws provide a broad definition of the social economy (e.g. Luxembourg). Many countries developed specific laws which provide details about legal forms/statuses, governance rules of SSE entities, and in some cases tax benefits they are entitled to. Often specific law on SSE entities were created even before the notion of the SSE came into use. Thus, some countries have revised existing specific laws to ensure alignment with and/or implementation of the general principles set out in subsequent framework laws (e.g. France).

Specific laws introduce legal forms or legal statuses. A *legal form* is the legal structure adopted by an entity, such as an association, or cooperative or limited liability company (ESELA, 2015[11]). Legislation that defines legal forms for SSE entities 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, and stable and continuous production of goods and services (European Commission,

2020[7]). A legal status can have an impact on the treatment of those legal forms, for example, the fiscal treatment (ESELA, 2015[11]).

Based on the findings of the OECD scoping paper, policy makers should at least consider the **implementation of specific statutory laws on associations and cooperatives, as these are the most used legal forms by the SSE** in most countries (OECD, 2022[2]), (see Annex C for more details). The implementation of specific laws on foundations, mutual benefit societies and social enterprises can be useful for certain policy objectives but are subordinated to the need of specific statutory laws on associations and cooperatives.

Introduce laws to establish legal statuses

Framework laws or specific laws can introduce labels or statuses through which entities can be recognised as part of the SSE, regardless of their legal form. 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[4], and stable and continuous production of goods and services (European Commission, 2020[7]) (Box 2.3). A legal status has an impact on the treatment of those legal forms, for example, the fiscal treatment (ESELA, 2015[11]). In countries that have adopted a substantial approach, a hybrid approach or countries without framework law, policy makers could consider the implementation of a status, label, or registration scheme for SSE entities. For example, in 2014, France adopted the Framework Law on the Social and Solidarity Economy which introduced the ESUS label (solidarity enterprise of social utility) enabling commercial companies to enter into the SSE ecosystem as long as they complied with the requirements of the law (OECD, 2022[2]).

The main advantage of a label or status is the recognisability for the general public and the legal certainty for SSE entities. The label or status makes it a widely recognised anchor point and facilitates the channelling of policy measures. 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 (OECD, 2022[2]). The disadvantage of a label is its high cost. There must be some procedure in place to check whether an organisation fulfils the criteria to be granted the label. Furthermore, labels require a systematic follow-up system with renewal options after a certain period of time. As government agencies are often faced with a lack of resources, the undertaking of such checking procedures might be considered as an additional burden.

In federal states, there is an increased risk that labels and statuses are diffused across different levels, if both federal regional governments share legislative authority for them. The lack of alignment across levels of government may create conflicts of norms and uncertainty, thus undermining coherence and consistency of legal frameworks. Overlapping initiatives could be avoided by an integrated approach. But the coexistence does not necessarily bring confusion insofar as the area of application of each norm is clearly defined to avoid any contradictory provisions. In Belgium, the Brussels-Capital Region introduced in 2018 a specific “social enterprise” legal status available to all legal entities provided that they conform with a set of criteria; this regional legal status co-exists with the “social enterprise” legal status, only available for cooperatives, introduced at the federal level in 2019.

The introduction of labels and statuses might not suffice as a stand-alone policy measure. Therefore, they should be complemented with additional policy measures. In 2014, Denmark adopted the Act on Registered Social Enterprises, which introduced amongst others the registration tool for social enterprises (*Registreret Socialøkonomisk Virksomhed (RSV)).* All legal forms with limited liability are eligible to be accredited by this voluntary legal status of social enterprise if they comply with a specific set of criteria. However, the uptake of this registration possibility was rather underwhelming at first, probably due to a lack of awareness of the register among eligible entities. The Committee on Social Economy, an informal working group with high-level stakeholders that emerged in an effort to sustain the policy initiatives

already in place, recommended to provide guidance, fiscal and financial incentives, training opportunities and support for public procurement upon registration in order to strengthen the uptake of the legal status.

Box 2.3. Statuses and registration schemes for social enterprises

Some 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 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 countries require a certification process for SSE entities. 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 entities 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 entities periodically undergo subsequent evaluations to verify that they still qualify.

Source: adapted from (OECD, 2022[2])

Adjust existing legislation or refrain from any legislative action

After careful assessment of the conditions and needs for legal frameworks, policy makers might choose to adjust existing legislation or refrain from any legislative action at all. Countries that already have an extensive body of law regulating different legal forms used by SSE entities (often this is a companies act or corporations act that pools different legal forms), might prefer to alter existing legal frameworks instead of introducing new legal framework. For example, the United Kingdom adjusted their existing Companies Act to introduce the Community Interest Company as a new legal form for social enterprises (Box 2.4). Adjusting existing legislation can also be used as to respond to the evolving needs and realities of the SSE ecosystem and to harmonise the legal landscape, by removing barriers or

inconsistencies. For example, the Irish government has initiated several reform projects on laws applicable to SSE entities (Box 2.5).

Box 2.4. The United Kingdom's introduction of the Community Interest Company (CIC)

Social enterprises in the United Kingdom can choose from a variety of legal forms, such as Community Benefit Society, Community Cooperative Society or Company Limited by Guarantee (CLG). However, the only legal form specifically designed to enable and regulate social enterprises is the Community Interest Company (CIC) that was introduced by the British government as part of the 2004 Companies Act, following a range of consultations between the British government and the social enterprise sector from 2002 to 2004. The CIC was established as a new type of limited company designed for social enterprises whose activities operate for the benefit of the community rather than for the benefit of the owners of the company. It is conceived as being flexible in terms of organisational structure (community co-operative, single member company) and governance arrangements (limited by guarantee, limited shares) while still providing limited liability.

The 2004 Companies Act also established the Office of the Regulator of CICs that is charged with deciding whether an organisation is eligible to become, or continue to be a CIC, as well as supporting the growth of CICs through "light touch regulation" and guidance on CIC matters. All CICs are required to deliver an annual report that is made available for the public. These reporting and disclosure requirements contribute to building legitimacy of the CIC among the general public and potential investors.

The CIC form has been central to the development of the social enterprise sector in the United Kingdom, with just over 200 CICs registered in the first year (2005-2006) and steadily growing to 18 904 CICs in 2019-2020. Moreover, the introduction of CICs offered an important precedent for other, subsequent developments of social enterprise organisational forms elsewhere. For example, the Canadian province of British Columbia introduced Community Contribution Companies (C3s) through an amendment of their Business Corporations Act in 2012. In June 2016, Nova Scotia (Canada) passed the Community Interest Companies Act allowing a business to be designated as a Community Interest Company.

Source: (Office of the Regulator of Community Interest Companies, 2016[12]; UK Government, 2020[13]; Nicholls, 2010[14]; Office of the Regulator of Community Interest Companies, 2016[15]; bc centre for social enterprise, n.d.[16])

Box 2.5. Modernising legal frameworks (Ireland)

Irish SSE entities adopt a variety of structures, from unincorporated ones (e.g. associations) to incorporated ones (e.g. Company Limited by Shares, Company Limited by Guarantee). Despite the introduction of amendments, many laws regulating such legal structures contained antiquated provisions and did not reflect the realities of the 21st century business and regulatory environment. Consequently, the Irish government initiated several legislation reform projects, namely the modernisation of the Companies Act as well as the currently ongoing project on Co-operative Societies legislation through which the co-operative model will receive specific legal recognition. There are no marks, labelling schemes or certification systems for SSE entities in Ireland but incorporated and unincorporated SSE entities can obtain a charitable status that allows for tax exemptions.

Until these changes, Irish cooperatives have primarily been operating under the Industrial and Provident Societies (IPS) Acts 1893-2021 that are considered no longer fit for purpose. Hence, the Department of Enterprise, Trade and Employment has completed a comprehensive review of the existing statutory code including consultations with stakeholders in 2009, 2016 and 2022. The responses received have informed the work on proposed legislation to repeal the IPS legislation and provide a modern legislative framework for Co-operative Societies as an attractive alternative to the company law model. The provisions will be similar in approach to the Companies Act 2014 but tailored to the distinctive characteristics of cooperatives and introduce modern corporate governance, accounting, compliance, and reporting requirements.

Despite not having a single overarching legal framework dedicated to the SSE specifically, Irish laws applicable to SSE entities have undergone or are currently undergoing modernisations. In exploring the design of new laws as well as in modernising existing laws, Ireland follows the recommended three-step approach of scoping, developing and evaluating legal frameworks.

Source: (European Commission, 2019[17]; Ireland Department of Enterprise, Trade and Employment, n.d.[18]; Government of Ireland, 2019[19]; Ireland Department of Enterprise, Trade and Employment, 2022[20]; Government of Ireland, n.d.[21]; Doyle and Lalor, 2021[22])

Developing a conducive policy ecosystem can spur SSE development in the absence of legal frameworks. As adopting legal frameworks is often a complex and time-intensive process, it may sometimes be preferable to pursue other policy levers before proposing new legal frameworks**.** In some countries, SSE entities are not fully regulated. However, other targeted policies (e.g. national or subnational strategies, action plans etc.) put in place to support SSE development can lead to the development of a conducive ecosystem, even in the absence of comprehensive legislative measures (OECD, 2022[2]) 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. As such, Amsterdam, Harlem, the Hague and Rotterdam support SSE entities, in particular social enterprises, with several programmes and action plans and by facilitating their access to resources through strategic collaborations (Platform31, 2020[23]). 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[7]). 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.

Strategies, action plans and other pubic polices can provide less complex and time-intensive ways to clarify core ideas of the SSE and coordinate government action. In contrast to legislation, public policies, however, lack standing and permanence, as changes in government can affect the attention and

resources allocated to the SSE. In Denmark for example, the ecosystem for social enterprise has gone through a considerable degree of fluctuation in the decade between 2007 and 2018, as political decisions were "zig-zagging" in terms of legal and financial measures for social enterprises (Hulgård and Chodorkoff, 2019[24]; Andersen, 2021[25]).

Although legislative action is the most appropriate way to implement framework laws, there are examples of implementing a framework policy without legal intervention. In Bulgaria, the Council of Ministers adopted the National Social Economy Concept in 2014, thereby determining the objectives of the Bulgarian policy on social economy (European Economic and Social Committee, 2018[26]). Another example is Scotland (Box 2.6), where alternative policy options are used to shape the social enterprises space, instead of legislation for which competences are shared with the United Kingdom.

Box 2.6. Alternative policy options for social enterprise development in Scotland

Social enterprise development in Scotland is impacted by the distribution of legislative competencies between the Scottish Parliament and United Kingdom Parliament. Scotland is part of the United Kingdom, but a process introduced in 1999, known as "devolution" allowed the Scottish Parliament to decide on certain matters without needing the approval from the United Kingdom Parliament. The Scotland Act 1998 established, under the topic of Industry and Trade, that "the creation, operation, regulation and dissolution of types of business association" is a matter of the United Kingdom Parliament, meaning that they are the law-making body for topics such as social enterprise legislation. The Scottish Government cannot legally define what a social enterprise is. Moreover, the diversity of entities that could potentially be labelled as social enterprise makes this task more difficult. Nevertheless, the Scottish Government describes them as "businesses with a social or environmental purpose, and whose profits are re-invested into fulfilling their mission. They empower communities, tackle social problems, and create jobs - particularly for people who are at a disadvantage in the standard jobs market" (Scottish Government, n.d.[27]).

Given the distribution of legislative competences, Scotland uses alternative policy options, rather than legislation, to foster social enterprise development. For example, in 2016 Scotland's Social Enterprise Strategy 2016-2026 was released setting out a comprehensive and long-term programme to develop the social enterprise sector. Furthermore, the Scottish Government supports the undertaking of a census on social enterprises every two years to understand their size and needs. So far, three Census Reports have been published showing an upward trend in most of the key indicators, such as number of entities, full-time employees and gross value added to the economy. The Scottish Government also directly funds initiatives such as the Just Enterprise programme (tailored business support to social enterprises), the Social Growth Fund (access to loans for social enterprises), and Firstport (Scotland's agency for start-up social entrepreneurs). Lastly, the Scottish Government supports social enterprises through public procurement, as every public body is required by the Scottish Sustainable Procurement Action Plan to have at least one contract with Supported Businesses that are social enterprises where at least 30% of the workers are people with a disability or from disadvantaged groups.

Source: (The Scottish Parliament, n.d.[28]; Scottish Government, 2016[29]; Scottish Government, n.d.[27]; Community Enterprise in Scotland - CEIS, 2019[30])

Engage stakeholders and build consensus around a desired legal framework

Coordinate vertically and horizontally with government bodies

Policy makers aiming to develop legal frameworks should coordinate across different ministries/departments and levels of government. Considering the diversity and transversality of the SSE, various authorities might have competences on matters that are related to the SSE (e.g. labour, social affairs, corporations). The competent legislative body (national, regional, local) for developing legal frameworks on the SSE will be determined by the constitution of each country. In most countries, the national level will have the competence to implement a framework law, although this might differ in federal countries (e.g. Québec's Social Economy Act).

Horizontal co-ordination: Policy makers should make sure that the **most relevant government agencies** and departments are involved in the legislative process, in order to streamline the different policies and avoid fragmentation and compartmentalisation of government support among various ministries and departments (OECD, 2014[31]; ILO, 2017[32]). If multiple government ministries and other institutions are responsible for implementing specific aspects of the legal framework, a lack of horizontal co-ordination could lead to inconsistent or even contradictory approaches. Designating a ministry or government institution to oversee SSE policy or establishing a formal mechanism to co-ordinate policy across multiple ministries can help to avoid such issues. In Luxembourg, the Law on Societal Impact Companies (2016) established strong horizontal co-ordination mechanisms that facilitated cross-ministry communication and collaboration. These proved important to harmonising policy implementation and, later, identifying and revising conflicting legal frameworks (OECD, 2022[33]).

Vertical co-ordination: In countries with national and subnational governments a clear dialogue among the different governmental levels is crucial, especially when both the federal and regional level have the competence to legislate. Different levels of government may adopt different approaches and even legal frameworks for the SSE. Subnational governments can introduce laws in federal and quasi-federal countries. They do so to organise the contribution of SSE entities for local or regional economic development (UNSRID, 2016[34]) and to reflect local realities. For example, Spanish regions have acquired competences in various social policy fields (education, (partial) health care, social care, labour market policies) (Moreno and Fisac-Garcia, 2017[35]). Moreover, in Spain 17 Autonomous Communities got legislative powers to regulate cooperatives in their territories. In Belgium, the federal state has authority to legislate organisational forms, while the competences for policy making in social policy fields is in most cases attributed to the regional levels. Besides, in some OECD countries, such as Canada, the federal system of government enabled provinces to establish their own legal forms for social enterprises such as Community Contribution Companies in British Columbia and Community Interest Companies in Nova Scotia.

These examples highlight the variety of ways in which local and regional governments can act autonomously to support the SSE. At the same time, such bottom-up approaches risk creating a jurisdictional patchwork of distinct operational environments within the same country that may enhance confusion and inhibit the development of the SSE as a whole at the national level. As such, it is important to engage with all levels of government to facilitate communication and minimise potential vertical co-ordination issues that may hinder the development of the SSE while still empowering subnational governments to help SSE entities meet their distinct needs. 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[3]).

Regardless of the administrative organisation of a country (unitary, federal, quasi-federal) policy makers need to involve local governments (municipalities) in the drafting process of the legislation. It has been reported numerous times that SSE entities play an important role at a local level (OECD, 2022[36]). Therefore, the need for adequate legal forms is high at the local level, as this where the immediate

impact of SSE entities is most visible. In turn, local governments can play a substantial role in the promotion of the SSE sector. For example, the implementation of the Social Economy Law in Spain through the Social Economy Strategy 2017-2020 was successful due to the intensive consultation of regional and local government levels in the legislative process. It worked because the strategy involved the competent bodies at the national levels, subnational levels, and representatives of entities of the sector, experts, and other relevant stakeholders (Konle-Seidl, 2022[37]). Main actors were the Spanish Social Economy Employers Confederation and the strong networks of cooperatives (Avila and Monzón, 2018[38])

Both horizontal and vertical co-ordination can be facilitated through the set-up of a "intergovernmental" advisory board or through special parliamentary commissions. Such an intergovernmental entity can be tasked with coordinating stakeholder consultations and the preparation of drafting documents, as well as organising consultations with other relevant non-governmental stakeholder (see further below). For example, the Framework Law on the Social Economy in Portugal was discussed in a specialised commission that consulted the main actors of the social economy, experts and labour unions (Ferreira and Almeida, 2021[39]). This consultation process started with the set-up of a governmental program for the development of the social economy ("PADES") (Ferreira, 2015[40]). Part of this governmental programme was the empowerment of umbrella networks of SSE entities to have clear sight on the different needs of the organisations. In Poland, the preparation of the 2022 Act on the Social Economy began in 2016 as part of a broad dialogue, including partners from the social economy sector. The key forum for this dialogue was the National Committee for the Development of the Social Economy (NCESC), an auxiliary body of the Minister of Family and Social Policy, whose work involves representatives of the non-governmental sector, including representatives of the Council for Public Benefit Activity, local government administrations, the academia, the financial sector and social partners (Polish Ministry of Family and Social Policy, 2021[41]). In France, the Law on Social and Solidarity Economy of 2014 was strongly supported by the Interministerial Delegation of Social Economy in 1981, which later evolved into the State Secretariat for Solidarity Economy (Chabanet and Lemoine, 2021[42]).

Consult external stakeholders throughout the development of legal frameworks

Successful legal frameworks typically align with the vision of external stakeholders, government institutions and elected officials. Communicating with stakeholders from each of these groups helps to understand their respective positions and needs, and to ultimately generate consensus. While thorough and intensive consultations can be time-intensive, they can lead to more innovative, adapted and effective legislation in the long term. By involving a wide array of stakeholders, consultations can reduce information asymmetry, thereby reducing transaction costs when implementing or adjusting legal frameworks at a later stage. When adopting a top-down approach there is the risk of lacking input from the field and thus missing out on the SSE's realities and needs (Alain and Mendell, 2013[43]). A broad consultation of stakeholders, through more or less institutionalised/formalised avenues, can reduce this risk. For example, 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.

The OECD 2012 Recommendation of the Council on Regulatory Policy and Governance and the 2014 Framework for Regulatory Policy Evaluation (OECD, 2014[44]; OECD, 2012[45]) offer guidance on how countries can best use consultation to ensure legal and regulatory processes are inclusive and open to interested groups and the public. A wide range of approaches could be used including informal consultation, circulation for comments, public hearings or creation of advisory bodies.

Countries and regions have used a range of different types of stakeholder engagement to develop legal frameworks for the SSE. For example, countries such as Ireland used stakeholder surveys to determine whether it was beneficial to establish specific legal forms for certain SSE organisations (see Box 1.5). The Netherlands on the other hand developed a proposed legal form for SSE organisations

before gathering formal public commentary and feedback that may be used to modify the legal form before it is adopted. Finally, the Brussels-Capital Region in Belgium opted to co-construct a legal framework for social enterprises with stakeholders during an intensive two-year process (Box 2.8).

Each stakeholder consultation approach entails its own pros and cons. The optimal choice for a given country or region will reflect the specific context and priorities. (Box 2.7) outlines common approaches for stakeholder engagement and provides insight into their respective benefits and downsides.

Box 2.7. Identifying and engaging stakeholders – A checklist for stakeholder inclusion

This box identifies the range of SSE entities that may exist in a given country to help policy makers engage with a diverse range of stakeholders when develop new legal frameworks for the SSE. Likewise, this box provides an overview of the various ways in which policy makers can engage with stakeholders during the development process.

Critical stakeholders

- Social and solidarity economy entities
  - Associations
  - Cooperatives
  - Foundations
  - Mutual organisations
  - Social Enterprises
- Networks, advocacy groups and intermediaries
  - Networks and advocacy groups may represent all of the SSE, but many represent specific types of entities. Bringing groups to the table that represent the full spectrum of the SSE is important.
- National and subnational policy makers from relevant ministries and departments
- Academia

Tools for Inclusion

Surveys disseminated among social enterprises and social enterprise associations: Surveys are a useful way to gather preliminary information on the needs and challenges faced by SSE entities. One advantage of surveys is that they can be quickly shared across SEE networks or targeted at specific types of SSE entities as needed.

Information gathering sessions with stakeholders: In person or virtual meetings present an effective way to engage in comprehensive discussions with stakeholders. Though more time intensive than surveys, information gathering sessions may lead to greater insight into the specific needs and challenges of stakeholders.

Public commentary on proposed legislation: Publishing proposed legislation to enable public feedback is an effective way to identify and address potential shortcomings before the legislation is formally adopted. One downside of this practice is that it may prevent stakeholders from participating in the development of the legal framework until a much later stage in the policy making process.

Co-construction of legal frameworks (Box 2.8) Enabling stakeholders to participate in each stage (from the diagnostic to design, implementation and evaluation) of the legal framework helps to ensure that the legal framework is aligned with their broad needs and realities. This inclusive approach helps to facilitate broader acceptance of the legal framework and avoids excluding or constraining specific types of social enterprises. While effective, this approach can be time and resources intensive.

Source: adapted from (OECD, 2022[33])

Policy makers need to carefully select external stakeholders, **and strike balance between the more traditional stakeholders (labour unions, cooperatives etc.) and newer entities (e.g. social enterprises) as well as intermediary bodies**. It has been observed that in some countries the legislative process experienced some obstacles and delay caused by traditional organisations (such as cooperatives and associations) (Gaiger, 2015[46]; Lévesque, 2013[47]). Social enterprises utilise a range of legal forms that include associations, cooperatives, charities, foundations, and mutual societies. These might also include conventional enterprises, such as limited liability companies, specific types of non-profit organisations and public benefit companies (e.g. the Czech Republic) (European Commission, 2020[7]). Countries that have limited their stakeholder consultations to well-established types of social enterprises such as WISEs while excluding emerging or less prevalent types of social enterprises, leading to developed legal frameworks that met the specific needs of a subset of social enterprises. This ultimately constrained the development of the overall social enterprise ecosystem by not encouraging the development of novel legal forms, business models and social objectives.

SSE networks, intermediaries and other representative bodies can help to identify relevant stakeholders and facilitate outreach. Intermediary bodies, comprising several actors from the SSE, can help policy makers navigate through the diversity of the SSE (Alain and Mendell, 2013[43]).Some of these intermediary bodies themselves are established as an instrument for legislative changes (e.g. the *Chambres Régionales de l'Economie Social et Solidaire* (CRESS) in France or the *Confederacion Empresarial Espanola de la Economia Social* (CEPES) in Spain). Equally important is the involvement of federations of certain sectors or sectoral networks (Alain and Mendell, 2013[43]). Federations of SSE entities such as Social Enterprise UK can help establish a common voice capable of advocating for the diverse needs of SSE entities. 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[48]).

(Informal) networks play an important role as well. Through these networks, grassroots movements and other informal organisations can be detected more easily. In Québec (Canada), SSE entities are engaged in institutional innovation, driven by the *Chantier de l'économie sociale,* a network of networks, that is now a non-profit organisation representing all social economy actors. Its members include sectoral networks of collective enterprises, social movements, and local development intermediaries. (C.I.T.I.E.S., 2018[49]).The *Chantier* has significantly contributed to the co-construction of public policy on the SSE. (Alain and Mendell, 2013[43]) The increasing recognition of SSE in Québec in the past twenty years can be largely contributed to the adoption of framework law and the increased visibility (C.I.T.I.E.S., 2018[49]).

Box 2.8. The Brussels 2018 Ordinance on social enterprises (Belgium): an inclusive policy-making process to co-construct a legal framework for social enterprises

The Ordinance on the accreditation and support of social enterprises was adopted on 23 July 2018 in the Brussels-Capital Region in Belgium. The adoption of this Ordinance resulted from a two-year consultation process with various stakeholders, including the Economic and Social Council of the Brussels-Capital Region (CESRBC), the Brussels Employment Office Actiris, the Brussels Social Economy Consultation Platform extended to ConcertES and SAW-B. Additional stakeholders, such as academics, social enterprise federations and individual social enterprises, also participated in the consultation process.

Until 2018, social enterprises and other social economy entities active in the Brussels-Capital Region were largely associated with work integration. Hence, the objective of the policy-making process was twofold: (1) the revision of the 2004 and 2012 Ordinances on the social economy and the accreditation of work integration social enterprises; and (2) the recognition of social enterprises beyond work integration. Throughout all stages of the two-year long development of the ordinance, relevant stakeholders were involved through consultations, direct participation in expert discussions and surveys. As a result, the 2018 Ordinance establishes a set of criteria organised in three dimensions – social, economic and governance – and defines 'social enterprise' as private or public legal entities that implement an economic project, pursue a social purpose, and exercise democratic governance.

By starting the consultation process at an early stage of policy development, the Government of the Brussels-Capital Region was able to collect valuable information from a variety of stakeholders to better capture the situation experienced by work integration social enterprises but also to refine their understanding of the needs and realities of social enterprises working on issues beyond work integration. Such an inclusive process fostered dialogue between policy makers and main actors in the area and allowed to easily gather these main actors around a table when needed.

In short, the Brussels Ordinance on social enterprises and its policy-making process helped to both build common understanding of social enterprises and structure the overall space, which in turn fostered the development of social enterprises in the Brussels-Capital Region.

Source: (Borzaga, 2001[50]; Government of Belgium, 2018[51]; OECD, 2019[52]; Sociale, 2017[53]; Zwarts, 2019[54]; SAW-B, 2017[55])

Establish legislative coherence across levels of government and existing legislation

Coherence of new legal frameworks for the SSE with existing legislation. Before introducing a new legal framework, be it on the national or subnational level, existing laws and regulations that apply to the SSE as a whole or specific SSE entities should be reviewed. This may include corporate laws, tax laws, and any specific laws that apply to the SSE. Building consensus among relevant parties and facilitating communication among them is a useful way to proactively identify potential legislative conflicts while the legal framework is under development. However, in many cases, legislative conflicts are not identified until after legal frameworks are adopted. One way to address potential legal conflicts is to identify them through dedicated studies and to engage with the relevant stakeholders to collect their perspectives on how they can be addressed.

Harmonise and synergise the coexistence of national and subnational legislation

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. This is linked to the administrative organisation and constitutional arrangements of countries. 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 Canada, the Canadian Cooperatives Act regulates non-financial cooperatives that carry business in more than one jurisdiction and coexists with provincial and territorial cooperative legislation and regulations. India's experience is similar with a diversity of state cooperative laws using different approaches to regulating cooperatives, while cooperatives present in more than one state become subject to the federal Multi-State Cooperative Societies Act of 2002 (see Box 1.4). 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[56]).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.

- In the United States, the regulation of corporations is historically a matter of state rather than national law. Thus, corporations primarily are regulated by the states where they are incorporated. Substantive regulation of how corporations are structured or managed is mostly a matter of state law and that state law is most often that of Delaware. Today the state of Delaware is home to most large corporations incorporated in the United States and Delaware's judicial system, namely the Delaware Court of Chancery, strongly impacts the evolution of corporate law (Thomas, Thompson and Wells, 2022[57]). At the same time, federal law has also helped to recognise and promote certain SSE entities. For example, the Cooperative Marketing Act of 1926 authorises the Department of Agriculture to assist cooperatives (USDA, 2017[58]) while the 2018 Main Street Employee Ownership Act includes provisions that facilitate access to funding for workers cooperatives (Lechleitner, 2018[59]).
- In India's federal system, cooperatives are subject to different laws depending on the region. Cooperatives operating only in one state are subject to the relevant laws of that state (e.g., the Maharashtra Co-operative Societies Act of 1960, the Co-operative Societies Act of 1972 of the Union Territory of Delhi). The diversity of state cooperative laws resulted in different approaches to regulating cooperatives, ranging from territories that granted greater autonomy to cooperatives in business activities and management, to others that intervened more in their operations and staff decisions. In contrast, cooperatives present in more than one state become subject to the 1984 Multi-State Cooperative Societies Act, which was amended in 2002. Between 1986 and 2022, 1 367 multi-state cooperative societies were registered with federal authorities in India (Ministry of Cooperation, 2022[60]).

Likewise, legal frameworks for the SSE as a whole can be adopted at the national or at the subnational level. A national law can help encourage coherence among various legal frameworks adopted at subnational levels, while subnational legal frameworks can be seen as an opportunity to experiment local policy frameworks before deploying them to the whole country (Hiez, 2021[3]). 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 support better alignment with local realities and needs. In Canada for instance, the province of Québec adopted the Social Economy Act in 2013 while this notion is not recognised at the national level or in other provinces and territories.

Legal frameworks can be developed at different speeds at national and subnational levels. In federally organised countries, subnational governments might regulate the SSE to the extent of their legislative competences possible, whereas at the federal level the development of legal frameworks might be politically challenging and slow to advance. For example, in Brazil a national solidarity economy law has been discussed since 2012, but not adopted until now (Box 2.9). In the meantime, the vast majority of Brazilian states have developed a law that aims to promote and develop the solidarity economy (see Annex F). In the absence of a national SSE law, the federal system has allowed the adoption of many state-level laws to promote the SSE.

Box 2.9. State of SSE legislation in Brazil

A national solidarity economy law has been proposed in Brazil since 2012, but this initiative has not yet been successful. The bill (4685/2012) passed through several filters, such as the approval of the Economic Development, Industry, Commerce and Services (CDEIC) and Finance and Taxation (CFT) committees but was archived in 2015 due to the end of the legislative period. The bill was de-archived the same year with the start of the new legislature, approved by the Chamber of Deputies in 2017 and delivered to the Senate. In 2019, the bill was approved with amendments by the Senate and sent back to the Chamber of Deputies for their approval and publication. The amendments modified parts of the original text, and the bill is now being processed under the number 6606/2019 which "Provides for solidarity economy enterprises, the National Solidarity Economy Policy and the National System of Solidarity Economy". Since then, the new bill (6606/2019) is going through the different committees of the Chamber of Deputies to approve the text amended by the Senate. Immediate next steps include receiving the approval of the Finance and Taxation (CFT) and Constitution and Justice and Citizenship (CCJC) committees.

The lack of this law has a direct impact on the development of the SSE in the country, but other national laws also help to promote it. The lack of a national solidarity economy law impedes public policy from helping to address the challenges faced by economic solidarity enterprises in the country, such as limited financing, lack of legitimacy, informality, and difficulties in production and trade. However, other national laws and decrees in the past have contributed to the promotion of the SSE in the country. Examples include Decree No. 5.063 of 2004, which determined the functions of the National Secretariat of Solidarity Economy, and Law 10.933/2004, which encourages cooperativism, associativism, and the development of new forms of solidarity economy in the Multiannual Plan of the Federal Government for the period 2004-2007. Additionally, Decree No. 8163 of 2013 on the National Programme of Support for Associativism and Social Cooperativism, targeting the coordination and execution of actions that are aimed at the development of social cooperatives and solidarity-based economic enterprises.

In the absence of a national SSE law, the federal system has allowed the adoption of many state-level laws to promote the SSE. The vast majority of Brazilian states have a law that aims to promote and develop the solidarity economy. Many of these laws have very similar objectives and are written in much a similar way. Other states such as Amazonas or Paraiba do not have such laws, but they have passed legislation that supports SSE entities. For example, the state of Amazonas passed Law 5.474/2021 which provides guidelines for economic and financial assistance for the recovery of cooperatives and solidarity economic enterprises, while the state of Paraiba adopted Law 11.869/2021 which provides guidelines for the establishment of a state policy for investments and social impact enterprises.

Source: (Câmara dos Deputados, 2022[61]; Cotera Fretel, 2019[62])

Foster coherence with international agreements

International fora increasingly pick up the SSE as a topic on their agendas. While there are no legal frameworks on the SSE at the global level, and notably within the United Nations system, there are a number of texts negotiated inter-governmentally that refer to various elements of the SSE at large or to specific SSE entities in particular (Jenkins, 2021[1]). These include amongst others the tripartite ILO Recommendation No. 193 (2002) on the Promotion of Cooperatives (ILO, 2002[63]), the ILO Recommendation No. 204 (2015) on Transition from the Informal to the Formal Economy (ILO, 2015[64]), as well as the ILO conclusions on decent work and the SSE from the International Labor Conference 2022 (ILO, 2022[65]). Similarly, the 2022 OECD Recommendation on Social and Solidarity Economy and Social Innovation is the first internationally agreed standard for guiding countries in defining policies and frameworks for developing their social economy (OECD, 2022[36]). Each text agreed at the international level can provide "guidance" to member states, but they are not tools for enforcement from the top down.

EU-level regulatory actions to promote greater sustainability also affects the operating conditions of the SSE in EU countries. In particular, new regulations promoting environmental, social and governance (ESG) approaches for businesses will likely influence SSE entities operating in Europe. First, the draft Directive on Corporate Sustainability Reporting and Corporate Due Diligence and Accountability (European Parliament, 2021[66]) 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 international legal approaches and standards to further the objectives of SSE entities even as SSE-specific legislation is adopted at national and subnational level (OECD, 2022[2]).

Leverage complementary policy options

Legal frameworks for the SSE can enhance the efficacy of other policy instruments. By providing the SSE with legal recognition, legal frameworks can 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 other policy instruments can complement and interact with legal frameworks to support the SSE ecosystems.

Facilitate access to funding and finance

Governments may choose to allocate funding and develop financial instruments to help SSE entities 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, 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[32]). Research suggests that SSE entities have inadequate access to capital and finance due to various reasons (C.I.T.I.E.S., 2018[49]; Chambre française de l'ESS, 2017[67]; Salvatori and Bodini, Forthcoming 2023[68]). Most financial instruments are designed towards for-profit corporations, having the remuneration of investors as their main goal. Consequently, common financial instruments are not readily applicable to SSE entities (Salvatori and Bodini, Forthcoming 2023[68]). Public actors can play a role in providing tailored financial support to SSE entities but also in developing instruments to help leverage and guarantee private resources for the SSE. For example, in Bulgaria, the first step towards supporting SSE entities occurred

when the Social Assistance Agency opened a procedure for the direct provision of grants, with the main objective of developing social entrepreneurship (Ilcheva, 2021[69]).

The diversity of possible financial instruments reflects the diversity of the SSE. Just as SSE entities vary in terms of size, legal form and areas of activities etc., so is the variety of instruments conceivable to support their development, including loans, investment capital, guarantees or bonds. Legal frameworks can support access to finance by providing SSE entities with legal recognition, which is often necessary for them to access many types of funding. 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 (OECD, 2022[2]). Another example is Canada that has created a Social Finance Fund in 2018 which is designed in such way that it can support SSE entities regardless of their activities (Sousa, 2021[70]). This is an advantage as most grants, subsidies or other finance initiatives are focused on a specific policy objective (e.g. housing, reducing poverty, employment of individuals who have difficulties entering the market). The Government committed to making up to CAD 755 million available over the next 10 years to "charitable, non-profit and social purpose organisations" to better enable them to participate in the social finance market (ILO, 2021[71]). 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 entities in the country (Morais, Dash and Bacic, 2016[72]).

Specific finance instruments customised to the needs and specificities of particular SSE entities are needed. Fintech products hold potential for improving access to finance for the SSE, for instance by creating platforms that allow social entrepreneurs to tap into large numbers of small investors or lenders (i.e. crowdsourcing) (OECD/European Commission, 2022[73]; Bruton et al., 2015[74]). More traditional instruments, such as funds, can also be customised to specific SSE entities. An interesting initiative, for example, are the Italian solidarity funds (*Fondi Mutualistici*). These funds were introduced by Law 59/1992 with the objective to empower and consolidate the existing cooperative sector in opposition to the on-going wave of privatisation (Bernardi et al., 2022[75]). These funds' mission is to support starting and existing cooperatives and to promote the cooperative system in general (through loans or equity) (Bernardi et al., 2022[75]) The main income of these solidarity funds comes from member cooperatives and consortia, that are required to transfer 3% of their annual profits to the funds (Article 11, § 4 of the Law of 59/1992). Every cooperative needs to adhere to a cooperative association (with allocated solidarity fund) or transfer the amount to the government.

The success of SSE entities depends on their access to finance at every stage of their development (Hiez, 2021[3]). Especially at an early stage, many SSE entities have difficulties finding finance (Jenkins, 2021[1]), which could be alleviated through mechanisms that provide seed money. Seed capital can be provided by private financing institutions while being guaranteed by government up to a certain percentage. These guarantees might convince private financers to invest in the start-ups. Alternatively, governments can provide seed capital themselves through subsidies or grants. However, these mechanisms should be limited to a certain time period to avoid dependency on government resources in the long run. In 2007, Québec launched the *Fiducie du Chantier de l'économie sociale (*Chantier Social Economy Trust), which acts as an intermediary between the financial market and SSE entities (Salvatori and Bodini, Forthcoming 2023[68]) and offers a range of financial products to support SSE entities at each stage of their development. The Trust was created with contributions from the federal government and other solidarity finance actors (including a fund created by trade unions). The federal contribution in particular, was a success factor, as it allowed the Chantier to offer first-loss protection to other investors (C.I.T.I.E.S., 2018[49]; Salvatori and Bodini, Forthcoming 2023[68]). Since 2007, it has invested CAD 49 million in 192 projects and has created 3 183 jobs (C.I.T.I.E.S., 2018[49]).

Financial innovations and existing financial instruments need to adapt to the changing realities of the marketplace and the SSE. For example, in the United States, charitable giving in 2021 increased in nearly every sector, with gifts aimed at public-society benefit growing by 23.5%. Therefore, new financial instruments for charitable giving are being engineered and promoted by asset managers. Moreover,

existing mechanisms such as Donor Advised Funds (DAFs) are growing. Corporate giving also is growing in the United States, increasing by 23.8% in 2021 from 2020 (NPTrust, n.d.[76]). This too has led to increased scrutiny with some research highlighting correlations between corporate giving and regulatory advocacy by charitable recipients on behalf of those corporate interests.

Lastly, facilitating financial literacy can help SSE entities find new avenues to finance. Legally recognising individual SSE entities can help them qualify to participate in business support programmes such as business development, skills and training. Policy makers can boost financial literacy training and education for social entrepreneurs which will allow them to make better financial decisions, thereby increasing their chances of short-term and long-term success (OECD/European Commission, 2022[73]).A successful initiative is the creation of CAP Finance in Québec, which is a network for "socially responsible finance" (C.I.T.I.E.S., 2018[49]). CAP Finance provides an institutional space for financial actors in order to exchange information on social finance and facilitate the "social learning" aspects of all partners regarding social finance instruments.

Avoid barriers from tax and competition law

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. Legal frameworks for the SSE 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.

Tax exemptions for SSE entities enable them to direct their funds towards social objectives and create important incentives to operate as an SSE entity. The majority of countries provide some form of income tax exemption to associations and foundations, particularly those that do not engage in commercial activities. In some countries, income tax exemptions restrict certain commercial activities of the eligible non-profit entities, 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 entities 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[48]).

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 entities of their choice, thus facilitating access to funding for the SSE. Some countries incentivise investment in SSE entities 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 countries. Another creative approach relates to "win-win loans" for individuals lending money to SSE entities (e.g. Belgium) which exempts

interest rates paid by SSE entities 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 entities. 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 entities 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 entities. For example, the Korean Social Enterprise Promotion Act (2007) explicitly grants local authorities the competence to grant tax breaks to recognised enterprises.

Many countries incentivise specific hiring practices, such as vulnerable workers, using a mix of tax benefits and direct transfers. Entities that hire vulnerable or disadvantaged workers are often exempt from social security contributions for those employees. Given the traditional connections between SSE entities and work integration social enterprises (WISEs), a number of countries provide tax breaks on social insurance costs and other employment costs to eligible entities (e.g. France, Italy, Lithuania, Spain). Additionally, entities 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 is the diverging approaches and interpretations that exist between organisational law (laws on SSE entities) and tax law. To address this issue the Dutch government implemented a uniform public benefit status (*Algemeen nut beogende instelling*, or ANBI), which is required for entities that wish to benefit from VAT and corporate income tax deductions (European Commission, 2020[7]). In order to be designated as an ANBI, the aim and the actual activities of the organisation must serve 90% or more of a public interest. In contrast, 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.

Foster procurement from SSE entities

Both public and private procurement are enabling channels for SSE entities' access to public and private markets (OECD, 2022[36]). Procurement can be an important and stable source of income for SSE entities given that national and local public procurement contracts represent a large share of public spending. In 2019, public procurement made up on average 12.6% of GDP across OECD countries. (OECD, 2021[77]). In the EU, public buyers are major investors, spending 14% of the EU's gross domestic product (Tepper et al., 2020[78]). Public authorities are increasingly considering the social benefits of public procurement contracts in addition to competitive neutrality and price (Barraket and Weissman, 2009[79]). Estimations of private procurement from SSE entities are not readily available. However, more and more private sectors corporations manifest social procurement practices as individual initiatives, such as SAP's "5 & 5 by 2025" or as part of international commitments, such as the UN Global Compact or Business for Inclusive Growth (B4IG) (Dupain et al., 2021[80]; OECD, Forthcoming[81]). This shift represents an important opportunity for SSE entities and for policy makers and the private sector to leverage procurement to drive positive social impacts while supporting the development of the SSE as a whole.

There are many approaches to facilitate social procurement from SSE entities. The use of social clauses in public procurement at both the national and local level, for instance, can empower SSE entities to generate employment opportunities for vulnerable individuals, improve social cohesion and support the

overall development of the SSE (OECD/European Union, 2017[82]). The 2014 EU Public Procurement Directives (Directive 2014/24/EU and Directive 2014/25/EU) clearly state that public buyers can take social aspects into account throughout the procurement cycle. With the transposition of the directives into national laws, member states can open new opportunities for SSE entities that fit their own national contexts. For example, the European Directives 2013/EU and 2014/24/EU on public procurement were transposed into the Spanish legal system in October 2017. The new Public Sector Contract Act of 2017 allows for social clauses to be used in the procedures for awarding public contracts. Cities such as Zaragoza, Barcelona and Madrid have recently introduced social clauses in their new public contracts. The Act also allows for certain contracts for social, cultural and healthcare services to be reserved for entities that have a public service mission (European Parliament, 2022[83]).

Nevertheless, challenges to social procurement from SSE entities exist on many levels, ranging from the regulatory framework and the understanding thereof, to the actual practice of social procurement of goods and services. One challenge being that SSE entities sometimes lack the necessary skills to manage complex procurement processes. Similarly, private and public buyers experience impediments to procurement from SSE entities. Limited knowledge of the SSE and social procurement approaches among policy makers can create legal uncertainty. Likewise, lack of knowledge on state-aid regulations can create legal uncertainty and obstacles in supporting SSE entities 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.

Capacity building and support services for the public sector, private sector and SSE entities are needed to boost social procurement from SSE entities. Governments can actively provide support measures to help SSE entities navigate through complex public procurement procedures, as well as training and guidance for civil servants (Jenkins, 2021[1]; OECD, Forthcoming[81]). In 2014, Poland organised training for public procurements officials to teach them how to include social criteria in public procurement contracts (European Commission, 2020[84]). Furthermore, intermediaries and national social enterprise networks can help providing support services, as well as act as so-called “matchmakers” by bringing buyers and suppliers together (OECD, Forthcoming[81]).For example, in Québec (Canada), Montreal's social economy development body (*Conseil d'économie sociale de l'île de Montréal*) brings together SSE entities with public institutions and large companies in annual cohorts under the initiative *L’économie sociale, j’achète!* (Social economy, I buy!).

Promote institutionalisation through government agencies, intermediaries and network organisations

Designated government institutions can help provide a single reference point for SSE entities and co-ordinate policies across government. In order to have a coherent policy on SSE, policy makers should consider implementing a central government agency or national competence centre, which should be provided with sufficient financial and human resources. While a designated institution within the government can be beneficial, it is vital that such an institution is capable of co-ordinating efforts across the government and with subnational authorities to avoid unpredictable and inconsistent implementation of SSE initiatives and interpretation of legal frameworks for the SSE. For example, 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[32]). Other examples of government agencies that act as a single reference point are the *Instituto Nacional de la Economia 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, the Ministry of Labour and Social Economy in Spain or the Secretary of State for the SSE in France (Fraisse et al., 2016[85]). 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.

Policy makers can foster conditions that are conducive for the creation of SSE networks, intermediaries, and SSE-focused academic research. Networks and intermediaries for the SSE can facilitate the implementation of legal frameworks by providing advice and capacity building for stakeholders. Supporting organisations that play the role of mediator between the government and the SSE are commonly called intermediaries. (Jenkins, 2021[1]) The presence of formal or informal networks for actors in the SSE can accelerate the acceptance rate and feasibility of new legal forms. Networks help the SSE to pool resources, exchange experiences and speak with one voice (Alain and Mendell, 2013[43]). Strong networks have proven to survive policy – and government changes. In the Netherlands, Social Enterprise NL represents and connects social entrepreneurs by fostering the exchange of knowledge and information, organising workshops and business support and by representing entrepreneurs towards the government (European Commission, 2019[86]). Besides that, the presence of academic research at universities can be an accelerating factor as well (Jenkins, 2021[1]).

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Notes

[1] Regulation of Article 25 (8) of the Political Constitution of the United States of Mexico on the Social sector of the economy of 23rd of May 2021.

[2] Article 4 of Basic Law on the Social Economy of 8th of May 2013 (Portugal).

[3] See for example criticism of the Greek Law on Social and Solidarity Economy of 2016: (Adam, 2019[10])

[4] 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 (European Economic and Social Committee, 2019[87]) –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 (Noya, 2009[88]). In case of dissolution, the asset lock implies the obligation to transfer any assets to a similar SSE organisation operating a similar social purpose.

3 Evaluate the performance of legal frameworks

This chapter provides examples and guidance on how to regularly assess the performance of legal frameworks, to see if they have reached their goals and whether social and solidarity economy (SSE) entities comply with their societal objectives. The chapter speaks to the importance of defining a formal evaluation mechanism that includes relevant stakeholders. It touches on the need for criteria to evaluate processes and outcomes, capitalising on regulatory impact analysis (RIA) and international standards to support the evaluation process of legal frameworks for SSE.

Why is this important?

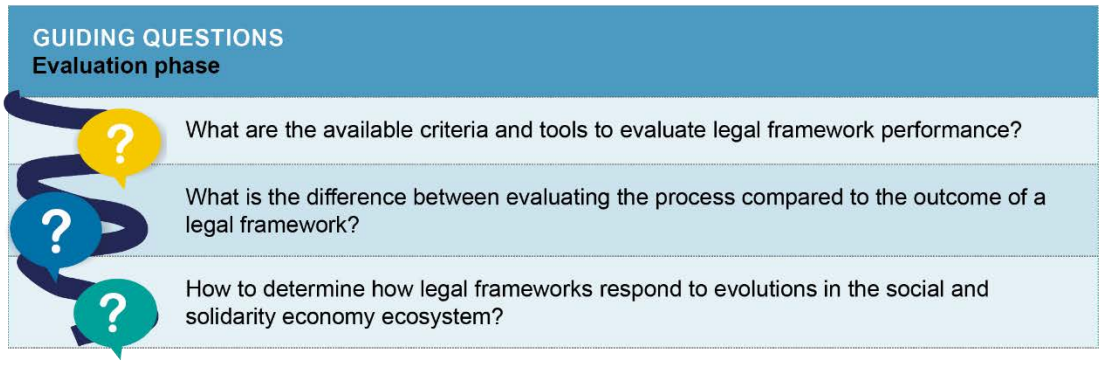
Periodically evaluating legal frameworks for the social and solidarity economy (SSE) can support many objectives. It can help to assess how legal frameworks impact activities of SSE entities. It can also help to build the necessary information to support reforms, adaptations and improvements to laws. Despite the widespread adoption of legal frameworks for the SSE, only a handful of countries and regions (e.g Canada (Québec), France, Luxembourg and Mexico) have included formal mechanisms to evaluate their performance. The lack of regular evaluation may prevent countries and regions from timely amending, adapting and evolving legal frameworks thus creating additional barriers relative to other legal forms.

To be useful, evaluation requires a formal mechanism to assess both processes and outcomes. In the area of legal frameworks, the "input-process-output-outcome" approach aims to assist authorities in evaluating each step, from the design and implementation to the achievement of strategic objectives of laws and regulations (OECD, 2014[1]). *Processes* refer to how legal frameworks are developed and enforced. *Outcomes* refer to whether legal frameworks have reached their objectives and their potential implications (positive and negative) on ecosystem development. This also helps determine the need for updates or revisions of laws.

This section provides guidance to help countries assess the performance of legal frameworks for the SSE. It outlines possible criteria and tools for evaluating processes and outcomes.

How can policy makers help?

Infographic 3.1. Guiding questions: Evaluation phase



Across countries the following success factors and pitfalls to avoid can help to evaluate the performance of legal frameworks for the SSE.

Infographic 3.2. Success factors and pitfalls to avoid: Evaluation phase

SUCCESS FACTORS Evaluation phase	PITFALLS TO AVOID Evaluation phase
✓ Include a formal and regular evaluation mechanism in the law itself. A formal mechanism helps to provide constant feedback on the performance and unexpected outcomes of legislation. Design an evaluation mechanism that is tailored to the specificities of the SSE and aligned with international guidance and standards.	✗ Leaving out evaluation when designing legal frameworks for the SSE.
✓ Design bottom-up, sequenced, and inclusive evaluation processes that involve stakeholders.	✗ Using only top-down processes to evaluate legal frameworks.
✓ Set out pragmatic criteria informed by practitioners and networks to evaluate outcomes. Criteria should focus on the impacts of legislation on the activities of SSE entities and also on framework conditions that could help them to emerge, develop and scale up.	✗ Focusing evaluation on processes and not enough on outcomes.
✓ Evaluate if SSE entities comply with their stated societal objectives	✗ Overlooking oversight of SSE entities' compliance with their social/societal mission.

Treasure the law evaluation mechanisms to adjust or improve legal frameworks for the SSE

Define a formal evaluation mechanism that involves stakeholders to regularly assess legal frameworks

Countries and regions that evaluate legal frameworks for the SSE have done so by including formal mechanisms in SSE laws themselves. The need for evaluating legal frameworks for the SSE has been expressed by public authorities and SSE entities in many countries. A formal mechanism helps to provide constant feedback on the performance and unexpected outcomes of legislation. The OECD 2012 Recommendation of the Council on Regulatory Policy and Governance, the 2014 Framework for Regulatory Policy Evaluation (Box 3.1) and the EU Better Regulation Guidelines and Toolbox (Box 3.2) offer guidance on the kind of elements which authorities could consider when designing an evaluation mechanism for legislation. For example, the province of Québec (Canada) has tailored international guidance on evaluation to SSE needs and specificities (Box 3.3).

Typically, evaluation mechanisms would include stakeholder consultation, ex-ante and ex-post assessment and periodicity.

- ***Stakeholder consultation***. Consultation should be open to interested groups and the public. Engaging stakeholders during the regulation-making process and designing consultation processes aim to maximise the collection of quality information as well as local SSE practices are

reflected and integrated in laws. A wide range of approaches could be used including informal consultation, circulation for comments, public hearings or creation of advisory bodies. For example, article 16 of the 2013 Social Economy Act implemented in the Province of Québec (Canada) introduced an accountability mechanism. The Act recognises stakeholder roundtables and establishes an obligation for dialogue between provincial authorities and stakeholders (Box 3.3).

- ***Ex-ante assessment***. This helps to determine the need for introducing new regulation or if revising existing legislation is sufficient.
- ***Ex-post evaluation***. This helps to assess if laws are effective, efficient, coherent and simple to use. For example, in the Netherlands, the senate assesses legislation based on the criteria of effectiveness and simplicity which are common principles that need to be included in laws.
- ***Periodicity***. Evaluation needs to be clearly defined in time to inform when it takes place. For example, in France the 2014 Law on the Social and Solidarity Economy states that an assessment of the law needs to be performed every two years. In Luxembourg, the 2016 Law that created a new legal status for social enterprises, the Societal Impact Companies (*Sociétés d'Impact Sociétal* – SIS) specifies that the law must be assessed, under the responsibility of the ministry in charge of the social and solidarity economy, within three years after its enforcement.

Box 3.1. OECD Framework for Regulatory Policy

Pursuing "regulatory quality" is about enhancing the performance, cost-effectiveness, and legal quality of regulations and administrative formalities. The notion of regulatory quality covers **processes**, i.e. the way regulations are developed and enforced and their compliance with **the principles of consultation, transparency, accountability and evidence**. It also covers **outcomes**, i.e. whether regulations are **effective, efficient, coherent and simple**.

In practice, 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 far as possible with competition, trade and investment facilitating principles at domestic and international levels.

Source: (OECD, 2012[2]; OECD, 2014[1]; OECD, 2018[3])

Box 3.2. The EU Better Regulation Guidelines and Toolbox

The European Commission's Better Regulation policy emerged in the early 2000s and has gradually evolved since. 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 released 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 into consideration the social, environmental and economic impact of policies and laws.

Source: (European Commission, 2017[4])

Box 3.3. The Accountability Mechanism of the Québec Social Economy Act (Canada)

The Province of Québec in Canada adopted the Social Economy Act in 2013 with the objective to recognise the contribution of the social economy to 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, and the member-organisations of the Panel of Social Economy Partners, namely the *Chantier de l'économie sociale*, the *Conseil québécois de la coopération et de la mutualité*;
- 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 (Québec, 2013), OECD stakeholder consultations, OECD international expert meeting on "Leveraging Legal Frameworks to Scale the Social and Solidarity Economy" (10 December 2020), (Québec, 2020[5])

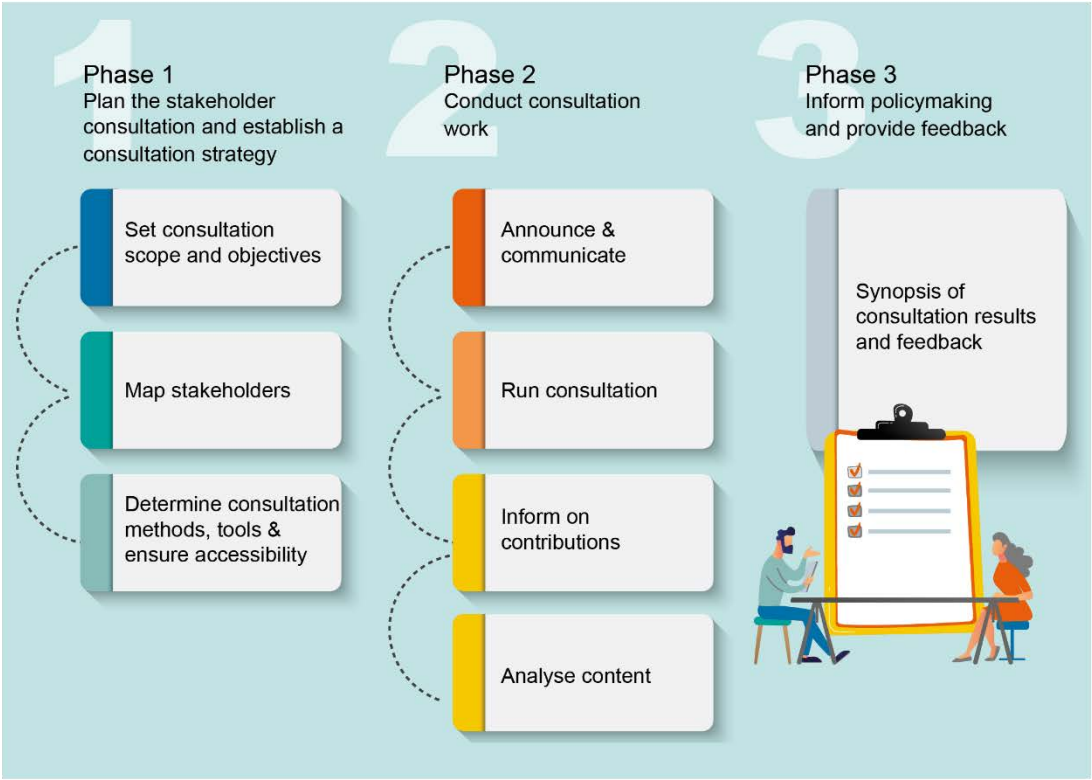
Set out pragmatic criteria to evaluate processes and outcomes

Evaluation criteria that are used often cover processes and outcomes. A pragmatic approach to criteria could be informed by practitioners and networks. Criteria could include impact measurement to understand in which context some legal options are more appropriate than others. The assessment should also benefit from feedback of users/beneficiaries of legal frameworks.

Processes

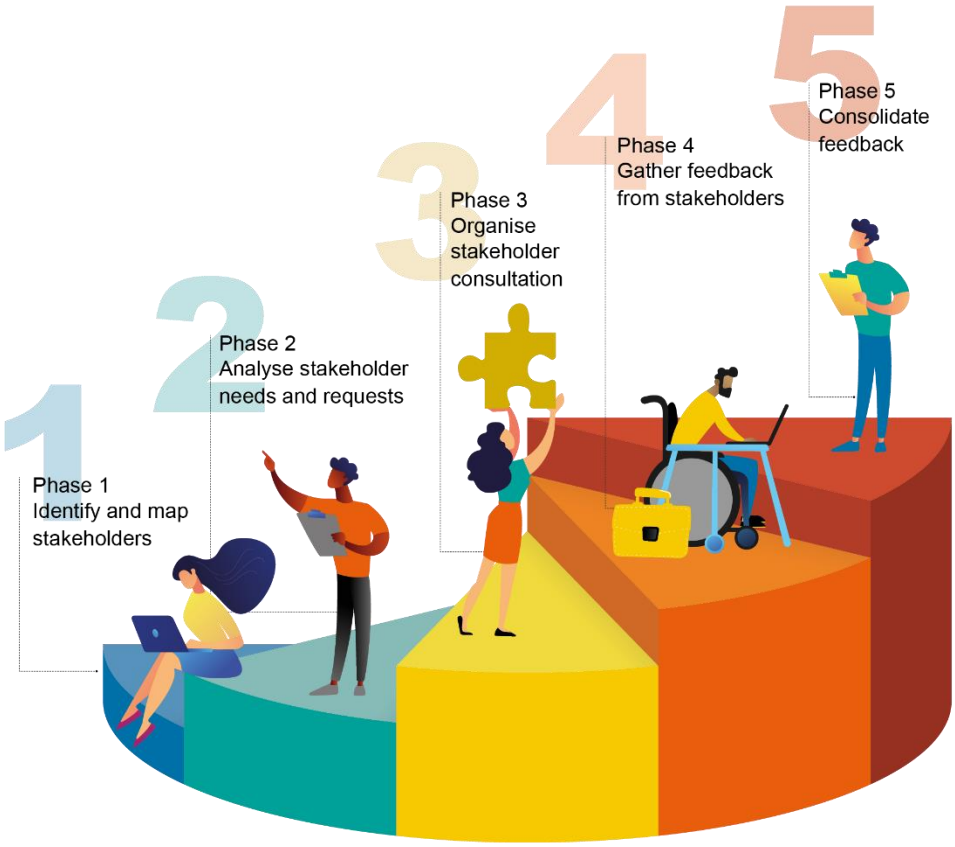
Successful processes leading to the design of legal frameworks for the SSE usually are bottom-up, sequenced and inclusive of stakeholders (Infographic 3.3). Some countries developed good practices (sometimes enshrined in the law itself) to ensure that steps leading to the design of legal frameworks are the outcome of co-construction processes involving networks and stakeholders across levels of government and sectors (Box 3.4).

Infographic 3.3. Main steps of the consultation process



Source: (European Commission, 2021[6])

Infographic 3.4. Phases of the consultation process



Source: (OECD, 2012[2])

Box 3.4. Examples of inclusive and open processes to legal frameworks for social enterprises

- **Denmark**: A specific National Committee was created in order to prepare the Act of 2014.
- **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 that mobilise national and subnational authorities as well as SSE representatives and 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[7]).
- **Slovakia**: A two-year long consultation process was held during which inputs were collected from academics, social entrepreneurs and local governments, before adopting the Act on Social Economy and Social Enterprises in 2018.
- **Spain**: A partnership model was developed to promote strong involvement of different stakeholders in processes pertaining to laws such the Law on the Social Economy in 2011 (Law 5/2011) which recognises the concept of social enterprise. The stakeholders include regional authorities, universities, associations, and the private sector (e.g. the Mondragon Cooperative Corporation) in addition to the Spanish Business Confederation of Social Economy (CEPES): an umbrella organisation created in 1992 representing the companies of the social economy.

Source: (OECD, 2022[8])

Outcomes

Outcomes of legislation are usually linked to the issues and priorities that supported the introduction of laws. As a result, assessments of outcomes need to be country-specific and use criteria that measure the impacts of legislation on activities of SSE entities. For example, they could include the number of business closures (in the case of social enterprises); the geography of SEE entities (urban/rural); the number and quality of jobs created by them and their contribution to the implementation of strategic priorities and policies. This could help to better understand why some legal frameworks are not appropriate in supporting SSE entities, and identify their unexpected consequences such as more red tape, additional administrative burdens, heavy reporting procedures restrictions; complexity; lack of demand for legislation, or poor knowledge of SSE entities needs. Strategies to assess the outcomes of legal frameworks for the SSE should include end-users/ beneficiaries of regulation i.e. SSE networks and/or their representatives. This could facilitate revisions and updates of laws when appropriate as demonstrated by the example of Luxembourg (Box 3.5).

Ultimately, the assessment of outcomes should help countries set better framework conditions for the SSE. As such, it should help achieve more recognition and visibility of the SSE; legal clarity around definitions; removal of market barriers or distortions for SSE entities; better access to finance; design of tailored taxation, etc.

Box 3.5. Luxembourg' outcome assessment of legal frameworks for the SSE

In 2016, Luxembourg adopted a law to regulate the creation of social enterprises under a new legal status: the Societal Impact Companies (*Sociétés d'Impact Sociétal* – SIS). This law defines principles of the social and solidarity economy (SSE) and stipulates that the law must be assessed within three years after its enforcement. Since 2016, two evaluations were conducted with the involvement of stakeholders. The Luxembourg Ministry of Labour, Employment and Social and Solidarity Economy (MTEESSS) conducted consultations, including workshops, expert consultations, surveys, and a large-scale seminar with SSE crucial stakeholders.

As a result, amendments to the law that were adopted in 2018 resolved many of the residual uncertainties related to the transition of SSE entities to the SIS regime. Specifically, this entailed amending existing legislation to extend specific rights such as tax exemptions to SISs that previously advantaged non-profit organisations and foundations.

Consequently, the number of SISs increased: as of July 2019, there were 31 registered SISs, 25 of which obtained their accreditation after the 2018 amendment. The most recent amendment in 2021 took into account the unprecedented challenges SISs had to face during the COVID-19 pandemic and addressed the need to reduce the administrative burden to create incentives for more entrepreneurs to adopt the SIS accreditation.

Source: (OECD, 2022[8])

Regulatory Impact Analysis (RIA) could support evaluation of outcomes of legal frameworks for the SSE. RIA is a decision tool to (i) systematically and consistently examine potential impacts arising from government action and (ii) communicate the information to decision-makers. Legal frameworks are often designed without enough knowledge of their consequences due to the lack of *ex-ante* assessment. This lack of understanding could lead to regulations being less effective, unnecessary and even burdensome. Therefore, Regulatory Impact Analysis applied to legal frameworks for the SSE can be an effective strategy for improving their quality and ensuring that regulations are fit for purpose and will not cause more issues than they solve. The OECD developed a set of best practices for RIA that could inspire evaluation of outcomes of legal frameworks designed for the SSE (Box 3.6).

Box 3.6. Regulatory Impact Analysis (RIA)'s Best Practices

1. Maximise political commitment to RIA

- Reform principles and the use of RIA should be endorsed at the highest levels of government. RIA should be supported by clear ministerial accountability for compliance.

2. Allocate responsibilities for RIA programme elements carefully

- Locating responsibility for RIA with regulators improves "ownership" and integration into decision-making. An oversight body is needed to monitor the RIA process and ensure consistency, credibility and quality. It needs adequate authority and skills to perform this function.

3. Train the regulators

- Ensure that formal, properly designed programmes exist to give regulators the skills required to do high quality RIA.

4. Use a consistent but flexible analytical method

- The benefit/cost principle should be adopted for all regulations, but analytical methods can vary as long as RIA identifies and weighs all significant positive and negative effects and integrates qualitative and quantitative analyses. Mandatory guidelines should be issued to maximise consistency.

5. Develop and implement data collection strategies

- Data quality is essential to useful analysis. An explicit policy should clarify quality standards for acceptable data and suggest strategies for collecting high quality data at minimum cost within time constraints.

6. Target RIA efforts

- Resources should be applied to those regulations where impacts are most significant and where the prospects are best for altering regulatory outcomes. RIA should be applied to all significant policy proposals, whether implemented by law, lower level rules or Ministerial actions.

7. Integrate RIA with the policy-making process, beginning as early as possible

- Regulators should see RIA insights as integral to policy decisions, rather than as an "add-on" requirement for external consumption.

8. Communicate the results

- Policy makers are rarely analysts. Results of RIA must be communicated clearly with concrete implications and options explicitly identified. The use of a common format aids effective communication.

9. Involve the public extensively

- Interest groups should be consulted widely and in a timely fashion. This is likely to mean a consultation process with a number of steps.

10. Apply RIA to existing as well as new regulation

- RIA disciplines should also be applied to reviews of existing regulation

Source: http://www.oecd.org/regreform/regulatory-policy/ria.htm

Understand how to best oversee SSE entities' compliance with their stated societal objectives

Explore how to best oversee SSE entities compliance

Another way to evaluate if legal frameworks have reached their goals, is to consider whether SSE entities comply with their stated societal objectives. Oversight of SSE entities' compliance likely depends on the extent to which the SSE is benefiting from any governmental subsidy, procurement priority, or regulatory forbearance. The more SSE entities enjoy benefits not ordinarily available to other economic actors, the more likely governments want to ensure that they are upholding the societal objectives that caused those benefits to accrue in the first place. Otherwise, there is a risk of other non-SSE entities misrepresenting themselves to access benefits that are intended for SSE actors.

The next question is which authorities should manage the oversight process? It is worth looking at how other economic activity is regulated or supervised in a specific country or region. In some countries, regulatory oversight and supervision is allocated according to the form of entity being overseen. For countries that have created specific SSE legal forms and that have a tradition of regulating by form (over function), the government authority that is providing a benefit may be best suited to taking on an oversight and supervisory role. For example, in Colombia, the Superintendence of the Solidarity Economy is the national entity that supervises cooperatives and other SSE entities. However, this might be challenging for countries that have either limited, or, if any, expressly defined legal forms of SSE entities. For example, the Australian Prudential Regulation Authority (APRA) supervises financial organisations, such as member owned mutual companies, that are authorised as deposit-taking institutions. For those countries, oversight and supervision may be dispersed across multiple government agencies and throughout various levels of government (state, provincial, municipal). Dispersed oversight can put additional pressure on government authorities to co-ordinate with each other, particularly to avoid parties engaging in regulatory triage by seeking the most lenient regulatory oversight.

Another point for examination is the role of the marketplace -both its private and public sector actors- in providing feedback to the SSE. Stakeholder consultations indicate that countries and regions are quite likely to benefit from building frameworks that encourage market responses to the behavior of SSE actors. This requires developing a framework that promotes transparency and public disclosure to stakeholders in the SSE. Some of this framework can piggyback on pre-existing mechanisms that foster transparency. But there are likely to be opportunities for this framework to be augmented with additional disclosure regimes developed.

Use evaluation to respond to evolutions in the SSE

Adjust to emerging needs

Countries could use legal assessments to adopt a dynamic approach to legal frameworks for the SSE. Like most legislation, legal frameworks for the SSE can become obsolete over time or need to be updated/adjusted to bring parity with new social or economic situations/evolutions. SSE entities inherently operate in dynamic markets and have ever-evolving needs and challenges. For example, SSE entities are expected to play a greater role to support the transition to more inclusive and greener economies and societies. As such, policy makers need to be prepared to adapt legal frameworks to new market developments and the evolving needs of stakeholders.

Political momentum needs to be sustained over time as challenges may emerge during the design and implementation of legal frameworks. Establishing a formal accountability mechanism such as the one developed by the Province of Québec in Canada can be a useful way to ensure the adaptability of

legal frameworks over the long run while sustaining political momentum. Likewise, such mechanisms can help to link monitoring activities directly to policy actions that keep legal frameworks attuned to the real-world needs of social enterprises. The activities conducted as a result of such processes in Luxembourg testifies to the benefits of such approaches over time. Integrating such requirements helps to ensure that the necessary financial and human resources are available for future evaluations even if policy priorities have shifted towards new areas.

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4 Foster international peer exchange

This chapter outlines how policy makers can learn from the experiences and lessons of other countries and/or regions. It highlights the potential of mutual learning methods and provides a template for peer-learning partnerships (PLPs) to foster a common ground understanding and facilitate knowledge sharing. Finally, this chapter hints to the power of international fora to raise visibility, understanding and to provide a platform for exchange on the social and solidarity economy (SSE).

Why is this important?

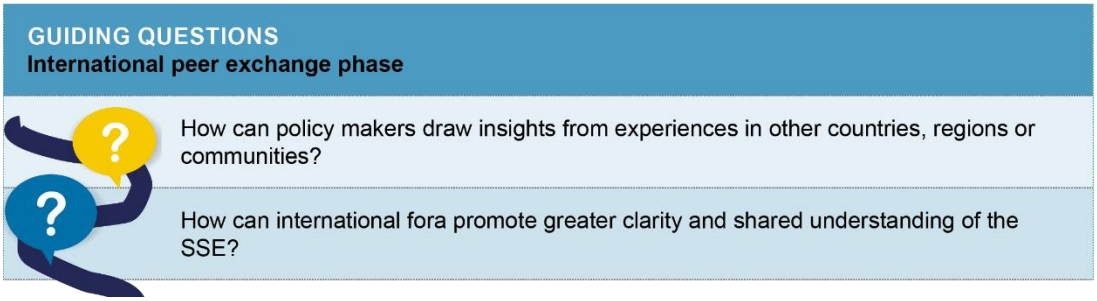
Countries and regions are increasingly designing and adopting legal frameworks for the social and solidarity economy SSE. The expansion of the SSE has sparked the development of trailblazing legal approaches but also led policy makers to face common challenges. The experiences of policy makers who have developed legal frameworks for the SSE present a notable opportunity for others to engage with them and learn from both their successes and pitfalls.

Mutual learning and dialogue enable policy makers to reflect on lessons learnt from the development, adoption and evaluation of legal frameworks for the SSE. Engaging with other policy makers and stakeholders at the international level is an invaluable way to benefit from the wealth of information and insights that have been gained in other countries. Nevertheless, there is no one-size-fits-all approach to developing SSE legislation. While policy makers can learn from each other and seek orientation thanks to good practice examples of other countries, it remains necessary to adapt legal approaches to the specific context of a given country or region. Doing so helps to create legal systems that are more effective, relevant, and responsive to the needs of the SSE.

This section outlines how policy makers can learn from the experiences and lessons of other countries and/or regions. It provides guidance on how to engage at international fora and other venues for dialogue.

How can policy makers help?

Infographic 4.1. Guiding questions: International peer exchange phase



Across countries the following success factors and pitfalls to avoid can help to better capture the benefits of international peer exchange.

Infographic 4.2. Success factors and pitfalls to avoid: International peer exchange phase

SUCCESS FACTORS International peer exchange phase	PITFALLS TO AVOID International peer exchange phase
✓ Mutual learning helps policy makers learn from the experiences of others to avoid mistakes and make the most of approaches with proven success.	✗ Developing legal frameworks without learning from international experience and good practices.
✓ Harness the opportunities at international fora to exchange information and good practices as well as develop international agreements and standards on the SSE.	✗ Developing legal frameworks without prior consideration of the emerging global understanding of the SSE.

Compare and share experiences

Draw insights from experiences in other countries, regions and communities

Engagement on the SSE at the international level can be challenging given its place-based specificity and variations in terminology and legal conditions among countries. Definitions of core notions of the SSE often vary from one country to another and even within the same country. The evolution of legal frameworks may follow markedly different paths in countries with legal systems based on common or civil law traditions. Similarly, the process by which new legislation is proposed, adopted and implemented differs greatly between countries. Each of these distinct features may inhibit policy makers from identifying common challenges and interests and learning from each other's experiences.

The peer-learning partnerships organised by the OECD highlight the potential of mutual learning and provide a template for future initiatives. As part of the Global Action, the OECD facilitated the development of peer-learning partnerships (PLPs) across a number of policy areas related to the SSE, including legal frameworks. Organised by *Confederación Empresarial Española de Economía Social* (CEPES) and *Réseau Européen des Villes & Régions de l'Économie Sociale* (REVES), the Legal Ecosystems for the Social Economy PLP brought together 25 networks, policy makers and SSE entities from Canada, the EU, Korea, Mexico, and the United States. The PLP enabled a series of dialogues among participants that identified common interests and challenges before culminating in the development of overarching conclusions. Discussions took place across three general axes: framework laws, specific laws and other policy options (e.g. public procurement, fiscal policy, access to finance and support programmes).

The PLPs enabled stakeholders from diverse backgrounds and countries with distinct legal traditions to exchange experiences and ideas. Stakeholder groups included representatives from ministries and government institutions that oversee social economy policy, representatives from social economy networks and advocacy organisations, social economy practitioners, academic experts on the social economy, and international organisations.

Identifying common ground and agreeing on shared concepts can facilitate knowledge sharing and mutual understanding despite diversity. The PLP on legal frameworks gathered representatives from countries with distinct legal traditions, uneven SSE ecosystem development and different understandings of the SSE and the entities that comprise it. To overcome these differences, participants agreed to common values and definitions related to the SSE, and also identified common challenges that they could work towards resolving together.

Another example of a peer-exchange platform is the EU/OECD Better Entrepreneurship Policy Tool (Box 4.1), which is an online resource for policy makers and stakeholders alike. While this platform does not enable live interaction, it acts as a curated repository for good practices and notable initiatives in the social economy, among other areas.

Box 4.1. The Better Entrepreneurship Policy Tool

The Better Entrepreneurship Policy Tool (BEPT) is an online tool created by the European Commission and OECD to provide policy makers and other stakeholders with best-practice examples on initiatives to support the development of social enterprises and business creation among youth, women, migrants and the unemployed.

Additionally, the policy tool enables participants to take self-assessments on their inclusive and social entrepreneurship policies at the national, regional and local level. Available in 24 languages, the assessment diagnoses policy performance across seven areas, including social entrepreneurship culture, institutional framework, legal and regulatory framework, access to finance, access to markets, skills and business development support and managing, measuring and reporting impact. The policy tool promotes mutual learning by enabling participants to compare results and contact other participants to learn from their experience and identify solutions to common challenges.

To date, the BEPT provides a range of regularly updated good practice case studies and guidance notes across the seven policy areas. These highlight the experiences of policy makers, specific initiatives and companies at the national, regional and local level.

Source: https://betterentrepreneurship.eu/en

Act together on the international level

Capitalise on international fora for a shared understanding of the SSE

By providing a platform for experts and practitioners to exchange ideas and experiences, international fora can promote greater clarity and a shared understanding of the SSE. These fora can also serve the development and dissemination of best practices and guidelines for the SSE. This can happen in the form of temporary events such as international conferences, workshops, and seminars, or through more permanent bodies or working groups within international organisations. Additionally, in various international fora, the SSE is being recognised as an important means of implementing the SDGs (UNSRID, 2016[1]).

A shared global legal culture of the SSE may be emerging (Caire and Tadjudje, 2019[2]). International comparative research as well as international public policy documents on the SSE produced by international organisations, such as (ILO, 2022[3]; OECD, 2022[4]), are contributing to a common understanding of the scope of the SSE among countries. While acknowledging the diversity of terms and forms used, it is possible and useful to attempt to bring the various legalisations for the SSE closer together.

International fora can further contribute to promoting greater clarity and shared understanding of the SSE by focusing on the following:

1. **Definition and scope:** Clearly defining and outlining the concept of the SSE can help to ensure that stakeholders have a common understanding of what it is and how it differs from related notions (e.g. social innovation) (OECD, Forthcoming[5]).

2. **Examples and case studies:** Presenting examples and case studies of successful SSE initiatives and legislation can help to illustrate the practical applications and potential impacts of the SSE (e.g. (OECD, n.d.[6])).
3. **Collaboration and partnerships:** Encouraging collaboration and partnerships between different actors within the SSE, including governments, intermediaries, and the private sector, can help to promote a shared understanding of the SSE and its role in promoting social and economic development.
4. **Co-ordination:** Equally important is the coordination amongst different international organisations that conduct work on the SSE to prevent redundancies and inconsistencies. For example, the United Nations Inter-Agency Task Force on Social and Solidarity Economy (TFSSE) was created in 2013 and unites seventeen specialised institutions from within the UN (including the ILO, FAO, UNESCO, UNDP, WHO, and UN Women), as well as the OECD and ten observer members (including the ICA, RIPESS, EMES, CIRIEC, and ESESSFI) (Caire and Tadjudje, 2019[2]).
5. **Research and data:** Sharing research and data on the SSE can help to provide a more comprehensive understanding of the SSE. International organisations can act as repositories for data collection from their member countries.

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Annex A. Checklist for action

Infographic A.1. Checklist for action – 1 and 2

POLICY ACTION	POSSIBLE MEASURES FOR POLICY MAKERS
1 Assess the need for and relevance of legal frameworks (scoping phase)	☐ Determine why and when legal frameworks for the SSE should be adopted ■ Consider the maturity of the SSE ecosystem ■ Establish clear policy objectives for legal frameworks ■ Identify the benefits of legal frameworks ■ Identify stakeholders to be consulted on the need for legal framework ☐ Determine the boundaries and common characteristics of the SSE ■ Define the features, and boundaries of the SSE ■ Adopt a pragmatic approach to demarcate the SSE from other practices
2 Select options and involve stakeholders (development phase)	☐ Determine the appropriate legal approach for the SSE ■ Grasp and distinguish the different legal options available – Introduce framework laws through a statutory, substantial or hybrid approach – Introduce specific laws to define legal forms or legal statuses – Introduce laws to establish legal statuses – Adjust existing legislation – Refrain from any legislative action and create instead a conducive policy environment ☐ Engage stakeholders and build consensus around a desired legal framework ■ Coordinate vertically and horizontally with government bodies ■ Consult external stakeholders throughout the development of legal frameworks ☐ Establish legislative coherence across levels of government and existing legislation' ■ Harmonise and synergise the coexistence of national and subnational legislation ■ Foster coherence with international agreements ☐ Leverage complementary policy options ■ Facilitate access to funding and finance ■ Avoid barriers from tax and competition law ■ Foster procurement from SSE entities ■ Promote institutionalisation through government agencies, intermediaries and network organisations

Infographic A.2. Checklist for action – 3 and 4

POLICY ACTION	POSSIBLE MEASURES FOR POLICY MAKERS
3 Evaluate the performance of legal frameworks (evaluation phase)	☐ Enshrine in the law evaluation mechanisms to adjust or improve legal frameworks for the SSE ■ Define a formal evaluation mechanism that involves stakeholders to regularly assess legal frameworks ■ Set out pragmatic criteria to evaluate processes and outcomes ☐ Understand how to best oversee SSE entities' compliance with their stated societal objectives ■ Explore how to best oversee SSE entities' compliance with their stated societal objectives ☐ Use evaluation to respond to evolutions in the SSE ■ Adjust to emerging needs
4 Foster international peer exchange (peer exchange phase)	☐ Compare and share experiences ■ Draw insights from experiences in other countries, regions and communities ☐ Act together on the international level ■ Capitalise on international fora for a shared understanding of the SSE

Annex B. How the SSE is called in different countries

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
List of entities		
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
List of legal frameworks		
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) (FsQuébec)
Canada	Loi sur les coopératives (Québec)	Cooperatives Act (1982) (Québec)
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	ΝΟΜΟΣ 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 C. Forms of social and solidarity economy entities

Associations

An **association** or **voluntary organisation** is a self-governing, independently constituted body of people who have joined voluntarily to take action for the benefit of the community. They are not established for financial gain (OECD, 2003[1]). When implementing specific statutory laws on associations, policy makers should take into account that associations are characterised by a non-distribution constraint, prohibiting associations from distributing profit (or the liquidation surplus) to its members. Generally speaking, associations are made up for a very heterogenous group of entities, ranging from sport groups and local communities to large service providers (Gaiger, 2015[2]). This heterogeneity combined with a strong focus on associations as the SSE go-to legal form could cause difficulties regarding the recognition of other SSE entities and would make the implementation of suitable mandatory governance regulations quite difficult.

In certain countries, there are ongoing debates regarding whether associations can undertake economic/market-based activities. For example, under the former Belgian Law on Associations and Foundations (until 2019), Belgian associations were not allowed to primarily undertake economic activities. In some 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 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

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[3]; ILO, 2018[4]). Cooperatives play an important role in empowering the economic strength of workers in local communities and reducing income inequality by offering an alternative for “capital” companies. Democratic governance mechanisms distinguish cooperatives from more traditional companies (private, family-owned or shareholder). These mechanisms include the limitation of the amount of shares one shareholder can have, voluntary membership, and the one-person-one vote principle that is often adopted. Furthermore, cooperatives can offer a solid alternative to informal groups and organisations with economic ambitions.

Statutory law on cooperatives is recommended for all policy makers wanting to strengthen the SSE. However, policy makers need to bear in mind that some countries with a more liberal definition of the cooperative, experienced the use of cooperatives as a flex form for capital companies. To prevent this risk of degeneration of the cooperative, it is advised to refer to the cooperative principles established by the International Cooperative Alliance (1995[3]), that include: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among cooperatives; and, concern for the community.

Statutory laws on cooperatives should keep an open approach, making sure the different types of cooperatives fall within the scope of the definition. 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 (ILO, 2018[4]). Alternatively, policy makers could consider installing a "general" law applicable to all cooperative types and complement it with specific additional laws applicable only to certain types of cooperatives. This customised approach can be useful to implement other tailored supporting policy and legal measures (e.g. workers cooperatives might have other needs than agricultural cooperatives). For example, Korea has specific legislation for different types of cooperatives such as agricultural cooperatives, fishery cooperatives, credit unions, and consumer cooperatives as well as a complementing Framework Act on Cooperatives established in 2012. Similarly, Italy (Law 381/1991 on A-type and B-type social cooperatives), Greece (Law 4430/2016 on Social Cooperatives) and Poland (Law on Social Cooperatives (2006)) also regulate social cooperatives as a distinct type of cooperative.

Customised cooperative legislation may empower newly emerging types of cooperatives. This could be done by introducing labels or qualifications that are exclusively reserved for specific types of cooperatives.

- In 1999, Spain introduced the Social Initiative Cooperatives within the general framework of cooperatives. It 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 India, a new generation of cooperatives, known as Producer Companies, were introduced through adaptation of the Indian Companies Act of 1956 (Singh, Sukhpal and Singh, 2013[5]). Traditional cooperatives often had a tarnished reputation, not least due to co-optation by political parties. This new legal form aimed to allow collectivities to avoid the reputational baggage of "old cooperatives" and give them greater legitimacy and autonomy in business and financial circles (Singh, Sukhpal and Singh, 2013[5]; UNSRID, 2016[6]). In the near future, adaption of existing cooperative legislation might be needed to accommodate for the specific features and needs of platform cooperatives.
- In the United States, unlike some other countries, cooperatives are more often composed of producers (producer-side cooperatives) than of consumers (consumer cooperatives) (Lane, 2012[7]). One common aim of producer-side cooperatives is to assist workers and producers of goods and services exert control over the prices of those goods and services. To permit groups of producers exert price control, exceptions for producer-side cooperatives had to be made in the federal antitrust laws of the United States. Federal tax exemptions and benefits are also available to qualifying cooperatives. In the United States, state law dictates how cooperatives are formed and operated. These laws, however, can take different approaches to formation. Some state laws make distinctions based on whether the cooperatives are profit seeking, others do not.

Foundations/ trusts with a charitable or public-benefit purpose

Foundations are philanthropic organisations, organised and operated primarily as a permanent collection of endowed funds from an individual or a group of people, the earnings of which are used for the long-term benefit of a defined geographical community or non-profit sector activity (Noya and Clarence, 2007[8]). Foundations operate as grant-making institutions, and also as providers of social, health and cultural services. They thus provide 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[8]).

The need for specific statutory laws on foundations/charities is less pertinent. Depending on the legal traditions of countries, associations and foundations are sometimes viewed interchangeably as to

their activities in the SSE. In most countries, associations will be the main organisational form for non-profit organisations. Exception to this can be found in the Netherlands, where most SSE entities are organised as foundations. Furthermore, a foundation can be a controlling shareholder of another SSE entity, and by holding a vast majority of shares safeguard the social the mission of the controlled entity. In some jurisdictions, foundations are also used for estate planning or for holding and managing assets, which might undermine the credibility of foundations as organisation of SSE (Thomsen and Hansmann, 2013[9]). Legislation on foundations should therefore involve strict provisions on the possibility of a "midstream" change of purpose of the foundation. A balance needs to be found between not allowing to easily change the purpose of the foundation, but the purpose of a foundation should be able to evolve over time.

Foundations neither have members, nor a general assembly, resulting in a strong board of directors. Often, there is a perpetual board of directors since the board has the competence to nominate new directors. For this reason, foundations are found to be less democratic than associations. Policy makers should provide legal safeguards to ensure good governance, enable control mechanisms regarding the board of directors and install the possibility for judicial intervention to replace members of board of directors in case of abuse, given the absence of a general assembly or members.

Mutual societies

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. Mutual societies show similarities with insurance companies. An important aspect is the trust that members have in the mutual benefit societies. In some countries, abuses in the past have led to strict regulation on mutual benefit societies. In many countries, mutual benefit societies operate as cooperatives or associations (Jenkins, 2021[10]).

Legal frameworks on mutual societies vary among countries. While various 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[11]).

Some countries such as Belgium and France that have adopted legal frameworks on mutual societies generally orient these towards entities that are active in very specific areas, most commonly the insurance and health sectors (Noya and Clarence, 2007[8]). Belgium and Luxembourg, for example, have laws on health insurance mutual societies.[1] 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

A social enterprise is an entity, which trades goods and services, that fulfils a societal objective and whose main purpose is not the maximisation of profit for the owners but its reinvestment for the continued attainment of its societal goals (OECD, 2022[12]). It has the capacity for bringing innovative solutions to social problems, among which are social exclusion and unemployment (OECD, 1999[13]). 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[14]).

Given this hybrid nature of social enterprises, compliance with the three core elements of SSE entities (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 SSE core principles and values. Still, the implementation of statutory laws on social enterprises can be a sensitive topic, specifically in the perception of the “traditional” SSE entities (Ferreira and Almeida, 2021[15]) In Portugal this sensitivity finally led to the exclusion of social enterprises from the framework law (Ferreira, 2015[16]).

Increasingly, countries are recognising the contribution social enterprises make to economic and inclusive growth and sustainable development. Some form of legislation on social enterprises exists in 16 EU countries, and explicit policies or strategies to boost their development exist in the other 11 EU countries (OECD, 2022[17]). It is advised for policy makers to consider providing a specific legal form for social enterprises, as the demand for these legal forms is detected in almost every country (Ferreira and Almeida, 2021[15]; OECD, 2022[17]). Previous work of the OECD identified that different trends and options coexist to regulate the social enterprises. The OECD Manual on Designing Legal Frameworks for Social Enterprises provides a comprehensive overview and guidance on the different approaches to social enterprise legislations and the pros and cons of each option (OECD, 2022[17]).

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Note

[1] Law of 6th of August 1990 on mutual societies and national unions of mutual societies (Belgium); Law of 1st of August 2019 about mutual societies (Luxembourg).

Annex D. 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)	(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. (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 co-operation with state or local authorities, or independently. (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 (Article 5) The subjects of social and solidarity economy shall include cooperatives, not-for-profit, legal persons operating for public benefit and social enterprises.
France	Framework Law on the Social and Solidarity Economy (2014)	(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: A goal other than the mere sharing of profits; 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; A management in accordance with the following principles: The profits are mainly devoted to the objective of maintaining or developing the activity of the company; The compulsory reserves constituted, which may not be shared out, may not be distributed. The statuses 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. II- The social and solidarity economy is composed of the activities of production, transformation, distribution, exchange and consumption of goods or services implemented:

		By legal persons under private law constituted in the form of cooperatives, mutual benefit 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; By commercial companies which, under the terms of their articles of association, fulfil the following conditions: They comply with the conditions set out in paragraph I of this article; They seek to be socially useful within the meaning of Article 2 of this law; They apply specific management principles (see Framework Law for more details).
Greece	Law on Social and Solidarity Economy (4430/2016)	(Article 2.1) "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, co-operation, and respect for people and the environment. (Article 3.1) "Social and solidarity economy bodies" are: a) "Social Cooperative Enterprises", 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, c) Employees' Cooperatives, established by Article 24, 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 (…)
Italy	Law 106/2016 for the Reform of the 'Third Sector', social enterprise and universal civil service	(Article 1) 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.
Luxembourg	Act on Societal Impact Companies (2016)	(Article 1) The social and solidarity economy is a form of entrepreneurship to which legal entities under private law adhere if they fulfil the following conditions: 1. Pursue a continuous activity of production, distribution or exchange of goods or services. 2. Meet primarily at least one of the following two main conditions: – 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; – 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. 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. 4. Apply the principle that at least half of the profits generated are reinvested in the maintenance and development of the company's activity.
Mexico	Law on the Social and Solidarity Economy (2012, last amended in 2019)	(Article 3) 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, co-operation 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. (Article 4) The Social Sector of the Economy shall be composed of the following forms of social organisation:

		– Communal farmlands (*ejidos*); Communities; Workers' organisations; Cooperative Societies; Enterprises that are majority or exclusively owned by the workers; and – In general, all forms of social organisation for the production, distribution and consumption of socially necessary goods and services. (Article 8) The aims of the Social Sector of the Economy are as follows: 1. To promote the values of human rights, social inclusion and, in general, the full development of the human being; 2. To contribute to the socio-economic development of the country, participating in the production, distribution and consumption of socially necessary goods and services. 3. To promote education and training by encouraging practices that consolidate a culture of solidarity, creative and enterprising culture; 4. To contribute to the exercise and improvement of participatory democracy; 5. To participate in the design of plans, programmes and projects for economic and social development, in terms of the applicable legislation; 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; 7. Participate in the generation of sources of work and better ways of life for all people; 8. Promote the full creative and innovative potential of workers, citizens and society, 9. Promote productivity as a mechanism for social equity. (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. (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.
Portugal	Social Economy Framework Law (2013)	(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. (Article 4) The following entities, as long as covered by the Portuguese legal system, are part of the social economy: – 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 – 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. (Article 5) Social economy entities are autonomous and act within the scope of their activities in accordance with the following guiding principles: – The primacy of people and social objectives; – Free and voluntary membership and participation; – Democratic control of the respective bodies by their members; – Conciliation between the interests of members, users or beneficiaries and the general interest; – Respect for the values of solidarity, equality and non-discrimination, social cohesion, justice and equity, transparency, shared individual and social responsibility and subsidiarity;

		– The autonomous and independent management of public authorities and of any other entities outside the social economy; – 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.
Romania	Law on Social Economy (219/2015)	(Article 2) (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. (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. (Article 3) (1) For the purposes of this law, social enterprises may be: (a) cooperative societies of the first degree, operating on the basis of Law No 1/2005 on the organisation and functioning of cooperatives, republished; (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; (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; (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; 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; (f) agricultural companies, which operate on the basis of Law No 36/1991 on agricultural companies and other agricultural associations, as subsequently amended; 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. (2) Federations and unions of legal persons referred to in paragraph (1) may be social enterprises. (Article 4) The social economy is based on the following principles: (a) priority given to the individual and to social objectives over profit-making. (b) solidarity and collective responsibility; (c) convergence between the interests of the associated members and the general interest and/or the interests of a community; (d) democratic control of the members over the activities carried out; (e) voluntary and free nature of the association in the forms of organisation specific to the social economy; (f) separate legal personality, autonomy of management and independence from public authorities; (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.

Slovakia	Act on Social Economy and Social Enterprises (2018)	(Article 3) The social economy is the sum of productive, distributional or consumer activities carried out through economic activity or non-economic activity independently of state bodies, whose main goal is to achieve a positive social impact. (Article 4) (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: (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, (b) are engaged in an economic or non-economic activity within the framework of social economy activities, and (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. (2) For the purposes of paragraph 1 letter a) financing is not the provision of support under this Act or special regulations.
Slovenia	Social Entrepreneurship Act (2018)	(Article 2) 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.
Spain	Law 5/2011 on the Social Economy	(Article 2) 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. (Article 4) The social economy entities act on the basis of the following guiding principles: – 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. – 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. – 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. – Independence from public authorities. (Article 5) 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. 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. 3. In any case, social economy entities shall be regulated by their specific substantive rules.

Note: Authors' translation of official legal texts
Source: Authors' elaboration

Annex E. 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
EU Member States			
Austria		• Cooperative Law (1873) • Limited Liability Company Act (1906) – Public-benefit limited companies • Federal Act on Associations (2002)	
Belgium		• Law on mutual societies and national unions of mutual societies (1990) • 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	
Bulgaria		• Cooperatives Act (1999) – Cooperatives for people with disabilities • Act on Integration of people with disabilities (81/2004) • Act on Enterprises of Social and Solidarity Economy (240/2018). • Act on Non-Profit Legal Entities (81/2000) • Act on Public Cultural Associations (89/1996)	• Bi-annual Social Economy Action Plans, which establish cross-government objectives to promote the development of the social economy in Bulgaria
Croatia		• Act on Trusts and Foundations (OG 36/1965, 64/2001) • Act on Institutions (OG 76/1993, 29/1997, 47/1999, 35/2008) • Act on Cooperatives (OG 34/2011, 125/2013, 76/2014) • Act on Vocational Rehabilitation and Employment of people with disabilities (OG 157/2013, 152/2014) • Act on Associations (OG 74/2014, 70/2017) • Act on Credit Unions (141/2006, 25/2009, 90/2011)	• Strategy for Social Entrepreneurship Development (April 2015)
Cyprus*		• Cooperative Societies Law (22/1985) • Law on Associations and Foundations (104(I)/2017) • Social Enterprise Law (2020) • Companies Law (Cap 113/1968)	• National Action Plan for the Development of Social Enterprise Ecosystem (2018)
Czech Republic		• Business Corporations Act (90/2012) – Cooperatives, Social Cooperatives • Civil Code (89/2012) – Associations, Institutes, Foundations	• Strategy for the Support of Small and Medium Entrepreneurs 2014–2020, which includes social enterprises
Denmark		• Act on Registered Social Enterprises (2014)	

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies and Action plans
Estonia		• Apartment Ownership Act (1995) – Commercial Associations • Foundations Act (1995) • Commercial Code (1995) – Private Limited Company • Non-Profit Associations Act (1996)	• National Development Plan for Civil Society 2015-2020 • National Development Plan for Civil Society 2021-2030 (under development)
Finland		• Act on Social Enterprises (1351/2003) (revised in 2012) • Cooperatives Act (22/1901) • Associations Act (1/1919) • Foundations Act (109/1930) • Insurance Companies Act (174/1933)	
France	• Framework Law on the Social and Solidarity Economy (2014)	• Law on the contract of association (1901) – Associations • Mutuality Code (revised in 2019) – Mutuals • Law 47-1775 (1947) – Cooperatives • Law 87-571 (1987) – Foundations • Law 91-3 (1991, revised in 2018) – Insertion Enterprises • Law 2001-624 (2011) – Collective interest cooperatives (SCIC) • Framework Law on Social and Solidarity Economy (2014) – Solidarity Enterprises of Social Utility (ESUS), Cooperatives of Activity and Employment (CAE)	• Growth Pact for SSE (2018)
Germany		• German Cooperatives Act (revised in 2006) • Public benefit legislation (2013) • German Civil Code (2002) – Associations, Foundations • German Commercial Code (1897) • Fiscal Code (1977, revised in 2002) • Limited Liability Companies Act (1892, last amended in 2021)	
Greece	• Law on Social Economy and Social Entrepreneurship (4019/2011) • Law on Social and Solidarity Economy (4430/2016)	• Law on Mental Health Services (2716/1999) – Limited Liability Social Cooperatives (KoiSPE) • Law on Civil Cooperatives (1667/1986) • Law 602/1915 - Agricultural Cooperatives • Law 3190/1955 - Limited Liability Companies • Law 921/1979 - Women's Agrotourism Cooperatives • Law 4430/2016 - Social Cooperative Enterprises, Workers Cooperatives	
Hungary		• Act 141 on Cooperatives (2006) – Social cooperatives and sub-types such as school cooperatives or employment cooperatives • Act CLXXV on the Freedom of Association, Non-profit Status and the Operation and Support of Civil Organizations (2011) – NGOs with economic activities • Act V of the Civil Code (2013) • Business Associations Act (4/2006)	
Ireland		• Companies Act (1963-2013) – Company Limited by Guarantee • New Companies Act (2014)	• National Social Enterprise Policy 2019-2022
Italy	• Law 106/2016 for the Reform of the 'Third Sector', social enterprise and universal civil service • Legislative Decree 117/2017, Code of third sector entities	• Law 3818/1886 – Mutual benefit societies • Law 381/1991 – A-type social cooperatives engaged in social, health and educational services and B-type social cooperatives engaged in work integration • Legislative Decree 112/2017 – Revision of the Social Enterprise Law	

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies and Action plans
Latvia		• Commercial Law (2002) • Association and Foundations Law (2004) • Public Benefit Organisation Law (2004) • Social Enterprise Law (2018)	
Lithuania		• Law on Social Enterprises (2004) • Decree No.4-20 (2015) – Social Business • Law of Associations (1969) • Law on Cooperative Societies (1993) • Law of Charity and Sponsorship Foundations (1996) • Law on Public Establishments (1996)	
Luxembourg	• Act on Societal Impact Companies (2016)	• Law on Non-Profit Associations and Foundations (1928) • Law on the Restoration of Full Employment (41/2009) - Work Integration Social Enterprises • Law on Commercial Societies (1915, revised in 2017 and 2021) – Cooperatives, Limited Liability Companies	
Malta		• Social Enterprise Act (2022) which seeks to offer both a new legal form of 'social enterprise company' and a 'social enterprise organisation' label • Cooperatives Societies Act (2002) • Voluntary Organisations Act (2007)	
Netherlands		• Civil Code – Associations, Foundations, Public Limited Companies, Private Limited Companies	
Poland	• Act on the Social Economy (2022)	• Act on Vocational and Social Rehabilitation and Employment of Disabled Persons (1997) – Professional activity establishments (ZAZ) • Law on Social Cooperatives (2006) • Code of Commercial Companies (2000) • Act on Foundations (1984) • Act on Associations (1989)	• National Programme for Social Economy Development
Portugal	• Social Economy Framework Law (2013)	• Decree-Law No. 72/90 (1990) – Mutual Associations • Code (51/1996) • Law on Private Institutions of Social Solidarity (IPSS) (172-A/2014) • Cooperative Code (2015) • Decree-Law 7/98 (1998) - Social Solidarity Cooperatives • Framework Law on Foundations (24/2012) • Code of Mutual Associations (190/2015)	
Romania	• Law on Social Economy (219/2015)	• Law on Protection of People with Disabilities (448/2006) - WISEs • Government Ordinance 26/2000 - Associations, Foundations • Law 540/2002 - Mutual Aid Associations of Retirees (RMAA) • Law on the Organisation and Functioning of Cooperatives (1/2005)	• National Strategy for Social Inclusion and Poverty Reduction 2014-2020
Slovakia		• Act on the Employment Services (5/2004, amended in 2008) • Act on Social Economy and Social Enterprises (112/2018) • Act on Public Association (83/1990) • Commercial Code (513/1991) • Act on Small Business (455/1991) • Act on Non-Profit Organisations (213/1997) • Act on Foundations (34/2002) • Act on the Commercial Register (530/2003)	

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies and Action plans
Slovenia		• Act on Institutes (1991) • Act on Cooperatives (1992) • Act on Foundations (1995) • 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 • Act on Associations (2006) • Social Entrepreneurship Act (2011, revised in 2018) • Act on Non-Governmental Organisations (2018)	• Strategy for the Development of Social Economy from 2021-2031
Spain	• Law 5/2011 on the Social Economy	• Royal Decree 1776/1981 – Agrarian Transformation Societies • Law 27/1999 – Cooperatives, Social Initiative Cooperatives, Mixed Cooperatives • Law 1/2002 – Associations • Law 50/2002 – Foundations • Royal Decree 1420/2002 – Mutuals • Law 44/2007 – Social Integration Enterprises • Law 3/2011 – Fishermen's Guild • Law 44/2015 – Labour Societies • Law 21/2015 – Employment Integration Enterprises • Special employment centres (1/2013, revised 9/2017) • Royal Decree 1/2013 on the Rights of Persons with Disabilities and their Social Inclusion • Royal Decree 1993/1995 – Mutual Societies for Work Accidents and Occupational Diseases of the Social Security	• Strategy on Social Economy 2017-2020
Sweden		• Economic Associations Act (1987, revised in 2018) • Foundation Act (1994)	• Strategy for Social Enterprise and Social Innovation (2018)
Non-EU countries			
Brazil		• General Law of Cooperatives (1971) • Federal Constitution (1988) • Law No. 9.637/1998 – Social Organisation (OS) • Law No. 9.790/1999 – Public Interest Civil Society Organisation (OSCIP) • Law No. 9.867/1999 – Social Cooperatives • Civil Code (2002) – Associations, Foundations, Cooperatives • Law No. 12.101/2009 – Nonprofit Organisations granted with a Certificate of Beneficent Social Assistance Entity (CEBAS) • Law 130/2009 – Credit Cooperatives • Law 12.460/2012 – Worker Cooperatives • Law 13.019/2014 – Civil Society Organisations	• National Strategy of Impact Investment and Social Business ENIMPACTO (2017) • National Policy for Solidarity Economy (Bill 6606/2019, not approved yet) – defines the status of Economic Solidarity Ventures.
Canada		• Insurance Companies Act (1991) – Mutuals • Credit Unions and Caisses Populaires Act (1994) • Canada Cooperatives Act (1998) • Not-for-profit Corporations Act (2009) – Associations • Non-profit Law (2012) – Non-for profit Organisations, Charitable Organisations, Foundations • Community economic development (CED) charities (2012, revised 2017)	
India		• Societies Registration Act (1860) • Indian Trusts Act (1882) • Waqf Act (1995) • The Multi State Co-operative Societies Act (2002) • Companies Act (2013) – Section 8 companies • Foreign Contribution Regulation Act (FCRA) (2020)	

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies and Action plans
Korea		• Agricultural Cooperatives Act (1957) • Fishery Cooperatives Act (1962) • Credit Union Act (1972) • Consumer Cooperative Act (1999) • Social Enterprise Promotion Act (SEPA) (2007) • Special Act on the Improvement of Quality of Life for Rural Communities (2011) - Rural Community Enterprise Scheme • Framework Act on Cooperatives (2012) • National Basic Living Security Act (2012) – Self-reliance Enterprises • Special Act on Promotion and Support for Urban Regeneration (2013) – Community Enterprises	
Mexico	• Social and Solidarity Economy Law (2012, latest revision in 2019)	• Federal Civil Code (1928, revised in 2021) – Civil Societies and Associations • Law of Limited Liability Societies of Public Interest (1934, revised in 2012) • Law of Social Solidarity Societies (1976, revised in 2018) • 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) – Foundations, Charities, and Trusts • Law of Agricultural and Rural Insurance Funds (2005) • General Law of Cooperative Societies (2009, latest revision in 2018) • Agrarian Law (2012, latest revision in 2018) – Ejidos, Communities, Rural Production Societies, Rural Associations of Collective Interest	
United Kingdom		• Industrial and Provident Societies Act (IPSA) (1965) • Co-operative and Community Benefit Societies Act (2014) • Companies Act (2006) - Company Limited by Guarantee (CLG), Company Limited by Shares (CSL), Community Interest Company (CIC), Public limited company, Private limited company • The Community Interest Company Regulations (2005) • Charities Act 2011 - Charitable Incorporated Organisation (CIO)	• Social investment: a force for social change - UK strategy 2016
United States		• Statutory Public Benefit Limited Partnership (SPBLP)	

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

*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".

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.

Annex F. 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
		EU Member States	
Belgium	• Wallonia: Decree on the social economy (2008)	• Brussels-Capital Region: Ordinance on the accreditation and support of social enterprises (2018) • Flanders: Decree on the support of entrepreneurship in the social economy and the promotion of CSR (2012) • Legal forms accredited as WISE's (accreditation delivered by regional authorities)	• 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. • Flanders: Flemish Action Plan towards more ethical public procurement • Wallonia: Circular on the implementation of a sustainable purchasing policy for Walloon regional contracting authorities (2013)
Czech Republic			• The Pardubice region launched a programme in 2018 to provide up to EUR 8000 to new social enterprises.
Denmark			• 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.
Germany			• A number of larger cities such as Berlin, Munich and Cologne have also pursued support strategies promoting social entrepreneurship. • Bavaria • The Bavarian Ministry for Social Affairs can award up to EUR 30 000 of kick-start funding to social cooperatives. • Bavaria's Initiative on Social Cooperatives created an expert group to provide guidance on how to support social cooperative development.

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies, plans and other support mechanisms
Italy	• Trento: Regional law on the Social and Solidarity Economy (LP 1706/2010, n. 130) • Lazio: Regional law on the Social and Solidarity Economy (LR (04/08/2009, n. 10) • Tuscany: Region law on the Third Sector (22/07/2020, n. 65)		• The Piedmont region operates a guarantee fund for social cooperatives • The Trento region operates the Intervento 18 initiative, which provides subsidies to social cooperatives to support employment and inclusion of disadvantaged groups.
Netherlands			• A number of cities including Amsterdam and Utrecht have initiated municipal level strategies or direct subsidies to support social enterprises (see Annex D).
Spain	• Galicia: Law on the Social Economy (6/2016)	• 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) • Employment integration enterprises (EI) – Andalucia, Aragon, Baleares, Canarias, Catalonia, Castilla La Mancha, Castilla Y Leon, La Rioja, Madrid, Navarra, Basque Country, Valencia • Cooperatives – Catalonia (Law 12/2015) • Social Security Mutual Societies – Catalonia (Law 10/2003)	• Barcelona City Council Decree for Socially Responsible Public Procurement (4043/13) • Basque Social Economy Office (within Basque Department of Work and Justice) • Galicia: Social Economy Council • Navarra: Social Economy Plan (2017-2020) • All autonomous communities have departments specifically focused on cooperatives.

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies, plans and other support mechanisms
		Non-EU countries	
Brazil			• Bahia: State Policy for the Promotion of Solidarity Economy (2011) • Espirito Santo: State Support Policy for Solidarity Economy (2006) • Federal District: State Policy for Impact Investments and Social Businesses (2021) • Minas Gerais: State Policy for Impact Investments and Social Businesses (2020) • Paraíba: State Policy for Impact Investments and Social Businesses (2021) • Pernambuco: State Policy for Solidarity Economy (2006) • Rio Grande do Norte: State support to Popular Solidarity Economy (2006); State Policy for Impact Investments and Social Business (2019) • São Paulo: State Policy for Solidarity Economy (2011) • Santa Catarina: State Policy of Solidarity (2019) • Rio Grande do Sul: State Policy in support of Popular Solidarity Economy (2019) • Rio de Janeiro: State Policy of Solidarity Economy (2019); State Policy for Impact Investments and Social Business (2019)
Canada	• Québec: Social Economy Act (Loi sur l'économie sociale) (2013)	• Québec: Cooperatives Act (1982) • Manitoba: Cooperatives Act (1998) • Nova Scotia: Community Interest Company (CIC) (2012) • British Columbia: Community Contribution Company (CCC) (2013)	• Québec: • Social Economy Action Plan (2015-2020) • Social Economy Action Plan (2020-2025)
India		• State of Maharashtra • The Maharashtra Public Trusts Act (1960) • The Maharashtra Co-operative Societies Act (1960) • State of Andhra Pradesh • Co-operative Societies Act (1964) • Charitable and Hindu Religious Institutions and Endowments Act (1987) • Mutually Aided Co-operative Societies Act (1995) • State of Telangana • Co-operative Societies Act (1964) • Charitable and Hindu Religious Institutions and Endowments Act (1987) • Mutually Aided Co-operative Societies Act (1995) • Union Territory of Delhi • Co-operative Societies Act (1972)	

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies, plans and other support mechanisms
Korea	• Seoul Metropolitan City Framework ordinance on Social Economy (2014) • 17 metropolitan governments have enacted a framework ordinance on Social Economy.	• Community businesses are overseen by and register with local governments.	
Mexico		• Federal District: Cooperative Development Law (2006) • 8 states have legal frameworks governing mutual societies, which are not regulated at the federal level • Civil Societies and Civil Associations are regulated by the Civil Code of each State. • Laws for Welfare Private Institutions and Laws on Charity in several States	• 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
United Kingdom			• Scotland's Social Enterprise Strategy 2016-2026 • Scotland's Social Enterprise Action Plan 2021-2024

	Framework laws on the SSE	Specific laws on the SSE entities	Strategies, plans and other support mechanisms
United States		Delaware • General Corporation Law (2006) – Charitable Nonprofits • Uniform Unincorporated Nonprofit Association Act (2011) • Trust Law (2012) – Charitable Trusts • Corporation Law for Cooperative Agricultural Associations (2012) • Limited Liability Company Act (2014) • Workers Cooperative Act (2016) • General Corporation Law, Subchapter XV (2013, latest revision in 2020) – Public Benefit Corporations • Insurance Code, Chapter 31, § 3107 (2017) – Credit Union Groups • Revised Uniform Limited Partnership Act (2018) California • Corporations Code, Title 1, Nonprofit Corporation Law (1978) • Credit Union Law (1979) – Credit Unions • Civil Code, § 817-817.408 (2009) – Limited Equity Housing Cooperatives / Workforce Housing Cooperative Trust • Probate Code, § 15000-19530 (2011) – Charitable Trusts • Corporations Code, Title 3 (2011) – Unincorporated Associations • Corporations Code, Title 1, Social Purpose Corporations Act (2014) • Corporations Code, Title 1, Cooperative Corporation Law (2015) • Corporations Code, Title 1, Corporations for Specific Purposes – Nonprofit Cooperative Agricultural Marketing Associations, Benefit Corporations New York • Not-for-Profit Corporation Law (2013) • Benefit Corporation Law (2013) • Trust Law (2013) – Charitable Trusts • Cooperative Corporations Law (2013) – Worker Cooperative Corporations, Agricultural Cooperative Corporations, Credit and Agency Corporations	

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

Annex G. 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
	EU Member States	
Austria	• Tax benefits are granted for any public-benefit limited company, association, foundation and any other organisation pursuing public-benefit goals. • 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. • 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. • 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.	• 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.
Belgium	• Under certain conditions, WISEs benefit from a reduced VAT rate. • Social security tax breaks are provided in the healthcare and social service sectors. • WISEs' profits are placed into asset locks and are subject to tax reductions at the regional level.	• 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. • 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. • Several social economy consulting agencies (*Agences-conseil)*, which are recognized support and advice structures for social enterprises, currently operate in Wallonia.

	Fiscal benefits for the SSE	Other support mechanisms for the SSE
Bulgaria	• 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. • Insertion enterprises (cooperatives of and for disabled) can request the assignment of the annual corporate tax due. A reimbursement up to 30% off the insurance contributions for the total number of working staff. • Tax reduction to institutional donors of up to 10% of the accounting profit donating to social enterprises.	• The Working Group on Social Economy oversees the implementation of Social Economy Action Plans.
Croatia	• 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). • Non-profit organisations that are not carrying economic activities are not obliged to pay profit tax. • Individuals and companies may receive a reduced tax base for donations to NPOs in the amount up to 2% of their annual income. • 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.	• 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.
Cyprus		
Czech Republic	• Associations, foundations, religious groups, public benefit companies and non-profit legal forms enjoy a range of exemptions from income taxes. • All organisations that employ persons with disabilities enjoy specific income tax reductions valued up to EUR 2300.	• Social enterprises can apply for funding for community service jobs if they are involved in maintenance of public areas or greenery etc. • 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.
Denmark	• 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. • Organisations and social enterprises with the public-benefit status can use a reduced VAT rate of 7%, instead of the normal rate of 19% • Social enterprises do not benefit from any exemption on indirect labour costs. If they have employees, they must follow all regulations	• The Danish Centre for Voluntary Effort is a government-run centre that promotes the non-profit sector. • Many support mechanisms for the SSE were discontinued in 2015 due to shifting policy priorities at the national level.
Estonia	• Organisations that hire disadvantaged workers are exempt from social security costs. • 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.	• 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. • If a non-profit organisation has been successful in any EU-funded calls, the National Foundation of Civil Society co-finances its projects. • The National Foundation for Civil Society and the Good Deed Foundation established the Social Innovation Incubator in 2016.

	Fiscal benefits for the SSE	Other support mechanisms for the SSE
Finland	• WISEs and labour cooperatives are eligible for public wage subsidies for disadvantaged employees that vary depending on the specific characteristics of the employee. • 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. • Specific business operations such as health care, social services, education, vocational training and others are exempt from VAT.	• 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.
France	• SCICs' revenue that is allocated to the asset lock is tax-exempt. • Sports and cultural associations can be exempt from corporation tax on services provided to their members. • Foundations are not subject to corporation tax for activities directly related to their purpose. • SCICs' VAT rate depends on the activity carried out. • Sports and cultural associations can be exempt from VAT on services provided to their members. • Foundations are not subject to VAT for activities directly related to their purpose. • Associations and WISEs can benefit from reduced social security taxes for the employment of workers under certain conditions. • 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.	• Social economy enterprises have access to regional support schemes dedicated to innovation. • Associations are eligible for employment subsidies if they hire unemployed or low qualified workers. • All enterprises are eligible for public grants according to their activity field (social services, home care services, childcare, cultural activities, sports, etc.) • 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.
Germany	• 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.	• From 2012-2014, Germany's development bank KfW operated a funding programme for social enterprises. • KfW provides low-interest loans to third sector organisations for a range of activities. • KfW has provided start-up coaching to social entrepreneurs since 2015.
Greece	• Limited liability social cooperatives are exempted from income municipal and corporate taxes, except VAT.	• There is extensive support infrastructure in the form of incubators and accelerators for SSE organisations across Greece • 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. • Limited liability social cooperatives benefit from favourable public procurement status by national and local authorities.
Hungary	• Organisations that qualify for public benefit status (including social cooperatives, associations, foundations and non-profit companies) enjoy tax exemptions/reductions. • 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. • Associations and foundations are exempt from local taxes.	• National Co-operation Fund
Ireland	• Guarantee companies that obtain a charity number may be eligible for specific tax exemptions.	• Social Innovation Fund

	Fiscal benefits for the SSE	Other support mechanisms for the SSE
Italy	• Social cooperatives entities with SE status have advantageous corporate tax conditions (IRES). • A-Type social cooperatives enjoy a favourable (5%) VAT rate if they provide services such as healthcare, education and welfare support to disadvantaged people. • B-Type social cooperatives are exempt from the payment of social insurance contributions for the disadvantaged workers they have integrated. • 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. • Donations of goods and services for public benefit purposes may receive tax advantages. • Public benefit provisions govern non-profit companies if they have public benefit status. In this case, non-profit companies do not need to pay taxes after their public benefit activities and remain exempt from local business tax. • 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.	• The Marcora Fund facilitates access to finance for cooperatives • The Ministry of Economic Development has actively supported social enterprises and social cooperatives since 2015.
Latvia	• 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. • Donors to WISEs are eligible for certain tax reimbursements.	• 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. • 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.
Lithuania	• 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. • VAT is not applied to any activities related to public benefit services.	• 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.
Luxembourg	• SISs can benefit from exemptions from corporate income tax, communal business tax and net wealth tax.	• Department of Social and Solidarity Economy • 6zero1 is a government-run incubator supporting SISs • SSE Cluster of the Greater Region is an initiative supporting SSE development in Luxembourg and the French region of Meurthe and Moselle.
Malta	• Voluntary organisations and cooperatives are exempt from income tax.	• Registered voluntary organisations may make public collections without any further authorisation and benefit from grants, sponsorship or other financial aid. • 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.

	Fiscal benefits for the SSE	Other support mechanisms for the SSE
Netherlands	• 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. • 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.	• 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." • 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.
Poland	• Some exemptions from income tax under certain conditions. • ZAZs and ENPOs are VAT exempt under certain conditions. • 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	• About 60 EU-funded social economy support centres provide business support services to SSE organisations.
Portugal	• Private Institutions of Social Solidarity enjoy exemptions from business tax, VAT, property tax and donation-based income. • Associations and foundations are exempt from business taxes and VAT for the provision of public-benefit related services. • 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.	• The Antonio Sergio Cooperative for the Social Economy promotes the social economy.
Romania	• Associations, foundations, social enterprises and cooperatives enjoy tax exemptions on income while their donors can claim tax reimbursements form their donations. • No SSE organisations enjoy reduced social security contributions.	• 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. • Several funding schemes have been launched under the European Social Fund, including the "Support for Social Enterprises start-up" launched in August 2018.
Slovakia	• Civic associations and NPOs providing socially beneficial services and foundations are exempt from taxes for the non-profit activities. • VAT applies only in cases of SEs whose yearly taxable income is 50 000 EUR. • 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. • 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. • Tax percentage assignation model under which legal entities and natural persons may participate.	• All enterprises that create jobs for disadvantaged jobseekers can apply for a public subsidy supporting the newly created or sustained job. • A spectrum of financial aid schemes (investment and compensatory aid) has been introduced under Act on Social Economy and Social Enterprise.
Slovenia	• Associations, institutes, and foundations are exempt from paying taxes for non-profit activities. • Exemption from VAT for activities in the public interest and if taxable income does not exceed 50 000 EUR per year • Companies and employment centres people with disabilities are exempt from paying taxes and social security contributions for all employed persons in the company	• 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.

	Fiscal benefits for the SSE	Other support mechanisms for the SSE
Spain	• 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. • Special employment centres for social initiative can benefit from direct subsidy and reduction in the annual business tax for each people with disabilities hired. • 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. • 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 • Donors (legal entities or physical persons) have no tax relief or other types of benefits.	• 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).
Sweden	• 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. • 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.	• 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.
Non-EU countries		
Brazil	• 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. • 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. • 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. • 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). • Some states have full or partial tax exemptions on donations for non-profit entities.	• The National Cooperative Learning Service (SESCOOP), which is run by representatives of Ministries of the Federal Government, the Organisation of Brazilian Cooperatives, workers of cooperative societies and Regional Councils, has the objective of providing professional training, socially promoting cooperative employees, and monitoring cooperatives throughout the country.
Canada	• Non-profit organisations and registered charities are exempt from income tax, including tax on capital gains. • In some provinces, non-profit organisations also benefit from tax exemptions on goods and services (GST).	• The Québec 2020-2025 Action Plan for the Social Economy includes various support measures such as supporting the centres for social economy, financing innovative mutualisation projects, and raising awareness among government and municipal official about public procurement from SSE organisations.

	Fiscal benefits for the SSE	Other support mechanisms for the SSE
India	Tax Registered Charity • 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. • 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). • Any benefit or cash assistance received by a person from a Tax Registered Charity is not taxable in the hands of the receivers. Co-operative Society • For co-operative societies, certain incomes (but not all) are not taxable, without any end-use conditions. • For consumer co-operative society, fixed deduction of Rs. 100 000 (income in excess of Rs. 100 000) is chargeable to income-tax Producer Company • Certain incomes of a Producer company are not chargeable to income-tax • Concessions under the Goods and Services Tax (GST), 2017 • 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 • 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. • A Charitable Institution running an educational institution which qualifies to be a “charitable activity” under the GST law, is exempted from charging GST.	
Korea	• 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.	• 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. • The Korea Credit Guarantee Fund provides credits for social enterprises, cooperatives, village companies, and self-sufficiency enterprises.
Mexico	• 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). • Donations received by non-profit entities are exempt from VAT. • 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.	• 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.

	Fiscal benefits for the SSE	Other support mechanisms for the SSE
United Kingdom		• Social Investment Tax Relief Scheme for individual investments into SSE organisations • 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
United States	Charitable Organisations and Private Foundations • 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). • 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). Churches and religious organisations • Churches and religious organisations may qualify for exemption from federal income tax under Section 501(c)(3). Other Non-Profits • 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.	• Main Street Employee Ownership Act (2018) • 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.

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

Annex H. Administrative organisation and legal traditions

Administrative organisation

- **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.
- **Federal countries** (e.g. Brazil, Canada, India, the United States) divide legislative powers among the federal level and the subnational level. 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). 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[1]):
- **Quasi-federal countries** (e.g. Spain) share several characteristics with federal countries, such as a large autonomy devolved to subnational level, while being formally unitary countries according to their constitution.

Legal traditions – civil law and common law

- **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[2]). This trend is also prevalent in their regulations for the SSE. These countries developed legal definitions as well as overarching and specific legal frameworks for the SSE 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 uncodified and does not lead to creating comprehensive compilation of regulation and statutes (O'Connor, 2012[2]). This also is reflected in regulation for the SSE in common law countries such as Canada (except the province of Québec), India, the United Kingdom and the United States. These countries didn't develop codified legal definitions for the SSE 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, SSE organisations such as cooperatives are registered under a variety of legislation: Industrial and Provident Societies Act or Companies Act (Spear, 2014[3]). For context, 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.

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Local Economic and Employment Development (LEED)

Policy Guide on Legal Frameworks for the Social and Solidarity Economy

The *Policy Guide on Legal Frameworks for the Social and Solidarity Economy* aims to support countries, regions and cities wishing to use legal frameworks as an appropriate lever to develop conducive social and solidarity economy (SSE) ecosystems. Building on data and information as well as good practice examples from over 33 countries, it provides step-by-step guidance, success factors and "pitfalls to avoid" to help policy makers i) assess why and when legal frameworks for the SSE are needed; ii) select legal options and involve stakeholders; iii) evaluate the performance of laws, and, iv) foster international peer learning on this topic. The guide also capitalises on learnings from the scoping paper on *Legal frameworks for the social and solidarity economy*, prepared as part of the OECD Global Action "Promoting Social and Solidarity Economy Ecosystems", funded by the European Union's Foreign Partnership Instrument and *Designing Legal Frameworks for Social Enterprises: Practical Guidance for Policy Makers*.

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