

Towards Full Employment

**HORIZON
2005**

■ **ABOUT THE SOCIAL**
ECONOMY

Better support for
job creation in
social economy businesses

Québec 

2003-2004 Budget
About the Social Economy
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Prioritize Employment and Solidarity

**Action Plan for the
Development of Enterprises
in the Social Economy**

**2003-2004
Budget**

Québec 

Message from the Deputy Premier and Minister of Finance, the Economy and Research

For over 100 years, enterprises in the social economy have contributed significantly to Québec's economic and social development. Cooperatives and non-profit organizations have satisfied in an original, appropriate manner a wide range of community needs.

Through the goods and services that they offer, enterprises in the social economy are enhancing the quality of life of individuals and are helping to develop the Québec economy by creating employment.

In recent years, the government has offered significant support to the social economy. Moreover, the priority given to home services, especially the establishment of a network of childcare centres, has enabled the sector to develop strikingly.

The action plan entitled *Prioritize Employment and Solidarity*, which I am presenting in conjunction with the 2003-2004 Budget Speech, seeks to further consolidate and develop enterprises in the social economy and broaden their contribution to the government's objective of achieving full employment.

To this end, the action plan has a budget of \$20 million over three years. These funds will engender over \$55 million in investments in enterprises in the social economy and create or maintain roughly 5 000 jobs.

Every day, enterprises in the social economy prove that social development can go hand in hand with economic development. Through this action plan, the government is reiterating its support for the sector, which makes it possible to simultaneously create and redistribute collective wealth.

PAULINE MAROIS

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INTRODUCTION

The government recently adopted the objective of achieving full employment. With this *Action Plan for the Development of Enterprises in the Social Economy*, presented in conjunction with the 2003-2004 Budget Speech, the government intends to broaden the contribution made by the social economy to attaining this objective.

The government has supported in recent years the development of new enterprises in the social economy and wishes to pursue its efforts in order to further support the consolidation and development of these enterprises.

To this end, it is focusing on three key policy directions.

→ **First policy direction: Access to appropriate funding and capitalization measures**

Given their nature and mission, enterprises in the social economy have difficulty obtaining funding by conventional means. The government will facilitate capitalization and access by enterprises in the social economy to funding through measures tailored to their needs.

→ **Second policy direction: Recognition and development of markets**

Targeted measures will also be implemented to further support enterprises in the social economy. Among other things, the measures will focus on consolidation in certain fragile sectors. Other measures will help publicize enterprises in the social economy and develop their markets.

→ **Third policy direction: Revision of the legal status of NPOs in the social economy**

The legal status of non-profit organizations (NPOs) in the social economy does not acknowledge the entrepreneurial nature of such organizations. In order to fully develop the potential of these enterprises, the government intends to examine the advisability of amending existing legislation. Moreover, it will examine the possibility of allowing such enterprises to issue capital stock, as cooperatives or conventional private-sector companies do.

This *Action Plan for the Development of Enterprises in the Social Economy* is divided into two sections:

- the first section examines the contribution made by the social economy to Québec's economic and social development, the progress achieved by the sector in recent years, and increased government support for the sector;
- the second section focuses on the challenges and questions that enterprises in the social economy will face in the coming years and the adapted measures in the government action plan that will support their development.

INTRODUCTION

TABLE 1
**IMPACT OF MEASURES IN THE ACTION PLAN FOR THE DEVELOPMENT
 OF ENTERPRISES IN THE SOCIAL ECONOMY**
 (in millions of dollars)

	Budgetary impact		
	2003-2004	Over three years	Investment
First policy direction – Access to funding			
Infrastructure and equipment enhancement program	1.5	7.5	40.0
Program to develop emerging sectors	1.5	7.5	10.0
Enhancement of the Programme favorisant la capitalisation:	1.3	2.5	3.5
- Interest reduction			
- Assistance for enterprises in difficulty			
Fonds de développement des entreprises d'économie sociale (modification of standards)	-	-	-
Identification of new capitalization measures	-	-	-
Second policy direction – Recognition and development of markets			
Government recognition policy	-	-	-
Preferential procurement pilot project			
Advertising in community media	-	-	-
Revision of government programs	-	-	-
Other recognition measures	0.8	2.5	2.7
Third policy direction – Legal status			
Revision of the legal status of NPOs in the social economy	-	-	-
TOTAL	5.1	20.0	56.2

SECTION 1

THE SOCIAL ECONOMY IN QUÉBEC

1. A SIGNIFICANT CONTRIBUTION

Enterprises in the social economy usually encompass small and medium-sized non-financial cooperatives and non-profit organizations (NPOs) in the market economy, i.e. which produce marketable goods and services.

Québec's social economy began in the 19th century, although it did not truly flourish until Alphonse Desjardins established the first *caisse populaire* in 1900. Individuals were thus able to obtain loans that had previously been reserved for notables and businesses.

The first half of the 20th century witnessed the establishment of the first agricultural cooperatives and the growth during the 1930s and 1940s of consumer cooperatives and mutual insurance companies. During the 1970s, new sectors such as community housing developed to satisfy social needs.

In recent years, government policy directions and support have contributed significantly to the development and expansion of the home services sector, especially through childcare centres and home help services.

For over a century, the social economy has contributed appreciably to Québec's social and economic development and has helped satisfy needs not covered by the market economy or the public sector. Chapter 1 examines this contribution.

1.1 A SECTOR THAT GENERATES 65 000 JOBS

Enterprises in the social economy contribute significantly to the Québec economy. According to estimates in a study conducted in 2001 by the Chantier de l'économie sociale,¹ such enterprises generate sales of nearly \$4.3 billion, equivalent to nearly 2% of Québec's gross domestic product.

Overall, non-profit organizations in the social economy generate approximately 45 000 jobs² to which must be added nearly 20 000 jobs in the cooperative sector, excluding worker-

¹ The Chantier de l'économie sociale is an organization that promotes and develops the social economy.

² Full-time equivalent.

shareholder cooperatives, financial cooperatives, mutual insurance companies, and the two biggest agricultural cooperatives. All told, over 6 000 enterprises in the social economy account for 65 000 jobs.

1.2 AN ORIGINAL RESPONSE TO COMMUNITY NEEDS

The very nature of the social economy allows it to provide original, appropriate responses to numerous community needs. The social economy produces a diversified range of goods and services. The home services sector accounts for a significant portion of the goods and services produced.

1.2.1 *A diversified range of products and services*

The social economy encompasses a wide array of fields. It first developed in traditional sectors such as agricultural, forestry and consumer cooperatives.

Enterprises in the social economy also operate in the home services and community services sectors, e.g. labour market integration firms, adapted work centres, home help services, childcare centres, perinatal centres, and waste sorting and recovery centres.

Mention should also be made of emerging sectors such as culture, community media, new information and communications technologies (NICTs), and social tourism. Table 2 gives examples of the numerous services that enterprises in the social economy offer, depending on the sector.

TABLE 2
EXAMPLES OF SECTORS AND ACTIVITIES

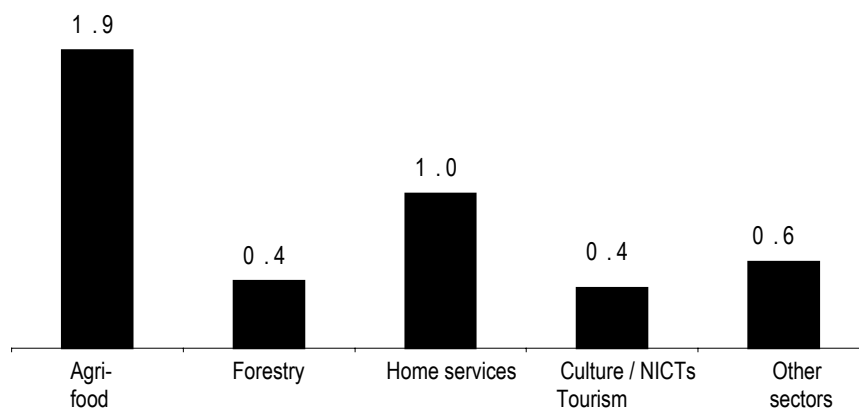
Sector of the social economy	Type of activity
Childcare centres	\$5-a-day day care for children 4 years of age and under
Home help services services	Home help services for the elderly, individuals experiencing a loss of autonomy and active households
Perinatal centres	Prenatal and postnatal services
Adapted work centres	Labour market integration services for the disabled
Labour market integration firms	Labour market integration services for underprivileged clientele
Culture	Dissemination of culture at the regional and local levels
Community media	Newspapers, television and radio stations
Community housing	Access for all citizens to affordable, quality housing
Waste sorting and recovery centres	Recovery, repair and reuse of residual household, industrial or commercial materials
Forestry sector	Restoration of Québec's forests: production of seedlings, reforestation, silvicultural work, wood harvesting, lumber production
Social tourism	Accommodation, restaurants, vacation camps for children, low-income families and the disabled
Information technologies	Technical resources that allow for the integration and use of NICTs by groups formed through associations and the social economy

1.2.2 Home services, a key sector

The agri-food sector is the leading sector in the social economy. It accounts for roughly 45% of total sales.

Home services, which benefit from extensive government support, generate approximately \$1 billion in sales, i.e. nearly 25% of total sales.

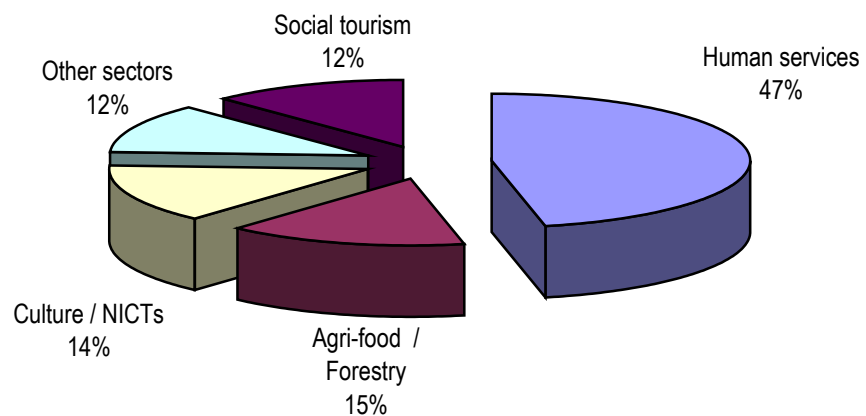
CHART 1
SALES OF ENTERPRISES IN THE SOCIAL ECONOMY IN QUÉBEC
(in billions of dollars)



Source: Chantier de l'économie sociale, *Portrait statistique 2001*.

Home services account for nearly half of the jobs generated by enterprises in the social economy. The remaining jobs are distributed more or less evenly in the other sectors.

CHART 2
PROPORTION OF JOBS IN ENTERPRISES IN THE SOCIAL ECONOMY, BY SECTOR



Source: Chantier de l'économie sociale, *Portrait statistique 2001*.

While the home services sector accounts for significant sales and a significant portion of jobs, it represents only 20% of the enterprises in the social economy. The high number of enterprises in other fields reflects, in particular, the small size of the enterprises, which are found above all in emerging sectors.

TABLE 3
NUMBER OF ENTERPRISES IN THE SOCIAL ECONOMY

	Number of enterprises	Percentage
Home services	1124	18.0
Community housing	1378	22.0
Social tourism	1037	16.6
Agri-food / Forestry	329	5.3
Culture / NICTs	1711	27.3
Other sectors	675	10.8
Total	6254	100

Source: Chantier de l'économie sociale, *Portrait statistique 2001*.

1.3 AN ECONOMIC AND SOCIAL CONTRIBUTION

In addition to satisfying numerous community needs, the social economy contributes to community development.

In economic terms, enterprises in the social economy create jobs and generate developmental economic activities, especially in the regions. In this way, they enable communities to assume responsibility for their economic, social and cultural development.

The democratic operation of enterprises in the social economy fosters the development of citizenship and social values. Furthermore, such enterprises make services more widely available.

The social economy also encourages individuals in difficulty or with limited education to enter the labour market. This is particularly true of school drop-outs, certain groups of women and income security beneficiaries. Moreover, enterprises in the social economy help reduce undeclared work.

The social economy makes a twofold contribution to community development in that it is both a mean of:

- social development in that it offers new products and services while enhancing the quality of life;
- economic development in that it creates long-term employment.

2. EXTENSIVE GOVERNMENT SUPPORT

The Québec government has extensively supported the social economy in recent years. Since 1996-1997, it has allocated over \$4 billion to the social economy, most of it earmarked for the development of the network of childcare centres.

Overall, such support has enabled the home services sector to achieve remarkable progress and facilitated the shift to entrepreneurship by enterprises in the social economy.

2.1 BROADER RECOGNITION AT THE 1996 SUMMIT CONFERENCE ON THE ECONOMY AND EMPLOYMENT

The Québec government clearly recognized the contribution that the social economy makes to Québec society's development at the 1996 Summit Conference on the Economy and Employment. A task force on the social economy was set up at that time and was given a mandate that focused, in particular, on the elaboration of an action plan (see box on the following page).

Between 1997 and 2000, over \$1 billion was allocated to 20 projects. Government support contributed to the attainment of the Summit Conference's objectives and creating more than 13 000 jobs.

The social economy and the 1996 Summit Conference on the Economy and Employment

The Summit Conference on the Economy and Employment was held in the fall of 1996, at which time the government set up a task force on the social economy. The task force was made up of representatives of the unions, women's groups, the Mouvement Desjardins, the government, Hydro-Québec, the Conseil de la coopération du Québec (CCQ), community groups and the traditional private sector.

Broadly speaking, the task force was given a mandate to define and have recognized the Québec's social economy model, elaborate an action plan, mobilize the means to launch projects, and spur the development of the social economy.

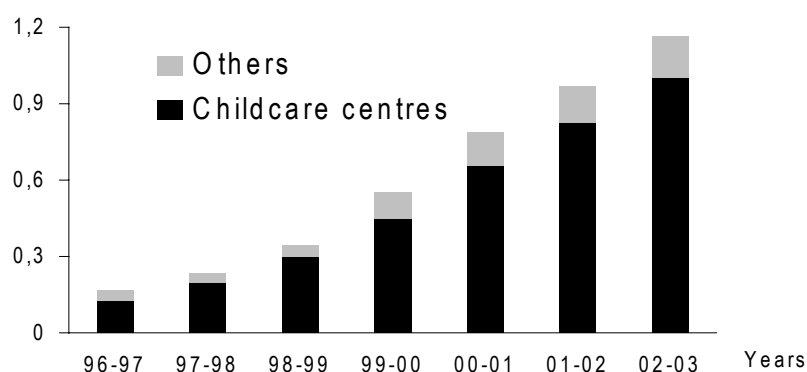
The task force's report, entitled *Osons la solidarité !*, recommended in particular that the government increase its support for the social economy, adapt support measures to collective entrepreneurship, develop the appropriate forms of funding, and so on.

The report also recommended the implementation of more than 20 projects, with the objective of creating 13 000 jobs over three years.

2.2 THE SOCIAL ECONOMY IS A GOVERNMENT PRIORITY

In recent years, the government has made the social economy a priority. Financial assistance increased from less than \$200 million in 1996-1997 to more than \$1 billion annually in 2002-2003. The emphasis the government places on support for home services, especially the implementation of childcare centres, which account for roughly 85% of government assistance for the social economy, largely explains the significant growth in the funds earmarked for the social economy.

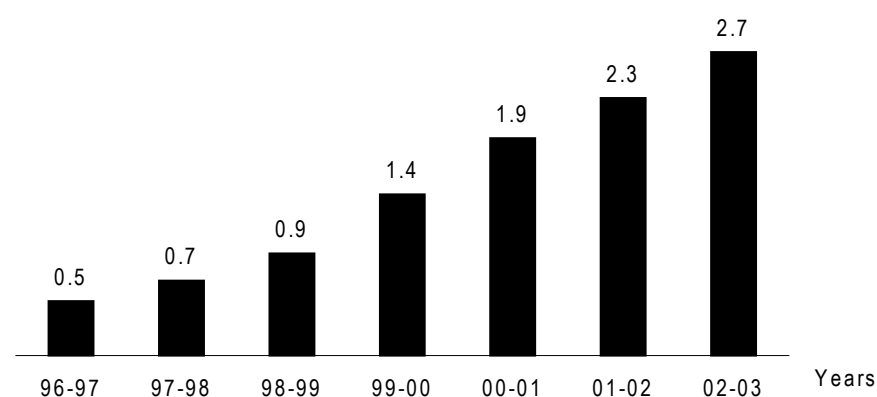
CHART 3
GOVERNMENT ASSISTANCE FOR THE SOCIAL ECONOMY, CHILDCARE CENTRES AND OTHER FACILITIES, 1996-2003
(in billions of dollars)



Source: Ministère des Finances, de l'Économie et de la Recherche.

Overall, the share of government program spending devoted to the social economy has increased from 0.5% to 2.7%.

CHART 4
GOVERNMENT SPENDING ON THE SOCIAL ECONOMY AS A PROPORTION OF OVERALL GOVERNMENT PROGRAM SPENDING, 1996-2003
(as a percentage)



Source: Ministère des Finances, de l'Économie et de la Recherche.

2.3 REMARKABLE PROGRESS IN THE REALM OF HOME SERVICES

Government policy directions in recent years have contributed largely to the development of the home services sector. Furthermore, progress has been particularly significant in respect of childcare centres, home help services enterprises, labour market integration firms and adapted work centres.

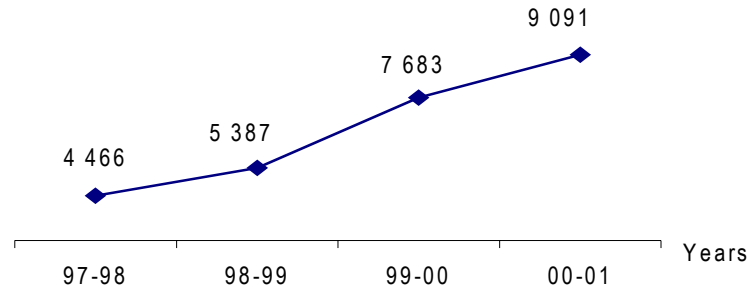
2.3.1 *Childcare centres*

Funding on the order of \$1 billion a year is now allocated to support the network of childcare centres under the family policy adopted in 1996.

One of the policy's objectives is to provide low-cost day care services (\$5 a day) to all children 4 years of age or under. Childcare centres offer evening, night-time and weekend services in addition to daytime services and a complete educational program.

The need for families to obtain quality, low-cost day care services has generated very heavy demand for such services while fostering the rapid development of childcare centres. In addition, since 1998, the number of individuals responsible for home day care has risen steadily, from nearly 4 500 to roughly 9 000.

CHART 5
INCREASE IN THE NUMBER OF INDIVIDUALS RESPONSIBLE FOR HOME DAY CARE SINCE 1998



Source: *Situation des CPE et des garderies au Québec en 2001*, Ministère de la Famille et de l'Enfance, June 2002.

Today, 968 childcare centres account for 24 000 jobs throughout Québec. Over 150 000 low-cost places are available.

In conjunction with the *Horizon 2005* action plan, the government has reiterated its support for the network of childcare centres. It intends to increase by 50 000 the number of places available in order to reach the objective of 200 000 low-cost places by 2006.

2.3.2 Home help services enterprises

Home help services includes light and heavy home help, accompanying individuals to go shopping, and the preparation of non-dietetic meals.

The home help services sector has developed appreciably since the introduction in 1997 of the Programme d'exonération financière pour les services d'aide domestique, to which an annual budget on the order of \$36 million has been allocated. The program subsidizes the users of home help services services.

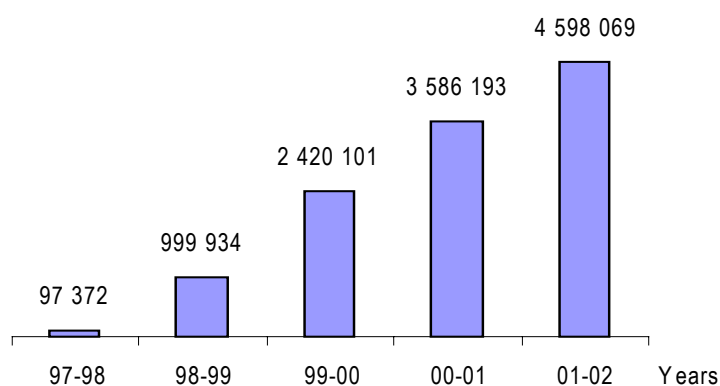
The subsidy takes the form of fixed assistance of \$4 per hour for all users. Variable assistance is also available in addition to the fixed assistance and ranges from \$0.20 to \$6 per hour for users 65 years of age or over, low-income earners or

households referred by a CLSC. The subsidy can thus reach \$10 an hour for services performed for the elderly or for clientele referred by a CLSC.

Today, the home help services sector provides over 4.5 million hours of services for the clientele covered and 103 enterprises account for over 5 100 jobs.

CHART 6

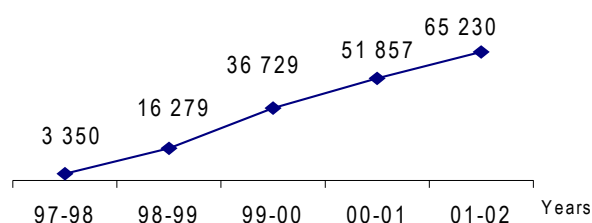
INCREASE IN THE NUMBER OF HOURS OF SERVICE PROVIDED BY HOME HELP SERVICES ENTERPRISES, 1997-2002



Source: Régie de l'assurance-maladie du Québec.

The clientele has increased considerably since the establishment of the Programme d'exonération financière pour les services d'aide domestique. In 2001-2002, over 65 000 individuals had recourse the services offered by these enterprises compared with 3 350 four years earlier.

CHART 7
NUMBER OF CLIENTS OF HOME HELP SERVICES ENTERPRISES, 1997-2002



Source: Régie de l'assurance-maladie du Québec.

In June 2001, a \$7 million, three-year consolidation fund for home help services enterprises was announced. In particular, the fund covers the need for working capital, computer equipment and training for managers and administrators.

Overall, the consolidation fund will enable 103 home help services enterprises to become more competitive and ensure their viability.

2.3.3 *Labour market integration firms and adapted work centres*

Labour market integration firms satisfy the need for training and supervision of individuals who are experiencing serious difficulty in entering the labour market. The firms, most of which are non-profit organizations, must meet seven definition criteria recognized by the Québec government. Specifically, they must:

- ⇒ engage in social integration;
- ⇒ serve individuals who are temporarily unable to face the labour market;
- ⇒ be a genuine enterprise;

- ⇒ grant the status of wage earner to workers undergoing training;
- ⇒ provide personalized supervision;
- ⇒ offer comprehensive training, i.e. personal, social and technical training;
- ⇒ establish partnerships with community interveners.

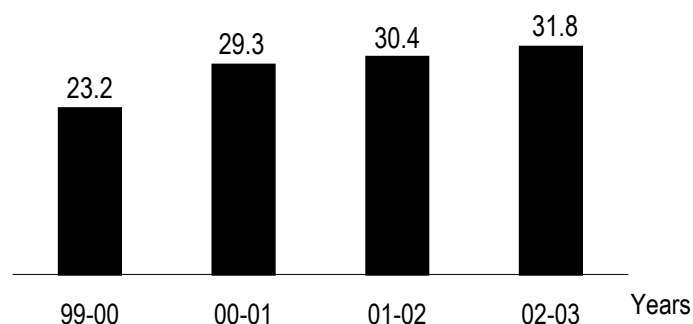
In the case of workers undergoing training, labour market integration firms allow them to enter a workplace and engage in employment, play an active role in the community, develop skills and attitudes suited to their objective of achieving social integration, and even obtain positive work experience.

Future employers can rely on workers who are better prepared to face the labour market in several sectors, e.g. food, wholesale trade, retail trade, culture, manufacturing (wood, metal, computers, bicycles, clothing), services (home maintenance, printing, car care, recovery) and tourism.

In 2001, the 38 labour market integration firms that make up the Collectif des entreprises d'insertion du Québec accounted for 572 permanent jobs and generated sales in excess of \$18 million. Moreover, government assistance made it possible to support over 2 000 integration jobs.

Government support in this sector has risen significantly since 1999, from approximately \$23 million to nearly \$32 million in 2002. The assistance takes the form of the purchase by Emploi-Québec of services from labour market integration firms.

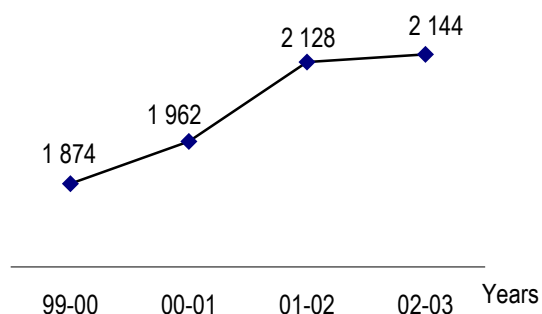
CHART 8
GOVERNMENT SUPPORT FOR LABOUR MARKET INTEGRATION FIRMS,
1999-2003
(in millions of dollars)



Source: Emploi-Québec.

Since 1999, this Emploi-Québec program has engendered a 15% increase in the number of integration jobs.

CHART 9
NUMBER OF INTEGRATION JOBS, 1999-2003



Source: Emploi-Québec.

Adapted work centres seek to provide employment for disabled individuals who, because of their disability, are deemed to be productive but uncompetitive on the labour market.

In 2001, government assistance supported 43 enterprises that generated over \$115 million in sales and gave employment to 2 440 disabled individuals.

Most adapted work centres are non-profit organizations that offer an array of products and services, especially in the sewing, maintenance and security, office supplies, printing and handling, wood industry and recovery sectors.

Since 1996, \$226.7 million has been invested in adapted work centres in order to promote the creation of quality jobs geared to the needs of the disabled and contribute to their development and employability.

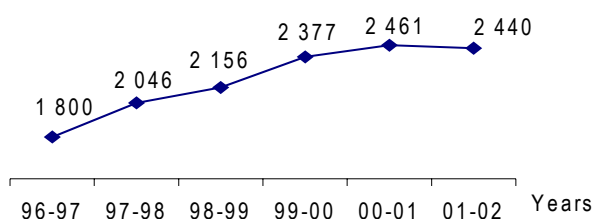
TABLE 4
GOVERNMENT INVESTMENT IN ADAPTED WORK CENTRES, 1996-2003
(in millions of dollars)

Fiscal year	Government funding
1996-1997	27.7
1997-1998	27.8
1998-1999	30.1
1999-2000	34.7
2000-2001	35.0
2001-2002	36.1
2002-2003	35.3
Total	226.7

Source: Ministère des Finances, de l'Économie et de la Recherche.

These investments in adapted work centres increased the number of jobs for the disabled from 1 800 in 1996-1997 to 2 440 in 2001-2002.

CHART 10
NUMBER OF JOBS FOR THE DISABLED IN ADAPTED WORK CENTRES,
1996-2002



Source: Office des personnes handicapées du Québec.

2.4 THE GOVERNMENT SUPPORTS THE SHIFT TO AN ENTREPRENEURIAL PHILOSOPHY

Two key factors characterize management centred on an entrepreneurial approach:

- ➡ the adoption or adaptation (or both) by enterprises in the social economy of the business practices on which the most efficient enterprises rely;
- ➡ the search for greater financial autonomy, which means that a significant proportion of own-source revenues are drawn from the private or public sector.

Some entrepreneurs in the social economy already rely on an entrepreneurial approach to develop their enterprise. Other entrepreneurs have only recently adopted such an approach, encouraged by government policy directions and guidelines, which marks a shift in their approach.

This shift has made it possible to enhance the financial autonomy of enterprises in the social economy and consolidate their management practices. By bolstering their economic viability, the shift to entrepreneurship has enabled enterprises

in the social economy to better fulfil their role and increase their social profitability through the delivery of new services, the enhancement of the quality of life, and so on.

The government has fostered the shift to entrepreneurship among enterprises in the social economy through adapted measures, especially in the regions, e.g. through broader access to funding and measures that promote collective entrepreneurship.

2.4.1 *Facilitate funding for enterprises in the social economy*

The shift to entrepreneurship among enterprises in the social economy has initially been supported through measures that facilitate access to adapted funding.

La Financière du Québec

La Financière du Québec offers enterprises in the social economy two assistance programs designed to foster the emergence of new enterprises, consolidate existing ones and support enterprises that wish to expand.

- ➡ The Programme favorisant le financement de l'entrepreneuriat collectif supports the creation, maintenance and development of enterprises in the social economy through loan guarantees or loans.
- ➡ The Programme favorisant la capitalisation des entreprises de l'économie sociale supports the capitalization of enterprises by means of capitalization loans or the purchase of preferred shares in amounts ranging from \$25 000 to \$250 000. La Financière du Québec has at its disposal a \$15 million in respect of this program, which allows loan recipients to delay repaying capital and interest for two to five years from the time of disbursement of the loan and to take advantage of a partial interest holiday in respect of which \$1.25 million in appropriations have been granted.

The Réseau d'investissement social du Québec

The Réseau d'investissement social du Québec offers development capital to enterprises in the social economy and finances the realization of technical assistance mandates. When it was established in 1997, the Réseau d'investissement social du Québec (RISQ) received \$4 million from the Québec government and an additional \$2.6 million in 2001. There are two types of RISQ funding:

- ➡ the support for capitalization section provides assistance to support investment by promoters and complements assistance from other financial institutions. The assistance granted is usually under \$50 000;
- ➡ the technical assistance section provides funding to cover the cost of hiring specialists to carry out preliminary studies necessary for the realization of projects, such as market studies, business plans and organizational diagnoses for businesses. The assistance does not usually exceed \$5 000.

Since its inception, the Réseau d'investissement social du Québec has participated in 231 funding projects for enterprises in the social economy, which has made it possible to create and consolidate approximately 2 900 jobs.³

2.4.2 The development of community entrepreneurship

Business management demands expertise that is not always available to recently established enterprises. Two programs have been elaborated to remedy this shortcoming.

The Programme de soutien aux regroupements sectoriels en économie sociale established by the ministère des Finances, de l'Économie et de la Recherche, is intended to enhance sectoral expertise, managers' entrepreneurial skills and the viability of enterprises in the social economy.

The program offers up to \$100 000 in assistance per project and \$150 000 annually per group. Some \$6 million has been earmarked for this program over four years, starting in 1999.

³ Source: Réseau d'investissement social du Québec, results as at December 31, 2002.

The program has offered financial support to 51 projects involving over 2 500 enterprises.⁴

To satisfy the training needs of the managers and administrators of enterprises in the social economy and round out the measures available to them, the ministère des Finances, de l'Économie et de la Recherche has elaborated the Programme de formation et guides de gestion en économie sociale management guides adapted to the specific needs of such enterprises.

The guides are used in a four-day training program and are aimed at enterprises in the social economy that wish to undertake the shift to entrepreneurship. The objective is to offer managers a summary of the key management skills and attitudes inherent in such a shift.

2.4.3 Extensive support in the regions

Various measures have been adopted in recent years to facilitate the start-up and consolidation of enterprises in the social economy in the regions.

The Fonds de développement des entreprises d'économie sociale, managed by local development centres, supports enterprises in the social economy during the start-up and consolidation phases. Grants may cover capital expenditures, the acquisition of technologies or the working capital needs of the enterprises. Between 1998 and 2000, the local development centres granted \$26.5 million from the fund. During this period, the program made it possible to create and maintain nearly 8 500 jobs.⁵

Moreover, two programs have been implemented to foster the establishment of cooperatives in the regions.

- ➡ The Programme Audace offers financial support to young people wishing to establish cooperatives in the regions, in the form of a start-up grant ranging from \$5 000 to \$20 000 for each eligible young person and equivalent to 5% of the total cost of the project. The assistance is geared to the

⁴ Source: Ministère des Finances, de l'Économie et de la Recherche, data valid as of March 31, 2002.

⁵ *Rapport triennal des centres locaux de développement 1998-2000.*

size of the population of the municipality in which the project is carried out.

- The Programme d'aide aux coopératives de développement régional seeks to promote cooperatives, offer technical assistance services to cooperatives in the start-up phase, and foster cooperation among cooperatives in the regions.

Since their inception in 1985, regional development cooperatives have helped to create or maintain 11 500 jobs.⁶ The government contributed \$3.6 million to the program in fiscal 2001-2002 alone.

⁶ Source: Ministère des Finances, de l'Économie et de la Recherche.

SECTION 2

PRIORITIZE EMPLOYMENT AND SOLIDARITY

3. MEET THE CHALLENGE OF PURSUING AND CONSOLIDATING THE SHIFT TO ENTREPRENEURSHIP

The entrepreneurial approach will enable enterprises in the social economy to better fulfil their social mission and ensure their long-term viability.

In order to consolidate and further progress in this respect, enterprises in the social economy will have to pursue the shift undertaken in recent years.

In particular, enterprises in the social economy will have to:

- ➔ obtain adequate capitalization;
- ➔ achieve broader recognition in order to further develop their markets;
- ➔ moreover, non-profit organizations in the social economy will have to develop their full potential within an appropriate legal framework.

3.1 CAPITALIZATION IS A KEY FACTOR

Adequate capitalization is essential for the long-term viability of enterprises in the social economy. However, aside from donations and government subsidies, non-profit organizations in the social economy can only finance themselves by incurring debt, which significantly affects the NPOs by burdening their financial structure.

Enterprises in the social economy continue to have difficulty obtaining conventional funding, which is hampering the implementation of development projects, e.g. infrastructure renovation and equipment purchase projects.

Adapted funding and capitalization measures that do not increase the debt burden of enterprises in the social economy and provide sufficient capital are a priority.

3.2 BROADER RECOGNITION

The social economy has developed significantly in Québec in recent years and the Québec government's efforts have borne fruit. However, in order to develop their markets, enterprises in the social economy, especially non-profit organizations and cooperatives operating in recently developed sectors, must achieve broader recognition.

Furthermore, broader recognition will enable enterprises in the social economy to expand business opportunities, for example, through private or public contracts. Such recognition will also make it possible to take fuller account of the specific nature of enterprises in the social economy, especially when new government programs are developed.

3.3 LEGAL STATUS OF NPOs IN THE SOCIAL ECONOMY

Non-profit organizations in the social economy are now incorporated pursuant to Part III of the *Companies Act*. This legal status covers all types of NPOs and does not take into account the entrepreneurial nature of NPOs in the social economy.

In addition, the current legislative framework does not allow such enterprises to issue capital stock as is true of cooperatives or conventional private-sector enterprises, which deprives them of a potential source of capital.

Under the circumstances, the legal status of NPOs in the social economy is a key question from the standpoint of allowing such enterprises to develop their full potential and expand.

4. GOVERNMENT ACTION PLAN

The special support that the government has given the social economy sector in recent years has borne fruit, as revealed by the significant progress achieved in the home services sector.

Through this action plan, presented in conjunction with the 2003-2004 Budget Speech, the government wishes to broaden the social economy's contribution to Québec's development and the attainment of its objective of full employment.

The Québec government is seeking primarily to:

- ⇒ establish favourable conditions that allow enterprises in the social economy to create even more long-term jobs;
- ⇒ foster broader participation by enterprises in the social economy in the economic, social and cultural development of the regions;
- ⇒ ensure the long-term viability of enterprises in the social economy.

To this end, \$20 million over three years will be allocated to the action plan to prioritize employment and solidarity. Overall, the action plan should generate total investments of roughly \$55 million and create or maintain over 5 000 jobs, through three key measures.

- ⇒ First policy direction: Access to appropriate funding and capitalization measures;
- ⇒ Second policy direction: Recognition and development of markets;
- ⇒ Third policy direction: Revision of the legal status of NPOs in the social economy.

4.1 ACCESS TO APPROPRIATE FUNDING AND CAPITALIZATION MEASURES

The development of the entrepreneurial potential of enterprises in the social economy depends on adequate funding and capitalization. The government will enhance the assistance it offers.

4.1.1 *Establishment of an infrastructure and equipment enhancement program*

Enterprises in the social economy require substantial investments in infrastructure and equipment, including the construction, repair and expansion of infrastructure and the acquisition of major equipment.

However, given their nature and mission, such enterprises have limited access to conventional financing.

To overcome this shortcoming and enable the enterprises to invest heavily in infrastructure and equipment, an infrastructure and equipment enhancement program will be implemented.

The program will have a \$20 million investment budget and will award grants to enterprises in the social economy to carry out infrastructure construction, repair or expansion projects and to acquire major equipment.

The assistance will cover up to 50% of the cost of projects, up to a maximum of \$1.5 million per project.

4.1.2 *Establishment of a program to develop emerging sectors*

Underprivileged individuals, because of low incomes or disabilities, have trouble gaining access to activities, especially in the culture, new information technologies, cultural and scientific recreation, restaurant and tourism sectors.

Community media produce and disseminate information that is not accessible in the conventional media and play a significant social role in the community.

It is important to consolidate and further develop the availability of services in these sectors to facilitate access to them by

underprivileged individuals and communities. To this end, a program aimed at developing and further structuring the availability of services in these emerging sectors of the social economy will be established.

The program will have a \$7.5 million budget over three years and will offer financial assistance to enterprises in the social economy in emerging sectors. It will cover projects aimed at consolidating or developing the availability of services in the culture, new information and communications technologies, cultural and scientific recreation, community kitchen, social tourism and community media sectors.

The assistance will take the form, in particular, of grants in respect of working capital, market studies, marketing plans or organizational plans.

4.1.3 *Enhancement of the Programme favorisant la capitalisation des entreprises de l'économie sociale*

Enterprises in the social economy operate in markets with limited profitability and such enterprises that need to increase their capitalization have difficulty obtaining such capitalization by conventional means.

The government wishes to do more in order to adapt this program to the needs of enterprises in the social economy. The program will be enhanced to offer an interest rate reduction of 3.5 percentage points on loans granted by La Financière du Québec under the program.

Moreover, a section will be added to the program devoted to enterprises in difficulty. La Financière du Québec can thus assist certain enterprises in the social economy whose financial position is more precarious and needs to be turned around.

A \$2 million loan budget will be allocated to this section, which will enable enterprises in the social economy that are in difficulty to quickly obtain a short-term loan from La Financière du Québec accompanied by an interest holiday of up to six months.

All told, appropriations on the order of \$2.5 million will be earmarked for the enhancement of the Programme favorisant la capitalisation des entreprises de l'économie sociale.

4.1.4 *Fonds de développement des entreprises d'économie sociale (modification of standards)*

The Fonds de développement des entreprises d'économie sociale managed by the centres locaux de développement (CLD) was established to support enterprises in the social economy in the start-up or consolidation phase.

In order to bolster the financial position of enterprises undergoing consolidation, the government is extending from two to four years the maximum period of financial assistance granted in conjunction with the consolidation projects of enterprises in the social economy.

4.1.5 *Identification of new capitalization measures*

To ensure their long-term viability, enterprises in the social economy must, ideally, be able to rely on adequate capitalization without increasing their indebtedness.

In particular, the possibility of allowing non-profit organizations to issue common shares as is the case for cooperatives, or the equivalent of capital stock as is the case for conventional private-sector companies, will be examined.

The measure proposed must:

- ⇒ not be deemed to be debt;
- ⇒ allow for the remuneration of institutional or other investors;
- ⇒ maintain the non-profit nature of the NPO in the social economy;
- ⇒ not unnecessarily encumber the existing or future legislative framework governing NPOs in order to maintain their attractiveness.

4.2 RECOGNITION AND DEVELOPMENT OF MARKETS

To develop their markets, enterprises in the social economy should strive to achieve broader recognition by the general public and government departments and agencies.

In this way, such enterprises would be in a position to better take advantage of business opportunities in the general public or private sector.

Measures will be adopted to help enterprises in the social economy achieve broader recognition and facilitate access to government procurement and private markets.

4.2.1 *Government recognition policy*

Since the Summit Conference on the Economy and Employment in 1996, the government has recognized enterprises in the social economy. However, it wishes to further support the development of the enterprises' markets.

To this end, the government will adopt a recognition policy, which should broaden business opportunities for enterprises in the social economy with the government by broadening recognition of such enterprises in government departments and agencies.

4.2.2 *Preferential procurement pilot project*

At the Québec Youth Summit held in Québec City in February 2000, the Québec government undertook to examine the advisability of adopting a preferential procurement policy for enterprises in the social economy in keeping with agreements reached on domestic markets.

To this end, the government asked the Conseil du trésor to set up an interdepartmental committee responsible for:

- ➔ analysing the feasibility and advisability of a preferential government procurement policy in respect of enterprises in the social economy, bearing in mind:
 - the need to properly define the scope of the desired policy;
 - the findings of the attendant cost-benefit analyses;
 - the government's determination to simplify and streamline its administrative management to better deliver public services;
 - government procurement liberalization agreements and contract regulations;
 - other existing measures, such as subsidies for labour market integration firms;

- foreign experience.

In its report, the committee noted that contracts awarded by all levels of government offer worthwhile business opportunities. It pinpointed four conditions for success.

- ➔ The policy must specify that it applies to the broadest possible range of governments and in keeping with the framework respecting government procurement, i.e. government procurement policies, legislation, regulations, intergovernmental agreements, and so on.
- ➔ The policy must make provision for a body that recognizes or accredits enterprises in the social economy.
- ➔ The adoption of a permanent policy must be preceded by the adoption of a government policy to recognize the principles that allow for the establishment of pilot projects in existing fields of operation.

To implement the committee's recommendations, the government will elaborate in the coming months a preferential procurement pilot project.

The fields of operation will be determined during an exploratory phase, which will also make it possible to assess the advisability and feasibility of adopting a government preferential procurement policy. The adoption of such a policy would make government procurement more accessible to enterprises in the social economy.

4.2.3 Government policy respecting certain advertising expenses

In 1995, the Québec government issued a policy statement concerning the allocation to community media of 4% of the advertising budgets of government departments and agencies. To achieve this objective, the government will adopt administrative measures aimed at strengthening the policy's application.

4.2.4 *Revision of criteria governing access by enterprises in the social economy to technical and financial assistance programs*

In 1997, technical and financial assistance programs for enterprises were revised in order to make them more accessible to enterprises in the social economy.

A consultation was conducted among the departments and agencies concerned and revealed that there were no longer, for all intents and purposes, any normative obstacles based on legal status.

However, since the revision, other assistance programs have been introduced and it is important to ensure that they remain accessible to enterprises in the social economy.

In conjunction with this action plan, the government will update the revision of technical and financial assistance programs to ensure that they remain as accessible as possible to enterprises in the social economy.

4.2.5 *Other recognition measures*

Other targeted measures will also be implemented to heighten awareness of enterprises in the social economy and contribute to the development of their markets. In particular, support will be offered to certain development organizations and to specific projects.

Budgetary appropriations of \$2.5 million over three years will be earmarked for recognition and development measures in the social economy.

4.3 REVISION OF THE LEGAL STATUS OF NPOs IN THE SOCIAL ECONOMY

The legal status of non-profit organizations in the social economy applies to all types of NPOs and does not take into account the entrepreneurial nature of NPOs in the social economy.

The adoption by these enterprises of a different existing legal status, such as that of a cooperative or private company,

seems inappropriate to community entrepreneurs given the enterprises' social mission.

Moreover, it might be necessary to amend current legislation to allow NPOs in the social economy to issue capital stock, as is the case with cooperatives and conventional private-sector companies.

To enable NPOs in the social economy to achieve their full potential, the government intends to review the legislative framework governing non-profit organizations in the social economy with a view to examining the advisability of making the necessary amendments.

The government will analyse four options:

- ⇒ a statute devoted specifically to NPOs in the social economy;
- ⇒ an additional (optional) plan in conjunction with the revision of the legal status of all associations, i.e. all non-profit organizations, community and charitable organizations, human rights agencies, and so on;
- ⇒ the development of a specific section for enterprises in the social economy under Part IV of the *Companies Act*;
- ⇒ other appropriate legislative amendments.

Broadly speaking, the revision of existing legislation should make it possible to achieve the following key objectives:

- ⇒ maintain the non-profit nature of NPOs in the social economy;
- ⇒ adapt the legislative framework to the needs of enterprises in the social economy, especially bearing in mind the entrepreneurial nature of such enterprises.

**ACTION PLAN FOR THE DEVELOPMENT OF ENTERPRISES IN THE
SOCIAL ECONOMY**

SUMMARY OF MEASURES

**First policy direction – Access to funding and
capitalization**

- Infrastructure and equipment enhancement program
- Program to develop emerging sectors
- Enhancement of the Programme favorisant la capitalisation:
 - interest reduction
 - assistance for enterprises in difficulty
- Modification of the standards governing the Fonds de développement des entreprises d'économie sociale des CLD
- Identification of new capitalization measures

**Second policy direction – Recognition and development
of markets**

- Government recognition policy
- Preferential procurement pilot project
- Advertising in community media
- Revision of government programs
- Other recognition measures

Third policy direction – Legal status

- Revision of the legal status of NPOs in the social economy

TABLE 5
BUDGETARY APPROPRIATIONS IN RESPECT OF THE SOCIAL ECONOMY
ACTION PLAN
(in millions of dollars)

	Budgetary appropriation				Investment
	2003-2004	2004-2005	2005-2006	Total	
Infrastructure and equipment program	1.5	3.0	3.0	7.5	40.0
Program to develop emerging sectors	1.5	3.0	3.0	7.5	10.0
Enhancement of the Programme favorisant la capitalisation:					3.5
- Interest reduction	0.2	0.4	0.6	1.2	
- Assistance for enterprises in difficulty	1.1	0.1	0.1	1.3	
Recognition and development of markets	0.8	0.7	1.0	2.5	2.7
TOTAL	5.1	7.2	7.7	20.0	56.2

CONCLUSION

The social economy is contributing significantly to Québec's economic, social and cultural development.

Enterprises in the social economy are facing numerous challenges in that they must:

- ⇒ obtain adequate capitalization;
- ⇒ achieve broader recognition in order to further develop their markets;
- ⇒ develop their full potential under a legislative framework that could be enhanced.

The development of the full potential of enterprises in the social economy clearly depends on the adoption of an entrepreneurial approach that will enable such enterprises to better equip themselves economically in order to fulfil their social mission.

Through its *Prioritize Employment and Solidarity* action plan the Québec government wishes to further support the development of enterprises in the social economy and broaden the social economy's contribution to the attainment of its objective of full employment.

APPENDICES

APPENDIX 1

GOVERNMENT ASSISTANCE BETWEEN 1996 AND 2003

Government assistance

Since 1996-1997, the government has focused on four key initiatives, i.e. support for the home services sector, targeted support for other sectors, support for entrepreneurship, access to funding and support for development groups and organizations.

Home services

Given the size of budgets in the home services sector (\$1.1 billion in 2002-2003) and the scope of the services offered to Quebecers, it is by far the sector that has benefited most from government assistance. This sector alone accounts for over 95% of government spending on the social economy. Growth in the sector between 2000 and 2003 stands at roughly 50%.

The network of childcare centres, which now have a yearly budget of \$1 billion, are a key component of the sector, followed in descending order of budget allocation by home help services, assistance for adapted work centres, employment support programs and assistance of perinatal centres.

Assistance to targeted sectors

Since 1999, new development opportunities have arisen for enterprises in the social economy. The Québec government has promoted the establishment of new enterprises in various fields, such as the management of residual materials and recreational services for the underprivileged.

Overall, since 1999, over \$40 million has been invested in programs aimed at enterprises in the social economy operating in these new fields of activity. Most of the funds, i.e. nearly 71%, have been earmarked for non-profit organizations that operate vacation camps for young people, the disabled and underprivileged families, and enterprises that manage residual materials.

Support for entrepreneurship and access to funding

The second largest sector, support for entrepreneurship and access to funding, has received during the last three fiscal years \$68.7 million, nearly half of it allocated this year.

Initiatives such as the establishment of La Financière du Québec, assistance granted to the Réseau d'investissement social du Québec, the establishment of funds in local development centres specifically devoted to enterprises in the social economy, and training for managers clearly reflect the government's determination to consolidate such enterprises.

Support for development groups and organizations

The Québec government is aware that enterprises in the social economy are expanding and that their development must be supported by innovative organizations that can satisfy their needs. For this reason, it is offering substantial assistance to development groups and organizations. Over the past three fiscal years, over \$20 million has been granted, especially to fund groups of enterprises and development organizations.

TABLE 6
GOVERNMENT ASSISTANCE BY TYPE OF INITIATIVE, 1996-2003 *
(in millions of dollars)

	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Total
Support for home services sectors	156.3	230.1	336.8	525.4	750.9	938.2	1 111.7	4 049.4
Support for other sectors	2.0	2.0	2.0	9.3	12.7	8.8	12.3	49.1
Support for entrepreneurship and access to funding	10.0	3.3	4.2	13.4	17.9	17.2	33.6	99.6
Support for development groups and organizations	2.0	2.6	3.4	5.1	8.6	6.0	5.8	33.5
TOTAL	170.3	238.0	346.4	553.2	790.1	970.2	1 163.4	4 231.6

* Statistics gathered for main measures only

APPENDIX 2

FOREIGN EXPERIENCES

The social economy has been present in Québec for a very long time and also makes a significant contribution elsewhere in the world. Several examples of foreign experience in this respect are particularly revealing.

France

In France, enterprises in the social economy take the form of associations, cooperatives and mutual companies. Each of these enterprises is governed by a separate code, i.e. the *Loi sur les associations* of July 1, 1901, the general statute on cooperatives of 1947, and the code respecting the mutual principle of 1955.

However, starting in 1981, several government initiatives were adopted to specifically recognize the social economy and coordinate its development. The government established the Délégation interministérielle à l'innovation sociale et à l'économie sociale in 1981, the Délégation générale à l'innovation sociale et à l'économie sociale in 1991, and the Secrétariat d'État à l'Économie solidaire in 2000.

In September 2001, this secretariat submitted to the Conseil des ministres its perception of the social economy's current development and future prospects. Initiatives will focus on three specific fields, i.e. support for initiatives and the structuring of the social economy, the modernization of the legal framework, and the opening up of European and other countries.

The first initiative has led to the selection of social economy projects and agreements stipulating the role played by each institutional partner in the process of recognizing, promoting and developing a social economy.

With a view to modernizing the legal framework governing enterprises in the social economy, the secretariat has implemented several initiatives, e.g. the revision of the code respecting the mutual principle, the adoption of a payroll savings procedure, the adoption of the *Loi sur les Sociétés Coopératives d'Intérêt Collectif (SCIC)*, and so on.

The secretariat has also approached the European Union in order to establish a European status for cooperatives, mutual

companies, associations and foundations. It also seeks to promote exchanges with southern States.

Belgium

Belgium is a federal state comprising three regions, i.e. the Flemish Region, the Brussels-Capital Region and the Walloon Region, and the French, Flemish and German-speaking communities. The three levels exercise equal powers in specific fields of jurisdiction and the social economy sector is partly the responsibility of the three levels of government.

The social economy is perceived, first and foremost, as a means of fostering access to the labour market in Belgium.

In 1990, the Walloon social economy council adopted a definition of the social economy based on the type of organization found in it and the underlying ethical criteria. Many interveners appear to accept this definition.

The definition states that the social economy encompasses economic activities carried on by corporations, mainly cooperatives, mutual companies and associations, whose ethics centre on the following principles:

- ⇒ the objective is to serve members or the community, not to make a profit;
- ⇒ autonomous management;
- ⇒ a democratic decision-making process;
- ⇒ the pre-eminence of individuals and labour over capital in the distribution of income.

There are two main types of enterprises to which enterprises in the social economy in Belgium may adhere, i.e. non-profit associations and commercial corporations.

It is possible to obtain the status of a non-profit association provided that the organization does not engage in industrial or commercial operations and its members do not seek material gain, unless such gain is only incidental.

Commercial corporations are divided into two sub-categories, i.e. conventional commercial corporations and social corporations, which were created pursuant to the statute of

April 13, 1965. This statute focuses primarily on job creation in the social economy sector and more homogeneous development of the sector.

The statute incorporates into the by-laws of social corporations commitments to guarantee the entity's social objective and democratic operation. The by-laws must acknowledge that the corporation may not seek to enrich its partners, stipulate the limitation of voting power (10% of the votes per person), make provision for the production of an annual report describing how the corporation has achieved its social objective, and allow staff to become partners.

While the social economy accounts for a significant portion of the Belgian economy overall, i.e. 5% of GDP in 1995, it is still not well known and is subject to relatively few targeted financial, fiscal and other measures.

However, in the wake of the recent cooperation agreement between the State, the Regions and the German-speaking community concerning the social economy, this sector should contribute even more significantly to the development of Belgian society.

The agreement, signed on July 4, 2000, recognizes for the first time the importance of the social economy and the role that different levels of government can play in it. It focuses on three measures, i.e. assistance for the social economy, support for community services, and the development of a socially responsible enterprise spirit.

One of the agreement's objectives is to double within four years the number of jobs in the social economy. A policy will be implemented to attain this objective.

Italy

The social economy in Italy is called the third sector to distinguish it from private- and public-sector enterprises. The sector comprises several types of organizations, such as foundations, mutual companies, associations and cooperatives.

A legislative framework adapted to each type of organization governs the third sector. Legislation covering volunteer

organizations, social cooperatives and non-profit social organizations focuses primarily on taxation.

Volunteer organizations (all members are volunteers) enjoy favourable tax treatment and may receive regional contributions.

Legislation governing social cooperatives recognizes such cooperatives, whose objective is to foster general community interest in human promotion and the social integration of citizens instead of its partners' interests. Under the legislation, social cooperatives enjoy significant tax benefits and the absence of social contributions for underprivileged workers. Moreover, local authorities (municipal governments) may obtain goods and services from such enterprises without complying with tendering standards.

Local, provincial and national networks of social cooperatives enable the enterprises to transfer resources and promote new initiatives.

Legislation governing non-profit social organizations is of a fiscal nature and fairly recent. It was adopted in 1997 and implemented in early 1998. Unlike the other two statutes, it is general in scope since it covers all social organizations. The legislation enhances the tax benefits of such organizations and grants deductions for donations.

Public authorities largely fund social cooperatives directly or through the purchase of goods and services. Small organizations, i.e. most enterprises in the social economy in Italy, rely to a limited extent on credit. Bigger organizations rely on traditional financing methods.

Conventional banks invest to a limited extent in local volunteer organizations. Some banks have introduced ethical financial measures but it would appear that such measures are simply dispensations.