The social and solidarity economy, an engine for growth in the Mediterranean

0. How does the ANIMA network view the social and solidarity economy?

The spillover effects and the overall economic impact of companies has been a concern for ANIMA for nearly ten years. In the regard, ANIMA Investment Network is interested in the dynamics of the social and solidarity economy (SSE), which by definition goes together with inclusion and social responsibility. For ANIMA, supporting the development of the SSE sector in the Mediterranean means first and foremost involving companies in a process of value creation for the region(s) they cover: job creation and participation in the employability of local nationals, responsible social and environmental practices, involvement of the local economic fabric, consideration of the problems of the populations affected by the company's activity, etc.

ANIMA is also particularly sensitive to the dynamics of the social and solidarity economy because one of the first qualities of this entrepreneurial offer is that it is mostly innovative. The solutions invented often enrich services and products in the fields of social, health, education but also in strategic sectors for the Mediterranean countries: ecotourism, renewable energies, cultural and creative industries, etc. SSE can also be an effective tool for the integration of groups at risk of social exclusion: disadvantaged young people, women, people living in disadvantaged regions, people with disabilities, etc.

1. How can SSE contribute to the development of the private sector in Southern Mediterranean countries?

SSE provides a particularly relevant response to the development of the private sector in the countries of the southern shore of the Mediterranean (MED countries) as it can contribute to meeting 4 major challenges:

1. The mobilisation of the large young generation, looking for work and increasingly oriented towards entrepreneurship

Nearly 60% of the population of the southern Mediterranean countries is currently under the age of 30 - and this ratio will continue to grow, as almost 3 million people enter an unattractive labour market each year. This youth is seriously hit by unemployment, regardless of the level of education. The creation of sustainable and non-relocatable jobs for young people is thus at the top of the agenda of the MED countries: an issue to which the SSE responds concretely. Social enterprises target activities anchored in the territory and create more jobs than the average (twice more than the average in France).

Social enterprises are also a source of real enthusiasm among young people, whatever their level of education. More and more Universities offer dedicated modules, including the most prestigious ones (Harvard, Yale, HEC and Instead in France, etc.). In the Mediterranean, social entrepreneurship is the subject of conferences and initiatives organised by student networks (Aiesec, ETIC, Rotaract Club Alger Est, Makesense...). An Algerian Centre for Social Entrepreneurship was founded by young and graduates students, as well as a Moroccan Centre for Innovation and Social Entrepreneurship.
2. The orientation of activities from the informal to the formal sector

The informal sector represents on average 40% of the GDP of MED countries according to the European Bank for Reconstruction and Development (EBRD), and an even larger share of employment. Accompanying policies that move certain parts of the informal sector towards the formal sector represents a major challenge. However, several areas of SSE are responding to this challenge, such as micro-credit and small cooperatives, which are effective ways of fighting informality in a positive way.

3. The creation a more inclusive and less unequal economy

The fight against inequalities is a challenge and a priority for the MED countries, whether it is motivated by concerns of economic efficiency (the negative impact of inequalities on growth is now established) or social and political stability. The Mediterranean is in fact blocked by many dividing lines, between its two shores of course, but also between urban and rural, coastal and inland regions, ruling class and ordinary citizens.

SSE knows how to create jobs for vulnerable people that neither the state nor traditional companies can integrate. It can bring about social and economic change. The UK's State of Social Enterprise Report 2015 shows that social enterprises are economically efficient while strengthening equity, diversity, equality and respect for the environment:

- The ratio between high and low pay is more balanced;
- 40% of social enterprises are run by women;
- 59% of social enterprises actively seek to employ disadvantaged people in the labour market;
- Social enterprises are more active areas of greater social need;
- Many social enterprises fight against environmental problems.

4. The diversification and value creation of MED economies

The economies of the MED countries, with a few exceptions, are not yet diversified enough, their added value creation is insufficient, and their level of growth does not allow enough jobs to be created. The same British report shows how SSE is a driver of economic growth and innovation:

- 52% of social enterprises saw their turnover increase in 2015, compared to 40% of small and medium-sized enterprises (SMEs) in the "general" economy;
- 73% of social enterprises derive more than three quarters of their income from the market and are therefore not dependent on subsidies;
- 59% of social enterprises introduced a new product or service in 2015, compared to only 38% of SMEs.

SSE also represents a response in terms of economic diversification since it invests heavily in key sectors for the MED countries such as food, housing, energy, local resource development and recycling.

2. What are the most important problems of the SSE sector in the South Mediterranean region? What are the recurring problems that an SSE structure encounters?

An entrepreneur in the SSE sector, while logically having more positive impact on his or her territory, encounters problems that are not different from those of a traditional entrepreneur, mainly:

1. Difficulty of starting a business

Despite growing political interest in entrepreneurship and significant progress made with the adoption of many reforms, starting a business is still a challenge in the MED countries. First, competition remains difficult for new entrants and less-connected companies, while monopolistic situations remain commonplace and corruption has not weaken. The business climate is another source of difficulty: with the exception of Israel, Morocco, Turkey and
Tunisia, the MED countries have poor ranking in the "Doing Business" report that assesses economies on their ease of doing business (Table 1).

Table 1: Global ranking of MED countries according to their business regulation and effective implementation

<table>
<thead>
<tr>
<th>Countries</th>
<th>Doing Business 2017 Ranking</th>
<th>Evolution compared to 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>156</td>
<td>+7</td>
</tr>
<tr>
<td>Egypt</td>
<td>122</td>
<td>+4</td>
</tr>
<tr>
<td>Israel</td>
<td>52</td>
<td>-3</td>
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<tr>
<td>Jordan</td>
<td>118</td>
<td>+1</td>
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<tr>
<td>Lebanon</td>
<td>126</td>
<td>-4</td>
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<tr>
<td>Libya</td>
<td>188</td>
<td>0</td>
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<tr>
<td>Morocco</td>
<td>68</td>
<td>0</td>
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<tr>
<td>Palestine</td>
<td>140</td>
<td>-2</td>
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<tr>
<td>Syria</td>
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<td>-1</td>
</tr>
<tr>
<td>Tunisia</td>
<td>77</td>
<td>-2</td>
</tr>
<tr>
<td>Turkey</td>
<td>69</td>
<td>-6</td>
</tr>
</tbody>
</table>

Source: Doing Business, World Bank (190 economies assessed in 2017)

2. Lack of inspiring examples

Success stories of young entrepreneurs are far too few up to now. While competitions, events and training courses on social entrepreneurship and/or youth entrepreneurship are proliferating these past few years, there are still not enough emblematic companies that have emerged. These achievements are yet necessary to support awareness of the opportunities in SSE, in societies where the security offered by the civil service remains a desirable horizon for many young (and not so young) workers.

3. Lack of recognition and incentives for exemplary entrepreneurs

This difficulty in understanding the reality of social entrepreneurship in an embodied and concrete way is reinforced by the limited use of reliable assessment and reporting tools for public policies in favour of entrepreneurship. Good social responsibility practices are also little known, as are associations involved in local or national development.

SSE and Corporate Social Responsibility (CSR) initiatives are even less valued, especially by the public authorities, which could nevertheless grant them a public recognition (brands of the "Made in Egypt" type, CSR label, etc.) possibly accompanied by certain advantages: easier access to public procurement, visibility, access to bank loans at subsidised rates, etc.

4. Weak entrepreneurial culture

Various studies show that in the world of entrepreneurship, it is not the entrepreneurial intention that is generally lacking, but rather the act of creating a business, which frightens many project leaders. More than the technical skills commonly taught in the MED countries, it is a question of instilling in young promoters the "know-how" useful for the success of their entrepreneurial approach: self-confidence, conviction, aptitude to take risks, curiosity, openness and collaborative approach.

5. Lack of funding

Even more than for traditional businesses, access to finance is a brake on social entrepreneurship. Indeed, by their very nature, social enterprises tend to be less profitable (fair trade, which makes the costs of purchasing more important, tariffs for goods and services often more accessible than in the traditional market field). These companies also tend to reinvest their profits in the company and not to pay dividends, which limits the number of potential investors. Moreover, there are no financial tools dedicated to this Mediterranean
economy, which would take into account the specificities of its governance and management, apart from micro-credit and some impact investment funds that are just beginning to emerge.

3. What are the priority actions to facilitate the cooperation between SSE structures and the development of SSE entrepreneurship?

To develop this new economy, two priorities seem essential and joint.

1. First, recognise SSE and social entrepreneurs. This means being able to identify, apart from the legal status of companies that may vary from one country to another, which deserves the status of a social enterprise, and which does not fall within this field.

An ex ante evaluation of the social and solidarity impact of entrepreneurs thus makes it possible to target the most effective projects when public resources are allocated, beyond a simple eligibility check on a statutory basis. This evaluation is also a useful structuring and valuation tool for the entrepreneur, because it highlights the strengths of a project and those that can be improved.

Building evaluation capacity is therefore a priority to initiate this recognition. ANIMA has implemented practical training courses targeting public officials and/or project promoters, and notes the inadequacy of existing evaluation methods: they are numerous, often cumbersome to implement, and sometimes not very precise on the measurement of very concrete local impacts of projects. ANIMA has therefore developed a tool for rating the local impacts of companies under the EDILE initiative cofinanced by the European Commission in 2013-2016, which has been labelled by the Union for the Mediterranean and recognised as a good practice by the United Nations. This tool proposes 35 evaluation criteria, rated from 1 to 5, to provide a performance measure for four dimensions: economic, social, environmental and community. Depending on the objectives targeted, evaluators may choose to retain only certain criteria, for example: “local subcontracting and procurement”; “direct job creation”, “type of employment contract”, “local recruitment”, etc.

2. At the same time, develop incentive schemes reserved for entrepreneurs evaluated as social entrepreneurs. These devices can take many forms:

The development of brands, labels or other mechanisms, including legislation, to improve the visibility of SSE is a positive corollary of evaluation, and allows entrepreneurs to be valued socially. The role of the public sector in initiating or supporting such arrangements is essential.

Financial instruments such as medium/long-term capital investment; mezzanine loans; and short term loans with preferential terms may also reward the societal impact of these companies. The subsidy of these financial products can be subsidised by public donors, this bonus being compensated by a better overall return on investment (jobs created, etc.). The subsidy may be conditional on a social impact actually achieved in the territory.

In the same vein, structures and programmes supporting entrepreneurship (incubators, accelerators, mentoring programmes, start-up grants) should reserve places in their programmes for social entrepreneurs, again with preferential conditions due to a greater impact on the creation of value for the territories. Social entrepreneurs will thus be mixed with their peers, and will spread a culture of social impact that encourages other entrepreneurs to engage in this process.

Finally, tax measures can reward the creation of social added value for companies.

4. Are there mechanisms to support social entrepreneurship and SSE at the EuroMed level and how could the EuroMed partnership further contribute to the development of SSE in the southern Mediterranean?

Entrepreneurship support schemes are now numerous in the MED countries, whether national or regional, financed by the public or private sector, with domestic or foreign resources. SSE has been introduced in these devices for several years now and does not necessarily have to be processed in parallel circuits. Indeed, considering SSE as a separate
sector is accepting that the rest of the economy can ignore the values and responsibilities associated with SSE.

On the contrary, ANIMA’s approach consists in considering entrepreneurs of any kind as social actors, more or less responsible and respectful of their environment, and in encouraging and rewarding those who are really committed to maximising their social and societal impact, in order to encourage other entrepreneurs to imitate them.

Social impact, respect for the environment, value sharing and good governance are principles that are found in the social and solidarity economy and which are perfectly in line with the objectives of a process such as the Euro-MED partnership, since it consists of accompanying Europe's neighbouring countries to integrate a community of practices (governance, standards) and to converge economically towards the level of European countries. The interest in these values potentially opens the way to the implementation of a more balanced partnership, more appropriated by partners from both sides.

Bibliography


Doing Business, World Bank. doingbusiness.org/ranking