



# Recommendation of the Council on the Social and Solidarity Economy and Social Innovation



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## Background Information

The Recommendation on the Social and Solidarity Economy and Social Innovation was adopted by the OECD Council at Ministerial level on 10 June 2022 on the proposal of the Local Employment and Economic Development Directing Committee (LEED DC). The first international standard in this area, the Recommendation provides Adherents with an internationally agreed policy framework to foster social economy and social innovation development and ensure their ongoing expansion.

The social economy is driven by values of solidarity, the primacy of people over capital and by democratic and participative governance. It can pioneer new business models, provide essential services, contribute to a fairer, green and digital transition, create jobs with impact, particularly for those experiencing a disadvantage, engage youth, and build cohesion. In addition to raising awareness and visibility of its various impacts, the Recommendation aims to help Adherents design and implement the policies needed to nurture and develop effective social economy ecosystems.

### ***OECD's work on the social economy***

The social economy and social innovation have increasingly been in the spotlight in recent years. Countries may use different terms to refer to the entities that comprise the social economy in their contexts. Typically, the social economy is made up of associations, cooperatives, foundations, mutual societies and social enterprises. The social economy is a driver of job creation and economic activity with impact. Based on estimates, it accounts for between 2% and 10% of national GDP in OECD Member countries.

The OECD, through the Local Employment and Economic Development (LEED) Programme, has significantly contributed to the conceptual knowledge and practical understanding of the social economy since the mid-1990s. The OECD has expanded its work in the field over the last 25 years, raising awareness of the social economy's contribution to inclusive and sustainable growth at the local, regional and national levels in OECD Members countries and beyond. In addition to in-depth reviews conducted in various OECD Members, including at regional and local level, significant work has been done on social entrepreneurship through the online [EU/OECD Better Entrepreneurship Policy Tool](#) and numerous [publications](#).

### ***Process for developing the Recommendation***

In 2020, the LEED DC identified the social economy as a cutting-edge priority area for the development of an OECD standard. On that basis, the LEED DC discussed further at its April 2021 meeting, and then developed guiding principles on the social economy at its November 2021 meeting. Given the strong interest by countries to take this forward, it was proposed to embody the guiding principles in an OECD Recommendation.

Capitalising on this work, the Recommendation was developed through an iterative process. It benefited from comments, suggestions and views from LEED DC delegates; OECD Members that are not LEED members and a range of OECD policy communities, including the Committee on SMEs and Entrepreneurship, the Regional Development Policy Committee, the Employment, Labour and Social Affairs Committee, and the Education Policy Committee. The building blocks of the Recommendation were also presented to prominent national and international social economy networks and umbrella organisations, during a consultation webinar in March 2022, to collect their views and suggestions.

### ***Scope of the Recommendation***

The Recommendation provides a ground-breaking policy framework, which embeds a holistic approach to finding concrete solutions to barriers and challenges that may hold back social economy organisations.

It recognises the diversity of practice and the need for policy tools applicable to a range of country contexts and varying degrees of development of the social economy. It is based on nine building blocks which provide the conditions for the social economy to thrive at international, national and local level. The nine building blocks include: 1) social economy culture; 2) institutional frameworks; 3) legal and regulatory frameworks; 4) access to finance; 5) access to markets; 6) skills and business development support; 7) managing, measuring and reporting impact; 8) data; and 9) social innovation.



### **Next steps**

The LEED DC will support the implementation of the Recommendation and report to Council in 2027.

In order to support Adherents' implementation, the LEED DC is working on an implementation toolkit with detailed guidance on how to implement the nine building blocks underpinning the Recommendation, practical information as well as relevant good practice examples that Adherents could use as a resource in the design of their own policies.

In parallel, the OECD will continue to develop relevant country reviews, thematic work, and good practice reports as well as organise roundtables, workshops and conferences to monitor activities and emerging trends on the social economy and social innovation to ensure that the Recommendation remains relevant over time.

For further information, please consult <https://www.oecd.org/cfe/leed/social-economy/>.

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**THE COUNCIL,**

**HAVING REGARD** to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

**HAVING REGARD** to the standards developed by the OECD in the area of public procurement and investment, public governance, tax, corporate governance, responsible business conduct, entrepreneurship and policies for small and medium-sized enterprises, gender equality, youth, and regional development;

**RECOGNISING** that the social economy has gained political prominence and is increasingly recognised for playing a pioneering role in building inclusive societies and strong local communities, contributing to economic growth, paving the way to a more sustainable industry and ensuring a fair twin transition (green and digital) and more circular economies;

**RECOGNISING** that the social economy is a strong vehicle for creating jobs with impact, engaging youth, promoting gender equality, addressing informal employment, supporting the work integration of disadvantaged groups and helping with the future of work;

**RECOGNISING** that the social economy contributes to economic and social resilience due to the nature of its activity and business models that are well-equipped to resist shocks, and is active in essential sectors such as the health sector and social services, in addition to other vital economic and social sectors;

**RECOGNISING** that the social economy strongly contributes to the effectiveness of regional and local development in different ways. It reinforces local social and economic capital in territories and provides public welfare services. It also helps implement locally-specific strategic priorities;

**RECOGNISING** that the distinctive feature of the social economy is that it: has a focus on economic practices that address societal (i.e. social and/or environmental) needs; organises economic activities building on local roots; and works in close co-operation with other relevant stakeholders, e.g. public authorities, academia, citizens, civil society, business community;

**RECOGNISING** that the social economy is a driver of social innovation, which in turn supports new models in the wider economy and society such as fair trade, ethical finance, circular economy practices and platform cooperatives;

**RECOGNISING** that given the increased importance of the social economy, countries are seeking international examples and policy guidance to scale the social economy and its impact from an economic, employment, social and environmental perspective;

**RECOGNISING** that countries need to develop institutional and legal frameworks, policies and measures to support the social economy in reaching its full potential;

**CONSIDERING** that there is no internationally agreed standard to guide countries in setting policy environments and conditions to develop their social economy;

**RECOGNISING** that the OECD has gathered substantial evidence and developed expertise on the main policy challenges hindering the development of the social economy, in particular through co-operation with other international organisations;

**CONSIDERING** that policy making for the social economy occurs at different levels of government, involving civil society actors, in accordance with national and institutional frameworks and that, therefore, this Recommendation is relevant at all levels of government.

## On the proposal of the Directing Committee of the Co-operative Action Programme on Local Employment and Economic Development:

I. **AGREES** that, while national, subnational and local definitions may vary in terminology and substance, for the purposes of the present Recommendation, the following definitions are used:

- **Social economy**, also referred to in some countries as **solidarity economy** and/or **social and solidarity economy**, is made up of a set of organisations such as associations, cooperatives, mutual organisations, foundations, and, more recently, social enterprises. In some cases, community-based, grassroots and spontaneous initiatives are part of the social economy in addition to non-profit organisations, the latter group often being referred to as the solidarity 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.
- **Social economy organisations** usually refer to the entities listed above.
- 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.
- **Social innovation** seeks new and cost-effective answers to social and societal problems and refers to new solutions that aim primarily to improve the quality of life of individuals and communities by increasing their well-being as well as their social and economic inclusion. These solutions can be new services, new products and new relationships with stakeholders.

II. **RECOMMENDS** that Members and non-Members having adhered to this Recommendation (hereafter the “Adherents”) 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. To that effect, Adherents should:

1. **Foster a social economy culture** by:

- a. Recognising the role of civil society and all stakeholders (public and private) in addressing economic and social challenges.
- b. Enabling civil society initiatives and providing the possibility for them to transform into social economy organisations in their country context.
- c. Raising public awareness of the opportunities to achieve societal goals through different social economy approaches.
- d. Encouraging network building, cross-sector partnership development and knowledge sharing as well as communities of practice.
- e. Considering inclusion of activities related to the social economy in formal and non-formal learning at all levels, from primary through to postsecondary and adult education.

2. **Create supportive institutional frameworks** by:

- a. Clarifying, when possible, responsibilities among government bodies and across levels of government for better and effective implementation of policies for the social economy.
- b. Facilitating wide and inclusive stakeholder consultation, including under-represented groups, in the design and implementation of social economy initiatives.
- c. Considering, when possible, the establishment of a “one-stop shop” that serves as a single point of reference and/or simplifying supports at all levels of government for social economy organisations to access information, resources and support services.

- d. Designing policies and adopting measures that reinforce and mainstream gender equality, in the social economy as well as highlighting best practices of the social economy in this area that could inspire the wider economy.
  - e. Promoting when possible an institutional environment, including through the engagement of stakeholders, that facilitates co-ordination, promotes coherence and effectiveness, and helps mainstream the social economy in public policies and across levels of government.
  - f. Considering mainstreaming and building upon the various contributions of the social economy to support critical policies regarding the green and digital transitions as well as strategic global goals such as the Sustainable Development Goals and the Paris Agreement.
  - g. Fostering co-operation, collaboration and partnerships between social economy organisations and all levels of government, businesses, social innovators, and educational institutions, to the benefit of all stakeholders, when possible.
  - h. Encouraging other institutional bodies, such as chambers of commerce, to engage with social economy organisations and promote their interaction with the broader business community.
3. **Design enabling legal and regulatory frameworks** by:
- a. Engaging with social economy organisations to better design legal frameworks for them, including their members.
  - b. Identifying areas where existing legal frameworks disadvantage social economy organisations, compared to other types of economic actors.
  - c. Recognising and promoting different legal forms for social economy organisations, when appropriate, especially for newer types of social economy organisations such as social enterprises.
  - d. 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.
  - e. 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.
  - f. 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.
4. **Support access to finance and funding** by:
- a. Developing and pursuing, where possible, a comprehensive public funding strategy for the social economy, in compliance with regulations regarding aid to enterprises, to improve the long-term financial sustainability of social economy organisations.
  - b. Identifying barriers and supporting access of social economy organisations to existing mainstream financial instruments and support schemes at all levels to expand their access to finance, including options such as direct loans, guarantees, venture capital or equipment financing.
  - c. Boosting the financial competencies and investment readiness of social economy organisations through training and educational opportunities tailored to their needs, or by allocating funds directly to them so they can identify and address their specific investment readiness needs.
  - d. Encouraging the use of innovative and alternative financing mechanisms such as collaboration with ethical finance, credit unions, social and savings banks as well as crowdfunding.

5. **Enable access to public and private markets by:**

- a. Facilitating access, when appropriate, of social economy organisations to public procurement opportunities.
- b. Encouraging the use of social and/or environmental considerations and clauses in public procurement through clear national or local procurement strategies and through legislation.
- c. Developing the skills and capacity of procurement officials (private and public) as well as their market knowledge and contacts with social economy organisations, including through dedicated trainings.
- d. Encouraging social economy organisations to use private markets as a source of financial sustainability through the development of partnerships with the wider business community.
- e. Supporting social economy organisations to use opportunities that new technologies offer to access both public and private markets through online market places.
- f. Developing support materials, such as training programmes and technical guides, which help social economy organisations learn more about how to access public and private markets.

6. **Strengthen skills and business development support within the social economy by:**

- a. Leveraging, when possible, public funding instruments to facilitate access to dedicated education and training programmes on the social economy within and alongside schools and universities.
- b. Providing access to coaching as well as affordable and adapted mentoring programmes for social economy organisations and social entrepreneurs.
- c. Facilitating access to capacity and business development support for social economy organisations in all places (urban and rural) tailored to their needs and affordable.
- d. Allowing, where appropriate, social economy organisations to access existing business development services.

7. **Encourage impact measurement and monitoring by:**

- a. Promoting the development of indicators and criteria for social impact measurement in public policies and programmes.
- b. Encouraging social economy organisations to use part of the resources they receive from public authorities in the form of subsidies or contracts for social impact measurement.
- c. Supporting the design and dissemination of guidance on social impact measurement methods tailored to the social economy.
- d. Promoting the measurement of the non-market value, in addition to market value, of social economy organisations to better analyse their performance and assess their social impact, including on well-being.
- e. Supporting capacity to conduct social impact measurement by offering dedicated funding or training from specialised intermediaries and by mobilising other resources, including networks of expertise.

8. **Support the production of data by:**

- a. Promoting methodologies and guidelines to data collection and production as well as fostering a common understanding of international approaches to produce comparable statistical information on the social economy at the international, national and regional/local levels.

- b. Collecting evidence on the social economy in official statistics by building on existing data and statistical business registers, observatories or launching dedicated surveys (census or sample surveys) and supporting dedicated satellite accounts.
- c. Exploring complementary data sources that may be outside the scope of official statistical business registers, such as annual surveys conducted in collaboration with networks, and registries created by representative social economy organisations.
- d. Encouraging co-production of statistics through working groups composed of governmental bodies in charge of statistics or national statistical institutes, universities and research institutes as well as users.

9. **Encourage social innovation** by:

- a. Developing an understanding of social innovation at the national and local level, including the factors that help social innovation ecosystems emerge and scale.
- b. Setting up policies and evaluating them, encompassing demand-side measures (aimed at creating a market for social innovations) and supply-side measures (aimed at increasing the number and the quality of social innovations).
- c. Promoting social innovation through incubators, competence centres, training, and collaboration with public authorities and higher education institutions to encourage experimentation and upscaling.
- d. Capitalising on the potential of social innovation to enhance local development and the resilience of marginalised and peripheral areas.
- e. Harnessing existing networks in local communities to support social innovation in places.
- f. Encouraging social innovation to promote social and sustainable practices in line with the Sustainable Development Goals agenda.
- g. Considering social innovation within broader innovation policy, including for agendas such as the green transition and digitalisation.
- h. Supporting social innovation to reduce the negative externalities of economic activities through partnerships between social economy actors, businesses and social innovators.

III. **INVITES** the Secretary-General to disseminate this Recommendation.

IV. **INVITES** Adherents to disseminate this Recommendation at all levels of government.

V. **INVITES** non-Adherents to take account of and adhere to this Recommendation.

VI. **INSTRUCTS** the Directing Committee of the Co-operative Action Programme on Local Employment and Economic Development to:

- a. Serve as a forum for exchanging information on the social economy and social innovation, including experience with the implementation of this Recommendation, and with a view to foster multi-stakeholder and interdisciplinary dialogue.
- b. Monitor activities and emerging trends on the social and solidarity economy as well as social innovation to ensure that this Recommendation remains relevant over time.
- c. Collect and map information with respect to the implementation of this Recommendation and continue to build a body of evidence and experience on data for the social economy, access to finance, access to markets, legal frameworks, mutual recognition of social enterprises, social impact measurement and internationalisation of social economy organisations.
- d. Develop an implementation toolkit to support Adherents' implementation of this Recommendation; and

- e. Report to the Council on the implementation, dissemination and continued relevance of this Recommendation no later than five years following its adoption and at least every ten years thereafter.

## About the OECD

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

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