The Polish Model of the Social Economy: Recommendations for Growth

An invitation for a discussion

Collective effort edited by
Piotr Frączak and Jan Jakub Wygnański
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The Most Important Thing, or: Recommendations in Brief
The Polish Model of the Social Economy: Recommendations for Growth

The Polish Model of the Social Economy: Recommendations for Growth is both the culmination of experiences and results from analytical work under the project ‘In Search of a Polish Model for the Social Economy’ and an invitation to discussion on pathways for development of the social economy in Poland. We believe that this document may serve as a springboard for a straightforward discussion between persons committed to building the social economy and those with influence over its environment. The recommendations contained herein, when submitted to consultations, may we believe provide a basis for formulating a broader strategy for growth of the social economy in Poland.

This document is a summary of many works and discussions concerning the social economy conducted in Poland for more than three years. The Partnership ‘In Search of a Polish Model for the Social Economy’ is responsible for its formulation. The process of developing this document required much time and effort, but we hope that ultimately we have managed to propose interesting solutions. We would like to present these proposals to the broadest possible constituency both of social economy institutions and individuals and institutions who have an influence on the conditions under which the social economy functions. We hope that many social economy institutions treat this document as their own. We particularly hope that it will be viewed in this way by the Standing Conference on the Social Economy (SKES), which acts as a common platform for understanding between various communities involved in the development of the social economy in Poland. It is the SKES in particular that, we believe, should serve as an especially important element of the efforts to realise the recommendations formulated here. Among the most important audiences for this document are the public authorities (the Polish Parliament and the Government). We believe that the social economy in Poland deserves a specially prepared horizontal strategy for its development. The plan to create such a strategy is included in the Strategy for Civil Society Development (SRSO). Now it should undergo significant development so that in the course of the next few months a coherent action plan is created for growth of the social economy in Poland. The document presented here provides, we believe, a solid foundation to prepare that strategy. Other countries that have such a strategy in place (or under development) include England, Scotland, Northern Ireland and Sweden. Compared to other European Union countries (particularly those who have joined the EU recently), Poland has made significant strides in the area of the social economy. If we follow that path, we can make the social economy into a recognisable Polish ‘speciality’.

The recommendations begin with an attempt to view the social economy in a holistic way. We describe its axiological assumptions, definitions and dimensions and attempt to place the Polish experience within an international perspective.

- We point out important ‘support points’ for the Polish model of the social economy. These are entrepreneurship and involvement, helpfulness and solidarity, responsibility and – first and foremost – a concern that the social economy be a mechanism for empowerment of persons, institutions and communities.
- We speak in favour of institutional pluralism in the field of the social economy. We take the view that in this field, institutions originating in the ‘old’ social economy and in the ‘Third Sector’ should work alongside completely new entities (such as social cooperatives).
- We speak in favour of a broad approach to the functions of the social economy and the social enterprises operating within it. In addition to the obvious and most often mentioned functions – particularly concerning integration within the labour market – we also point out other, no less important functions, such as delivery of public services, services of a mutual character, services on the open market, delivery
of public goods and activities toward development of local communities, as well as commercial and production activity from which the profits are devoted to social goals.

The main part of the elaboration is a description of the recommendations which may become an element of support for development of the social economy in Poland. We have divided them into those that are directed toward the social economy sector itself and those that concern the environment in which it operates in a broader sense.

**Internal challenges**

Recommendations are directed to specific legal forms for operations of social enterprises:

- **Traditional social economy enterprises** (particularly including various types of cooperatives), where there is hope for a new beginning, combining both a reference to the fine and rich traditions of the cooperative movement and essential elements of modernisation. The social economy offers an important opportunity to rescue the cooperative movement from its own isolation in relation to other social organisations.

- **The sector of non-governmental organisations**, which, while being careful to maintain proper proportions, may exploit the process of commercialisation as an opportunity to free themselves at least partially from dependence on the public administration and philanthropy, and along the way, to protect their independence, which should be a fundamental value for them. A turn toward commercialisation of their activities also represents a general change in the organisational culture for charitable organisations, in which greater significance is attached to the effectiveness of their operations.

- **New entities of the social economy**, which must seek a balance between support on the part of the state justified by fulfilling integrational functions, and the skill to find their own place under conditions of market competition.

In our view, all of these entities should, to a greater degree than they do now, accent not only their individuality but also the community character of their operations. Such an approach means that the emphasis is no longer on individual institutions, but rather on networks of institutions together creating the foundation for growth of entire local communities. Activeness, trust, mutuality, cooperation, commitment and social entrepreneurship are necessary factors for growth of local communities and characteristics that are decisive for the quality of life of residents. (These are often, essentially, more important than wealth and prosperity in the narrow sense.) All of these characteristics are a condition for preliminary actions in the field of the social economy, and at the same time a product of these very actions. The fact that social capital in Poland is often a deficit good presents on the one hand a barrier to growth of the social economy, and on the other points to what is needed.

Based on the idea of solidarity, the social economy assumes that those who are capable (persons, institutions) should support those who are only starting out. Thus it is necessary to take efforts to establish common representation, integration and technical support, as well as self-help actions and work on common standards for operation of the overall social economy environment.
External challenges

It may be said that the social economy is social to the extent that it enjoys the support of the society. Thus it is the attitude of public opinion, decision-makers, businesspeople (including representatives of financial institutions), and – first and foremost – those who are directly interested (particularly beneficiaries and consumers) that will determine both the extent to which the social economy is truly socialised and whether it achieves economic success.

The social economy is different from business as traditionally understood (even taking corporate social responsibility into account). It is obvious that actions by business may have both negative and positive social effects. But the fact that the actions of traditional business entities bring positive social effects does not automatically make them part of the social economy. The social economy is chiefly characterised by the supremacy of social goals which are realised by economic methods. Thus the social economy must be primarily concerned with societal benefits.

Public opinion should become aware that the social economy is something fundamentally different from traditional philanthropy. Its essence is that for current beneficiaries or care recipients to become to an increasing degree more than an ‘object’ of support, with the dependency or passivity that often comes with it. Social enterprises should act to an increasing degree in favour of the liberation of their care recipients and their inclusion in solving the problems they wrestle with. We need to empower those we are trying to help. This is a challenge both for assistance institutions and for the care recipients themselves, who do not always want, or are unable, to accept real shared responsibility for their own fate. Oftentimes addictions, habits, expectations and fears discourage them from taking upon themselves part of the effort and risk which necessarily accompany actions in the area of the social economy. Indeed, it is the issue of attitudes that probably has the most important influence on whether the social economy in Poland lives up to our expectations.

Consumers make up another important group, in light of the fact that the activity of social enterprises should be based as much as possible on sale of goods and services. They are responsible for choosing to take the social goals of the enterprise into consideration when presented with two similar products. It may be said that ‘buying’ more and more often is tantamount to ‘voting’, that is, speaking out in favour of certain values. Thus consumer education, in the broadest sense, and ‘ethical consumerism’ are necessary for growth of the social economy.

In light of the role played by the state budget in the functioning of the new social economy, politicians and administrative officials should also be well aware of its possibilities. The social economy should not be treated as an additional cost, however, but rather as a social investment. It should be reiterated, for example, that despite the current decline in the unemployment rate in Poland, there remains a numerous group of people who will not enter the labour market without help. (Hint: Poland has the lowest percentage of employment of the handicapped in the entire EU.) It is for these people that an offer of permanent or temporary employment often comes only from social enterprises, and thus they deserve support. The price for neglecting these actions – beyond the obvious human toll – will also include the total of all the social benefits and transfers that will go to persons who continue to be excluded from the labour market. The same is true in other areas. We may pay in the future for current ‘savings’ on education, health care and environmental protection.
The business community, for its part, should understand that social enterprises do not threaten commercial firms with unfair competition. They are rather a method for solving social problems using mechanisms that business itself regards as optimal. The concept of entrepreneurship is not synonymous with profit-seeking, but rather an attitude characterised by a willingness to solve problems and an active relationship to one’s surroundings. In this sense there is a strong foundation for mutual understanding between these two communities. Social economy entities would like to count on extensive support from the successfully developing business community in Poland. This involves substantive support, economic cooperation, and possible indirect financial support in the form of assignment of 1% of corporate income tax.

The social economy is increasingly being used to carry out public tasks, both locally and at a national level, not to mention the international arena. Thus it is important that in the sphere of legislation (regulation), strategy (planning) and intervention (support for solutions), the social economy be reflected in public policy in the broadest sense. It is true that the social economy is an excellent tool for realising strategic plans for development of local communities, regions and the country as a whole. However, this requires specific policies that are well-planned and then implemented, in the area of social assistance and employment policy as well as other areas (education, culture, environmental protection, health care and many more). Social enterprises often present innovative initiatives, taking up entirely new challenges or approaching social problems in a non-standard way (suited to conditions, needs and capabilities). This means that a basic form of assistance would be to make the regulations for various legal forms for doing business more flexible, so that social economy enterprises may reach their full potential.

The concept of flexibility also applies to the issue of access to public funds. Structural funds may provide a strong basis for supporting growth of the social economy and building up its potential for future years. It is necessary, however, to adapt the funds to the needs and capabilities of social economy entities, and to simplify further the system of access to structural funds. An equally important role can and should be played by Polish public funding. Without support on the part of domestic public funds it would be difficult to develop the social economy in Poland. Specific rules for access to these funds by social enterprises are only justified to the extent that entities from the social economy offer societal benefits to a significant degree. It is necessary to develop mechanisms for evaluating these benefits and using them in practise (particularly in the case of ‘social clauses’ in public procurement procedures). Increasing the opportunities for access to public funding must also be accompanied by an awareness that structural funds will not not be available forever, and thus there is a danger in growing dependent on them. This is one more argument in favour of a greater interest in social entrepreneurship in the non-governmental community.

Adopting genuine principles of partnership is crucial to the mutual relations between the social economy and the public administration. This has to do with a deeper sense of partnership, however, which is based on a recognition of the distinctiveness and integrity of the parties, alongside the mutuality of the relations between them. This does not mean that the social economy and the public administration should operate on separate but parallel tracks (ignoring each other, competing or even just complementing one other’s functions). Nor does this involve the administration using organisations by setting the tasks they are to carry out and purchasing services from them (the cheaper the better). It has to do with a deep understanding of the concept of partnership as a modern mechanism for establishing the mutual relations between different sectors. Partnership fits into the principles of the modern philosophy of government, under which traditional hierarchies are not as important as networks of institutions; it is more important for the state apparatus to delegate tasks than to perform them itself; motivating people to act is more important
than ordering them to do so; and space and mechanisms should be created for jointly defining what the public needs are and how they will be met. Non-governmental organisations no longer simply perform tasks set by the administration, but also function as co-authors of local strategies and participants in the debate about the conditions of the local community. They have an opportunity to play both important roles, as service providers but also as sources of knowledge about local needs.

A call for cooperation

The Polish Model of the Social Economy: Recommendations for Growth is an attempt to show that these days the social economy is a challenge for the citizens of the contemporary world to take matters into their own hands, to take responsibility for themselves, for the community in which they live, for changes that are going on in a world of globalisation – changes that more and more frequently have a direct impact on each of us. It is an attempt to show that they should not wait to see what the administration will do, not rely on the invisible hand of the market, but make an effort toward changes designed to raise the quality of life for ourselves, our neighbours, our children and our grandchildren. Ultimately it is an invitation to activity, involvement and entrepreneurship as a skill for changing the world.

WE ENCOURAGE YOU TO REVIEW THE FULL TEXT OF THE RECOMMENDATIONS!
The Polish Model of the Social Economy: Recommendations for Growth
1. Introduction

The goal of this document is to bring together fundamental facts depicting the state of the social economy in Poland and the conditions that must be fulfilled in order for it to grow. This material was developed as part of the project 'eS – In Search of a Polish Model for the Social Economy', but we believe that when submitted to consultations within a broader group of interested persons and institutions, it may provide a common voice for an important part of the social economy community in Poland.

In the initial phase of the eS project, a collection of expert reports, the ‘Project Opening Report’, was prepared, which was the base or point of departure for the work culminating in this publication. All members of the eS Partnership participated to varying degrees in drafting it. In preparing it, we drew upon both international materials and the experiences of specific social enterprises operating in Poland. We realise that notwithstanding the fact that the research, analysis and actions undertaken in our project were designed to cover a very broad field, we were not in a position to address all issues and problems which the social economy has to contend with in Poland. This was the case not only because the topic itself is vast, but also because the social economy is more a social movement than a static set of institutions. We are aware that not all recommendations concerning the social economy are mutually consistent with each other, but in this document we tried first and foremost to concentrate precisely on what there is in common and to describe the threshold conditions which we believe would encourage development of the social economy in Poland. This text is the fruit of the work of many people. It was created by a team

We believe that this document may serve as a springboard for a straightforward discussion within the social economy itself and among those who have influence over the environment in which the social economy functions. The recommendations contained herein, when submitted to consultations, may we believe provide a basis for formulating a broader strategy for development of the social economy in Poland.
of authors drawing on a series of discussions, research, study visits, workshops and conferences, as well as texts supplied by project partners. As a result we obtained a document whose ambition is to describe the specific nature of the Polish model for the social economy. It is on one hand an attempt to say what the social economy is, what it serves, and the conditions under which it operates, and on the other hand a presentation of general recommendations concerning the directions for changes which would foster its growth. Each of the recommendations is preceded by a summary diagnosis of the current state. The recommendations are divided into two main groups. In the first are formulated the postulates directed toward social economy entities themselves, in the belief that if the social economy is to be an important functional element of the socio-economic system, it must rely primarily on its own resources and internal capabilities. The second area of recommendations is aimed at the outside and addresses issues of the social environment in a broader sense, public policies, optimal legal conditions and public funds.
2. Context and Elements of the Polish Model for the Social Economy

2.1. The Social Economy as a New Approach to Solving Social Problems – Basic Principles and Values

The crisis of the welfare state in Western Europe, the breakup of the Eastern bloc with its vision of state socialism, and the globalisation the world is undergoing, economically and politically, mean that there is a more and more anxious search for solutions to confront the new dimensions of economic, social and ecological problems. One solution, though certainly not the only one and not one that will solve all problems, is the idea of the social economy. The social economy appears in various forms all over the world, regardless of the level of wealth, the political system, or the dominant religion in a given country. Some countries appreciate the role of this current in socio-economic growth and cohesion policy. The business community also looks to the idea of social enterprises more and more often as a way to extend their services to the poorest. This idea is thus gaining increasing popularity in the community of non-governmental organisation, which are seeking mechanisms for economic independence for themselves and lasting solutions for those in their care. These are all good reasons to look more closely at the idea of the social economy as a promising method for solving social problems.

These actions are both new and old. In the 19th century, social economy enterprises, functioning chiefly in the form of various types of cooperatives, were directed at the task of mutual assistance to their members, as well as, at least partially, devoting profits to the benefit of the broader society. Today the ‘new’ social economy should be seen primarily from the perspective of entrepreneurship, understood to mean the willingness and skill to take responsibility for one’s own fate, as well as the perspective of civic involvement, understood to mean taking responsibility for the community. ‘Responsibility’ is the key word here, equally important as the word ‘self-organisation’. Responsibility in the economic sphere basically means acting in favour of the greatest possible economic independence and sovereignty (we may define this in brief as ‘economic independence’). In the context of the social economy this means taking efforts to see that
specific individuals, organisations and communities may make sovereign decisions to a greater degree than before about the purpose and forms of their own activity.

To demonstrate the axiological and not purely utilitarian aspect of the existence of the social economy, we would like to emphasise clearly that despite a widely held belief, growth of the social economy – understood to mean the establishment and functioning of particular enterprises of the social economy as well as creation of a system in which such enterprises may function effectively – cannot depend solely on legal and financial conditions. They are very important, but they cannot replace what is most important: changes in the way of thinking about social problems and ways to solve them.

The social economy is thus primarily a specific approach to social reality on the part of particular persons and institutions. This concerns both the attitude toward one’s own problems (action rather than demands), the way to solve them (collective rather than individual), and the goals that are set (the common good rather than narrow group interests). These actions are thus largely based on solidarity and cooperation rather than particularism and competition. Therefore, the fundamental principles and conditions necessary for the activity of the social economy should include the following:

**Entrepreneurship and involvement**

Thinking in categories of the social economy refers to the idea of entrepreneurship as the desire to take responsibility for one’s own fate. Without an entrepreneurial spirit in people, organisations and communities, even the best external conditions will not bring about fundamental changes. Of course this primarily requires changes in people, who must want to take up the challenge and know how to do so, but this will not be possible without a change in the way the social environment functions. The social economy is a specific form of social activeness, and in this respect as well it can function only in an environment where people are involved in joint undertakings, know how to cooperate, and have the confidence in each other which enables them to take joint risks. This means that effective social enterprises must function in an environment where social initiatives and civil initiatives exist as naturally occurring phenomena; then some of them may take the form of a social enterprise. It may be said that enterprises of the social economy are based on social capital and also produce social capital. This statement means that in Poland, where social capital and trust are in short supply, such actions require a lot of effort but are also especially needed.

**Helpfulness and solidarity**

The idea of empowerment which defines the sense of the social economy requires attention first and foremost to the needs and capabilities of people and communities. It is necessary to bring to life the principle of helpfulness as a basic rule guiding the ‘division of labour and responsibility’ in the area of performance of public tasks. It is necessary to change the mentality among the social services (both public and non-governmental), which must lead to a transformation of actions as they have taken up to this point (especially, but not only, in the area of social assistance and employment services) based on the rule of help for self-help. An inseparable element of the social economy must be the principle of the fullest possible inclusion of the people and communities on whose behalf actions are taken, in the process of planning, carrying out and evaluating the effects of those actions.
Prudence and responsibility

It is not enough to know how to act jointly. Effective solution of social problems requires the ability to understand their complex causes. Social sensitivity, solidarity with those who find themselves worse-off, and sympathy for persons who need help must be combined with thinking in systemic categories. A sense of responsibility for one's own actions is important, not only at a direct level, but also indirectly, for example in the form of conscious consumer behaviour (spending money often is or can be a way of 'voting' in favour of certain values). Responsibility on the part of the citizen, the consumer and the investor is an important category of the social economy.

Independence and autonomy

A basic ‘promise’ of the social economy is that actions in specific areas of the market, based on more than a desire for profit, may be an effective mechanism for obtaining and defending sovereignty and empowerment for people, institutions and communities. The social economy offers:

- **individuals** an opportunity to reject the position of a client, an object of philanthropy and social transfers, a person dependent on help from others – including help from NGO’s; an opportunity to become an independent individual capable of looking out for the fate of oneself and one's family. This is tied to the ability and also the necessity of earning an income from labour, and as a result obtaining the dignity that has its source in making independent choices affecting one's own fate.

- **organisations** the ability to raise funds for their own activities; a departure from the posture of the ‘outstretched hand’ and total dependence on public favour and private donors. This is a chance to avoid the trap of becoming an ‘extension’ of public institutions or a hostage to philanthropic emotions, and instead become a sovereign entity, capable of taking actions in the public sphere consistent with the mission and decisions of the members and founders of the organisation.

- **communities** the ability to formulate growth strategies independently, based on their own resources, achieving true autonomy and seeking civic prosperity.

### 2.2. The International Context of the Social Economy and Social Entrepreneurship

The social economy in its various forms is practised all over the world. It may be encountered in many variants (sometimes in very radical versions) outside of Europe (particularly in Latin America, Asia, Africa, and in the US and Canada). For us, however, the main point of departure is the territory of the European Union, which is also in this respect the main source of inspiration and reference point for processes taking place in Poland. In the EU, the social economy and social entrepreneurship have become an important element in modernisation of social policy. In a changing economic and demographic situation, traditional models of the welfare state apparently no longer work. Satisfactory solutions for the problem of unemployment (particularly when it concerns specific groups of the unemployed) are not found within traditional forms of action. Standards actions by the employment services and social assistance are proving to be insufficient. Costs of social benefits, in which the interested persons themselves do not participate in any way, are harder and harder for the public sector to bear. The current popularity of the social economy is part of a broader process of moving from the model of the welfare state towards a ‘welfare society’. Social entrepreneurship
(particularly in Anglo-Saxon countries) has its source in a strong orientation toward seeking solutions that are socially rooted, enduring, effective and geared to the greatest possible extent toward the autonomy of care recipients.

Narrowing down the social economy only to areas of social assistance, or even social policy, is impermissible and gives a false picture of reality. The social economy may be, and is, a way of addressing many other problems of the contemporary world. Great emphasis is placed, for example, on the role that social enterprises may play in balanced growth (at both a local and global level), including actions toward solving problems related to environmental protection and educational and cultural activities in the broad sense.

The concept of the social economy in the countries of the ‘old’ European Union is treated fairly broadly; it includes, among other things, cooperatives, mutual societies, social enterprises, associations and foundations (often referred to as the Third Sector). It is estimated that in the territory of the EU there are a total of more than a million active entities of the social economy, producing about 10% of GDP in the EU and providing more than 11 million jobs (about 6% of the labour market). It is a powerful sector, and all

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<th>Cooperatives</th>
<th>Mutual societies</th>
<th>Associations and foundations</th>
<th>TOTAL</th>
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<td>N/A</td>
<td>4,491</td>
<td>1.5</td>
</tr>
<tr>
<td>Malta</td>
<td>90,874</td>
<td>147</td>
<td>74,200</td>
<td>165,221</td>
<td>3.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>15,250</td>
<td>N/A</td>
<td>8,000</td>
<td>23,250</td>
<td>4.1</td>
</tr>
<tr>
<td>Poland</td>
<td>42,787</td>
<td>N/A</td>
<td>32,882</td>
<td>75,669</td>
<td>2.0</td>
</tr>
<tr>
<td>Portugal</td>
<td>300</td>
<td>N/A</td>
<td>N/A</td>
<td>300</td>
<td>0.0</td>
</tr>
<tr>
<td>Slovakia</td>
<td>7,700</td>
<td>0</td>
<td>N/A</td>
<td>7,700</td>
<td>0.6</td>
</tr>
<tr>
<td>Slovenia</td>
<td>238</td>
<td>N/A</td>
<td>N/A</td>
<td>238</td>
<td>0.2</td>
</tr>
<tr>
<td>Spain</td>
<td>469,179</td>
<td>N/A</td>
<td>65,000</td>
<td>534,179</td>
<td>3.9</td>
</tr>
<tr>
<td>Sweden</td>
<td>82,012</td>
<td>N/A</td>
<td>16,200</td>
<td>98,212</td>
<td>4.6</td>
</tr>
<tr>
<td>UK</td>
<td>4,401</td>
<td>270</td>
<td>N/A</td>
<td>4,671</td>
<td>0.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,663,534</td>
<td>351,291</td>
<td>7,128,058</td>
<td>11,142,883</td>
<td>5.9</td>
</tr>
</tbody>
</table>

* Data for mutual societies were aggregated with data for cooperatives in the case of Italy and with data for associations in the case of Portugal.

source: CIREC CESE/COMM/05/2005 report of The European Economic and Social Committee (EESC)
indications are that it will grow in the EU even faster than it has up until now. The labour market reserves existing in the EU are chiefly in the service sector, including the social services sector in the broad sense. Demand for these services is growing, and it is precisely in this field that the social economy has important – and sometimes unique – competencies to offer.

Despite the many similarities, however, it is difficult to speak of a single European model for the social economy, just as it is hard to speak to a single European model of social policy. What we see instead is a search for national models and related institutional experiments, which may be a source of inspiration for seeking our own solutions. The threshold conditions for development of the social economy, in particular the legal frameworks, are extremely varied. An act on social cooperatives went into effect in 1991 in Italy, but the first de facto social cooperatives in that country had begun to operate a dozen or more years earlier. In 1995 the Belgians introduced the concept of an enterprise ‘with a socially beneficial purpose’; the Portuguese introduced the concept of a ‘social solidarity cooperative’, and France adopted analogous regulations in 2001. An act on social enterprises was introduced in Finland in 2003, and in Italy in 2005. The very specific and particularly interesting concept of the ‘community interest company’ has been in place in the UK since 2005, and so on.

Variations within the social economy occur not only between countries, but between different regions. This is dictated by the strong connection between the social economy and local tradition, and with access to social capital on the one hand, and on the other hand a specific understanding of the entrepreneurial spirit. The question arises of why the social economy is growing much more rapidly in certain regions; for example in Spain this applies to Andalusia and the Basque Country, and in the UK primarily to the areas around Bristol, England, and Glasgow, Scotland. In the case of Italy, the social economy is much more popular in the north than in the south.

Interest in the social economy in the EU translates into construction of systemic mechanisms to support the social economy at the national and EU levels. In 2002, for example, the British government adopted a separate strategy for supporting social entrepreneurship. It is designed to assist a group of some 55,000 social enterprises currently operating in the UK, producing about 1% of GDP. A strategy of support for social enterprises was also adopted in 2007 by Scotland. In many other EU countries as well, there are special agendas dedicated to the social economy within governmental structures. This is the case, for example, in Ireland, the UK, Belgium, Spain and France.

At the EU level, support for the social economy was to be provided by the EQUAL Community Initiative Programme. It is partly thanks to this programme that the social economy is taking on an international character, but the process itself should also be connected with the effects of globalisation, understood in a particular way. We can increasingly purchase goods and services produced in different countries, for example under the concept of ‘fair trade’. Recently it has also become possible to establish entities with an international character (such as a European cooperative). More and more often we also encounter ties of cooperation between social economy entities themselves (in the form of networks for sharing know-how, as well as joint economic ventures). Thus not only the debate concerning social enterprises, but the activity of the social economy itself, has reached the international level.
2.3. Institutions of the Social Economy – Social Enterprises in Poland

Within the social economy a group of institutions may be singled out under the title of ‘social economy enterprises’ (SEEs) or simply social enterprises.¹ There are many competing ways to define them. Some of these definitions have been institutionalised in certain countries in the form of regulations providing social enterprises with their legal existence. One definition that appears to be especially interesting and popular today is that proposed in 1996 by the international EMES European Research Network,² a group of social economy experts and researchers. This definition refers to nine distinguishing features that are characteristic of a social enterprise; four of them are of an economic nature and five of them social.⁶

<table>
<thead>
<tr>
<th>Economic criteria</th>
<th>Social criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Conducting fairly regular and ongoing activity based on economic instruments</td>
<td>1. Clear orientation toward a socially beneficial goal of the enterprise</td>
</tr>
<tr>
<td>2. Independence and sovereignty of the institution in relation to public institutions</td>
<td>2. Grass-roots, civic nature of the initiative</td>
</tr>
<tr>
<td>3. Economic risk</td>
<td>3. Specific system of management, as democratic as possible</td>
</tr>
<tr>
<td>4. Existence of even a small number of paid personnel</td>
<td>4. Nature of activity as participatory as possible</td>
</tr>
<tr>
<td></td>
<td>5. Limited distribution of profit</td>
</tr>
</tbody>
</table>

It is difficult to determine precisely the number of social enterprises in Poland. Of course, much depends on the criteria used for this purpose. There is currently no legally distinct category of social enterprises. There are, however, specific entities which de facto make up such enterprises. Where to find them? Generally speaking, the processes of establishing SEE’s may be divided into two main groups. They arise either as a result of various changes to existing institutions (migration) or by founding entirely new institutions, created from the very beginning as social enterprises. In total we may refer to four main mechanisms for the appearance of social enterprises:

2.3.1. Institutions of the Old Social Economy

This concerns specifically cooperatives, which join in supplying goods beyond the level necessary to satisfy the needs and interests of their own members; this is an important element of the social economy. According to data from the Central Statistical Office (GUS) from the end of 2005, there are somewhat more than 18,000 cooperatives registered in Poland. In practise, however, some of them do not conduct any activity. According to information from the National Council of Cooperatives (KRS), the number of active cooperatives in Poland is estimated to be about 12,000. Cooperatives are an extremely varied group. The largest number are residential cooperatives (5,000), followed by labour cooperatives (1,300), Agricultural Production Cooperatives (RSP – 1,100) and other agricultural cooperatives (2,500), a smaller number of cooperative banks and Cooperative Savings & Loan Associations (SKOKs) (about 800, 118 of which are SKOKs). The number of cooperatives grew in the late 1980s and early 1990s, but since the mid-1990s the

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¹ With respect to the terminology used in this document, we refer chiefly to the assumptions formulated in the Opening Report. Because the concept of a ‘social enterprise’ is used in discussions, however, we will use it interchangeably with the concept proposed by us of a social economy enterprise (SEE).
² See www.emes.net
⁶ An in-depth discussion of these criteria and their adaptation to Polish realities may be found in numerous reports by the Klon/Jawor Association.
The number of cooperatives has steadily fallen. This decline continues, but is not as dramatic as it once was. New cooperatives are also being established, but this is certainly not a mass phenomenon.

2.3.2. Institutions of the Third Sector

Among NGOs, there are those that use economic instruments in their activity in order to achieve social goals (not necessarily involving employment of disfavoured groups). This applies to a fifth of the organisations, and together they generate a significant portion of the income of the entire sector. Nonetheless, for most of the organisations, income of this type makes up a minimal part of their overall budget. Barely 5% of organisations earn more than 50% of their annual income from such sources. Of course, not all NGOs are social enterprises. Depending on the precision of the criteria applied (e.g. portion of income from economic activity, or employment of a permanent staff), the percentage of social enterprises in the Third Sector as generally understood (and thus chiefly associations and foundation) may be estimated at 4% to 9%. It may be said that the non-governmental sector is slow to commercialise. However, considering the overall number of foundations and associations, this represents an impressive group (up to 4,000 institutions), which is perhaps in this respect the most promising in terms of increasing the scale of activities by social enterprises in Poland.

2.3.3. New Institutions of the Social Economy

Social cooperatives

Probably the most characteristic in this respect are social cooperatives (introduced by the Act on Promotion of Employment and on Labour Market Institutions of 20 April 2004). They are based on a legal form designed to enable their members (generally these are people who suffer from social exclusion and misfortune: unemployment, handicap, addiction and the like) to return to a regulated social life and the labour market. A social cooperative, as a type of labour cooperative, is based on the principle of labour performed personally by its members. Social cooperatives operate in many different sectors (such as construction, food service, environmental protection and tourism). However, they are subject to high risk both in terms of their membership and the lack of mechanisms supporting their operations, such as raising the quality of services, adaptation activities and access to funds for investment (most often – if not always – they have only enough money for start-up costs). Many of them are not in a position to defend themselves on the open market.

Social Integration Centres and Professional Activity Facilities

A whole group of enterprises have been created such as the Social Integration Centres (CIS) and Professional Activity Facilities (ZAZ). These entities may be established by the public sector or by non-public institutions. Strictly speaking, however, in the former case (that is, when it is an institution run by the public administration) it is hard to consider this as belonging to the social economy sector.

The regulations enabling establishment of Professional Activity Facilities were enacted in 1997. A ZAZ is an institution operating in the sphere of subsidised employment and assistance for handicapped persons on the labour market. Considering the number of years that have passed since enactment of the enabling legislation, relatively few such facilities have been established so far. The ZAZs lack funds for investment.
Context and Elements of the Polish Model for the Social Economy

and their operations are often hindered by bureaucracy and the resulting lack of operational flexibility (which is necessary when working with the various types of handicaps affecting those in their care).

Other legal forms are represented by the Social Integration Centres (CIS) and Social Integration Clubs (KIS). These were established under the Social Employment Act in 2003. Their intended purpose is to prepare people under threat of exclusion for entry onto the open labour market, via employment or establishment of a social cooperative. CISs in themselves were not intended to be enterprises, but that does not mean that they cannot conduct business activity (currently about 36% of them do). In theory these forms of activity may be established by either public or private institutions, but most often they are founded by local authorities or public administrative institutions active in the social assistance arena.

<table>
<thead>
<tr>
<th>Types of institutions</th>
<th>Approximate number of institutions</th>
<th>Number of employees (full-time equivalent)</th>
<th>Number of members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associations and foundations</td>
<td>75,000</td>
<td>c. 65,000</td>
<td>9 – 10 million</td>
</tr>
<tr>
<td>Economic self-government organisations</td>
<td>5,500</td>
<td>33,000</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>12,800</td>
<td>469,000</td>
<td>c. 10 – 11 million</td>
</tr>
<tr>
<td>including cooperatives of invalids</td>
<td>350</td>
<td>55,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Mutual Insurance Societies</td>
<td>9</td>
<td>500</td>
<td>?</td>
</tr>
<tr>
<td>Other mutual organisations</td>
<td>880</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Social cooperatives</td>
<td>120</td>
<td></td>
<td>400</td>
</tr>
<tr>
<td>Professional Activity Facilities (ZAZ)</td>
<td>48</td>
<td>1,700</td>
<td>-</td>
</tr>
<tr>
<td>Social Integration Centres (CIS)</td>
<td>55</td>
<td>500+?</td>
<td>-</td>
</tr>
<tr>
<td>Social Integration Clubs (KIS)</td>
<td>300</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>c. 94,000</td>
<td>c. 600,000</td>
<td>c. 16 – 17 million</td>
</tr>
</tbody>
</table>

2.3.4. Hybrid Institutions

Many social economy enterprises, however, cannot be segregated into specific categories of entities. Sometimes traditional market entities are used to achieve social purposes, for example companies whose social character is realised either through the subject of the activity or the specific manner in which production is organised, or, finally, via allocation of profit⁷ (e.g. to disfavoured groups, non-profit institutions, or the local community). Breaking through the distinctions between sectors (traditional divisions into the business sector, public administration and NGOs) creates a new type of enterprise. Social enterprises may also operate in the form of various types of partnerships, where it is not the individual entities but rather a network of them that creates a new quality in the area of the social economy. Such enterprises may function either in the form of separate legal entities (e.g. unions of associations or cooperatives of legal persons) or on the basis of more or less formalised arrangements, sometimes constituting a sort of local social contract among various institutions (such as pacts to increase employment).

⁷ Here we may see the role of corporate social responsibility in creation of the social economy.
2.3.5. Need for Ongoing Research

The social economy has great social and economic significance. In Poland, however, there are no complete, systematic data concerning the functioning of social enterprises, which means that their actions often go unnoticed. In addition to the efforts to determine the scale of activity of the social economy made by NGOs (particularly the Klon/Jawor Association and the Catholic Church’s Institute of Statistics) and the academic community, it is necessary to reflect the social economy better within the public statistics system than has been the case so far. Recently (including within the EQUAL Community Initiative Programme) many experiences in researching the field of the social economy have been collected and a series of recommendations in this respect have been put forward. This issue has been raised for many years and appears to be ripe for a solution. A fundamental problem hindering the inclusion of the social economy within public statistics is the low quality or lack of data on the segments that make up the social economy. Any attempt at capturing fairly the significance of this sector in Poland will require carrying out new research on a regular basis (this applies in particular to SOF 01-04 research and a separate study dedicated to social organisations affiliated with the Church), as well as improvement in the quality of administration data concerning the sector (particularly register data from the REGON economic statistical system). Verification and updating of the REGON register, insofar as it concerns social organisations, is crucial and necessary for the success of any attempts to gauge the importance of the social economy sector. Currently a major portion of social economy institutions remain beyond the purview of the Central Statistical Office (GUS).

2.4. Competencies and Fields of Activity of Social Enterprises

Social enterprises (understood broadly here, regardless of their legal form) may fulfil extremely varied functions. Those mentioned below are only examples of competencies offered by social enterprises. This

<table>
<thead>
<tr>
<th>Table 2.4. Employment in the social economy sector in EU countries</th>
</tr>
</thead>
</table>

- Social integration and labour market activity
- Commercial and manufacturing activity
- Provision of public services
- Provision of public goods and development of local communities
- Social services (for public benefit)
- Technical services (for public use)
- Mutual services

list could be much more extensive, and many examples from Poland and abroad could be added. They all demonstrate that such solutions are possible. It should be stated frankly, however, that one of the problems of the social economy in Poland is the issue of its small scale. Many of the areas of services, trade and production described here are still waiting to be taken up by social enterprises.

2.4.1. Integration into the Labour Market and Counteracting Social Exclusion

Competencies in the area of **pro-employment actions** are most often cited in the context of social enterprises (sometimes, unfairly, social enterprises are even reduced to this). These actions may take many different forms. The goal for all of them is to increase opportunities on the labour market (ranging from information, training and counselling, through more advanced and individualised forms of support, such as job coaching), or actual employment of people, in temporary or permanent forms. The labour market in Poland is undergoing dramatic changes, and the overall level of unemployment is dropping. There continues to remain a very numerous group of people who are not in a position to find their own place on this market. Thus social enterprises are needed to assist in employment of specific groups of people, such as young people (including those leaving orphanages), those who are struggling to combine work with taking care of children or other dependants (e.g. sick family members), those above age 50, and even seniors, who often wish to remain professionally and socially active. Those particularly affected, however, are persons who, due to objectively lower employment productivity, are not in a position to compete on the open market (this involves, among others, people with various degrees of disability). It requires support to see that they are hired and remain in the labour force. The competencies of social enterprises in this respect are invaluable. The ability and readiness to offer individualised, holistic assistance to those in their care distinguishes social enterprises (and NGOs more broadly) to a large measure from many other
institutions providing services on the labour market – especially institutions that are purely commercial. An orientation toward a mission and the real desire to find a lasting solution for problems gives them a huge advantage in actions of this type.

### 2.4.2. Provision of Public Services

Social enterprises operate in many different sectors, but primarily this is the service sector in the broad sense. This involves services offered on the open market, mutual services, and services of a public character. Performing services of a public character is something new for the traditional social economy (particularly for cooperatives that have been in operation for many years), and for this reason is sometimes referred to as the ‘new’ social economy. Public services may be extremely varied, but at least two groups (social services and technical services) are particularly important for social entrepreneurship.

**Social services (public benefit services)** – these may be educational services, such as running preschools or schools, but also various forms of continuing education or informal education. Sometimes educational activity is of an inherently economic character, but sometimes a social enterprise is used as a source of additional funds for this type of activity. Social enterprises also have particularly great potential with respect to social services broadly speaking; these include both services that do not compete on the market (e.g. homeless shelters), and those where there is market competition (having to do with competition for public funds as well as competition for consumers themselves), e.g. caretaker services performed at home, or conducting various types of caretaker institutions. Related to these are activities in the broad field of health care. This has to do chiefly with auxiliary personnel who are able to relieve the work load on professional staff (doctors and nurses). There is also a specific group of services made up of activities on the employment services market, such as information, intermediation, training, internships and the like.

**Technical services (public utility services)** – this is the second significant area of activity by social enterprises. These services may involve, for example, maintaining urban green areas and other work maintaining order on public property. Related services include collecting garbage and recycling. This may be illustrated by the example of just one enterprise: EKON, in Warsaw, which operates in this very field, providing work to more than 800 handicapped people. Social enterprises may also organise transportation services for the handicapped and infirm (referred to as ‘paratransit’), as well as transport accessible by the general public (for example, in London a social enterprise operates a network of buses for the Hackney district, and in Italy urban bicycle rental facilities operated by social cooperatives are increasingly popular).

### 2.4.3. Mutual Services

These may include both enterprises functioning in the market arena and competitive precisely in light of their mutual character, such as mutual insurance (mutual insurance societies – TUWs), health care and

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*Association “Disabled for the Environment EKON”, photo: Mikołaj Grynberg*
caretaker services, telephone cooperatives and so on, or they may be 'alternative' exchange mechanisms, such as Time Banks, Local Exchange and Trade Systems (LETS) and barter systems. Alongside solidarity, mutuality is a basic pillar of the social economy, and it may mean that there is a limited form of redistribution of profit (not necessarily in monetary form). Mutuality as a specific competency of social enterprises in many instances also generates added value to the enterprise and leads to maximising social profit.

2.4.4. Services on the Open Market

Finally, examples should be given of services aimed directly at the open market (these particularly involve traditional cooperatives). Especially interesting, however, are activities of enterprises (particularly including social cooperatives and other NGOs) which, while providing such services, at the same time provide work for specific 'hard to employ' groups. Types of services that stand out in this regard include construction and renovation, tourism and hotels, cleaning and guarding property, food service (e.g. catering), as well as IT services and various forms of teleworking.

2.4.5. Provision of Public Goods and Development of Local Communities

The social enterprise sector has special competencies in producing public goods, i.e. those that may be used by all – and they need not compete for them. This applies in particular to activities in the area of environmental protection, protection of local traditions, and public safety; in other words, fields that have a great effect on the general quality of life of residents. Social enterprises may also prove useful in fields involving protection of landmarks and cultural goods generally. They can handle maintenance of landmarks and also conduct various types of cultural institutions themselves, such as a theatre, museum or town library. Tasks in the various fields related to ecology are also an important element of the social economy – from activities supporting biodiversity, or development of zones where construction is limited (protected areas), to seeking out innovative solutions in such areas as renewable energy sources. In a situation where there is an increasing emphasis on growth based on one's own resources (human capital and social capital), working for growth of local communities in a broad sense is becoming one of the main forms of business activity where profit is assessed primarily in effects which are felt by the whole community. These forms are particularly useful in local revitalisation, or more broadly, activation.

2.4.6. Trade and Production Activity

Trading activity by social enterprises may involve both goods produced by the social enterprises themselves, or intermediation in selling goods produced by others (e.g. goods produced under ‘fair trade’ principles or
goods obtained from various types of domestic or foreign donations), where the income is earmarked for social purposes. Social enterprises may also engage in manufacturing. Theoretically this could be done in any field (as seen in the activities of traditional manufacturing, craft or agricultural cooperatives and so on), but there is a special place here for enterprises employing specific categories of ‘hard to employ’ persons. This particularly involves types of production that for various reasons are considered labour-intensive, not necessarily technologically advanced. This includes such fields as furniture-making, sewing and repair of clothing, production of various types of gadgets, and different forms of handicrafts (particularly artistic handicrafts). Food production is a distinct group, typically involving production of specific types of food such as regional specialities or ecological foods (organic ‘health food’).

However, business activity by entities from the social economy and their competitiveness on the market does not arise only from the opportunity they have of receiving grants, subsidies or tax relief. One of the strengths of the social economy is the reduction of transaction costs, where mutual trust and cooperation allow for a reduction of the costs of business activity, presenting an opportunity for social enterprises to become full-fledged players on the market.
3. Challenges for Development of the Social Economy and Areas of Potential Expansion

3.1. Internal Challenges – Addressed to the Social Economy Community

We may celebrate the success of specific social enterprises, but to release the real potential of the social economy as a social movement it is necessary to implement broad cooperation between specific institutions. Mutual support is necessary, and encouragement of a sense of community (identity) in the extremely varied social economy community. Adoption of the following principles will foster this type of cooperation:

**Spreading best practises**

Growth of social enterprises depends to a large measure on spreading best practises. Just as the greatness of the old social economy was built in the 19th century (the Rochdale Principles are recognised to this day in cooperatives, and the Polish social economy from the period of the partitions was based on repeating tested patterns), so also today examples of successful solutions will have great importance for the spread of ideas and practises of social economy enterprises.

**Cooperation**

Cooperation between people and institutions (e.g. public-private partnerships or public-social partnerships) is one of the pillars of the social economy. It is only cooperation between social economy enterprises
that gives this idea another dimension. From the very beginnings of the cooperative movement, working together (from common warehouses in food cooperatives, to support in distribution of products in manufacturing cooperatives) has been a decisive factor in the capacity for growth of the movement.

Infrastructure

Cooperation applies not only to the activity of specific EESs, but also, and sometimes primarily, to support for the activity and growth of specific SEEs and representation of their interests in contacts with other communities and institutions, such as when seeking implementation of appropriate laws. Substantive, financial and legal support, as well as external advocacy for the interests of the social economy, are important elements of cooperation within the social economy sector.

3.1.1. The Cooperative Movement in Poland – The Need for Modernisation

Combined with a Return to the Roots

The cooperative movement has surprisingly strong, authentic roots in Poland. The communist era, when there was a strong tie between the cooperative movement and the communist authorities, casts a shadow over the history of the cooperative movement. Nonetheless, cooperatives make up the core of the social economy as traditionally understood. The economic dimension of their activities is obvious, but it may often be questioned to what extent social issues continue to play a role in their activity. This applies particularly to the issue of the real level of democracy in the way they are managed (especially in the case of large cooperatives) and motives for their activity that are not purely economic. The problems described here are not found only in Poland, of course; the cooperative movements all over the world is struggling with an identity crisis. In Poland, however, the term ‘cooperative’ has negative associations (‘Moloch’, ‘Commies’, failures, cliques etc.) Public opinion studies (Klon/Jawor 2006) show that about 15% of respondents make associations of this type.

Partly because of their generally much older roots than in the case of most NGOs, cooperatives face greater problems in modernising their activities, which is necessary in light of changes in the economic environment (about 60% indicate that this is the problem of a poor economy). Such modernisation concerns not only the economic dimension (it is hard to reconcile the requirements of ‘economies of scale’ with the principles of mutuality and democracy which are characteristic of cooperatives and which are easier to realise in small structures), but also political and social changes, including what appears to be a serious need for generational change in the leadership of the cooperative movement.

Significantly, however, cooperatives traditionally provide an important labour market for disfavoured groups; 16% of cooperatives say that they hire people working under the system of ‘subsidised employment’, and another 15% are considering the possibility of hiring such people. This figure is significantly higher than in other types of institutions, and extends far beyond the field of cooperatives for invalids. In this respect cooperatives prove to be much more open than other social organisations (which are more likely to focus on the ‘employability’ of marginalised social groups than to offer them actual jobs).
It appears that the contemporary discussion concerning the new social economy presents a significant opportunity for modernisation on the part of the cooperative movement. But to make use of this requires support for going beyond the purely mutual character of the benefits from the activity of cooperatives, and a decision to take up activities on behalf of the broader community, with a particular emphasis on cooperatives as a form of self-employment and employment for people facing difficulties on the labour market (those with handicaps or at risk of exclusion) and as a way of obtaining funds for actions for the good of the community.

It appears that it would be possible and beneficial for cooperative groups and NGOs to draw nearer to each other. Both sides could gain from this process. Just as the non-governmental sector needs to strengthen its economic dimension, so in the case of cooperatives making their activities more socially oriented is an important challenge.

What is necessary is not so much increased efforts to maintain the status quo, as actions designed to promote the idea of cooperatives and their quantitative growth, greater internal integration within the community and joint steps to appeal for activity by members, the support of public opinion, and changes in the attitude of decision-makers toward the very idea of cooperatives. It should be borne in mind that the 19th-century traditions of the cooperative movement (based on the autonomy of the middle class, self-organisation by workers, and the social mission of the Church) placed it in the front lines of the battle to retain a national identity, social justice and building of a reborn Poland.

### 3.1.2. Commercialisation of the Non-Governmental Sector – Challenge and Opportunity

As demonstrated by Klon/Jawor research from 2006, one of the main difficulties for NGOs is the lack of funds for activity (73% of the organisations say that poor financial condition and difficulties in fund-raising are a problem that affects their day-to-day operations). This is also clearly visible in the organisations’ budgets: half of them had revenues in 2005 no greater than PLN 10,000. A tenth of NGOs had no revenues at all in 2005, while about 1 out of every 5 organisations had revenues of no more than PLN 1,000. It is thus no surprise that only 18% of organisations evaluated their financial condition favourably and 28% were satisfied with the state and level of their resources. Moreover, the organisations have practically no reserves (76% of NGOs) and no fixed assets (81%). They have practically no access to credit, either.

The state budget continues to be their main source of income. More than 50% of NGOs are supported from public funds, and in total such support represents a third of the income of the non-governmental sector.

The non-governmental sector is based to a large degree on two principles: independence and non-profit activity. These two principles are often hard to reconcile, and thus commercialisation of the sector may be thought of as a way to achieve balance.
Unfortunately, most of these relations do not involve commissioning or contracting\textsuperscript{9} for activities, but very often an unpredictable and uncertain form of subsidy which may be somewhat provocatively labelled as a kind of ‘grant lottery’. There is also a disturbingly small number of long-term contracts which would allow organisations to think about growth and investment in their development (only 3.5% of NGOs carried out any long-term contracts with regional or local government in 2005). The public administration often does not wish to finance even the most direly needed indirect costs of activities, not to mention institutional growth of the organisations.

Nonetheless, the process of commercialisation of the sector is gradually occurring. Using the purely formal criterion of economic activity, we may state that such activity is conducted by a total of about 18% of organisations (14.7% conduct not-for-profit fee-earning activity, while 8% conduct business activity; in some instances both types of activity are conducted). Such activity is conducted primarily in the service sector (about 22% of organisations conducting economic or fee-earning activity state that they carry out training activity, and 16.3% perform services related to organising events). Manufacturing is conducted by not quite 1.5% of ‘commercialising’ organisations. The most frequent problem (which partially explains this particular profile of economic activity) is the lack of access to funds for investment (37%).

As it appears, organisations are often discouraged from carrying out economic activity, on the one hand because of societal disapproval for such activities (and not without reason: 60% of citizens say that associations and foundations should provide all their services for free, not charging any fees), and on the other hand because of legal norms, which appear to regard income-generating activity by NGOs as a ‘necessary evil’ and approach it suspiciously.

Where possible (clearly, not everywhere), NGOs should consider more seriously than they have before the possibilities for raising funds from their own activities, whether in the form of economic activity, performing commissioned services, or fee-charging chartered activities. In the case of NGOs, the public administration can also be the payor and in a certain sense the customer (the administration often pays indirectly for services on behalf of specific individuals or the local community). Where possible, in accordance with the principle of helpfulness, organisations should seek to assume performance of public tasks, requesting in this regard that they obtain funds to cover costs (valuation of tasks should reflect administrative costs and funds necessary for growth of the organisation). The main reason for entrusting public tasks to NGOs should not be the lower cost of the services they perform (achieved for example thanks to the work of volunteers, the lower financial aspirations of the staff, or the participation of other sponsors), but first and foremost the specific competencies and motivations of the non-governmental sector.

\textsuperscript{9} The concept of a ‘commission’ is misleading in the case of NGOs because it may refer either to the procedure under the Act on Public Finance or under the Act on Public Service Activity and Volunteers.
It is necessary to create a new organisational culture which would enable NGOs to act as partners vis-à-vis regional and local government, relying not only on new methods of work, for example departing from unconditional benefits, encouraging those under the organisation’s care to take at least some responsibility for their own fate, and so on. It is important to be oriented toward results, thinking in terms of projects, public-social partnership and tri-sector partnership as an effective form of action.

It is also necessary to counteract the situation where organisations turn into a kind of informal ‘labour cooperative’, reducing their mission and broader social goals to the purposes of the organisation’s employees. Otherwise there is a fear that, paradoxically, one of the main beneficiaries of the European Social Fund will be not so much persons seeking social integration, but rather those who trying to help them achieve this. It should be mentioned in this context that the essence of a non-governmental organisation is the priority of social purposes over goals that are purely individual and mercantile. In this respect, the form of activity (free of charge, for a fee, or business) is of secondary importance.

3.1.3. The New Social Economy – The Start Down a Long Road

Despite the systematic enactment and improvement of the law concerning construction from the ground up of entities from the ‘social economy’, social cooperatives and forms lacking legal personality such as Social Integration Clubs and Social Activity Facilities still cannot be regarded as a quantitatively significant phenomenon within the social economy sector.

Out of individual initiatives, however, the foundations of the new social economy sector are slowly being formed. Social cooperatives are forming their own integration structures, and forums for exchange of information between representatives of Social Integration Centres are arising. There still is not enough sectoral self-awareness (as for example among NGOs) or integral actions vis-à-vis the public administration. At least part of the actions announced on behalf of the sector of the new social economy are being realised either by channels of the NGO sector or by traditional cooperatives.

Nonetheless, the public administration places great hopes in this form of economic activity. This appears both from the declarations made in strategic white papers, and from the funds earmarked for support of this form of activity. This means that it is precisely this form of the social economy that can count on great assistance from the side of the administration, and thus has a chance for potential growth.

Entities of the new social economy have a difficult task ahead of them: not only to survive under often-unfavourable conditions, but also to create a system of mutual cooperation. Legal changes are necessary, as is creation of a supportive social atmosphere toward initiatives of this type. Great involvement by the public administration in supporting new social enterprises may prove insuffi-
cient in the long run, and will no doubt cause significant dependence on the administration by SEEs. New social economy entities continue to be more experiments than a proven model for action, which is why it is so important to seek out and promote model solutions which work and can serve as an inspiration for others.

3.1.4. A Community-Oriented Economy – Hope for Growth

Among decision-makers in many Polish communes, there is a persistent understanding of local development in which ‘hard’ investments, measurable in terms of the length of roads built or pipes installed, continue to be of fundamental importance. More and more, however, successful development depends on the extent to which it draws on endogenous resources, taking into account not only current effects but also long-term effects (balanced growth) and all of the residents (social cohesion). There are examples where the authorities, together with the residents, e.g. based on grass-roots activism and cooperation networks, have managed to create strong foundations for growth. It is clearly visible that the successes of local economies are also based on the social dimension of growth (for example in Bałtów, Biłgoraj, Byczyna, Gołdap and Nidzica). These continue to be exceptions, however, and do not represent the appearance of a new management trend in local communities.

Local authorities continue to think more in categories of ‘us’ (the authorities) and ‘them’ (the society) than in terms of a real community. Strategic documents, such as economic development strategies, strategies for solving social problems, or annual plans for cooperation with NGOs, are treated as a form of bureaucracy imposed from above or, at best, as a wishful vision with little real chance for implementation, and not as a useful method for managing and putting to rational use the means available to achieve the intended purpose.

The local community is not able to make use to a very large degree of its own resources for autonomous solution of local problems. A demanding approach and lack of initiative continue to be one of the main stumbling blocks in the way of local development.

Great hopes may also be placed on development of the social economy at the regional level. The lead is taken here, for example, by Małopolska province, which has at its disposal the great potential – probably the greatest in the country – of traditional and new forms of the social economy. It is here, following the example of similar initiatives elsewhere in Europe and with the broad backing of various groups (including the administration, the NGO sector, and the academic community), that the first regional pact was established, under the title ‘Małopolska Pact for the Social Economy’, and it is also here that the Regional Centre for the Social Economy operates, with support from the academic community, and the Małopolska Social Economy Guarantee Fund is also under development.
It is precisely the local community that should be perceived as the subject of the social economy, using economic instruments to raise the quality of life of the residents. It appears that this approach may offer an opportunity for many communities, particularly those in worse condition, without strengths in terms of location or natural resources, with serious social problems (such as structural unemployment). It is precisely these communes that should take note of the opportunities offered by the social economy in the form of initiating social enterprises and including them in the network of cooperation in favour of development of the local community, as well as creating local economies based on commitment of the whole community and use of its resources.

Growth of the local community based on the ideas of the social economy must be treated very broadly. This is not a set of individual initiatives, but local networks of cooperation, support systems, and educational and activation programmes. Only a holistic view of social problems will lead to effective ways of solving them.

It is necessary for entire communities to use such pro-growth instruments as strategic planning (local development strategies, local strategies for solving social problems, plans for cooperation with NGOs, regional innovation strategies and the like). Thanks to these instruments, residents may join in the debate on the directions for growth, and along the way they will have an increased sense of the community’s influence and involvement in achieving priorities.

### 3.1.5. Infrastructure of the Social Economy – Building Support

There are currently at least four support systems which may be used by social economy entities:

**The infrastructure of the Third Sector** has supported professional development of NGOs for years (supporting organisations), creating a system for information and building self-awareness, and acting as an advocate (federations at the local, national and international level). Their experience and institutional backing, for example under the European Social Fund’s Regional Centres (formerly ESF Regional Training Centres), cannot be overstated. On the other hand, a large group of infrastructure institutions have been evolving for some time in the direction of the social economy (at least during implementation of projects under the EQUAL Community Initiative Programme). This is the origin, for example, of the Social Economy Seasonal Schools of the Foundation for Development of a Civil Society (FRSO), Social Economy Information Points organised by the SPLOT Network under the Partnership in Search of a Polish Model for the Social Economy, NGO Incubators under the partnership for professionalisation of the Third Sector carried out by the MOST Association, support for employment in the Third Sector under the Cyberęka Lidera Partnership, and many others.
Structures of the cooperative movement are very often specialised, and offer a long tradition and substantive and institutional backing. There is the National Council of Cooperatives (KRS), with statutory authority, which acts as the chief organ of self-government by cooperatives and, among other things, represents the Polish cooperative movement at home and abroad, and cooperates with leading state bodies in matters affecting the cooperative movement. The second extremely important element is the idea of ‘lustration’ and review panels, both national and regional. (It should be noted here that the National Council of Cooperatives performs the function of a review panel as provided by statute in relation to cooperatives that are not members of this union.) The cooperative movement documents and tends to its traditions. Actions may also be observed that are bringing the traditional support structures of cooperatives closer to the new challenges in the social economy. Producer groups are one such idea, as is support given to social cooperatives.

The purpose of lustration:

1. Checking a cooperative’s compliance with legal regulations and its charter provisions, as well as resolutions and by-laws of charter authorities and contracts entered into by the cooperative.
2. Review of the cooperative’s thrift, purposefulness and probity of the cooperative’s realisation of its economic, social and cultural purposes.
3. Bringing any irregularities in the activity of the cooperative’s authorities to the attention of the members.
4. Providing organisational and instructional assistance in curing any irregularities found and improving the functioning of the cooperative.

(Instructions for Lustration of Cooperative Organisations)

National System of Services for SMEs (KSU) – Another area of potential support is offered by institutions from the business community, particularly for small and medium-sized enterprises. This system, based on accreditation by the Polish Agency for Enterprise Development (PARP), provides a broad array of services from information to consulting and support in the form of guarantees and loans. But social enterprise entities, although they often conduct economic activity, have a hard time accessing support for business (e.g. from banks). In the KSU, centres belonging to a network cooperate with each other on a regional (province) level and a nationwide level. During regional meetings in each of the 16 provinces, two representatives from KSU centres are elected to handle the organisation of the work in the region and to represent the region on the steering committee.

Infrastructure of the new social economy – Creation of entities of the new social economy is largely a result of actions (including legislation) by the state. Thus there are also strong support efforts for this form of activity on the part of the administration. As a result, we have the programme of the Ministry of Labour and Social Policy establishing Social Cooperative Support Centres, and there are plans to start up support for Social Integration Centres. Infrastructure for the new social economy is also being developed in actions carried out under the EQUAL Community Initiative Programme; for example, the International Summer School on the Social Economy in the ‘Work Is Here’ Partnership for Growth (PRR) is coordinated by the Association for Growth of Cooperation and Local Entrepreneurship ‘WAMA-COOP’, and Virtual Incubators for the Social Economy are being established under the WISP Partnership for Growth.
The variety and innovativeness of social enterprises require varied and broad support for their activity. This is why, when considering creation of a support system, it is important to break through sector-based thinking (e.g. based on the handicapped, the unemployed, or ecology) and thinking rooted in legal conditions for operations (e.g. cooperatives, social cooperatives, Social Integration Centres, Professional Activity Facilities, or associations) in order to focus on the functionality and purpose of actions.

The social economy is spontaneous, grass-roots activity by citizens in the form of self-help or actions for the common good, and thus interference by the administration in the social economy’s achievement of its purposes should be handled very cautiously, so that on the one hand, it does not lead to ‘colonialism’ of civic activism, and on the other hand to ensure full use of the potential found in civic activism to achieve development policies.

- Support for SMEs should be adapted to the needs and operating conditions of social economy entities.
- The infrastructure of the Third Sector should pay more attention to support for commercialisation, i.e. conducting economic activity.
- The lustration experiences of traditional cooperatives appear to be a good pattern for self-policing; social enterprises should develop their own lustration system in which their social ‘impact’ would be assessed.
- Social enterprise staff (management and workers) need to be trained.
- Elements concerning the role and capabilities of the social economy need to be included in civic education programmes (social studies), and conditions should also be established (in the form of training and continuing education) to provide personnel support for social economy staff.
- By analogy to the KSU, the type of support that it offers – substantive, technical and financial – should be created for SEEs (or a separate path for them could be developed within the existing KSU).

### 3.1.6. Representation and Self-Organisation – The Need for Cooperation

The process of integrating the overall social economy community began not long ago. It was only after the 2nd European Social Economy Conference in Cracow in 2003 that the Standing Conference on the Social Economy in Poland (SKES) was established, in October 2004. SKES was intended to provide a forum of meetings and discussions and also for reaching common positions on issues of importance for the social economy community as a whole.

Projects carried out under the EQUAL Community Initiative Programme are an additional integrative factor. The necessary principle of partnership has encouraged cooperation and exchange of information between various entities interested in social economy issues. Moreover, many of these projects (particularly under Theme D, devoted to the social economy) included activities bringing together various social economy entities, which to a great extent fostered exchange of information and joint action. Cooperation on a nationwide scale also took place based on the existence of National Thematic Networks, made up...
of specific ‘themes’ financed under the programme, which were designed (bringing together experts and representatives from all the projects) to try to take on some of the tasks in favour of integration (meetings and conferences) as well as representation of interests (‘mainstreaming’).

Currently, even within specific fields and groups of social economy entities, the integration process is insufficient. While it is true that the cooperative movement has its own structures for cooperation, the Third Sector has a fairly strong internal infrastructure, and initiatives have been taken to create federations in the area of the new social economy; nonetheless the cooperation leaves much to be desired, particularly with respect to issues of representation and building a societal image for particular sectors and fields.

Support for social economy enterprises may be an important element of state policy, but in order to maintain the independence and autonomy of the social economy sector, it is necessary to develop internal mechanisms for articulating and representing interests, and a certain degree of self-policing.

No doubt the principles of the social economy should not apply only to specific enterprises. Cooperation between enterprises, mutual support, and actions based on the principles of mutuality and solidarity are among the important elements which may not only promote the social economy as a form of activity but also serve as an aspect of effective action by specific enterprises, at least in competition on the market. The historical experiences of the cooperative movement clearly demonstrate that growth of the social economy must be based on mutual cooperation and mutual assistance. Cooperation between social enterprises may involve, for example, exchange of services (using the resources of the sector). It should be emphasised, however, that the quality of goods and services produced by SEEs are of crucial significance for the long-term success of the social economy project. When operating on the market, social enterprises must not forget that the basis for their competitiveness is not just product quality, but also the specific added value represented by the skills of cooperation and solidarity.
3.2. External Challenges Concerning the Operating Environment of the Social Economy

3.2.1. Social Environment

The language of the debate over the social economy in Poland is not neutral. Discussions on the meaning of concepts used in this context should be addressed not only to the meaning of the slogan ‘social economy’, but also the associations which it provokes. Among Poles surveyed (research conducted under the Project), 14.1% declared familiarity with and understanding of the concept of the ‘social economy’, while 25% said they had encountered the concept but were not sure what it means. Somewhat fewer – not quite 10% of Poles – stated that they know and understand the concept of ‘social enterprise’, while a further 20% had encountered the concept. The social economy inspires numerous hopes, but it is clear that concrete initiatives are not in a position to satisfy all these expectations. Thus it is necessary to distinguish the signals, while maintaining the basic message:

- The social economy is not an enemy of the free market. Its task is to fill market niches which for various reasons neither the state nor commercial firms are able to fill.
- The social economy is not a burden on the state budget. It generates funds which may allow state budget expenditures to be made more effectively or sometimes even reduced.
- The social economy does not glorify laziness and malingering. It makes a dignified and responsible life possible for those who under ordinary conditions would have no chance for an equal start, but want to take their affairs into their own hand.

3.2.1.1. Public Opinion – The Need for Understanding and Support for the Social Economy

Public opinion concerning the idea of the social economy is not uniform. As indicated by studied commissioned by the Klon/Jawor Association in 2006, people readily resort to stereotypes associating the adjective ‘social’ with the communist era in Poland (social work, social organisation, social activist) and thus they associate such initiatives with bureaucracy and waste. It is enough to consider the negative associations evoked by the word ‘cooperative’. About 10% of those surveyed (about 15% of those who answered the question) identify the word with communism, ‘fraud’ and inefficiency. The negative image of foundations is also significant; those who were instrumental in creating this view included decision-makers (a government white paper in 1994 referred to foundations as a new form of economic crime) and the media (one popular business newspaper referred to the foundation as a convenient form for conducting business activities because it offers tax breaks).
On the other hand, there is for example a near consensus (90%) that it is a good idea for firms to be established supporting charitable goals and people in need, or employing mostly people with special difficulty in finding work – people who are handicapped, ill or homeless – and that the state should support their establishment. It also appears from public opinion research that the society is convinced that certain people deserve special assistance in finding and keeping a job. The broadest support is enjoyed by the idea of special assistance to persons suffering long-term unemployment; more than half of those surveyed also thought assistance was needed for the handicapped, young people exiting orphanages, and young people entering the labour market for the first time. Those least often indicated as requiring support were the mentally ill, prisoners, and immigrants and refugees. From the perspective of diagnosing attitudes toward growth of the social economy, it appears particularly important to provide support for creation of firms ready to hire and adapt to the needs of people who have an especially hard time finding work; nearly a third of those surveyed think these should be supported. What is more, Poles see a role for organisations specialising in helping such people; 27% of those surveyed said the activity of such organisations should be supported.

The outlook of public opinion is changing dramatically along with changes on the labour market. Specifically, people are increasingly inclined recently to think that anyone can find work on his or her own. This is a dangerous generalisation, which may alter the attitude of public opinion toward social enterprises, which work with the most difficult cases of exclusion from the labour market. It is necessary for information to reach public opinion that such groups continue to exist and require support. But it is also necessary to get across the message that support for the social economy is not simply one more burden and cost for the public budget, but rather a special type of social investment and a mechanism for more accurately and effectively targeting support to those in need of assistance.

Paradoxically, the vision of the state (often presented out of purely political motives) as the final guarantor and organiser of support for people threatened with exclusion may prove to be a threat to growth of a social economy based on a much more demanding model founded on activation, self-organisation and responsibility for oneself and one’s community.

3.2.1.2. Decision-Makers – A Search for Dialogue and Understanding

The idea of the social economy really arrived in Poland with the EQUAL Community Initiative Programme. True, the cooperative movement was functioning here, but for many politicians it represented more a problem to be solved than potential to be exploited. A distaste for any experiments, particularly in the area of ownership (e.g. a distaste for the idea of employee self-rule or employee shareholding) meant that even initiatives that were economically successful (clearly there were grounds to debate social profits) were carried out on the margins of public life.
It appears, however, that both the successes of the social economy in other European Union countries, and the emphasis placed in EU white papers on the possibilities for this form of professional activation and social integration, are forcing changes in awareness also among decision-makers. The actions by specific EQUAL projects, particularly those involving mainstreaming, also provide information on the capabilities and achievements of the social economy in Poland and around the world.

A clear limitation on growth of the social economy is also presented by a misunderstanding of the idea on the part of various types of inspection institutions – beginning with the staff of regional accounting chambers and tax offices. Experiences with these offices, if only concerning grants for NGOs, demonstrate that the law is treated according to the rule ‘only what is expressly provided for is permitted’.

The contemporary social economy must rely to at least a certain degree on public funds. This has to do with assistance for social economy support centres (infrastructure), earmarking funds for starting up activity (e.g. for establishing social cooperatives), providing certain financial instruments (credit, loans, guarantees) related to start-up and operations, funds for equalising opportunities for enterprises in connection with employment of specific groups (e.g. co-funding of jobs for the handicapped). Public support may also take the form of outsourcing of public tasks (including through use of ‘social clauses’ in public procurement procedures). Such support should be based on a coherent plan (strategy) for growth of the social economy in Poland.

The following are necessary in order to formulate and implement such a strategy:

- Encouraging politicians (at both the national and local levels) to become interested in the ability of the social economy to activate citizens and use market principles to solve social problems.
- Persuading civil servants that the activities of the social economy are not tantamount to using public resources for private purposes, but a wise form of administering resources, generating tangible results.
- Informing audit institutions of the specific nature of the operations of social enterprises, and thus the necessity for a different approach to the relations between the administration and social enterprises.

### 3.2.1.3. Beneficiaries – The Need to Overcome Passivity and for True Autonomy

In a social enterprise, the beneficiaries may be both workers (e.g. employees of a social cooperative) and recipients of the services performed. Persons at risk of social exclusion should be regarded as beneficiaries in particular need of support: children and young people dropping out of the school system, the long-term unemployed, persons being released from prison, persons threatened with eviction from their homes, persons addicted to alcohol and drugs, the homeless, immigrants working illegally, members of the Roma ethnic minority,
persons with low qualifications, the handicapped and chronically ill, the mentally ill, the elderly living alone, and so on.\textsuperscript{10}

Results of studies\textsuperscript{11} of persons at risk of social exclusion who are making use of the support of social welfare institutions demonstrate that the greatest number of people in the population studied were those who had been jobless for longer than 24 months but without the right to draw unemployment benefits (22.7%), the homeless (16.3%), and persons being treated for alcoholism or who had completed treatment within the past year (13.3%). Moreover, in 24.5% of those studied, there was more than one factor in their lives that inclined them toward social exclusion, thus heightening the risk.

For this reason, the foregoing categories of people are the main recipients of assistance provided by governmental institutions (central as well as regional and local) and NGOs. The greatest number of people, however, continue to benefit from the state system of support (from central and regional/local government). Those who most frequently made use of assistance from NGOs were the homeless, of whom a full 59.5% received such assistance, and persons undergoing treatment for alcoholism or who had completed treatment within the year preceding the study (40.1%).

Non-monetary benefits were the most frequently used form of support among persons at risk of social exclusion (received by 69% of respondents). Nearly half of those studied received monetary benefits (46.4%), and 23.2% received caretaker services. While caretaker services were the least often used, the respondents regarded these services as the most effective and best at meeting their needs to a sufficient degree, according to the evaluation of these services by 65.3% of those studied (compared to monetary benefits at 30.1% and non-monetary benefits at 53.8%). It thus appears that non-monetary benefits, and providing caretaker services, which requires greater independence on the part of recipients, better met the needs of beneficiaries than financial benefits, which in most instances were insufficient to meet their needs.

Taking into account the needs and expectations of persons benefiting from support from central government institutions, regional and local government institutions and NGOs, the proportions should be changed in the forms of assistance provided, with a focus on non-financial support, adapted to the needs of the specific individual, which minimises the passivity of the recipients of such assistance. Thus it would be worthwhile to take steps toward activation of persons from these groups on the labour market, which in turn will lead them to economic autonomy. In the case of the homeless, the long-term unemployed and addicts, this requires social work, involving acquisition of necessary social skills, i.e. building an appropriate attitude toward work (arriving on time, dressing appropriately and so on), the ability to handle financial resources (e.g. rational spending), the ability to express one’s needs and expectations (moving from a demanding attitude toward an active attitude). In addition, intangible services need

\begin{itemize}
  \item Social enterprises should work to a greater degree for the autonomy of those under their care and to include them in the solution of their own problems.
\end{itemize}

\footnotesize
\textsuperscript{10} Categories stated in line with the National Strategy for Social Integration; see www.mps.gov.pl/userfiles/File/mps/NSIS.pdf
\textsuperscript{11} The study of the effectiveness of forms of support for high-risk groups, conducted with the participation of persons threatened with social exclusion, was carried out under the non-profit training and research project “Your Chance Plus: Study of the Effectiveness of Assistance for High-Risk Groups”, ASM – Centrum Badań i Analiz Rynku Sp. z o.o.; see www.twojaszaplus.org.
to be developed, such as legal and psychological consulting, and creation of support groups, which can help beneficiaries maintain an active approach to life.

A precise analysis of the situation, needs and capabilities of the specific person in need, and the definition of the goals of the actions undertaken by that person, may be set forth in a social contract, functioning as an understanding between the individual who declares a will to conquer a difficult situation and the one who decides to support those actions (not do them for him). Still, few such contracts are being signed. According to the cited studies, in the population studied a contract was proposed to only a fifth of them (21.9%).

The lack of interest among potential beneficiaries in taking part in activation projects may also result from insufficient information concerning these actions. According to the studies, barely a third of persons benefiting from the support of a social welfare institution (including non-governmental) said they had knowledge of the forms, rules and possibilities for support. This demonstrates a need to conduct informational activities aimed at assistance recipients at risk of social exclusion, so that they know what type of assistance they may expect from what type of institutions. The informational campaign must be adapted to the level of the recipients and conducted through appropriate informational channels.

It should be borne in mind that the principle of helpfulness, well known to the organisations, regarded as one of the bases for functioning of civic initiatives, also applies to the ‘division of labour’ between them and those under their care. According to this principle, organisations should guard against the situation in which, while trying to help, they essentially immobilise those under their care and make them dependent. They should consistently strive to see that care recipients themselves and their family members are included as far as possible in solving their problems. Assistance should be provided in a manner which helps the individual to become independent, and only until independence occurs. From this perspective the social economy does not represent an expansion of a poorly understood welfare state, but a fundamental reform of the welfare state.

3.2.1.4. Consumers – A Need for Education and Promotion of Conscious, Ethical Consumer Behaviour

Poles say that they are willing to take the social commitment of enterprises into account when deciding what products to buy. More than 60% of those surveyed say that they would be eager to buy products produced by firms supporting social goals or employing people facing difficulties on the labour market. The reality is not so rosy, however. In the vast majority of cases, when choosing products consumers are guided chiefly by price (more than 90% of those surveyed), followed by quality (75%), with brand in third place (48%). Buyers rarely take factors such as social or ethical behaviour of enterprises into consideration. The only aspect of a social nature that has an influence on purchasing decisions by some of those studied is that fact that a product was produced in Poland.

But this discord between what buyers say and the reality is not necessarily the fault of those studied. Even a cursory analysis of the marketing strategies for products available in Polish shops reveals that producers...
(with very few exceptions) do not attempt to display the fact that their products have any connection to social values.

Civic education (at home, in school, and during continuing education) is necessary which would include encouragement for consumer behaviours, with both an international dimension ('development education') and a local dimension. This does not concern just a sentimental approach to advertising slogans, but a conscious choice of goals that one supports when making purchases. The task of entities from the social economy is to provide consumers with information on the social effects of the activities by their firms, so that it is possible for consumers to make a rational choice not based solely on price, packaging and advertising. It is also necessary to restore the social dimension of the consumer movement; when the consumer movement is institutionalised and squeezed into administrative structures (such as the local consumer advocate), it reduces the civic dimension which includes the ethical dimension of thinking about consumer rights. It is necessary to monitor the accuracy of information on the social effects of the activities of firms selling specific products, so that corporate social responsibility does not become just a marketing device.

### 3.2.1.5. Relations with the Business Community – The Value of Exchange

Research by the Responsible Business Forum (FOB 2003), conducted among the largest companies, shows that 75.3% of them give financial support which came out to an average of about 1.2% of their annual revenue. But for more than half of enterprises the figure was less than 1%. SMEs give support only one-sixth as often as large enterprises.

According to research by the Klon/Jawor Association, in 2004 donations for NGOs from institutions and firms were the source of revenue resorted to the fourth most frequently. Donations from firms and institutions accounted for 7% of the total revenues of the non-governmental sector. Such donations went to about 39% of organisations. About 70% of organisations stated that they maintain contacts with the business community, but only 12% did so on a regular and frequent basis. According to the latest studies (2005), the figure has dropped by nearly 10%, and about 9% of organisations were in frequent and regular contact with business. A further drop has confirmed the trend toward reduction of philanthropy by enterprises toward NGOs: in 2004 19.1% of organisations included the business community among their three most important partners, and in 2005 the figure was already down to 13.4%. Other data are more encouraging: only 3.5% of organisations said that they had come into conflict with members of the business community within the last 2 years. To add to the overall picture, in the estimation of experts from the Civil Society Index Council (RISO), the attitude of business toward NGOs is ‘generally indifferent’.
Generally speaking, corporate philanthropy is still not in ideal condition, and somewhat symmetrically, the same can be said of the cooperation between NGOs and the business community. This is partially a result of the labour-intensive nature of building relations with business, the relatively low level of the average grant received, and the modest, non-creative offering of benefits for the business partner, as well as a poor understanding of the needs of business on the part of the organisations.

Business should serve social enterprises as a source of knowledge and support (but not primarily financial support) and as a partner in realising specific projects. However, this first requires an understanding of the idea of the social economy not as a means of obtaining an unfair advantage on the market, but as a possibility for equalising opportunities (which private companies also take advantage of, for example by hiring handicapped workers). It is necessary to develop and promote forms for supporting organisations that would strengthen skills for managing the organisation (particularly in areas that are of key importance for growth of the social economy: business training for social enterprises conducted by the heads of 'normal companies', and mentoring programmes where a mentor from a private firm takes care of a specific enterprise) and also ‘substantively’ reinforce the organisation’s economic activity. Generally, promotion of all non-financial forms of cooperation is indicated: sourcing of products and services from social enterprises, providing services free of charge, reductions on goods and services, an invitation to conduct joint purchasing, an invitation to training for their own staff, lending equipment and premises, creation of a bank of specialists for SEEs, introduction of a requirement to work for SEEs for a certain amount of time each year as a way of reinforcing one’s managerial skills (the employee would be paid by his or her employer during this time, so this is not to be confused with a volunteer workforce).

In relations between business and the sphere of social activities, philanthropy (sponsorship) predominates over strategic investment in solving a specific social problem which is important for the firm (or support for specific public institutions or NGOs which can act as an ally in solving the problem). For firms to ‘leap’ to this level (from the level of concern for employees, suppliers and customers) would make it much easier to promote the social economy, and thus great emphasis should be placed precisely on educating business leaders in the spirit of the enlightened long-term self-interest of the company.

A form of cooperation would be indicated which involves a company’s entering into a long-term contract with a social enterprise for performance of services and support for the enterprise so that it would be in a position to live up to the terms of the contract (advance payment, training, internships etc.) It is important to realise the benefits flowing from this type of partnership across sectors, which include:

- access to new markets, information, specialists and services that cannot be found elsewhere,
- making it possible to enter into contracts and access huge sources of financing that would not otherwise be available,
- entering a specific community and acquiring knowledge about it,
- developing rare skills and competencies in specialised fields,
- reinforcing the morale of employees by involving them in partnership activities,
- creation of a strategic alliance with a partner who, as a social enterprise, knows how to use the language of the market or community the company plans to reach.
3.2.1.6. Financial Institutions – Support for Investments in the Social Economy

Social enterprises need financial support for growth and investment, but their current borrowing abilities are very limited.

Social economy entities have difficult access to funds for economic activity. Investments are necessary, and current activity often requires credit. Organisations involved in conducting economic activity or fee-charging activity, when questioned about barriers to conducting their activity, mentioned in first place ‘difficulties in obtaining financing for investments’ (36.5%). The group of organisations who have just decided to begin such activity also list access to start-up capital as a basic barrier. It appears that they are treated like ‘second-class’ enterprises. In fact, they have their own specific characteristics, which often do not fit the financial infrastructure offered to enterprises. In this instance they lack necessary forms of security and guarantees, their enterprise is perceived as very risky, and their scale is often too small to interest the banks. As a result, the organisations very rarely make use of credit (revolving credit is used by about 1%, and investment credit by about 0.7%) or guarantees (0.3% of those surveyed).

As a result, organisations have little chance to invest in the growth of their own material base, which would allow them to become a serious partner also in performing outsourced public tasks. The problem is deepened by the fact that under EU funding for 2007 – 2013, funds for development of ‘social infrastructure’ were generally reserved only for the public administration. This solution reduces the role of organisations to participating in intangible undertakings such as training and organising events, instead of building solid institutional and material foundations for future activities.

The situation on the credit market for charter activity is clearly beginning to change. Specifically, the fact that NGOs are more and more frequently beneficiaries of EU funds and funds from the public administration means that they are becoming attractive customers for bridge loans. So far only three banks have put together such an offer. It should be assumed that there will be more of them, because at bottom these are not particularly high-risk undertakings. Unfortunately, this does not solve the problem of lack of access to investment credit.

In this context the existence of the only loan fund that specialises in serving organisations, the Polish-American Community Assistance Fund (PAFPIO), should be mentioned. This fund has made about 1,000 loans so far. PAFPIO is an institution with great flexibility, but for organisations, the interest rates on loans (12% p.a. for ‘Euro-loans’ and 13-15% for loans unconnected to EU projects) clearly present a serious limitation on access to this solution.

Apparently potential does exist that could be used to create a system of financing for social enterprises, but this requires substantial educational effort.

In Europe, financial institutions involved in financing SEEs may divided into two main categories:

- institutions specialising in serving social entities,
- mainstream institutions also serving many other entities.
This dualism is necessary for social economy entities. The first group are not profit-oriented, and ‘patient capital’ is needed for growth. In the second instance, ‘mainstream’ banks are interested in cooperation only if the investment will pay off.

Use of these two forms depends on broad educational actions, addressed both to the financial institutions and to social economy entities. This involves persuading the banking sector to consider specific (non-philanthropic) forms of corporate social responsibility, as well as formative work in the social economy community to encourage it to take a greater interest in return financing and to prepare for the unavoidable future eclipse of grant-based financing.

Work should continue on a methodology for measuring social profit, and on creation of specific mechanisms for ‘rating’ reliability and effectiveness (including effectiveness understood in terms of ‘social return on investment’) of social economy entities, which would assist financial institutions and grant-making institutions in making prudent decisions concerning credit, loans and grants.

Building optimal conditions for financing the social economy requires work on creating opportunities and encouragement for private investors (both companies and individuals) who may be interested in making investments based on ethics and solidarity. In this context it would be worthwhile to consider introduction of the option to assign 1% of corporate income tax (analogous to the current option to assign 1% of personal income tax) to support these types of financial instruments.

3.2.2. Public Policy and Modernisation of Relations Between the Public Administration and Institutions of the Social Economy – The Quest for True Partnership

The state of relations between social economy entities and the public administration is fundamental for growth of the social economy. These relations are shaped by adopted governance standards. Some of these standards are of a systemic character, such as the constitutional principle of helpfulness, while others follow from an adopted style of governing. There has been much discussion recently concerning ‘good governance’, and Poland aspires to achieve this. By its very nature, the concept of ‘good governance’ is normative, and thus it should allow for an evaluation of the quality of governance in terms of the degree to which the principles of good government are realised (including the principles of the rule of law, transparency, accountability, participation, social inclusion, effectiveness and efficiency), some of which have a clear reference to the social economy.

The concept of partnership is subject to obvious devaluation. Any form of cooperation may be labelled with this term, e.g. exchange of information, or the fact that funding is provided by the public administration (which applies to more than half of NGOs in Poland). But here we are discussing partnership in a deeper sense, based on the recognition that the parties are distinct and integral while at the same time having a mutual relationship with each other. Thus we are not referring to the case where entities of the social economy are used to carry out public tasks, both locally and at the national level (and in the international arena). Thus it is important that the social economy be taken into consideration within broader public policy, in the areas of legislation (regulation), strategy (planning) and intervention (support for solutions).
economy and the administration function along separate tracks (ignoring each other, competing, or even just complementing one another’s activities). Nor do we refer to the administration’s making use of organisations by dictating the tasks they are to complete and purchasing services (the cheaper the better) from them (a contract system).

A system of mutual relations between the administration and private institutions has been evolving for the past several decades in Europe. This process has occurred in various ways depending on the model for social policy that is in place, but practically everywhere it goes through similar phases. The model of the public administration as the only provider of social services, or even the main provider, is gradually being abandoned. To varying degrees, but almost everywhere, this simple model is modified by various doses of decentralisation, privatisation, contracting and outsourcing of tasks. Decentralisation means shifting competencies and funds (but not always at the same time) and often is not dictated by the effectiveness of problem-solving but by a political gambit of getting rid of problems by shifting them onto others. Privatisation is often understood as the state’s refusal to take responsibility; outsourcing of services is based on poorly defined standards and a lack of effective means for protecting the interests of service recipients, and price rather than quality is regarded as the dominant factor.

Each of these situations sets various roles both for citizens (consumer, voter, payor, or ‘holder’ of entitlements) and for NGOs (making up for shortcomings in the system, monitoring the administration, competing to provide services or access public money). In Poland as well all of these elements are appearing, but it is hard to resist the impression that the process is somewhat chaotic, and there continues to be no clear vision of the ‘division of labour’ between specific institutions and sectors. The state and its administration are not very willing to give up tasks, and often retain a kind of ‘pre-emptive’ right, and relations with organisations which are strongly dependent on public funds often take on the character of subservience and clientism. Organisations take part each year in various types of ‘grant lotteries,’ but it is difficult to build a durable institution on the basis of such mechanisms, and thus it is as if NGOs were made into cheap day labourers. They are not strong enough to serve as a partner for the administration, and thus become petitioners who are incapable of filling the role of a stable service provider or as an advocate for the interests of the local community.

The principle of partnership offers hope for an escape from this situation and for a new level of quality in the mutual relations between the public administration and social economy entities. Partnership is a modern form and mechanism for establishing the mutual relations between specific sectors. Partnership enlists, or actually constitutes, the principles of the modern philosophy of governance, where networks are more important than hierarchies, delegating tasks is more important that having them performed by the state apparatus, motivating people to act is more important than ordering them to act, and most significantly, there is an arena and a mechanism for jointly defining public needs and the methods for satisfying them. The public administration must ensure first and foremost that the interests of particular groups are not overlooked in this discussion. NGOs no longer simply perform tasks defined by the administration, but are also the co-authors of local strategies and participants in the debate on the condition of the local community. NGO’s have the opportunity to act in both of these roles that are important for them – as service providers and also sources of knowledge about local needs. Issuing instructions is being transformed into a dialogue, and hierarchy is being transformed into networks of cooperation.
It takes great political maturity on the part of the administration to appreciate the virtues of this situation. It is true that, almost by definition, the administration takes precedence over other partners, and therefore it has a temptation to treat the other partners in a patronising and instrumental way. Thus the point often is for the administration to give up voluntarily – to abdicate – the privilege that comes with this position, in order to allow other entities to exist and serve as partners. But sometimes it is necessary to strive for their autonomy, reinforcement and institutional growth.

3.2.2.1. The Role of the Social Economy in Government Strategies for 2007-2015

Provisions referring to the social economy are found in many of the country’s strategic white papers. There are provisions listed under two priorities in the National Growth Strategy 2007-2015 (SRK). In Priority 3 there is a reference to increase in employment and raising the level of employment, and in this there is a declaration to strengthen the role of the social economy sector – NGOs – in the employment process, for example through such actions as carrying out programmes supporting employment, promotion of NGOs as employers, and combining employment in NGOs with support for groups at risk of social exclusion. These actions are to be realised with the broadest possible participation of NGOs. Priority 4, meanwhile, includes provisions on building a secure and integrated social community, where social integration and activation will be promoted, including more specifically growth of social employment institutions, social cooperatives, social construction, professional and social rehabilitation of handicapped people, and growth of social contracts and other activation instruments used by the social services. Actions are to be conducted towards creation of an integrated labour market for persons in difficulty and those at risk of social exclusion.

In the National Programme for Social Security and Social Integration 2006-2008 (KPZSiIS), there are provisions concerning growth of public-social partnerships, including defining the scope of social services for public benefit, unifying the procedure for contracting of public benefit social services tasks, and improving the cooperation between public entities and NGOs in carrying out tasks. There are also provisions referring to growth of social economy institutions, including support for integration of the sector, construction of supporting infrastructure, determination of rules for access to capital and public assistance, and support for growth of social cooperatives.

There are also provisions concerning the social economy in the Strategy for Civil Society Development (SWRSO), where one of the priorities calls for support for the Third Sector as an employer, construction of forms of mutuality in the economy, and support for corporate social responsibility projects.

However, provisions at the national level should translate into thinking about regional strategies and programmes for achieving them within the context of growth (Regional Operational Programmes) and social cohesion (regional components of Operational Programme Human Capital). Similarly, there should be a place for the social economy in local development strategies, strategies for solving social problems, and more specifically in strategies for promotion of the labour market at the level of local districts.
Provisions of strategic white papers point out the role of the social economy as an important tool combining pro-growth activities with activities toward social cohesion. This is only an opportunity presented to the social economy, and taking advantage of it depends on many factors. Good strategies do not assure that those implementing the strategies will appreciate the opportunity afforded by support for the social economy. This requires:

- The skill (still unfamiliar to many civil servants) of using strategies as a management tool that makes it possible to gather forces and funds to attack specific goals. Too often, strategies of various types are just legally mandated documents that have no influence on real actions.
- An appreciation for the social dimension of growth, and not, as has often been the case so far, regarding local growth only in terms of hard investments.
- Application of a new type of community administration not based on direct, top-down governance but on the skill of supporting and coordinating many different initiatives, many of them grass-roots initiatives.

It should be borne in mind that legal requirements for creation of commune- and district-level strategies for solving social problems, as well as annual programmes for cooperation with non-governmental organisations, are ignored with dangerous regularity. Moreover, the quality of the strategies (and programmes) leaves much to be desired, as does the manner in which they are prepared (for example, they are not subject to social consultation). Council members often do not know and do not understand what social assistance is and the importance it has for local growth, and they are not interested in real cooperation with NGOs. Thus they often lack a vision for actions in this area, and decisions concerning the functioning of social assistance are of an incidental, one-off nature. They are often dictated by the interests of specific individuals or political circles within the local administration.

In this respect as well, following in the path of other European countries, a special strategy should be established for supporting the growth of the social economy. In addition to creating proper functioning conditions for social enterprises, the strategy would have a strong educational component.

### 3.2.2.2. The Role of the Social Economy in Modernisation of the Social Welfare System

Social policy in the European Union is primarily based on growth in cohesion and on employment policy. The EU’s social policy:

- consistently seeks to work against social exclusion by organising integration and reintegration programmes;
- promotes steps that activate entire local communities and encourage them to build social capital;
• emphasises an increased role of local government and the civic sector, on the assumption that it is not only the state that is responsible for the people’s standard of living and quality of life, but also the society and the business community.

Realisation of the model of an active social policy, which could be summed up by the motto ‘work instead of benefits’, calls for much greater civic activity. This model of social policy also requires that institutions implementing social policy adapt to current challenges.

This also applies to social assistance leading to technical payment of benefits, which requires modernisation in various respects. The current status does not stimulate growth in social work and social services appropriate for social assistance, and limits the opportunities for greater commitment by social assistance centres in diagnosing and solving local social problems.

Social assistance centres, often with the awareness of local government authorities and clients as well, function chiefly as a place where benefits are paid out, and otherwise are a huge financial burden. Growth in services and social infrastructure, which entails additional costs, is not treated like an investment. Actions thus are often of a stopgap nature, without plans or a broader vision of local social policy, and without actions to discourage detrimental social phenomena. Social assistance centres with a weak position in the local community often serve more to meet the expectations of the local government authorities than to live up to their mission.

There are at least several different public institutions involved in implementing local social policy, such as educational facilities, the health service, labour offices, cultural and sports facilities, non-governmental organisations, and social assistance. Success or failure depends to a large degree on cooperation and joint action by these entities. Decentralisation of the state, by definition, is intended to break down divisions between ministries and integrate local institutions that share responsibility for solving social problems and for growth. Rigid divisions between ministries at the central government level carry down to the territorial level and present a serious hurdle for achieving goals.

The province-level government often does not live up to its obligations. In addition to professional training of the social assistance staff concerning the nature of their tasks, regional social assistance programmes should be developed supporting local government authorities, and new social welfare solutions require inspiration and promotion. Social policy has also become politicised. As a result, Regional Welfare Centres (ROPS) are often led by people without proper qualifications, and social assistance institutions at both the commune and district level do not receive the support they are due.

NGOs are an important partner in local social policy and assistance. Unfortunately, they are typically absent in smaller communes, or weak and unprofessional. Sometimes local government officials and social assistance staff regard NGOs not as a partner, but as a competitor or threat. This means that the organisations’ potential is not put to proper use for the good of the community, which also limits the possibilities for societal oversight.

Diagnosis of social assistance requires an appraisal of the staff. On the one hand, this professional group includes a high percentage of well-educated people who are eager to raise their qualifications. On the other hand, numerous restrictions, the inability to implement plans, and a lack of professional prestige lead to professional discouragement and burnout. Many of the best-educated and most creative social workers leave the profession.
What is called for is the kind of reform of social policy, and particularly social assistance, which would to the greatest degree provide the various entities involved with the tools they need to take preventive measures, to help their clients find autonomy, and to activate local communities.

Social work should be promoted as a tool for societal change, changes in families and changes in attitudes. Greater emphasis should be placed on such functions as advising, advocacy and consultations. The necessary changes should be developed with the participation of social assistance workers.

An inherent aspect of social assistance is its location at the level of territorial government. Informational and educational actions are called for, aimed at local government officials (council members, mayors and heads of communes and districts), while strategies for solving social problems must be created by interdisciplinary task forces, properly trained and working with the substantive input of experts. The very process of working on development of the strategies must be participatory in nature if they are to be implemented consistently and consciously by public services and various social partners.

NGOs, which are essential to the smooth functioning of social assistance and solution of social problems, should be treated as an important partner that also represents the local community. Thus there should be a quest for methods to improve the relations between organisations and local governmental units involved in counteracting exclusion and seeking social cohesion. Further development is needed of the rules for cooperation, division of authority, flow of information, contracting of services and so on, among NGOs, social economy enterprises and public welfare institutions (in compliance with the subsidiarity principle). There is a need to unify the procedure for contracting tasks under the Act on Social Assistance and the Act on Public Service Activity and Volunteers; however, contracting of social services cannot be based solely on price competition.

Wherever possible, standards for social services should be developed, to be used as the basis for outsourcing tasks to other entities. The process of constructing standards should be participatory in nature. Once these standards are developed, they would be used as the criteria for organising competitions for providing specific services. Social assistance institutions should renounce the principle of pre-emption and enter the competition to provide social assistance on an equal footing with other suppliers.

It is necessary to create clear channels for information exchange and a network for cooperation at the micro and macro levels, which would include:

- public and non-public social welfare institutions,
- labour market, education, health care and child care institutions, and the justice system.

Information exchange and closer cooperation among entities that plan and carry out actions to improve the quality of life of the commune’s residents will help in creating an integral local social policy.

It would be desirable to develop new models for organisation and operation of social assistance centres for various types of communes (urban or rural), based on generally accepted rules and standards, reflecting the local context: the character of the commune, cooperation networks and subcultures.
In social assistance there is still a lack of indicators to measure the efficiency and effectiveness of social assistance actions, and a lack of internal evaluation mechanisms. Thus it is necessary for theoreticians and practitioners to develop indicators for the efficiency and effectiveness of social assistance and to implement evaluation mechanisms that will help with the growth and revision of social assistance actions and make comparative evaluations possible.

Now there is a unique opportunity to carry out these recommendations via a number of projects under regional and systemic operational programmes financed with European Union funding. Broader use of a project approach within social assistance institutions and use of available EU funds will lead to improved quality in the actions of the social services.

### 3.2.2.3. The Role of the Social Economy on the Labour Market

The long-term unemployed make up nearly half of all the unemployed. Unemployment is more and more concentrated in certain social groups, such as people over age 45, while young people and women continue to make up a large percentage of the unemployed. Some people who were unemployed have now found jobs, and the employment rate rose in 2007, to more than 48%. Yet some of these people were added to the group of professionally inactive people. The number of professional active people has steadily declined since the early 1990s. As of the 3rd quarter of 2007, the overall professionally active population comprised about 17 million people, and the professionally inactive numbered 14.4 million, of whom those who do not work because of illness or disability account for 17%, more than 10% do not work because of family responsibilities, and those discouraged by an unsuccessful job search make up about 3.5%.

Despite improvement of some indicators (such as the decline in unemployment as of November 2007 to 11.3%, the lowest level since 1999), the situation on the Polish labour market continues to be very difficult.

<table>
<thead>
<tr>
<th>Categories of employees</th>
<th>NGOs (%)</th>
<th>Economic organisations (%)</th>
<th>Cooperatives (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>over age 50</td>
<td>39.1</td>
<td>65.2</td>
<td>85.9</td>
</tr>
<tr>
<td>on a retirement or disability pension</td>
<td>28.8</td>
<td>25.5</td>
<td>43.3</td>
</tr>
<tr>
<td>entering the labour market (young people)</td>
<td>18.4</td>
<td>12.5</td>
<td>19.5</td>
</tr>
<tr>
<td>with motor handicaps</td>
<td>5.0</td>
<td>7.0</td>
<td>13.9</td>
</tr>
<tr>
<td>emerging from long-term unemployment</td>
<td>4.9</td>
<td>1.8</td>
<td>6.3</td>
</tr>
<tr>
<td>working at home for health reasons</td>
<td>1.9</td>
<td>-</td>
<td>0.5</td>
</tr>
<tr>
<td>recent arrivals in Poland (immigrants, refugees)</td>
<td>1.3</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td>working at home for family reasons</td>
<td>1.0</td>
<td>-</td>
<td>1.1</td>
</tr>
<tr>
<td>unemployed performing public works</td>
<td>0.9</td>
<td>2.1</td>
<td>1.4</td>
</tr>
<tr>
<td>returning to the labour market after release from incarceration</td>
<td>0.61</td>
<td>-</td>
<td>0.3</td>
</tr>
<tr>
<td>with intellectual handicaps</td>
<td>0.3</td>
<td>3.4</td>
<td>2.6</td>
</tr>
<tr>
<td>homeless emerging from homelessness</td>
<td>0.03</td>
<td>1.8</td>
<td>1.0</td>
</tr>
</tbody>
</table>
The labour market in Poland has an essentially local character. Among other factors, this may result from a lack of flow of information about the labour market from one district to another, and weak infrastructure, inhibiting the free flow of job-seekers between local communities and regions. Thus it would also be a good idea to carry out labour market policy at the local level. But actions on the local labour market lack cohesiveness. We can hardly say there is a well thought-out policy when there is no cooperation among the main actors on the labour market:

- the public employment services, with the means at their disposal for professional activation;
- social assistance, whose clients are professionally inactive;
- non-public labour market institutions, which offer knowledge and resources allowing them to provide employment services to groups in a difficult situation on the labour market (the long-term unemployed and the professionally inactive), particularly NGOs with specific experience in this area;
- employers, including social economy entities, which may provide a workplace for persons requiring integration into the labour market;
- and other partners such as the Church, schools, and other entities with resources at their command that could be used to encourage professional activation, or with access to persons who need support in this respect.

The most serious challenge for the labour market is to build local partnerships for social integration. To bring this about, the following appear necessary:

- Cooperation in developing local strategies for solving social problems, with the participation of all local partners. Strategies should not only define actions, but also assign them to particular partners.
- Cooperation between partners should be an everyday practise. In order to realise such cooperation, it is necessary to build platforms for coordination of actions.
- A significant factor for cooperation is educating and reinforcing specific partners so that they are able to carry out their actions; creation of a system for substantive and tangible support is recommended here. Specifically, such a system should convey support to the social economy entities providing services to the labour market or creating new jobs.

Some European countries have conducted a successful experiment which essentially involved reformulating the public tasks of the employment services. They still fulfil the function of registering the unemployed and paying out benefits (but not always even this), but professional activation tasks are contracted out to external partners. In all these countries, the effectiveness of activities improved and the costs of professional activity declined. Given the limited resources and great needs of the labour market in Poland, it appears that introduction of a similar system is highly recommended. This will not be possible, however, without actions at the central and province level. At the national level is it necessary to abandon the model of the welfare state in favour of the ‘workfare state’ – a model of the state in which employment is an element of the integration of society. Effective assistance is found not in financial transfers, but in the inclusiveness of the labour market. A system of actions in favour of social integration should be focused on specific individuals seeking work; distribution of funds for professional activation should be linked to a specific person, rather than the institution carrying out the tasks. This allows assistance to be individualised and
Challenges for Development of the Social Economy and Areas of Potential Expansion

The achievement of results to be monitored better. At the province and local level, it is necessary to improve the flow of information. Regional institutions should focus their efforts on integrating the activities of the districts, collecting and distributing information from the districts, and cooperation with other regional units in constructing a development strategy for the regions reflecting the needs of local labour markets.

Integrating the various types of support sub-systems surrounding each individual and family is of crucial importance. The individual should not make a ‘pilgrimage’ from institution to institution, but the institutions should integrate their activities around the person. It is also necessary to implement an entirely new method of contracting services on the labour market, departing from the practices used so far. These should apply to assistance provided to individuals and should be constructed so that, by stages but consistently, the clients are led to finding their place on the labour market. The current situation, where services are totally fragmented, results in a lack of efficiency, waste of funds, and worst of all, does not allow clients to move up the ‘ladder’ to the labour market.

3.2.2.4. Other Public Policies

Although the social economy clearly has huge tasks to perform in the area of social assistance and the labour market, it also has a lot to add in other areas. There are many social schools in operation (the Social Education Association (STO) operates more than 150 schools, and there is a whole movement of small schools in rural areas), functioning on the basis of public facilities that have been closed down. In tandem, a movement for preschools and preschool points is forming. Social enterprises (chiefly including commercialising NGOs) are creating many cultural facilities, organising classes in art and culture, and carrying out tourism-related initiatives (or at least those related to responsible tourism). Many health-care facilities, known as Non-Public Health-Care Facilities (NZOZ), are operated by NGOs.

The possibilities offered by the social economy should be exploited not just to carry out a broadly construed social policy, but entire areas of state policy in which the participation of organised citizens may become an important voice for consultations and an instrument for carrying out public tasks. Through the prism of the social economy, the relation between the administration and institutions of the civil society may look entirely different.

Cultural policy, health-care policy, education both formal and informal, as well as physical fitness and sports, and even foreign policy – these can all be planned with increased participation by NGOs and other social enterprises.

3.2.3. Optimising Legal Conditions for Operation of Social Economy Entities

With respect to the social economy as an element of civic activity, the main task of the state is not to interfere with development of spontaneous activity by citizens and by organisations and communities who are active within them. That is why maintaining the independence and autonomy of social economy
entities is important. However, in this area, where the social economy should be treated as an element of the public system for solving social problems, where social enterprises are executing public policy, systemic conditions should be established (based on transparent procedures and cost-benefit analysis – including social costs and benefits) that will assure efficient and cost-effective realisation of public tasks.

Social economy enterprises, insofar as they realise actions involving official policy (from the local level up to the level of EU policy), should have the opportunity to work on the basis of clear legal regulations referring to the principle of helpfulness and a coherent system for assisting SEEs while maintaining compliance with rules of fair competition. The principle of helpfulness set forth in the preamble to the Polish Constitution should take concrete form in the legal system affecting all spheres of social life. At the same time, however, the system for functioning of the social economy, to the extent possible and effective, should provide a chance for competition and diversity in action. When carrying out policy-based tasks, SEEs must be assured the support they need in order to fulfil these functions fairly. The social economy can and should draw on various forms of co-financing (including from the state budget). However, such forms must be selected in a way that encourages social entrepreneurship, reinforcing its competitiveness on the market and cutting the dependence on public monies. The mechanisms for co-financing social enterprises should include the following:

1. **Partnership** as an effective form of cooperation between territorial government and NGOs. Actions by the social economy should as much as possible be realised under this particular principle, which is based on shared activity, shared responsibility, and equal rank of partners.

2. **Contracts** as the main form for outsourcing tasks, because they allow for fair competition and provide transparency in distributing funds, which allows for rational spending as well as earmarking savings for growth and for construction of institutional backing for SEEs.

3. **Grants** as the main form of support for social initiatives, particularly in cases where there is a contest to seek out new methods for dealing with social problems, innovative solutions, and delivery of specific public goods.

4. **Tax breaks** as forms for financing support for SEEs, evaluated from the point of view of their effectiveness compared to other solutions (such as contracts).

5. **A transparent system for employment assistance**, including:
   - **Integrational employment**, or assistance in including persons in the labour market who would otherwise have very restricted opportunities on the labour market, if any (such as the handicapped, former prisoners, the mentally ill, immigrants and so on).
   - **Transitional occupation**, combining employment with training in order to increase the opportunities of specific individuals for finding a permanent job.
   - **Subsidised creation of permanent jobs** – undertakings of this type should ultimately be capable of surviving on the open market and may thus offer relatively permanent jobs. Such ventures would receive various types of support during the start-up period and also, when justified, during operations.

Aspects of the operations of social economy entities are scattered across numerous legal acts. This applies particularly to the apparatus for specific legal forms: associations, foundations, cooperatives and social cooperatives. The social economy has a presence in the Act on Social Employment, the Act on Professional and Social...
Rehabilitation and Employment of the Handicapped, and the Act on Public Service Activity and Volunteers. Economic activity is, of course, a specific area of regulation in this respect.

The spirit of the law is just as important as the letter. However, the practise is such that economic activity for purposes other than making a profit is regarded with a certain suspicion, and the scope of economic activity is defined to fit the proportions needed for realisation of chartered purposes (which means complete arbitrariness). Moreover, mixing these two spheres (non-profit and commercial activity) is not well-regarded, and in some approaches is even prohibited (e.g. conducting business activity and fee-charging non-profit activity in the same fields).

In seeking appropriate solutions for the activity of social enterprises, we may begin with an analysis of the strengths and weaknesses of specific legal forms.

3.2.3.1. Traditional Cooperatives

The legal system applicable to traditional cooperatives has been subject to ‘improvements’ since the beginning of the break with communism in Poland, but unfortunately not in the direction of development of the concept of cooperation, mutuality and joint ownership, but rather toward restrictions in the ability to act and subjecting cooperatives to controls. An understandable attitude toward elements of the tradition of ‘real socialism’ in the functioning of cooperatives (the lack of real social control, creation of great sprawling entities where authority was held by a kind of nomenklatura) often translates, however, into solutions that are contrary to the concept of cooperation and with the functions which cooperatives could fulfil as part of the social economy (as witnessed by a recent amendment of the Act on Residential Cooperatives which struck a blow both to solidarity among members of cooperatives and to the non-economic, cultural goals of their activity).

3.2.3.2. Non-Governmental Organisations

NGOs, which for this purpose means foundations and associations, may under current law conduct economic activity in several forms. Organisations may conduct economic activity, public service activity on an outsourcing basis, public service activity for a fee, and activity in the form of a company.

Economic activity

Under the Foundations Act of 6 April 1984, a foundation may conduct economic activity to an extent that furthers realisation of its purposes. The Associations Act of 7 April 1989 provides that an association may conduct economic activity under general rules set forth in other regulations. Both foundations and associations conducting economic activity at the time of their entry in the Register of Entrepreneurs become an entrepreneur in the scope of such activity. In this context, there are certain doubts with respect to referring to an association as an entrepreneur, based on the provision of the Associations Act which defines an association as a voluntary, self-governing, permanent organisation with not-for-profit purposes. But this not only raises a series of doubts in interpretation, generally having to do with the connection between economic activity and chartered activity. There is an overall disputed issue of how to interpret legally the rule of auxiliary activity, as well as economic activity to an extent furthering realisation of chartered purposes.
Another problem is lack of means to conduct economic activity. NGOs conducting economic activity may not use assets derived from their chartered activity for economic activity. Lack of funds for growth and investment in economic activity is a major problem. In the case of economic activity by associations, the matter is even more complicated, because of a provision of the Associations Act saying that ‘income from economic activity of an association shall further the realisation of chartered purposes and may not be designated for distribution among its members.’ In practise this provision may mean that it is not possible to make reinvestments in economic activity of associations.

**Public service activity for a fee**

Unlike economic activity, this activity is mainly characterised by the lack of an ability to earn profit. Under the act, the fee for paid public service activity must be based on a calculation of the direct costs of the activity. In calculating direct costs, chiefly the costs of materials and labour input of workers are taken into account, and in the case of outsourcing and support, documented costs are covered.

In particular, the possibility of applying only direct costs of paid activity (in outsourcing and support of activities, territorial governments often apply the more or less official restriction on not financing indirect costs) means that an organisation essentially must cover part of the costs from other sources. However, because chartered activity may serve as this source (unlike the case of economic activity), in terms of the ability to obtain funds, it is must easier to conduct paid activity and perform public tasks on the basis of the Act on Public Service Activity and Volunteers.

**Segregated economic activity**

NGOs may conduct economic activity by establishing a company or entering into a cooperative of legal persons. But such activity, although undoubtedly creating transparent relations between chartered activity carried out by an NGO and economic activity carried out by a separate legal entity, also leads to major problems, chiefly in terms of management. The management board of the organisation must control the activity within the subsidiary firm, which particularly in the case of a social management board in an association is significantly hindered. It is also difficult to maintain ongoing coordination of the policies of the organisation and the company. With conflicting goals (social profit in the one case, economic profit in the other), it is easy to slip into a conflict in authority, particularly where employees of the subsidiary firm are not interested in the mission of the organisation. Another problem for many organisations is the initial capital necessary to establish the company.

**3.2.3.3. Social Cooperatives**

The social cooperative is the first legal form in Poland which was expressly defined by statute as a social enterprise. In its activity, a social cooperative combines social and economic functions. However, earning profit as a result of conducting business activity is not a goal in and of itself, but only a means to further the social purposes. The subject of a social cooperative’s activity is conducting a joint enterprise based on the personal labour of the members.

A social cooperative operates for the social and professional reintegration of its members. The cooperative may conduct social and educational/cultural activity on behalf of its members and their local community,
as well as publicly useful activity involving public tasks set forth in the Act on Public Service Activity and Volunteers of 24 April 2003. However, these solutions lead to a certain lack of clarity on the issue of the possibility for a social cooperative to conduct fee-charging public service activity alongside business activity. Under the current wording of the law, the issue remains unclear whether the restrictions on paid public service activity also apply to social cooperatives conducting such activity. This involves in particular the ban on conducting fee-charging activity and business activity in relation to a single subject of activity, as well as the issue of volunteers.

3.2.3.4. Social Integration Clubs and Social Integration Centres

The Act on Social Employment, which introduced Social Integration Centres (CIS), defined in a top-down manner the method of assisting excluded persons, without leaving room for innovative actions to seek out other possibilities for social and professional integration. This act is a perfect example of over-regulation by legal provisions that inhibit creative actions. This is one of the reasons that CISs are not formed in such large numbers by NGOs, compared to the number created by units of territorial government.

The Act on Social Employment concentrates chiefly on mechanisms integrating excluded persons in a place created especially for them, a CIS, and appears to ignore the role of the CIS in relation to its own ‘graduates’. The drafters on the one hand over-regulated the moment of preparation of excluded persons for entry onto the open labour market, and on the other hand laconically defined the moment of entry onto the open market. One could thus come away with the impression that there was no thought about further assistance for CIS graduates having to enter the open labour market.

The situation of a CIS graduate may be compared to that of an unemployed person who has just set up his or her own business. In light of the fact that in a typical enterprise incubator, a person starting his or her own business may take advantage of various forms of support for a period of about 3 years, it is difficult to understand why after just 12 months (possibly extended by up to 6 months) an excluded person should suddenly be stripped of the chance for further support from the CIS. The assumption that a person who has completed the CIS will manage independently on the free labour market seems highly unrealistic, particularly in the case where such people establish social cooperatives. The experience from Western European countries indicates that in the case of people who have been unemployed for a long time or are at risk of social exclusion, it is very important that they be covered by an ongoing system of care from one institution providing professional support and counselling. In Poland the CIS could serve as just such an institution, were it not for the fact that under the act, a CIS graduate is expected to manage on his or her own, without further institutional support.

3.2.3.5. Professional Activity Facilities

A Professional Activity Facility (ZAZ) is a status that may be sought by existing legal entities in order to obtain certain tax privileges and very favourable forms of co-financing. ZAZ status is a legal instrument available only to institutions and organisations working with handicapped people, particularly those hiring people with serious disabilities. The ZAZ was designed as an element of a three-step system whereby handicapped people who have gone through an occupational therapy workshop (WTZ) and are able to work could be hired by a ZAZ, and there they would gain the skill and experience needed to enter the
open labour market. Persons certified as being severely disabled but who have not participated in a WTZ may also be employed in a ZAZ.

In its activity as a social enterprise, however, a ZAZ will unfortunately run into various legal barriers. These are chiefly related to discrepancies in interpretation by state administrative authorities concerning the activities of the ZAZ. These problems begin at the state of formation of the ZAZ, when a contract is signed with the province administrator’s office establishing the rules for financing of the ZAZ. The decree on ZAZs provides for ‘negotiation’ of the terms of the contract and the level of co-financing, which in practice means that the province administrator’s office may set arbitrary conditions for an NGO seeking ZAZ status, for example by requiring financial security in the form of promissory notes signed in front of a notary. An additional problem is the issue of the lack of legal personality of a ZAZ; there have been instances where the status of the ZAZ was not properly understood, and officials treated the ZAZ as a separate institution from the unit establishing the ZAZ.

Like other social enterprises in Poland, the ZAZ struggles with the lack of funds for investment in economic activity. The regulations allow a ZAZ to conduct economic activity, but prohibit it from entrepreneurial behaviour. In particular, the requirement to apply profit to the professional activity fund, and the very restrictively worded list of permissible expenditures from this fund, do not allow for investment in the ZAZ as an enterprise or for further development of its business. If an enterprise does not invest, its chances on the free market decrease, and thus profit declines. It should be emphasised that any investment to improve the economic operations of a ZAZ serves not only to generate profit, as in an ordinary enterprise, but is also inextricably linked with increasing the quality and scope of assistance and support offered to the participants in the ZAZ.

The recommendations for legal changes that would foster development of the social economy sector are quite numerous, and often involve specific solutions. Under current law, there are several possibilities for conducting social enterprises. However, because of difficulties in registration, formalities in conducting operations, and lack of clarity in the regulations, it is necessary to think about simplifying the procedures and making the law function in a more flexible way. This concerns such issues as:

- Establishing the relations (including financial relations) between the institution and the social enterprise (if it does not have its own legal personality).
- Simplifying the process of establishing social enterprises (including reduction of the initial capital for companies) and making it possible to obtain funds for investments; although these vary among the different forms of enterprises, the problem is similar.
- Creating the opportunity for both NGOs and social cooperatives to operate under the Act on Public Service Activity and Volunteers in a way that would allow them to finance all costs of contracted and subsidised public tasks (also including fee-charging public service activity in the case of NGOs).

These were formulated in the White Paper and elsewhere, as were many legal texts arising under the eS project.
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- Clarifying the rules for participation and employment of persons at risk of social exclusion (the handicapped with different types of disabilities, the long-term unemployed and so on) in specific forms of social enterprises. This involves, among other things, their relation to the position of other employees (e.g. in social cooperatives), flexible forms of employment, adaptation of the Labour Code, social regulations and regulations concerning disability pensions to the labour market and the needs of the handicapped, particularly those who are able to work and want to work. (These regulations not only don’t solve social problems, they actually discourage handicapped people from looking for work.)
- Enabling legal persons (NGOs and/or communes) to be a member (or founder) of a social cooperative, and, as this entails, promotion of a hybrid form of ownership (public-social-private). This is related to the issue of a social enterprise’s ability to issue stock and restricted distribution of dividends among stockholders. (This is a method of generating additional profit for beneficiaries who are stockholders as well as seeking investors with capital to offer, who can thus be assured of a minimum level of financial return on investment.)
- Regulations on many issues limit the ability to act, e.g. in the case of social cooperatives, meaning that only one model of a social cooperative has the chance for growth. In the case of Social Integration Centres, the regulations do not allow for innovative solutions, e.g. development of forms of social and professional integration. Unfortunately most of the legal acts related to social entrepreneurship hinder the growth of this form of activity, particularly when we take into account that social enterprises operate in niches: they are aimed toward assistance for persons in a particular life situation, with very individual needs (e.g. persons with autism, or the homeless).
- Enabling social enterprises to apply modern solutions, original ideas within existing legal forms, not over-regulating the law, opening up opportunities for various types of action instead of building the law around a single solution.
- Allowing social enterprises to use the opportunities provided by the freedom of business activity (while maintaining certain restrictions related to the social goals of the activity, particularly restrictions on distribution of profit).
- Enabling investment in economic activity, under the assumption that the economic activity will reinforce the social activity or that the economic activity will at the same time be tantamount to performance of social activity.
- Unifying interpretation of regulations by state administrative bodies, which requires education of civil servants.

A separate issue is the need to work on a clearer legal definition of the concept of a social enterprise. Work has begun, and many unclear issues, for example concerning public assistance, could be solved under such new regulations.

13 For example, the concept of a Social Enterprise Act, which was the subject of consultation under the project.
3.2.4. Public Funds – Opportunities and Risks

Entities of the new social economy, which aspire not only to satisfy the needs of their members but also to participate in realising public policies, can and should draw upon public funds. This requires both adapting the ability to distribute budgetary funds to the specific nature of the activity of social enterprises, and great effort on the part of the social economy itself to see that SEEs can use these funds for achievement of the common good to a greater degree and in a manner that secures their independence. According to estimates by the Association for the Development of Non-Governmental Initiatives (FIP), during the previous programme period (2004-2006) only some 15% of NGOs could potentially have made use of co-financing of their projects from Structural Funds. In the final analysis, according to the organisations themselves, about 7% applied for subsidies. Moreover, according to data obtained from particular implementing institutions, it appears that only about 800 NGOs did so effectively, as project leaders, which is just slightly more than 1% of all NGOs.\(^\text{14}\)

Any entity that wants to apply for money from Structural Funds must meet certain threshold conditions. That is why institutional reinforcement of social economy entities and appropriate preparation of the people who are to carry out these types of projects are so important for NGOs. This would involve professionalisation, among other things, chiefly in the procedural and financial aspect of project implementation:

- providing opportunities for improving skills in proper management of the project team, financial management and appropriate accounting functions;
- creating project teams with clearly defined tasks and responsibilities;
- preparing organisations for carrying out projects financed from Structural Funds also by acquiring experience from conducting smaller, easier projects (e.g. using local government funding or smaller grants).

3.2.4.1. European Funds

Drawing on money from Structural Funds and provisions of Operational Programme Human Capital, it would be possible in the upcoming period to build a system for reinforcing the social economy sector, both by supporting creation of new entities and assisting the operations of existing entities.

\(^\text{14}\) It should be pointed out that this percentage goes up somewhat when we include NGOs acting in implementation of projects not as project leaders but only as partners. There were some 200 such organisations involved in the implementing institution itself.
In the new programme period, most of the money from Structural Funds will be spent at the regional level. This applies to funding from the European Social Fund provided for in the regional component of Operational Programme Human Capital (Priorities 6 through 9) as well as money from the European Regional Development Fund, which will be spent under regional operational programmes. It is chiefly in this regional portion that funds should be sought to bring about growth in the social economy sector. Actions on behalf of the social economy may potentially appear in regional activities, but in order for this to happen, local efforts are necessary in each instance when annual action plans are being formulated. Thus appropriate coordination, and a concern that the system of support already partially included in the operational programmes actually does function, will require the particular attention of institutions responsible for implementing Structural Funds and the social economy infrastructure.

**Selected elements of the system for support of the social economy sector included in the detailed description of the priorities under Operational Programme Human Capital:**
Under Priority VI, ‘The labour market open for all’, there is Action 6.1 ‘Improved access to employment and support for professional activity in the region’. Preparation for taking up volunteer work may be financed under Subaction 6.1.1, which should reinforce the staff of less-specialised NGOs that rely to a large degree on the work of volunteers. In addition, thanks to subsidies, internships and training at workplaces, it may also be possible to gain full-time employees. Action 6.2 ‘Support and promotion of entrepreneurship and self-employment’, in turn, provides for support for persons intending to take up business activity, including by awarding funds for growth of entrepreneurship, which may take the form of cooperatives or social cooperatives (in which case the awards are up to PLN 20,000 per person), and consultancy prior to starting a business and for the first year of operations. This action should lead to an increased number of social economy entities and to growth in employment in this sector.

Under Priority VII, ‘Promotion of social integration’, Action 7.2 is listed: ‘Counteracting exclusion and reinforcing the social economy sector’. Under Subaction 7.2.1 it will be possible, for example, to organise internships and subsidised employment in NGOs and social cooperatives for persons at risk of social exclusion. This will be combined with professional and social reintegration activities. It will be possible to expand new forms and methods for individual and group support for professional and social integration, as well as conduct courses and training to acquire, improve or retool professional qualifications and competencies for people at risk of social exclusion. Meanwhile, Subaction 7.2.2 provides for the opportunity to obtain financial support for operations of institutions from the social economy community providing legal services, financial services, consultancy (individual or group) and training that will allow for acquisition of knowledge and skills needed to establish and conduct activity in the social economy sector, support for development of local partnerships for growth of the social economy, and promotion of the social economy and employment in the sector.

Certain opportunities for support for the social economy sector are also provided for by Action 5.4 ‘Developing the potential of the third sector’. Under Subaction 5.4.2 ‘Growth of civic dialogue’, it is possible to finance creation and support of territorial and sectoral networks. However, this opportunity is available only for one type of entity from the social economy sector, NGOs.

Finally, there are Actions 6.3, 7.3 and 9.5, providing for local initiatives to raise the level of professional activity, active integration and education. It should also be pointed out that under these three actions, the maximum project value can be as high as PLN 50,000, and under the detailed description of priorities for Operational Programme Human Capital, these actions are to be carried out in rural districts, urban/rural districts, and towns with up to 25,000 residents. These three actions and the way they are to be implemented (via small grants) provide an opportunity for reinforcement of smaller or newly created entities that are not yet able, due to their modest institutional and financial potential and insufficient experience, to seek co-financing for their projects under other actions, within Human Capital or other operational programmes.

This system should serve as an incubator for social economy entities and support them in the initial phase of their activity. The system should also assist social economy entities to participate in competitions announced under specific priorities of the operational programmes. In this way, obtaining grants will allow for growth of organisations, building up their potential for taking up new challenges. Especially for new entities, however, small grants may be particularly important, such as the grants of up to PLN 50,000 introduced under three of the actions under Operational Programme Human Capital. Finally, the support system should also provide social economy entities the opportunity to participate in tenders announced, for example, by local governmental units and institutions that report to them, for actions co-financed out of Structural Funds. Such a mechanism would allow them to acquire capital needed for stable growth and relatively independent operations.
Challenges for Development of the Social Economy and Areas of Potential Expansion

Some of the recommendations arising from the experience in the prior programme period\(^{15}\) have already been drawn upon during creation of the programme documents and the implementation system for 2007-2013. It does appear, however, that under the current conditions, strong regionalisation of spending from the fund may present problems, and thus the possibility of introduction of stricter criteria, restrictions and additional procedures at the province level. Therefore particular attention should be paid to:

- equal access to funds for support of the social economy in all provinces, which will depend on the intermediary institutions (at the regional level) defining annual action plans, and on the Monitoring Committee and Subcommittees approving these plans;
- intermediary institutions’ not applying additional criteria at the regional level (requirements for filing applications) which limit the access to funds by social economy entities;
- unifying the requirements and setting them out clearly, at the application and settlement stages as well as in tender procedures, and applying them clearly in the event of audits;
- clearly stating in the documents defining the system for implementing operational programmes that social enterprises may also be recipients of support under the actions directed toward enterprises (particularly under relevant priorities in Regional Operational Programmes);
- implementing an effective mechanism allowing for real-time feedback, from implementing institutions, intermediary institutions and project designers, for example involving problems with procedures for implementing Structural Funds and difficulties in applying and carrying out projects;
- applying institutional solutions which have proven to be effective in the past programme period, such as programme improvement teams, and in the EQUAL Community Initiative Programme;
- a greater willingness on the part of public administration institutions carrying out their own projects co-financed from Structural Funds (including local governmental units and institutions reporting to them) to include clauses on added social value in the essential tender conditions (along the lines of environmental clauses) when carrying out the public procurement process;
- promotion of innovative projects and a wide scope of model projects involving transfer of good examples from other EU countries.

At the same time, it should be borne in mind that much of the money from Structural Funds in the new programme period should be used, in the case of social economy entities, primarily to reinforce these entities, to make them professional and autonomous. The money should not make the social economy sector dependent on grants, but enable SEEs to find their place on the market and develop a system of financing that will provide them stability and growth. However, the availability of these funds may contribute to ‘mission drift’ by SEEs toward fields that are considered priorities from the point of view of the Structural Funds. Social enterprises, and particularly the structures they represent, should be careful that this opportunity for support for the social economy does not become a mechanism for uniformity and statism of the sector.

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\(^{15}\) See the report by the Association for the Development of Non-Governmental Initiatives (FIP), Non-Governmental Organisations and Structural Funds.
3.2.4.2. Domestic Public Funds

Funds exist at both the national and regional levels which could be significant for growth of the social economy. On a nationwide scale these include primarily the Fund for Civic Initiatives (FIO – most likely as a permanent government programme), the National Environmental Protection Fund (NFOŚ), the National Health-Care Fund (NFOZ), the Labour Fund (FP), and the State Fund for Rehabilitation of the Handicapped (PFRON). As in the case of EU funds, these may support growth of the social economy, for example through development of environment-friendly technologies, subsidies for jobs for the handicapped, or financing of activities (such as financing medical services by non-public health-care facilities).

At the regional level there are, at least, the Province Environmental Protection Funds (WFOŚ). The programme of the Ministry of Labour and Social Policy entitled ‘Support for Growth of Social Cooperatives’, which is dedicated to at least a group of social economy entities and involves introduction of Social Cooperative Support Centres (OWSS), is also of particular significance. PLN 900,000 was earmarked for OWSSs in 2007. Each centre organises grant competitions, in addition to providing non-financial support. The rules for the grant competitions are similar, but are set individually by specific centres. Grants are generally earmarked for development of social cooperatives, including modernisation, purchase of fixed assets, and investments in personnel. Each grant is for about PLN 20,000.

A separate category, and from one point of view the most important, is money from local governments which may outsource tasks on the basis of the Public Procurement Act, contracting or subsidising public service activity (see below). Local government is one of the main sources of financing for NGOs (affecting more than 50% of organisations), and after amendment of the Act on Public Service Activity and Volunteers may also become a source of subsidies for social cooperatives.

The contemporary social economy is based to an increasing degree on activity financed at least in part by the public budget, whether in the form of subsidies (grants) or outsourcing of tasks (contracts). Other forms include public-social partnerships and three-sector partnerships as a means of providing financial footing for achievement of social goals. But these forms for financing social enterprises require a change in attitude, particularly among decision-makers at the local level. This has to do in particular with:

- defining a vision for growth of the local community in categories going beyond a narrow understanding of economic growth;
- accepting the fact of the commercialisation of NGOs (and economic activity by other SEEs, such as social cooperatives);
- understanding the role of the social economy in achievement of growth strategies and strategies for solving social problems, as an important mechanism for modernising the system of social assistance and the employment services;
• outsourcing tasks to social economy entities under the public procurement procedure, paying particular attention to the ability to use ‘social clauses’ in tenders (which currently are more often abandoned);
• subsidising the activity of social enterprises in fields where they do not compete on the market for services but carry out public service tasks.

When domestic public funds are used wisely, in accordance with the European principle of the complementarity of Structural Funds, they may be decisive in defining the directions for growth of social enterprises and lead to creation of a Polish model of the social economy.

It should be remembered in this context that the public administration is one of the most important consumers and customers for services. According to estimates by the European Commission, about 16% of GDP in EU countries is spent via public procurement. Procurement procedures are subject to regulation at the EU level (particularly under Directive 2004/18/EC) as well as the national and local level. These regulations may either foster or hinder growth of the social economy. Use of ‘social clauses’ are particularly important from this point of view. Such clauses are applied through the definition of the subject matter of the procurement, the manner in which it is produced, and the essential features of the contractor. In Italy, for example, it is possible to designate entire fields of social services for competition exclusively among social cooperatives (Type B). In the EU, ‘green’ and ‘ethical’ procurement procedures are used more and more broadly. In some countries use of social clauses is more or less obligatory. The public administration is beginning to understand its role as a consumer and accept the duties that come with that role.

It often turns out, however, that the barrier to applying additional criteria (other than price) does not come from the regulations, which allow for many flexible solutions, but from the concerns or convenience of institutions announcing tenders. A concern about adopting ‘soft’ criteria is widespread in Poland and often has negative consequences. In the case of caretaker services, the mistrust toward solutions of this type on the part of local government has proved ruinous for this whole branch of services. This has nothing to do with common sense, but is a textbook example of misinterpreting what is taken to mean the public good. It should be pointed out that procedures applying price as the sole criterion in the case of social services are prohibited in some countries (such as Italy).

The essence of public procurement is not, as some think, simply to cut prices, but to obtain the greatest value in exchange for use of public funds. The concept of value is crucial here. At the local level in particular, it is wholly justified and formally feasible to construct procurement conditions to reflect a broad understanding of the public good (especially if it has been defined in locally developed strategies). Procurement concerning road construction, for example, may also include training for groups of unemployed people, which is not only an intelligent solution but is also formally feasible.

A review of current regulations is called for – both domestic and foreign (in large measure this has already been done under the EQUAL programmes). It is also necessary to conduct a broad educational action concerning the use of public procurement, in cooperation with the public administration (particularly regulatory bodies such as the Public Procurement Office – UZP). Social economy organisations and supporting institutions should promote use of social clauses and help put procedures of this type into operation. It is necessary to straighten out some legal issues, particularly settling whether NGOs may compete for public procurement as part of fee-charging non-profit activity. Finally, introduction of non-price criteria does not free social economy entities from competing with other sectors and with one another.
It only accentuates that competition. Price-cutting is no longer enough. It is necessary to demonstrate unique competencies. Social economy entities should be prepared to do that.
4.

Final Remarks – A Call to Common Action on Behalf of the Social Economy

In formulating recommendations for growth of the social economy in Poland, it is hard not to notice that implementation will depend on a great many factors, and perhaps most of all, understanding, approval and support from many social groups, individuals and institutions. These recommendations have been formulated in a way that would most fully demonstrate the conditions that will foster growth of the social economy and full use of its potential. Now all these recommendations should be assigned to specific players in the complex game of encouraging the social economy.

We have certain expectations of our politicians, and they are not the same as the expectations we have of civil servants. Goals may easily be stated for various levels of the administration, but they will be different for each level. One message should be formulated for public opinion, and another for the mass media with a direct influence on public opinion. The message for social enterprise activists will differ from the message for their beneficiaries, and likewise with the customers who make use of their services.

It does appear, however, that regardless of where the accent is placed or what arguments are used, the underlying message is basically the same. The worst enemy of the social economy is a failure to understand its nature (regardless of whether there is a lack of understanding on the part of those carrying out the activities, or observers), a failure to appreciate its effects (whether on the part of a beneficiary or a decision-maker), and a belief that we can do without it (all problems can be solved by the authorities or by the free market).

The social economy is an idea that may be understood in various ways, but it stirs great expectations which can differ. Some see in it the idea of making the world a better place, where others see a mechanism for reform of social policy, or an effective method for building social cohesion, while yet others perceive it as a method for solving concrete problems of individuals or social groups. This does not mean, however, that it is a concept that is by definition impossible to achieve, or that the very concept is meaningless jargon. We believe that the social economy has a future, and that it can live up to the hopes placed in it, though surely not always at the same time. Perhaps this means that there are various approaches, or social economy ‘schools’. In social action this need not be a drawback; moreover, it typically is a good stimulator of growth,
a basis for debate among different circles, and primarily makes it possible to test out various solutions in practice. However, if we want the social economy to be an important element of socio-economic life, an instrument for carrying out public policy, and also a manifestation of grass-roots civic activism, we need to state clearly what we want and the methods we want to use to achieve it.

For us, the idea of the social economy is a summons to citizens of the contemporary world to take matters in their own hands, to take responsibility for themselves, for the community in which they live, for the changes that are taking place as the world globalises and more and more often affect each of directly. It is a summons not to wait to see what the administration will do, not to count on the invisible hand of the market, but to make an effort for changes designed to improve our own quality of life and the quality of life of our neighbours, and of our children and grandchildren – with an awareness that improving the quality of life at the cost of other people or the environment is counter-productive in the long run.

This summons is not an attempt to persuade people to heroically take responsibility for things we have no influence over; it is only to show that usually there is a lot more that depends on us than we realise. That is why we believe:

- Those who find themselves in a difficult situation, for various reasons and not necessarily out of any fault of their own, and who are at risk of social exclusion or have already found themselves cast aside to the margins of social life, should seek out opportunities to become autonomous and to free themselves from dependence on assistance from the state. The social economy provides support mechanisms for people who want to change things in their own lives.
- Those who feel responsible for the fate of their fellow man, for various reasons which might include the profession they have chosen, their beliefs or their creed, will find in the social economy the tools that will allow them to make their help ongoing and long-lasting, while also assuring that solving current problems does not cause side effects such as learned or inherited helplessness.
- Those who care deeply about the future of immediate environs and communities – whether their actions arise out of a mandate imposed upon them by their fellow residents, or out of the duties they perform, or only out of love for their small homeland – will find in the social economy solutions combining local growth with local resources, without neglecting the local environment or future generations.
- Those also who feel that they are citizens not only of their own country but also of the international community, or indeed the world, may seek ideas in the social economy enabling them to combine solutions for regional problems with work toward eliminating contemporary global threats.

The social economy is thus an invitation to action, to commitment, to entrepreneurship as the skill to change the world. Anyone who wants to can find a place here.
5.1. eS project partners

- **Foundation for Social and Economic Initiatives (FISE)**, as the project administrator, coordinated actions toward formulation of recommendations for growth of the social economy, conducted training for employment service workers on use of social economy tools, and organised the work of the Standing Conference on the Social Economy (SKES) including operation of the SKES secretariat. [www.fise.org.pl](http://www.fise.org.pl)

- **Bank DnB NORD Polska S.A.** (formerly Bank Inicjatyw Społeczno-Ekonomicznych S.A. – bank for socio-economic initiatives) analysed models for financing of social economy enterprises, with particular emphasis on the banking sector, and sought the best solutions in this regard. [www.dnbnord.pl](http://www.dnbnord.pl)

- **Association for the Forum of Non-Governmental Initiatives (FIP)** conducted monitoring of the availability of EU funds for social economy entities, observed the process of implementing structural funds in Poland, and prepared related reports and recommendations. [www.eu.ngo.pl](http://www.eu.ngo.pl)

- **Institute for the Development of Social Services (IRSS)** conducted training for social workers, analysed local strategies for solving social problems in terms of the ability to use instruments of the social economy, and worked on proposals for modifying the underlying assumptions of the social assistance system in terms of the social economy. [www.irss.and.pl](http://www.irss.and.pl)

- **Civil Society Development Foundation (FRSO)** conducted sessions of the Social Economy Seasonal School, supported creation of a group of social economy experts and consultants, provided consulting services to selected social economy entities, and entered into cooperation with the business community. [www.frso.pl](http://www.frso.pl)
• **Klon/Jawor Association (KLON)** maintained, and will continue to maintain, a database of social economy entities, coordinated quantitative and qualitative research on the social economy sector, published numerous guides to the social economy field, and administered the social economy portal [www.ekonomiaspoleczna.pl](http://www.ekonomiaspoleczna.pl) [www.klon.org.pl](http://www.klon.org.pl)

• **Małopolska School of Public Administration (MSAP), Cracow University of Economics,** introduced post-graduate studies and conducted a seminar for master’s degree candidates in the field of the social economy, opened the Regional Centre for the Social Economy for Małopolska province, and began publication of a quarterly devoted to the social economy. [www.ekonomiaspoleczna.msap.pl](http://www.ekonomiaspoleczna.msap.pl) [www.msap.ae.krakow.pl](http://www.msap.ae.krakow.pl)

• **Ministry of Labour and Social Policy (MPiPS)** worked on inclusion of the idea of the social economy in strategic white papers concerning social policy, and sought best practises in the area of the social economy. [www.mpips.gov.pl](http://www.mpips.gov.pl)

• **The Network of Information and Support for Non-Governmental Organizations SPLOT (SPLIT)** operated regional information points on the social economy, conducted meetings devoted to the social economy in the regions, and analysed cooperation between social economy institutions and local governments (Cooperation Barometer study). [www.splot.ngo.pl](http://www.splot.ngo.pl)

• **Polish Office of the United Nations Development Programme (UNDP)** participated in developing a system of indicators for the social economy and promoted the social economy under the Global Compact Initiative in cooperation with business. [www.undp.org.pl](http://www.undp.org.pl)

**5.2. Bibliography of texts prepared under the project ‘In Search of a Polish Model for the Social Economy’**

**Publications from the series ‘SOCIAL ECONOMY TEXTS’**


• **Boni, M. Konteksty Ekonomii Społecznej (Contexts of the social economy), Ekonomia Społeczna Teksty (Social Economy Texts) 2007, No. 1/2007. Foundation for Social and Economic Initiatives (FISE), Warsaw**

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- Frączak, P. Rola infrastruktury III sektora w budowie ekonomii społecznej w Polsce (The role of third-sector infrastructure in building the social economy in Poland), in Raport Otwarcia, Ekonomia Społeczna Teksty (Opening Report, Social Economy Texts) 2006, No. 30/2006. Foundation for Social and Economic Initiatives (FISE), Warsaw
- Gosk, I. Ekonomia społeczna jako aktor rynku pracy (The social economy as an actor on the labour market), in Raport Otwarcia, Ekonomia Społeczna Teksty (Opening Report, Social Economy Texts) 2006, No. 22/2006. Foundation for Social and Economic Initiatives (FISE), Warsaw
- Guć, M. Wspieranie ekonomii społecznej przez administrację publiczną (Support for the social economy by the public administration), Ekonomia Społeczna Teksty (Social Economy Texts) 2007, No. 5/2007. Foundation for Social and Economic Initiatives (FISE), Warsaw
- Gumkowska, M. Organizacje pozarządowe jako partner administracji publicznej (Non-governmental organisations as a partner of the public administration), in Raport Otwarcia, Ekonomia Społeczna Teksty (Opening Report, Social Economy Texts) 2006, No. 26/2006. Foundation for Social and Economic Initiatives (FISE), Warsaw


Jankowska, M. Tylko miłość uskrzydla, czyli ekonomia społeczna w praktyce Kościoła (Only love inspires, or the social economy in Church practise), in Raport Otwarcia, Ekonomia Społeczna Teksty (Opening Report, Social Economy Texts) 2006, No. 6/2006. Foundation for Social and Economic Initiatives (FISE), Warsaw


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Krysiak, I. Informacja o sektorze spóldzielczym w Polsce (Information on the cooperatives sector in Poland), in Raport Otwarcia, Ekonomia Społeczna Teksty (Opening Report, Social Economy Texts) 2006, No. 31/2006. Foundation for Social and Economic Initiatives (FISE), Warsaw

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Rosiek, K. Ekonomia społeczna w strategii miasta Krakowa (The social economy in the strategy of the city of Cracow), in Raport Otwarcia, Ekonomia Społeczna Teksty (Opening Report, Social Economy Texts) 2006, No. 27/2006. Foundation for Social and Economic Initiatives (FISE), Warsaw


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The Polish Model of the Social Economy: Recommendations for Growth

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**Periodicals**

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- *EUlotka. Biuletyn Programu Europejskiego Stowarzyszenia na rzecz Forum Inicjatyw Pozarządowych (Bulletin of the European Programme of the Association for the Forum of Non-Governmental Initiatives – FIP)* No. 21 (July 2007), Warsaw
- *EUlotka. Biuletyn Programu Europejskiego Stowarzyszenia na rzecz Forum Inicjatyw Pozarządowych (Bulletin of the European Programme of the Association for the Forum of Non-Governmental Initiatives – FIP)* No. 23 (March 2008), Warsaw

**Research conducted under the project ‘In Search of a Polish Model of the Social Economy’**

Two quantitative studies of social economy entities conducted in 2006 and 2008.

- 2006 study of a representative sample of 1,900 social economy entities, including 1,242 non-governmental organisations – associations and foundations, 363 cooperatives, 156 economic and professional self-governing organisations (agricultural clubs, agricultural producer groups and other economic self-governing organisations), 7 mutual insurance societies (out of 9 in existence), 27 social cooperatives, 22 Social Integration Centres, 28 Professional Activity Facilities, and 108 social economy enterprises deliberately selected on the basis of indications from relevant judges, using criteria developed under the ES project. In the study, an effort was made to define the condition and potential of social economy entities (with particular emphasis on new forms of social enterprises).

- 2008 study of a representative sample of 1,700 non-governmental organisations, making it possible to depict the differences in condition of the NGO sector across provinces, financial condition, ‘commercialisation’ of organisations, and cooperation with other entities, primarily territorial government, in the year 2004 – 2008.

A qualitative study of 50 social economy enterprises, designed to collect data on the condition, operations, life cycle, institutional and social surrounding, and problems and needs of 50 social economy enterprises from all over Poland. Analysis of the collected data to respond to three key questions:

- To what extent are social enterprises truly social and/or truly economic (in the sense of the new social economy)?
- Under Polish conditions, do SEEs have a reason for being, and do they address real problems and needs (of individuals and organisations)?
- What are the ‘success factor’ for creation and operation of strong SEEs with prospects for the future?
A study of 10 SEEs in a local context. In the case of 7 enterprises, the study included partners and beneficiaries of the entities studied, and in 3 communities an in-depth qualitative study was conducted to complement the quantitative components (a complete study of non-governmental organisations operating in a given territory and studies of representative samples of residents).

Three studies of cooperation between local governments and NGOs, in 2006, 2007 and 2008. In 2006, data were collected concerning 1,200 administrative offices, 1,600 annual cooperation programmes (for 2005 and 2006) and 250 strategies for solving social problems; in 2007, data concerning 1,500 administrative offices, 550 annual cooperation programmes (for 2007) and 360 strategies for solving social problems. For 2008, research was carried out through the end of March 2008.

Three studies (in 2005, 2006 and 2007) of the social context of the social economy, on a representative sample of Polish adults, in order to answer the question 'What do Poles know and think about the social economy?'
Document was published in the frame of the project “Searching for a Polish model of the social economy” realized with funding from the EQUAL Initiative of the European Social Fund.