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ESIRA – ENHANCING SOCIAL INNOVATION IN RURAL AREAS

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THE CONTRIBUTION OF COMMUNITY- LED SOCIAL ECONOMY INITIATIVES TO LOCAL DEVELOPMENT IN RURAL AREAS

Deliverable D4.2: Multi-level analysis of social economy initiatives in rural areas

WP4: Research on drivers of rural marginalisation and the opportunities of community-led social economy initiatives for social inclusion



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List of acronyms

Acronym	Full name
ADER	Rural Development Agency (Agencia de Desarrollo Rural) - Spain
AS	Stock-based company (Aksjeselskap) - Norway
CAP	Common Agricultural Policy
CLLD	Community-led Local Development
CSA	Community-Supported Agriculture
EU	European Union
GDP	Gross Domestic Product
ILO	International Labour Organisation
KGW	Rural Housewives Circle (koło gospodyń wiejskich) - Poland
LAG	Local Action Group
LEADER	Liaison entre actions de développement de l'économie rurale
MAP	Multi-Actor Platform
NEET	Not in Education, Employment, or Training
NGO	Non-governmental organisation
OWES	Social Economy Support Center (Ośrodki Wsparcia Ekonomii Społecznej) - Poland
REC	Renewable Energy Community
SBI	Social Business Initiative
SEAP	Social Economy Action Plan
WISE	Work Integration Social Enterprise
WP	Work Package

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1. Introduction

This report scrutinises the yet-to-be-harnessed potential of the social economy (e.g. the broad spectrum of organisations that are neither publicly nor investor-owned)¹ in tackling the key challenges that plague rural areas. These challenges include the ageing of society, severe gaps in the provision of general interest services and goods, a lack of job opportunities, significant social exclusion, and climate change.

With the aim of raising awareness amongst policy makers, researchers and practitioners on the added value of not-for-profit organisations vis-à-vis other institutional arrangements (i.e. public agencies and conventional enterprises), ESIRA has attempted to bridge two streams of literature that are rarely connected: rural development, on the one hand, and the social economy on the other, including a focus on social enterprises as well as social innovation. In this complex endeavour, the social economy and social innovation frameworks are closely interrelated, although analytically distinct. In this analysis, we primarily adopt the social economy analytical lens to investigate the capacity of local communities to self-organize and self-rely to collectively address multiple social and economic challenges in rural areas. Thanks to their peculiar features, social economy organisations – and even more social enterprises – are well positioned to foster social innovation, conceived as the development of new products, services or organizational arrangements that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations (Murray et al., 2010).

Within this perspective, the social economy can be understood as the structural and operational framework wherein the social enterprise has emerged as an innovative and cross-cutting organizational form, aimed at tackling social exclusion.

Before digging into the social economy, this report reviews the main schools of thought that have analysed local development in rural areas over the past decades, and highlights the need to shift away from using exogenous and endogenous approaches, towards a more appropriate neo-endogenous strategy for rural development. This neo-endogenous approach values the contribution of both exogenous and endogenous resources, including bottom-up forces that are the expression of civil society's institutional creativity.

The literature on the social economy sheds light on the inclination of local communities to self-organise to collectively design solutions to unmet needs arising in local territories. This activity has paved the way for a variety of organisational forms. As indicated in the chapters that follow, thanks to the active engagement of civil society, innovative forms of organisation and civic engagement continue to take form in response to multiple transformations, crises and challenges.

¹ The term 'not-for-profit organisations' is often used to highlight organisations that are neither public, nor profit oriented.

The failure to adopt a perspective that recognises organisational and entrepreneurial diversity when dealing with local development dynamics explains the tendency of policies to ignore the potential of not-for-profit organisations that have emerged bottom-up to address unmet local needs.

Paradoxically, mainstream local development policies have so far overlooked the importance of sustaining a large set of diversified organisations. Even when seeking to promote the active participation of local communities (e.g. Community-led Local Development [CLLD]), policy actions have notably overlooked the capacity of locally based organisations to tackle social and economic concerns.

Policy schemes are normally sectoral and top-down driven, thus preventing the proper appraisal of resources that are available at the local level, including the capabilities of local inhabitants to collectively experiment with viable solutions to multiple challenges.

Research shows, however, that social economy organisations have a long history preceding the development of contemporary welfare state institutions. Such organisations exist in all European Union (EU) Member States and neighbouring countries. They operate in all economic sectors and have often emerged with few resources at their disposal, thanks to the ability of civil society to self-organise and be self-reliant. All in all, the tradition of collective and community-owned initiatives has contributed to shaping the four main components of the social economy, namely: cooperatives; mutual benefit societies; foundations and associations; and social enterprises. Social economy organisations are structural trends involving countries and regions characterised by varying levels of economic development and diverse welfare systems (European Commission – EISMEA, 2024). However, in this context, social economy organisations can nonetheless also be conceived of as change agents. Their transformative power leads not only to the generation of social and economic value (Partzsch and Ziegler, 2011), but also to the redistribution of this value to the advantage of the community or concerned stakeholders. When compared to conventional enterprises, these institutions presuppose a radical change in the process of value capture; they provide local communities or stakeholders other than investors with the institutional tools required to harness their assets and deploy them for their own interest. As described in this report, social economy organisations are endowed with participatory and democratic ownership and governance structures. These structures ensure, on the one hand, the full engagement of the community or of concerned parties in their governing bodies and, on the other, the survival of the goals pursued over time, beyond the engagement of their founders. Against this backdrop, social economy organisations adopt appropriate devices: they limit the distribution of profits (often complying by law with a total or partial distribution constraint) and have their assets locked (preventing the distribution of their residual assets to members).



In addition to the social economy's important contribution to welfare, social innovation, employment and development, it is in essence a social laboratory whose potential has yet to be fully harnessed. Indeed, research shows that – in addition to welfare system transformations – numerous pressing crises and challenges plaguing rural areas could be successfully tackled by better exploiting the contribution of the social economy.

This report illustrates the development dynamics of the social economy, paying particular attention to ESIRA target countries and to selected inspiring local practices.

The report is structured as follows: Chapter 2 explains the research methodology adopted in this study. Chapter 3 examines the issues faced by rural areas and the different policy approaches that have been developed to support rural development. Chapter 4 explores the origins and evolution of the social economy, including the characteristics of the four traditional social economy organisations (i.e. associations, foundations, mutual benefit societies and cooperatives), and social enterprises as a recent cross-cutting dynamic within the social economy. It also examines the concept and practice of the social economy in the target countries, and the degree of recognition of the organisations belonging to the social economy at both EU and national levels. This chapter also discusses the added value of the social economy. Chapter 5 focuses on the role and contribution of the social economy in rural areas and in fostering social innovation. Lastly, while drawing conclusions, Chapter 6 also sheds some light on the key conditions that are needed for the social economy to thrive in rural areas, with specific reference to the ESIRA pilot areas.

The report incorporates 12 boxes with concrete examples of selected social economy organisations. These boxes play a crucial role in illustrating the theoretical and analytical discussions presented in the main text. By showcasing real-life cases, they highlight how social economy initiatives operate in practice, their specific contributions to rural development, and the challenges they face.

2. Methodological note

This report was written as part of the ESIRA – Enhancing Social Innovation in Rural Areas project, supported by the EU through the Horizon Europe Research and Innovation programme under Grant Agreement No. 101136253.

The ESIRA project aims to foster innovative social economy initiatives to develop local social networks in rural communities and improve the economic situation of vulnerable groups. It seeks to create **more inclusive, resilient and prosperous rural areas** by supporting enabling frameworks and interconnected policy structures, and piloting innovative social economy solutions.²

The ESIRA consortium comprises **15 partners from eight European countries**, including universities, research institutions, public administrations and social economy organisations. This report focuses on the seven countries represented in the ESIRA project consortium. In nine rural areas (pilots) within these countries, the ESIRA project will establish **Multi-Actor Platforms (MAPs)** and community-led spaces which will serve as incubators for sharing knowledge and developing solutions to address local social challenges. They are: Hungary (pilot area: Northern Hungary and Northern Great Plain); Italy (pilot areas: Trentino and Abruzzo); Lithuania (pilot area: Druskininkai); Norway (pilot area: Innlandet); Poland (pilot areas: Leski-Bieszczadzki and Zachodniopomorskie); Serbia (pilot area: Jablanica and Pcinja District); and Spain (pilot area: Burgos).

To achieve the main goal of the project, in the framework of Work Package (WP) 4 ‘Research on drivers of rural marginalisation and the opportunities of community-led social economy initiatives for social economy’, two interconnected tasks have been carried out:

- a comparative study on social exclusion in rural areas, the results of which are summarised in the report ‘Benchmark study on social exclusion in rural areas: Drivers of marginalisation in rural areas’ (**Deliverable 4.1**);³
- a comparative, multi-level study on social economy initiatives in rural areas, the results of which are synthesised in this report (**Deliverable 4.2**).

For the drafting of this report, a **qualitative methodology** was adopted. Furthermore, to investigate both social exclusion and social economy initiatives in rural areas, ESIRA partners developed a **common conceptual framework**.

² For more detailed information on the ESIRA project, see: <https://www.esira.eu/>

³ The report is available in the ‘outcomes’ section of the ESIRA project website: <https://www.esira.eu/outcomes/>

The main sources of information used in this report are:

- **the seven country reports** written by the ESIRA partners, which have been developed through desk research and semi-structured in-depth interviews with a variety of experts and stakeholders (e.g. policymakers, local administrations, social economy organisations, researchers, target group members).⁴
- **a comprehensive literature review** at both national and EU levels that was conducted by the EURICSE research team. The review confirms that the social economy is understudied as a scientific field: little attention has been so far paid to its contribution to local development and limited data is available on its size in rural areas. To contribute to filling these gaps, the literature review drew on diverse (scientific and grey) literature streams (e.g. covering the management of common goods, remote areas, etc.).
- **a one-hour focus group** conducted with MAP managers and MAP monitors - key representatives of the rural territories where the Multi-Actor Platforms are located. The focus group was aimed at identifying local factors that influence the emergence and development of social economy initiatives. The discussion focused on obstacles and enablers, as well as on local actors' perceptions of the social economy and community participation. This activity was further complemented by a collaborative refinement phase involving all the available participants, carried out through a dedicated Miro dashboard⁵.

As highlighted by the country reports and the literature review, the social economy is an extremely **country-specific and fast-changing phenomenon**. It is strongly influenced by the interplay among policy conditions, demographic, social and societal transformations, and broader economic changes specific to each national context. Cross-country variations concern not only the historical and political backgrounds of the social economy, but also the organisational and legal forms adopted, as well as the contribution of the social economy organisations to employment, welfare and development. Such variations also depend on how the social economy is understood as a concept. In some countries, the social economy is widely recognised at a policy level (often supported by dedicated policy strategies and/or legal frameworks and dedicated research communities) and by the public. By contrast, in other countries the concept remains weakly recognised or entirely absent from policy debate and public discourse, and as a result its role and potential are still far from being acknowledged. Most importantly, these

⁴ The country reports are available in the 'outcomes' section of the ESIRA project website: <https://www.esira.eu/outcomes/>

⁵ The focus group was conducted during the ESIRA General Assembly held in October 2025. The Miro dashboard created during the focus group and subsequently complemented by further partners' info is available at the following link: https://miro.com/app/board/uXjVJ_Hmg2l=/

country-specific variations have paved the way for different interpretations of what constitutes both the social economy and, in particular, the social enterprise.

Conceptual diversity and misunderstandings are responsible for an **overall underestimation of the potential of the social economy – including social enterprises** – to tackle key social and economic challenges facing both urban and rural areas. Misunderstandings are, to a certain extent, generated by the widespread tendency to conflate the concepts of social economy and social enterprise, while sometimes mixing these up with approaches that refer to distinct phenomena (e.g. social innovation, social entrepreneurship, social impact).

For the sake of consistency, we have adopted a **shared conceptual approach** that draws on the Social Economy Action Plan (SEAP) released by the European Commission (EC) in 2021 (European Commission, 2021). Accordingly, the following sections focus on the operationalisation of two key concepts: the *social economy* and the *social enterprise*. Attention is paid, furthermore, to the relation between these two concepts and the notion of *social innovation*.

2.1 Social economy

There is widespread agreement on the organisations that are traditionally regarded as being part of the social economy. They include four main types of entities providing goods and services to their members or society at large, namely **cooperatives, mutual benefit societies, associations,⁶ and foundations**.

These organisations share common principles and features, i.e. the primacy of people as well as social and/or environmental purpose over profit, the reinvestment of most of the profits and surpluses to carry out activities in the interest of members/users (**'collective interest'**) or society at large (**'general interest'**), and democratic and/or participatory governance (European Commission, 2021).

⁶ Including charities.



Table 1 The main features of the social economy

Feature	Social economy
Objectives	Carry out activities in the interest of members/users or society at large
Distribution of profits	Primacy of people and social purpose over capital in the distribution and use of surpluses and/or profits, as well as assets. This includes reinvestment of most of the profits and compliance with asset lock
Governance	Democratic and/or participatory governance
Resources	Resource mix depending on whether an organisation is market-oriented (cooperatives, mutual benefit societies) or not (e.g. charities)
Type of entities	Market-oriented and non-market-oriented entities
Legal forms	Cooperatives, mutual benefit societies, associations (including charities), foundations and social enterprises

Source: Own elaboration

Other specific legal forms, which exist in particular countries and reflect the diverse traditions and cultures of national legal systems, could be considered part of the social economy, as long as they share the above-mentioned principles.

The **social enterprise** – a recent organisational trend within the social economy that addresses the needs of society at large or of vulnerable groups specifically – should also be added to this broad spectrum of organisational types.

2.2 Social enterprise

Depending on the country, social enterprises include a variety of entities. These can be **traditional social economy organisations** that have been refashioned through an innovative dynamic (e.g. associations shifting towards a stronger entrepreneurial stance) or **newly established organisations** (e.g. new cooperative forms pursuing explicit social aims or ad hoc legal entities).

The identification of social enterprises is especially challenging. Indeed, conventional enterprises that adhere to its criteria (see below), can also qualify as social enterprises.

To operationalise the concept of social enterprise, we refer to the operational definition included in the study **Social Enterprises and their Ecosystems in Europe**, according to which ‘social enterprises run commercial activities, in order to achieve a social or societal common good and have an organisation or ownership system that reflects their mission’ (European Commission, 2020a).

Table 2 The three dimensions of the definition of social enterprise

Main dimension	General definition	Operational criteria
Entrepreneurial dimension	The stable and continuous production and sale of goods and services, with the (at least partial) use of production factors functioning in the monetary economy (paid labour, capital, assets)	<ul style="list-style-type: none"> - Market-oriented (incidence of trading ideally above 25%) - At least one paid employee (alternative criterion in case no data on market/non-market orientation are available)
Social dimension	Explicit social aim: products supplied have a social/public interest connotation	<ul style="list-style-type: none"> - Analysis of legal forms and sectors of activity - Primacy of social aim must be clearly established by national legislation or statutes
Governance dimension	Inclusive and participatory governance model. Social enterprises may be created as single or multi-stakeholder organisations. The profit distribution constraint (especially on assets) guarantees that the enterprise's social purpose is safeguarded	<ul style="list-style-type: none"> - Participatory governance model must be clearly established in national legislation - Different forms of limitations to profit distribution can be envisaged

Source: Own elaboration

Drawing on this operational definition, the key features of social enterprises are classified along three dimensions: the **entrepreneurial dimension**, the **social dimension**, and the one related to **governance structure**. The interplay among the three dimensions determines whether an organisation may be considered as a social enterprise or not. To verify the existence of these dimensions and assess to what extent each dimension is fulfilled by social enterprises in each country, this definition is complemented with a number of indicators (see Table 2).

2.3 Social innovation

According to the European Commission (2014a) social innovation encompasses “innovations that are both social in their ends and in their means”, while *The Open Book of Social Innovation* describes it as “new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations” (Murray et al., 2010).

In the international literature, social innovation generally refers to both a social process and a form of innovation aimed at social progress or addressing social needs (Christmann, 2020). Although there is no universally accepted definition, social innovation is commonly conceived it as one of the lenses through which local development processes and mechanisms of socio-economic change can be analysed (Van Dyck and Van den Broeck, 2013; Pisano et al., 2015; Moolaert et al., 2017; Micelli et al., 2023). At its core, social

innovation is associated with the capacity to develop novel solutions to unmet social needs, promote **social change** and enable new forms of collective action.

Over time, the concept has been subject to multiple interpretations. As Caulier-Grice et al. (2012) note, social innovation is often a cyclical, **iterative and incremental process**, which moves from identifying unmet needs to generating ideas, prototyping solutions, implementing pilot initiatives, and scaling up effective practices. Social innovation is moreover framed either as a tool for increasing equity and integrating vulnerable populations or as a strategic approach aimed at strengthening solidarity within social relations (Moulaert et al., 2017). As Christmann (2020) further claims, social innovations normally arise in complex contexts with multiple actors, combining existing elements in new ways, and are often institutionalised to better exploit their capacity to generate lasting social change. Social innovation includes both organised interventions – for empowerment, cohesion, and governance – and everyday social practices that introduce new ways of living and interacting within communities.

The relevance of social innovation is particularly **pronounced in rural areas**, where economic marginalization, limited access to public services, and infrastructural gaps often create challenges that conventional markets fail to address. In these contexts, social innovation can be understood as a collective collaborative process through which communities respond to increasingly complex societal challenges and to co-design **novel approaches** to solve existing problems (O’Shaughnessy et al., 2023). These solutions contribute breaking persistent patterns of marginalization (Bock, 2016), enhance the delivery of rural health and social services (Steiner et al., 2019) and **foster the development of inclusive local networks** and multi-stakeholder governance arrangements (Borzaga and Bodini, 2012).

As Neumeier (2012) observes, social innovation unfolds as “co-evolutionary learning processes occurring in multi-stakeholder networks of human and non-human actors”, while Cajaiba-Santana (2014) emphasizes the need to reflect on social structures that both enable and constrain the actions of actors involved in social innovation processes. Similarly, Moulaert, Van der Broeck, and Manganelli (2016) underscore the embeddedness of social innovation within territorial development, highlighting its contribution to social cohesion, collaborative governance, and to valorizing unexploited resources that would not be otherwise addressed to welfare and development goals. Many authors further suggest that **social innovation plays a central role in rural development**, since it is regarded as a neo-endogenous process that relies on the capacity to mobilize local publics whose participation does not merely preserve traditions, but also triggers social, economic and cultural renewal (Lee et al., 2005; OECD, 2005; Dargan and Shucksmith, 2008; Bosworth et al., 2020). In particular, according to Bosworth et al. (2020) “social innovation is context-specific (Bosworth et al., 2016), mirroring the area-based perspective of neo-endogenous development” and “rural communities [...] require a tailored approach in supporting development that embraces social innovations as having

the potential to create social value and not just quantifiable economic outputs. NED [neo-endogenous development] can, and should, be complementary to this because social innovators need to have both local and extra-local networks that work together to facilitate knowledge exchange and connect new markets and collaborators together” (Bosworth et al., 2020, p. 30-31).

To clarify how the concept is understood in the literature, Table 3 summarises the main features commonly associated with social innovation. Building on widely recognised definitions and frameworks, these features highlight the novelty of the solutions introduced, their capacity to address unmet social needs, the collaborative and community-driven nature of the processes involved, and the emphasis on measurable social change and long-term sustainability (Steiner et al., 2023).

Table 3 The main features of the social innovation

Dimension	Key aspects of social innovation
Main features	Novelty and effectiveness: Introduces new or improved solutions (products, services, processes) that prove more effective, sustainable or appropriate than existing alternatives
	Community involvement: Tailored solutions are co-created with local actors actively participating in innovative activities that improve their local area, ensuring relevance, ownership and contextual fit
	Cross-sectoral collaboration: Rely on multi-sectoral partnerships (public sector, private actors, civil society) to develop, test and implement solutions
	Procedural dimension: Progresses through iterative phases of experimentation, prototyping, piloting and collaborative refinement, moving from concept to tangible impact
Aim	Addresses a social need: respond to unmet social needs and improve individual and community well-being, generating social value for society
	Sustainability: Ensure long-term viability by embedding innovations in local systems and strengthening financial and organizational durability
Impact	Measurable outcomes: Achieve evidence-based improvements in social conditions, practices or services
	Empowerment: Strengthen community agency, by building local capabilities and improving access to resources for beneficiaries and communities
	Stimulate collective action: Reshape social and power relations, foster more inclusive and resilient communities

Source: Own elaboration

3. Local development in rural areas: problems and challenges

3.1 Progressive abandonment of rural areas and different approaches to rural development

Rural areas have been recognised as a **core part of EU identity and economic potential** (European Commission, 2024). According to Eurostat (2024), slightly less than two-thirds of the EU population is located in intermediate and predominantly rural areas.⁷ Due to ongoing peripheralization processes, living in rural areas in the EU means facing various challenges such as social exclusion, depopulation, population ageing, poor access to services (social and health services, public transport, internet/broadband connectivity, etc.), low levels of gross domestic product (GDP) per capita and few occupational opportunities.⁸

Land abandonment emerged as a European phenomenon at the beginning of the 20th century. However, it was after World War II that it grew in relevance in the continent's rural areas (Lasanta et al., 2017). This phenomenon has been even more evident in the most marginalised rural areas, which are characterised by low agricultural potential or yields. In such marginalised rural areas, land abandonment reflected not simply a shift from agriculture to a multisector economy, but broader socioeconomic changes. Traditionally based on peasant economies, these areas have undergone significant transformations, reflecting the decline of traditional rural livelihoods and the onset of structural shifts.

Drivers of land abandonment are heterogeneous and relate to different domains. There is evidence that, with the arrival of capitalism and industrialisation in Western Europe many rural areas, characterised by high altitudes, steep slopes, small field sizes, low yield potential and substantial distance to the road network, were no longer considered profitable – according to the contemporary economic paradigm – and lowlands, where it is easier to produce economies of scale, started to be preferred (Gellrich et al., 2007; Ustaoglu and Collier, 2018).

Outmigration to cities in search of better occupational opportunities accelerated the process of land abandonment. This generated labour shortages in some areas, causing the collapse of many small-sized farms (Anguiano et al., 2008). This exodus particularly

⁷ The urban-rural typology is a classification based on the following three categories:

- predominantly urban regions, NUTS level 3 regions where more than 80% of the population live in urban clusters;
- intermediate regions, NUTS level 3 regions where more than 50% and up to 80% of the population live in urban clusters;
- predominantly rural regions, NUTS level 3 regions where at least 50% of the population live in rural grid cells.

For further information, see: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Urban-rural_typology

⁸ That rural areas offer fewer job opportunities is not always true in the EU. As Lowe (2006) pointed out, in some of the most developed EU countries, rural areas display higher employment rates than urban ones.

affected the youth, who are among the most economically active and innovative segments of society. In general, the demographic exodus had at least two effects: first, the low propensity to innovate in local economic sectors (e.g. agriculture) and weak interest in investing, mainly due to the ageing demographic of local inhabitants (Lasanta et al., 2017); second, severe gaps in basic services (e.g. healthcare and education).

While outmigration affected most rural areas in the EU, this trend was more severe in mountainous and isolated regions. European plains and other fertile areas experienced the development of an intensive, capital-driven agricultural sector. This shift reduced the demand for agricultural labour, leading to a moderate depopulation. The high profitability of land in these regions, however, prevented land abandonment. Conversely, incentives for moving from less to more productive areas were supported at a policy level by the same EU institutions. The embedded rationale for developing a capital-intensive agricultural sector in the most fertile territories was to satisfy the growing needs of an expanding urban society. Noteworthy is that population movements in the socialist bloc were, in many instances, influenced by more direct state interventions, displacement and resettlement.

3.2 A synthesis of the policy approach to rural development in Europe

The local development of rural areas has been highly influenced by EU policies, which have in turn been strongly shaped by shifts in the underlying paradigm of rural development.

The approach to rural development, which emerged after World War II, and predominated until the 1970s, was determined by two main ideas. First, **rural areas were underdeveloped** in comparison to urban industrialised areas. Second, **the function of rural areas was to satisfy the needs of urban centres**, which were seen as the engine of economic growth (De Rubertis, 2020). Following this so-called **exogenous approach**, rural development policies hinged on (i) subsidies to increase agricultural production, in order to meet the consumption needs of expanding cities, and (ii) incentives for the mobility of capital and labour both between urban and rural areas and between different states. The Common Agricultural Policy (CAP) was the main tool aimed at fostering rural development under this paradigm.

The exogenous model is an eminently **top-down approach**. Accordingly, rural development must be fostered through investments aimed at reducing the technological, economic and cultural gap between cities and rural areas. The top-down nature of this approach was mirrored in policy objectives and pathways (e.g. intensification of the agricultural sector), which were notably set at national and EU levels. Very little, if any, consideration was given to the resource endowments (human and physical) of rural areas



and local inhabitants' desires and capabilities. This lack of consideration compromised the effectiveness of such interventions.

Under this framework, the CAP was the primary instrument for implementing development policies and it was greatly shaped by its sectoral approach. From its foundation, the CAP aimed to promote the development of an intensive agricultural sector in rural areas, based on a traditional and primarily economic idea of growth. As noted by Dax and Fisher (2017), while conspicuous structural investments have allowed for a progressive convergence between larger regions and nations, many rural regions are still lagging behind in terms of economic development. This phenomenon is particularly evident in Central and Eastern European Member States.

The **Keynesian theory of development** is the key theoretical framework that supported the exogenous approach to rural development. Based on this theory, economic growth is positively correlated with capital accumulation (i.e. savings). With the aim of reducing the 'savings gap' between rural and urban areas, rural development policies were supposed to support private investment (Lowe, 2006).

The emergence and consolidation of neoliberal ideology in the late 1970s contributed to a radical change in the policy tools to be adopted, but not in the embedded approach. From a neoliberal perspective, the low development of rural areas was attributable to the poor allocation of resources. Despite the move from a development approach characterised by heavy state intervention in the market, to a new approach driven by laissez-faire, the underlying idea of the exogenous nature of development remained untouched.

To stimulate agricultural industrialisation, the neoliberal approach fostered the diffusion of mechanisation through the integration of rural areas into the global economy and the promotion of private investments through higher profit rates. Thus, while using different tools (i.e. public intervention in the case of Keynesian policies and market mechanisms in the case of neoliberal policies), both approaches fostered agricultural industrialisation and capital and labour mobility.

During the 1980s, the legitimacy of the neoliberal approach to rural development began to waver. Saturation of the internal market, instability of cash flows deriving from the development of the touristic sector, and environmental limits to production began to cast doubts on the effectiveness of this model (Lowe, 2006). Generalised discontent towards the pro-market, public-defunding policies that characterised the neoliberal period paved the way for a new development paradigm. The failure to favour economic convergence between rural and urban areas, however, pushed selected sectors of European society to question whether the promotion of universal technical skills and the modernisation of infrastructure could actually drive the development of rural areas. A **bottom-up model** of development based on the valorisation of the human, ecological and cultural resources of the concerned territories emerged as an alternative strategy. Development agencies soon recognised that the social and cultural context played a pivotal role in promoting a

long-term development strategy. Accordingly, they started to emphasise the importance of both supporting local actors and tailoring interventions to the specific economic, social and cultural characteristics of the area (van der Ploeg and Long, 1994). Van der Ploeg and van Dijk (1995) report on examples of this approach in some peripheral regions of Europe, such as the Irish Gaeltacht, the fragile zones in France, the Scottish Highlands and Islands, rural Wales and mountain areas in Italy.

Ray (1997) recognised three main characteristic features of the **endogenous approach** to rural development: first, it approaches development through a territorial rather than a sectoral framework; second, local resources are exploited in order to maximise the benefits within the local community; and third, the local development agenda focuses on the needs, capacities and perspectives of local people. Based on the endogenous model, local development was thus no longer seen as achievable through the formulation of policy objectives and instruments outside the respective territories (e.g. the promotion of an intensive agricultural system through external investments), but through the **valorisation of locally available resources** (physical and human).

This new paradigm of rural development started to flourish and piqued the interest of EU policymakers. However, in the late 1990s it became evident that places lacking crucial assets (institutional, cultural or social factors) had to struggle more to trigger development when compared to territories rich in resources (Coffey and Polèse, 1984). This evidence started to cast doubts on the effectiveness of such an approach. Moreover, it became clear that exogenous factors such as international capital flows and national and supra-national regulatory frameworks inevitably also affect the rural development process.

All these considerations contributed to shaping a third approach to rural development, referred to as the **neo-endogenous** paradigm (Ray, 2001; Shucksmith, 2009; Gkartziou and Lowe, 2019; Marango et al., 2021). This approach values the key role of local and community-based processes, but acknowledges the role of exogenous forces at the same time.

In essence, the neo-endogenous paradigm overcomes the dualism between endogenous and exogenous factors. As Ray (2001) highlighted, development can be supported at different levels: within the local community, from above (i.e. from national and supra-national institutions), and from the intermediate levels (such as non-governmental organisations). Thus, balanced development can be achieved by **supporting the valorisation of local resources alongside external resources**. In line with the endogenous model of development, the neo-endogenous model entails a territorial rather than a sectoral approach (in contrast with the exogenous model). A suitable tool to foster



neo-endogenous development is the LEADER Programme⁹ (Biczkowski, 2020), which displays particular regard for **Community-led Local Development (CLLD)**. Following the diffusion of the neo-endogenous paradigm to development, in the programming period 2014–2020, the LEADER approach was extended from rural areas to coastal and urban areas under CLLD.

In rural areas, the LEADER/CLLD programme continues to mobilise local communities through Local Action Groups (LAGs). The goal of LAGs is to operate as a coordination mechanism that enables local actors to design a local strategy based on the available resources of the territory, while at the same time acting as an arena for connecting the local to the external context. In many cases, LAGs act as intermediaries between the local context and EU institutions. They therefore represent a mixed bottom-up (endogenous) and top-down (exogenous) policy tool to foster local development (Bosworth et al., 2016).

3.3 Current challenges in rural areas

Although, since the end of the 1980s, there has been a progressive shift of development policies from ‘sectoral’ to ‘territorial’ and from ‘top-down’ to ‘bottom-up’ – which position the ‘territory’ and its multiple dimensions (economic, social, cultural and environmental) at the centre of public intervention – rural areas continue to face a number of challenges which are well highlighted by the ESIRA country reports. These are mainly connected with demographic changes, access to services and environmental degradation.

Demographic changes affecting most EU countries, particularly in rural areas, are a growing concern for policy makers and researchers. The ageing of society, which affects both urban and rural regions, is exacerbated in rural areas by youth emigration. Young people tend to move to urban centres in search of better job opportunities. Outmigration inevitably impoverishes the labour force, threatens the sustainability of social protection systems and weakens the social vitality of rural areas. There is also a gendered element to this process, with women in rural areas tending to be more prone to emigrate than men. However, especially in Central and Eastern European countries, some peripheral rural areas have higher birth rates due to the presence of extreme poverty, which can lead to the establishment of segregated areas with low outward mobility.

Access to services is another critical issue for rural areas. Gaps in service provision especially relate to transportation, healthcare facilities, education and internet connectivity.

⁹ The acronym LEADER, coming from French Liaison entre actions de développement de l'économie rurale, means ‘links between actions for the development of the rural economy’.

- **Transportation:** An effective transportation infrastructure can help combat economic isolation: it creates the necessary conditions for economic activities to flourish; it facilitates access to other services (e.g. hospitals); and it favours commuting. Commuting is a growing phenomenon in many rural areas, where local inhabitants look for better occupational opportunities in urban areas. Facilitating means of commuting can be a strategy to ensure a better income for rural inhabitants. However, some downsides of this are evident, as commuting can contribute to transforming rural areas – especially those located in the proximity of an urban area – into dormitory towns. This can jeopardise the vitality of rural areas.
- **Access to healthcare:** The distance from healthcare facilities impacts severely on the well-being of older populations, the proportion of which is higher in rural areas than in urban ones. Additionally, access to specialised medical services, dentists and nurses in rural areas can be difficult due to the lack of specialised personnel. In this context, remote telemedicine and community-based health services have the potential to fill the gap between rural and urban areas (Nagykaldi et al., 2017; Harkey et al., 2020).
- **Access to education:** The gap in schooling between rural and urban areas starts with pre-schools. Due to low population density, rural areas have fewer schools than urban areas, and most of these are located in the biggest villages. The most remote areas are thus often very far from the closest school. Furthermore, as reported by Popescu et al. (2022), rural schools have poorer infrastructures, teachers have limited opportunities for professional development, bookshops and libraries are missing in many cases, and schools are located far away from cultural centres. This significantly affects human capital formation in rural areas. Moreover, this gap in human capital is exacerbated by a gap in digital skills. The European Commission (2023) reports that 48% of rural residents have at least basic digital skills, compared to 62% of the urban population. Increasing digital skills is crucial not only for enabling access to the labour market, but also for enhancing social cohesion (maintaining ties with geographically remote families and friends and allowing for cultural participation), ensuring access to services (access to information and health services) and fostering the psychological capital of older people (e.g. improving physical and mental well-being, preventing cognitive decline) (Tun and Lachman, 2010; Choi and DiNitto, 2013).
- **Internet Connectivity:** In addition to other problems related to the lack of infrastructure in rural areas, it is noteworthy that only 60% of EU rural households have high-speed internet access, compared to the EU average of 86% (European Commission, 2023), which represents a significant obstacle to the revitalization of these areas, both for the people living there and for the possibility of attracting new businesses, families and visitors.



Environmental conservation in rural areas is a further challenge. On the one hand, in areas with an intensive agricultural sector, the overexploitation of land and inappropriate agricultural practices have caused many environmental and health problems related to soil erosion, biodiversity loss, unsustainable water usage, water and air agrochemical pollution, and high greenhouse gas emissions (Stoate et al., 2001). On the other hand, land abandonment in other rural areas has likewise resulted in a loss of biodiversity, soil erosion and desertification, as well as being responsible for increases in wildfire frequency and intensity, a reduction in available water, and a loss of landscape heterogeneity and aesthetic values (Leal Filho et al., 2016; MacDonald et al., 2000). This is particularly true for some rural commons, such as forests and high-altitude pastures, which have been traditionally managed by the community.

These problems are even more severe in areas that are qualified as inner peripheries.¹⁰ According to ESPON (2018), inner peripheries are mostly located in non-urban areas. ESPON states that 80% of inner peripheries with low economic potential and poor accessibility to services of general interest are located in predominantly rural or intermediate areas, and half of the regions with poor accessibility to services are found in mountainous areas. The challenges that these areas present can be more difficult to tackle than in more advantaged rural areas.

The current challenges that rural areas face cannot be addressed in isolation. The drivers of depopulation, lack of services and job opportunities, social exclusion, poverty, and environmental degradation have a composite nature, which calls for a **holistic and community-based approach** that must account for regional and local specificities. The concept of 'left-behind places' (Pike et al., 2023) highlights in this respect the structural disadvantages faced by certain rural areas, reserving particular attention for historical patterns of disinvestment and policy neglect that have led to entrenched socio-economic disparities.

¹⁰ 'Inner peripheral areas can be (a) enclaves of low economic potential, (b) areas with poor access to services of general interest or (c) areas experiencing a lack of relational proximity. A combination of these is, of course, also possible.' (ESPON, 2018: 2).

4. The social economy: roots, trends and added value

4.1 The roots of the social economy

All EU countries have a significant history of institutionalised civic activities dating back to the Middle Ages and, in some cases, even earlier. This **longstanding tradition of collective initiatives**, which emerged thanks to the capacity of civil society to self-organise, has paved the way for the development of the four main entities of the social economy (**cooperatives, mutual benefit societies, foundations and associations**), as well as **social enterprises**. All of these five types of organisations are to be found in most EU Member States (European Commission – EISMEA, 2024), where they play a significant role in both urban and rural areas by filling gaps in basic services, creating employment, enhancing social cohesion and supporting local development.

This section focuses on the components of the social economy with a more longstanding history – associations, foundations, mutual benefit societies, and cooperatives – paying particular attention to the emergence of cooperatives in the seven studied countries. The rationale for exploring cooperatives in more depth is that they have been discredited in many of the studied countries, despite the relevant role they have played throughout history. The genesis of social enterprises is not discussed in this section, as these innovative institutional forms have emerged in more recent times (i.e. from the end of the 1970s onwards) as a crosscutting dynamic within the social economy to address new needs arising in local communities. In some countries, the emergence of social enterprises can be ascribed to the shift of associations towards a stronger entrepreneurial stance, following their engagement in the provision of welfare services (e.g. in France, Norway, Spain and Serbia); in other countries (e.g. Italy, Poland, Hungary, Portugal), social enterprises have emerged from an adjustment of the cooperative form, signalling an enhancement of its social commitment and the overcoming of the typical member-interest which distinguishes traditional cooperatives (Borzaga et al., 2016a).

4.1.1 Associations

Associations trace their roots to **ancient and medieval structures**, which served as essential mechanisms for organising economic, social, and spiritual life. The ‘collegia’ of ancient Rome – formal organisations regulated by Roman law and created for specific purposes, including trade, religion and mutual aid – represent one of the earliest documented forms of formal membership associations in Europe (Mayo, 2017). The Middle Ages witnessed the emergence of religious confraternities – which became one of the most prevalent forms of associations during this period – and economic guilds, designed to regulate craft and trade and protect the interests of member craftspeople and merchants.



These early groups laid the foundation for later forms of associations, such as those that emerged with the **Protestant Reformation** and the consequent autonomy of local confessional communities and during the Enlightenment of the 18th century (Pankoke, 2004).

As highlighted by Borzaga and Santuari (2003), from the late 18th century, non-profit organisations, including associations, have been influenced – albeit to varying degrees, depending on the country – by three significant events: the French Revolution, the advent of totalitarianism, and the emergence of welfare state systems across Europe.

The **French Revolution** generated an aversion towards associations, as they were perceived as intermediaries between the state – regarded as the supreme authority in the liberal state model established by the Revolution – and the citizens. Consequently, intermediate entities such as associations were excluded from the provision of welfare functions.

With the rise of **totalitarianism** in the 20th century (including fascism and Nazism), the state took over most social welfare functions. The totalitarian regimes further curtailed the autonomy of associations and other non-governmental organisations, either suppressing them or incorporating them into state apparatuses.

A ‘charity depression’ was also experienced by countries under the **Soviet regime**, in which – albeit with significant country variations – communist authorities liquidated existing civic organisations and institutions, or imposed unfavourable conditions for their development. Associations and foundations were primarily state-controlled entities that served as instruments for implementing socialist ideologies and policies. These organisations were deeply intertwined with the state apparatus, often functioning as extensions of government policy rather than independent entities. They often provided social services, but always under the supervision of the state, ensuring that these services reinforced socialist ideals.

Finally, the establishment and expansion of **modern welfare states**, which began in the early 20th century, did not harness the potential of associations. They were instead marginalised in favour of state authority, which became in many countries the sole entity authorised to deliver collective and public goods and services. Associations retained some degree of significance in countries such as Austria, Belgium, France, Germany, Ireland and the Netherlands.

4.1.2 Foundations

The precursors of foundations trace back to **ancient Greek and Roman times** (Anheier, 2001).¹¹ Those associated with the aristocracy and religious institutions in particular, started to be formalised in the medieval landscape. Interestingly, the pioneering foundations were primarily operating institutions, i.e. organisations running their own projects, such as hospitals and orphanages, although many also distributed financial and material donations, such as food. Besides religious foundations, the High Middle Ages witnessed the rise of guild-based and trade-related foundations, established by urban middle-class professionals (Schiller, 1969; Anheier and Daly, 2007). The development of foundations was influenced by historical events, including the expansion of state functions that pushed them to adapt their role and functions to an increasingly secular public sphere. This led many to become providers of quasi-public goods (Anheier, 2001).

The **late 19th and early 20th centuries** marked a period of significant growth for foundations. The challenges of industrialisation, including widespread poverty, poor working conditions, and inadequate access to education, prompted the creation of foundations dedicated to social reform. Indeed, as urbanisation intensified and social inequalities deepened, these organisations adapted to meet new needs, focusing on improving living conditions, promoting education, and advancing healthcare and social welfare (Anheier, 2001).

In the **20th century**, the two World Wars and the rise of totalitarian regimes had profound effects on foundations across Europe. Many did not manage to survive, particularly in Central and Eastern European countries and in the aftermath of the two wars, with the development of welfare states, foundations remained a niche phenomenon, receiving little attention from policymakers (Anheier, 2001). It was only in the late 1980s that foundations experienced a resurgence. Political stability in Western European countries, the democratisation of countries like Spain, Portugal and Greece, the fall of communism in Central and Eastern Europe and, lastly, increased levels of economic and social well-being contributed to the renaissance of a diverse tapestry of foundation types across Europe (Anheier, 2001).

However, significant variations exist between countries in terms of development, legal recognition, collaboration with public authorities, and the overall size of foundations.

Central and Eastern European countries, including Hungary, Lithuania and Poland, deserve particular attention. In these countries, foundations – including foreign foundations – played a critical role in the transition from authoritarian socialism to

¹¹ Arrangements that paved the way for the emergence of modern foundations include legal arrangements developed to preserve practices aiming to worship the spirits of the deceased, whose existence was believed not to end with death (Coing, 1981; Gemelli, 2006).



democracy (Pinter, 2001), and Western grant-making foundations remain key actors in the region to this day.

4.1.3 Mutual benefit societies

Like foundations, mutual benefit societies date back to **ancient times**. Precursors of these organisations can be traced to ancient Egypt and the Roman Empire, when informal community-based networks provided support to members during times of need, such as illness, death or economic hardship (European Commission, 2003; Mayo, 2017).

Mutual benefit societies emerged in continental Europe in the **Middle Ages** as charitable brotherhoods. These organisations, often tied to religious or trade guilds, were community-focused groups that provided social and financial support to their members. They operated as collective insurance systems, offering aid during sickness or unemployment, or assistance to families in case of bereavement. The brotherhoods often maintained funds through member contributions, donations and revenues from church activities. Similar organisations appeared in the UK as friendly societies, which shared the goal of mutual assistance among members (Archambault, 2020).

The **Industrial Revolution** of the 19th century-built momentum for mutual benefit societies. This period was marked by significant social and economic upheaval. Rapid urbanisation and industrialisation led to widespread poverty, as rural populations migrated to urban centres looking for work. Many faced poor living and working conditions, including overcrowded housing, inadequate sanitation, and long hours in unsafe workplaces. During this time, the primary goal of mutual benefit societies was to provide a safety net for members. They offered financial assistance during times of sickness, unemployment or in case of death, and in some cases, supported education or retirement. These organisations not only alleviated immediate economic hardships but also fostered a sense of solidarity and cooperation among members, strengthening community ties (CIRIEC, 2005; Panteia, 2012).

Given their role in providing social protection prior to the existence of government intervention, mutual benefit societies can be considered **precursors to modern welfare states**. Indeed, their focus on collective responsibility and financial solidarity laid the groundwork for the development of public social security systems (Panteia, 2012; Archambault, 2020).

4.1.4 Cooperatives

The cooperative movement originated as a **response by the working class** to the harsh conditions imposed by the Industrial Revolution (Campos, 1997), and as a reaction to rural poverty (European Commission – EISMEA, 2024). The **Rochdale Pioneers** were one of the earliest examples of a cooperative, founded in 1844 in Rochdale, England. This group of weavers organised themselves to create a consumer cooperative to purchase essential goods at fair prices. The Pioneers established fundamental principles such as democratic

governance, open membership and the reinvestment of profits. Known as the Rochdale Principles, these became a foundational model for subsequent cooperatives and remain the cornerstone of the modern cooperative movement (Fairbairn, 1994).

It is noteworthy that cooperatives were originally not only economic institutions, but also **social institutions** fostering solidarity and collective self-help. Raiffeisen's idea of a Christianity of action, Schulze-Delitzsch's concept of self-help to empower individuals, the Rochdale Pioneers' aim to emancipate workers, and Victor Huber's proposal for active self-education, all highlight the social dimension of cooperatives (Todev et al., 1993). Indeed, the essence of the cooperative movement was encapsulated in the slogan 'one for all, and all for one', emphasising the solidarity it embodies. In all these cases, the main objective of the entrepreneurial activity and the defining characteristic of the embedded corporate culture was the pursuit of a shared social ideal, including solidarity, equality and justice.

Following the success of the first cooperative initiatives, the model quickly **spread and evolved throughout Europe**. Various forms of cooperatives emerged and became widespread, including consumer and agricultural cooperatives, credit unions, credit cooperatives, and worker cooperatives. Consumer and user cooperatives were created to reduce intermediary expenses and lower retail costs, while producer cooperatives, particularly in agriculture, aimed to strengthen the limited market power of producers. Worker cooperatives, on the other hand, were developed to enable members to manage their businesses autonomously (Borzaga and Galera, 2012a).

In **Italy**, for example, the cooperative movement began to develop in the second half of the 19th century. One of the first initiatives with some cooperative characteristics developed in Turin in 1853, when the *Associazione Generale degli Operai* opened the first *Magazzino di Previdenza*, a food store selling essential goods (Legacoop, 2002). Cooperatives prospered until the fascist regime, when they were confronted with significant challenges. They were absorbed into the fascist cooperative system and, in 1925, the *Ente Nazionale Fascista per la Cooperazione* (National Fascist Cooperative Organisation) was established, effectively curbing their autonomy. After World War II, the Italian cooperative movement underwent profound transformation and reorganisation. This period, often described as a 'cooperative reawakening', occurred despite the economic challenges of the post-war landscape. Cooperatives played a key role in Italy's reconstruction, with a renewed focus on solidarity and economic resilience. The 1947 Basevi Law, named after Senator Adriano Basevi, laid the foundational legal framework for cooperatives, defining their operations, governance and objectives. Their social and economic significance was also formally recognised in the Italian Constitution of 1948. Article 45 explicitly acknowledges the social function of cooperatives, affirming their role in fostering solidarity and economic equality (Jensen et al., 2015).



In **Spain**, the cooperative movement gained particular strength in the Basque Country. An iconic example is the Mondragón Group, founded in 1956 by a priest, José María Arizmendiarieta. Agricultural and consumer cooperatives also developed in other regions during the 19th century, contributing to local economic growth and improving living standards. Despite significant challenges during the Spanish Civil War and Franco's dictatorship, some cooperatives, particularly in agriculture, persisted. The Cooperatives Law of 1987 later provided a comprehensive legal framework for these entities (Saiz et al., 2024).

In Scandinavian countries, the cooperative model has developed primarily in the agricultural and consumer sectors. In **Norway**, the first cooperatives emerged in the 1850s. The dairy cooperative in Rausjødalen, near the town of Røros, was founded in 1856 and is considered the first 'real' cooperative in Norway and the first dairy cooperative in northern Europe. Consumer cooperatives also emerged during the second half of the 19th century, aiming to provide members with goods at reasonable prices (Cooperatives Europe, 2021). Later, in the 20th century, a strong housing cooperative movement developed and gained momentum. The first cooperative of this type, called 'OBOS', was founded in Oslo in 1929 (NBBL, n.d.). Since the 1960s, this sector has been governed by its own set of regulations, reflecting the pivotal role housing cooperatives played in the nation's post-World War II reconstruction (Cooperatives Europe, 2021). In the three decades following World War II, authorities extensively leveraged the housing cooperative system as a 'tool' for implementing a social housing policy in collaboration with local governments and the central administration. The cooperative model benefited from streamlined access to community land and financing through the State Housing Bank. However, a shift in housing policy during the 1980s compelled the housing cooperative system to undergo a significant transformation, aligning with a free-market approach and facing increased competition (NBBL, n.d.).

In **Hungary**, cooperative history dates back to the 19th century, with the first cooperatives established in 1845 (European Commission, 2019a). Historically, housing and agricultural cooperatives played a significant role. Initial attempts to form housing cooperatives were taken in the early 1870s and the first housing cooperative (the *Köztisztviselők Lakásépítő Egyesülete*, in English: Building Association of Public Servants) was established in 1883 (Jelinek, 2024). In the agricultural sector, a major role was played by *Hangya* ('Ant' in English), i.e. the Society for Consumption, Sale, and Production of the Hungarian Farmers' League. Founded in 1888, Hangya affiliated most of the agricultural and retail cooperatives in operation at those times (Simsek, 2021). During the socialist period, cooperatives were controlled by the state (European Commission, 2019a). After 1989, the cooperative movement experienced a period of crisis, with a significant drop in the number of active cooperatives in the country (European Commission, 2019a).

In partitioned **Poland**, the first cooperative 'Hrubieszow', an agricultural society, was established in 1816.¹² During the 19th century, when the country was deprived of its sovereignty, the cooperative movement substituted for absent public institutions and strongly supported Poland's socio-economic development (Leś, 2004). In the interwar period, especially after Poland regained independence in 1918, the social economy movement strengthened. Various types of cooperatives, together with associations and other social economy initiatives, were established, including worker cooperatives. However, their role dramatically changed after World War II, when cooperatives, like any other social economy organisation, were put under the control of the socialist regime and became part of the system of 'socialised ownership' (European Commission, 2020b).

In **Serbia**, cooperatives have a strong and long tradition, gaining significance in the 1890s as society transitioned away from the feudal system (Simmons et al., 2010). Agricultural collective farms were one of the most important types of cooperatives, specialising in grain, dairy products, wine, etc. (Borzaga et al., 2008). Credit unions, developed at the end of the 19th century, played a key role as well (Borzaga et al., 2008). The first farmers' credit cooperative in the region of Central Serbia was founded in the village of Vranovo in 1894, in the vicinity of Smederevo (Krasavac and Petković, 2015). Until World War I, cooperatives grew both in terms of numbers (with more than 800 cooperatives operating in the country) and their performance or significance. The war and post-war period posed significant challenges for the sector, but the cooperative movement was able to consolidate during the 1930s (Krasavac and Petković, 2015). During World War II, cooperatives were forced to halt operations due to the economic crisis and widespread devastation caused by the war (Petković et al., 2016). During the authoritarian communist period, cooperatives were integrated into communist propaganda and became a key component of the planned economy (Borzaga et al., 2008). The communist government organised cooperatives following the Soviet kolkhoz method, leading to agricultural collectivisation (Simmons et al., 2010). Nevertheless, comparatively speaking, the socialist regime in Serbia was more liberal than in other Eastern European countries and autonomous initiatives at local levels were tolerated (Borzaga et al., 2008).

The history of cooperatives in **Lithuania** can be traced back to the 19th century, with the first Distributive Society started in 1869 in Vilnius (Tanner, 1932) and the first credit cooperatives ('Taupmenu skolinimosi bendroves', in English: Societies for borrowing of savings) started in 1871 (Bubnys and Kaupelyte, 2004). Early consumer cooperatives were established at the end of the 19th century, and dairy cooperatives at the beginning of the 20th (Bubnys and Kaupelyte, 2004). However, as occurred in Serbia and Poland, the

¹² Information retrieved from the Virtual Museum of Cooperatives of the Barberini Foundation, available at: <https://www.cooperazione.net/en/virtual-museum/647#:~:text=1816%20Hrubieszow%2C%20an%20agricultural%20society.first%20cooperative%20in%20that%20country.>



socialist regime put cooperatives under their control and made the diffusion of the cooperative movement almost impossible (European Commission, 2018).

Cooperatives have demonstrated a remarkable **capacity for innovation and social impact**, particularly in their early stages. From their origins, they acted as **disruptive actors**, challenging existing economic structures and providing solutions to pressing social needs, whether in industrialising cities or impoverished rural areas. By empowering vulnerable stakeholders, cooperatives contributed to reducing inequalities and can thus be seen as early **actors of social innovation**.

However, as cooperatives became increasingly integrated into dominant “social and technical systems” – represented by the market and the State in their various articulations (Geels, 2024) – they often grew into large-scale enterprises and progressively adopted **conventional organisational practices**. This alignment with technical, bureaucratic, and sectoral standards has generated processes of **institutional isomorphism**, making cooperative structures and operations more homogeneous and predictable, often reducing their pioneering or transformative character. Meanwhile, in several countries (e.g., Italy, France, Poland, Hungary), new cooperative forms, pursuing explicit social aims, have emerged displaying a key role particularly in rural areas.

Accordingly, the nature of cooperatives is **variable over time**, reflecting both historical contexts and sectoral constraints. While their capacity for radical innovation has in many cases diminished, cooperatives continue to operate as economically and socially relevant enterprises; at the same time, in other instances, new cooperative forms have emerged precisely as **social innovations**, renewing the innovative potential of the cooperative model.

4.2 The social economy as a concept

As a concept, the social economy was developed to bring together associations, mutual benefit societies, foundations and cooperatives. It stresses the specificity of the mission of relevant organisations, namely their **aim to benefit either members or a larger community**, rather than to generate profits for investors. This approach thus includes both organisations that are **not entrepreneurial** and typically comply with a total profit distribution constraint (e.g. most associations and foundations) and **not-for-profit enterprises**, such as cooperatives. A key feature is the **democratic character** of the decision-making process within the organisations and the **prevalence of people and labour over capital** in the distribution of incomes.

4.2.1 The recognition of the social economy at the European level and beyond

The social economy approach has recently found great resonance in Europe and has been taken up by the European Commission through ad hoc actions aiming to recognise the

social economy as an autonomous and distinct pillar next to state actors and for-profit entities. Noteworthy here is the **Social Business Initiative (SBI)**, launched in 2011 to increase the visibility and recognition of social enterprises (European Commission, 2011). The social enterprise represents a recent and innovative dynamic within the social economy, referring to two parallel trends: the transformation of existing organisations (e.g. cooperatives and associations), refashioned by a new dynamic, and the emergence of new entities. Both trends involve organisations that pursue explicit social aims through their economic activities, and which are driven by unmet needs arising in local communities.

Based on the SBI, social enterprises run commercial activities (**entrepreneurial/economic dimension**) to achieve a social or societal common good (**social dimension**), with an organisation or ownership system that reflects their mission (**inclusive governance/ownership dimension**). The SBI pushed for the legal recognition of social enterprises in several Member States, which have introduced new legislation and support policies with a view to sustain the replication of social enterprises on a wide scale. However, social enterprises are just one of the components of the social economy (European Economic and Social Committee – EESC, 2017; European Commission – EISMEA, 2024). Hence, there emerged the need to provide for a broader recognition of a wider set of organisations that address key challenges plaguing contemporary societies.

Ten years after the launch of the SBI, the European Commission made a further important step in 2021, with the delivery of the Social Economy Action Plan (SEAP). While acknowledging commonalities and diversities across the ‘organisational families’ that compose the social economy, the SEAP considers this sector as the vehicle through which to relaunch the social dimension of the EU process implied in the EU Pillar of Social Rights. Moreover, it provides for a multifaceted recognition of the differences between social economy entities and mainstream enterprises.

Another important policy accomplishment at the EU level is the acknowledgement of the **‘Proximity and Social Economy’ as a new ecosystem** by the EU Industrial Strategy (European Commission, 2020c).

These key decisions have been complemented by the **Council of the EU’s first-ever recommendation on the social economy** (adopted in November 2023) which asks Member States to acknowledge and support the social economy (Council of the European Union, 2023). This is in line with the recent **International Labour Organisation (ILO) resolution concerning decent work and the social and solidarity economy** (ILO, 2022), as well as the **United Nations resolution on the social and solidarity economy and sustainable development goals** (United Nations General Assembly, 2023), both signed by most Member States (European Commission – EISMEA, 2024).



4.2.2 The recognition of the social economy at national level in the studied countries

Despite the growing conceptual convergence at the EU level, capturing the **patterns of development of the social economy** in target countries is extremely challenging. This is primarily due to the often-arbitrary use of both the social economy and social enterprise as concepts, which are in more than a few cases interpreted in different ways by researchers and policymakers. Sometimes these terms are used interchangeably, adding to the conceptual confusion.

The **concept of the social economy** has been recognised only in countries with a tradition of fruitful interaction between the organisational forms composing the social economy, such as Belgium, France, Portugal and Spain. It is not commonly used as a concept in countries with a strong division between cooperatives and associations (e.g. Italy and Germany), and it is slowly gaining relevance in countries where specific policy actions prompted by the SEAP are in the pipeline. The **concept of the social enterprise** has been conversely more widely recognised in a wider number of countries, either through an adaptation of the cooperative form – which acknowledges the pursuit of explicit social aims by the newly introduced cooperative forms (e.g. Italy: social cooperatives delivering social welfare services and supporting the work integration of disadvantaged workers; France: general interest cooperatives supporting local development initiatives; Portugal: social solidarity cooperatives delivering welfare and work integration; Poland, Hungary and the Czech Republic: social cooperatives facilitating the work integration of disadvantaged workers) – or through the introduction of the legal status of social enterprise (e.g. which can be obtained by a broad set of eligible entities operating in a wide set of fields of general interest in the case of Italy and Belgium).

The **insufficient recognition of the social economy in Central and Eastern European countries** is partially due to a negative perception of cooperatives compared to a significant recognition of traditional non-profit organisations (European Commission – EISMEA, 2024). Accordingly, the main trend in this region has been that of acknowledging specific components, particularly social enterprises, which have been legally recognised in Poland (e.g. social cooperatives and entrepreneurial non-profit organisations), Hungary (e.g. social cooperatives and non-profit companies with or without public benefit status), and Lithuania (e.g. work integration social enterprises).

All in all, rather than providing a unitary vision, the main trend across EU Member States has been that of **acknowledging specific segments of the social economy**. **Conceptual confusion** continues to prevail in most countries and, even when it is recognised, the social economy is often narrowly understood.

Needless to say, poor awareness of the key components, features and added value of the social economy explains the **lack of policies** aimed at harnessing its potential in tackling multiple challenges affecting both urban and rural areas in most EU Member States.

a. Spain

In contrast with the other countries studied, the social economy enjoys broad recognition in Spain, at legal, policy and grassroots levels. The process of institutionalisation of the social economy started back in the 1990s and culminated with the adoption of **Law 5 of 2011**. This law does not replace specific organisational regulations, but recognises the entities that are traditionally associated with the social economy, including cooperatives, mutual insurance organisations, associations and foundations engaged in economic activities. Moreover, the law expands its scope by including 'all enterprises whose economic activity is based on the principles outlined in the law' (Art. 5) (European Commission, 2020d).

Spanish law recognises moreover the importance of supporting the development of social economy entities and their representative organisations, and encourages public authorities to promote their growth through a number of actions, which are however not specified. The logical basis of the Spanish social economy law is that of providing for the symbolic recognition of this sector (Galera and Chiomento, 2022). On top of this, since 2020 a new **Ministry of 'Labour and Social Economy'** has been appointed, which testifies to the strong visibility gained by the social economy in Spain.

While the concept of the social economy is deeply entrenched in public discussions, academic research and public policy, in Spain there is **no official definition of the term 'social enterprise'**. This concept is not widely used among policymakers, nor in public discourse or society at large.

In 2013, a legislative proposal aimed at regulating social enterprises was proposed in the Spanish parliament. This proposal, inspired by the SBI, sought to create a specific legal status for social enterprises under the name *Sociedad Limitada de Interés General* (translated as 'General Interest Limited Company'). Its primary goal was to establish a legal framework that would facilitate investment in enterprises pursuing social objectives. However, the Spanish parliament ultimately rejected this legislative initiative. Instead, it referred to Law 5/2011 on the Social Economy as the applicable legal framework for social enterprises in Spain (European Commission, 2020d).

b. Italy

In Italy, research, public debate and legislative activity have focused mostly on specific components of the social economy – namely traditional cooperatives, on the one hand, and non-profit organisations (including social enterprises, grouped under the 'Third sector'), on the other hand. The Third sector – technically a subsector of the social economy – was legally recognised in 2016 with the adoption of **Law 106/2016**, which defines its boundaries and operating rules. Italian legislation aggregated organisations that 'pursue the general interest'. This way, it excluded organisations, such as cooperatives and mutual aid societies that pursue purely mutual objectives, unless they



acquire the status of social enterprise.¹³ The Third sector encompasses a wide range of organisational types and the rather large distance between cooperatives and Third sector organisations (in terms of mutual versus general interest, respectively) explains the reluctance of scholars and practitioners to use the concept of the social economy whatsoever.

Conversely, Italy was the first country in the EU to employ the concept of social enterprise to identify the new collective initiatives that emerged at the end of the 1970s to address new needs arising in local communities (Borzaga and Defourny, 2001).¹⁴ Building on **Law 381/1991 on social cooperatives**, which pioneered the first form of social enterprise in Italy through an adaptation of the cooperative form, **Legislative Decree No. 155/2006 on social enterprise** broadened both the entities entitled to carry out social enterprise activities and the sectors of intervention. The rationale behind this was to allow entities other than social cooperatives to carry out entrepreneurial activity aimed at the pursuit of an explicit social goal.¹⁵

c. Poland

In Poland, several studies have shed light on the key role played through history by both a new and old social economy, highlighting the red thread connecting initiatives with a longstanding tradition – such as cooperatives – with recent patterns (Juros et al., 2004). However, it is worth underlining that the development of the so-called ‘new social economy’ was first marked by the mushrooming of non-profit organisations and the contextual crisis of cooperatives. From 2003 on, following EU integration and in particular the pilot projects within the EQUAL Community Initiative¹⁶, policy attention turned mainly to initiatives aimed at tackling social exclusion. Various key acts were adopted, including the **Act on Social Cooperatives in 2006**, which allows for the formal establishment of socio-economic institutions that favour the social and work integration of people who are

¹³ See Legislative Decree No. 117/2017 – Third Sector Code, and Legislative Decree No. 112/2017 on Social Enterprise.

¹⁴ The pioneering use of the social enterprise concept in Italy has inspired its use in other countries and had a role in stimulating the creation of a dedicated research network – the EMES International Research Network – which has grown over the years with a view to exploring social enterprise and other related phenomena (solidarity economy, social economy, Third sector, social innovation) on a global scale. The findings of the first piece of research on social enterprise carried out at EU level, which explored social enterprise as an emerging dynamic, were published in 2001 by Carlo Borzaga and Jacques Defourny in the book *The Emergence of Social Enterprise* (Borzaga and Defourny, 2001). For further information on the EMES Network see: www.emes.net

¹⁵ The legislature thus opted for a standard that can be adopted by a plurality of entities that carry out entrepreneurial activity in the general interest on a permanent and primary basis, for non-profit, civic, solidarity-based and socially useful purposes. These entities adopt responsible and transparent management methods and encourage the wider involvement of workers, users and other stakeholders in their activities. These entities include various forms of cooperatives (e.g. consumer, agricultural and worker cooperatives), as well as associations, foundations and conventional companies (Galera and Chiomento, 2022).

¹⁶ The EQUAL Community Initiative was a European Social Fund program within the 2000–2006 programming period aimed at promoting innovative, transnational projects to combat discrimination and inequality within and beyond the labour market. For more information, see: https://ec.europa.eu/employment_social/equal_consolidated/index.html

experiencing difficulties of various kinds, including social exclusion and difficulties finding a job (Gizińska et al., 2024).

Nowadays, the Polish social economy tends to be **narrowly understood** both by the scientific community and policy makers. A key example of this is the recently introduced law on the social economy, which excludes traditional cooperatives (other than worker cooperatives) from the social economy universe (Gizińska et al., 2024) and the satellite account for the social economy. The latter does not cover all the legal entities typically seen as components of the social economy, such as housing cooperatives, cooperative banks, and cooperative saving and credit funds (SKOK), which are well-developed in the country (European Commission – EISMEA, 2024).

d. Hungary

The concept of the social economy is **not properly recognised** in Hungary either. Non-profit organisations mainly emerged through bottom-up activity and the legal framework for associations and foundations was introduced in 1987. However, when compared to other countries of the region, their further development was driven in a strongly top-down manner (European Commission, 2019a). This was also the case with social cooperatives whose legal framework – **Act No. X on cooperatives** introduced in 2006 – stemmed primarily from EU and state policy drivers. This development did not emerge from grassroots civic activities, as in other countries (e.g. Poland and Italy). This trend was further exacerbated by the political shift towards illiberal democracy in 2010, which has marginalised civil society organisations and hampered their potential to contribute to social and economic growth. In 2016, a new provision in the Act on Cooperatives of 2006 – which was severely criticised by experts and advocacy organisations – provided that social cooperatives can only be established with the participation of a local municipal government or a charity (Tóth et al., 2024). In 2019, the Law on Cooperatives was moreover amended to include the possibility that municipalities establish and operate social cooperatives (named: *Start Work Social Cooperatives*), thus contradicting the very nature of social enterprises – as defined by the SBI and legislation of other EU Member States – as private organisations owned and controlled by civil society.

All in all, the significant control of governmental authorities over civil society organisations has so far severely jeopardised the development of the sector, including the recognition of the social economy as an ensemble of autonomous organisations.

e. Lithuania

The **social economy lacks legal recognition** in Lithuania and is in general also underrepresented as a concept by the country's research community (European Commission – EISMEA, 2024). The pattern of development of the entities composing the social economy is not dissimilar from other Central and Eastern European countries. In contrast with the scant development of cooperatives – with the exception of credit unions – Lithuania has witnessed a massive establishment of non-profit organisations.



EU Structural Funds strongly pushed for the institutionalisation of social enterprises, particularly through the introduction of a **Law on Social Enterprises in 2004**, which acknowledged work integration social enterprises (Gedminaite-Raudone et al., 2024). In 2015, the concept of “social business” was moreover promoted by the Ministry of Economy and Innovation. Both policy measures have introduced legal statuses which can be adopted by various legal forms. Noteworthy is that the **2004 law was repealed in 2022**, with this decision strongly affecting existing social enterprises.¹⁷ Indeed, the repeal caused the cessation of both subsidies and the validity of social enterprise status, as of January 1, 2023. It required existing social enterprises to temporarily maintain state-funded workplaces and submit reports on state subsidy usage. According to the Lithuanian Employment Service, following the repeal of the law, 29% of former social enterprises’ employees with disabilities were laid off between January and November 2023 (Balčiūnaitė, 2023).

f. Norway

In Norway, **the concept of the social economy is neither recognised at a policy level nor properly defined by the scientific literature**, remaining unconceptualized as a subsector of organisations. Along the same lines, **the concept of social enterprise is rarely used in policy and scientific discourses**. The Norwegian language lacks nuanced terms for social enterprise, making no clear distinction between a ‘social entrepreneur’ – an individual who drives social innovation – and a social enterprise, meaning a structured organisation pursuing explicit social aims. This is in spite of the widespread presence of economic institutions managing common resources and cooperatives of different types operating according to the principles of the social economy (Kvaløy et al., 2024).

All in all, the different components of what is referred to as the social economy are not conceived of, and do not recognise themselves as parts of the same sector, with the voluntary sector at one end and the cooperative sector at the other. The **lack of development of the social economy** is moreover explained by the extensive development of state-delivered social protection, which does not leave a lot of space for non-profit welfare providers (i.e. social enterprises).

g. Serbia

Amidst a lack of discussion of the social economy, the concept of social enterprise does, however, enjoy rather wide recognition in Serbia. Besides being employed as a concept by the scholarly community, a new **Law on Social Entrepreneurship** was

¹⁷ For more information, see: <https://e-seimas.lrs.lt/portal/legalActPrint/lt?jfwid=30qr9ekzv&documentId=a26d44c2f86811ecbfe9c72e552dd5bd&category=TA>
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adopted in 2022, which provides for a legal status that can be acquired by either a business entity, a non-profit organisation or an entrepreneur.¹⁸

In addition to the bottom-up emergence of social enterprise, the experience of collective and worker-managed enterprises has also played a role in triggering the emergence of contemporary social enterprise-like initiatives in Serbia (Novković et al., 2024). The emergence of social enterprises is moreover connected to an increase in the relevance of associations and foundations in the delivery of social protection services. Conversely, a strong animosity towards cooperatives persists today. An exception to this is seen in the case of social cooperatives, which were recognised in the Law on Cooperatives adopted in 2015. The development of this law was highly influenced by EU discourse on social enterprises and it was concretely inspired by the evolution of similar types of cooperatives in a number of EU Member States (e.g. Italy, France, Portugal, Poland, Spain, Hungary and the Czech Republic).

¹⁸ The possibility granted to individual entrepreneurs to acquire social enterprise status by Law 14/2022 on Social Entrepreneurship is an exception in the landscape of European and neighbouring countries. The main pattern at the EU level is indeed that of considering only collective entities as entitled to gain the status of social enterprise.



Table 4 Recognition of the Social Economy and Social Enterprise concepts in Hungary, Italy, Lithuania, Norway, Poland, Serbia and Spain

Country	Recognition of the Social Economy	Recognition of the Social Enterprise
Spain	<p>Widely recognised at policy level and by the research community</p> <ul style="list-style-type: none"> - National Law on the Social Economy 5/2011 - Appointment of Ministry of Labour and Social Economy in 2020 - Specific laws adopted by autonomous communities (e.g. Aragon Social Economy Law 7/22) 	<ul style="list-style-type: none"> - Law 27/1999 on Social Initiative Cooperative - Law 44/2007 on Social Integration Enterprise - Law 31/2015 on Employment Integration Enterprise
Italy	<p>Not properly recognised: strong division between cooperatives and non-profit organisations</p> <p>Third sector – as subsector of the social economy – legally recognised (Legislative Decree 117/2017)</p>	<p>Widely recognised at policy level and by the research community</p> <ul style="list-style-type: none"> - Law on Social Cooperatives 381/91 - Law on Social Enterprise 118/2005 - Legislative Decree on Social Enterprise 112/2017
Poland	<p>Recognition of an old and new social economy</p> <p>Currently narrowly understood by both the law on the social economy (Act on Social Economy 2022) and the satellite account</p>	<p>Rather widely recognised</p> <ul style="list-style-type: none"> - Act on Social Cooperatives 2006, April 27
Hungary	<p>Not properly recognised</p> <p>Negative legacy of cooperatives</p>	<p>Narrowly understood – conflated with work integration</p> <ul style="list-style-type: none"> - Law on Social Cooperatives 141/2006
Lithuania	<p>Not properly recognised</p> <p>Negative legacy of cooperatives</p>	<p>Narrowly understood – conflated with work integration</p> <ul style="list-style-type: none"> - Law on Social Enterprise IX-2251/2004, repealed in 2022 - Decree on the Ratification of the Conception of Social Business, April 3, No. 4-207
Norway	<p>Not recognised: strong division between cooperatives and the voluntary sector</p>	<p>Poorly recognised</p>
Serbia	<p>Not recognised</p> <p>Key tradition of labour-managed firms</p>	<p>Law 14/2022 on Social Entrepreneurship</p>

Source: Own elaboration

4.3 The social economy as a practice

The literature provides support for the interpretation of the social economy and social enterprise as structural dynamics across countries and regions characterised by varying levels of economic development and diverse welfare systems (Borzaga et al., 2016a; 2016b).

Research conducted in different regions of the world sheds light on the **inclination of civil society to spontaneously self-organise to respond to unmet needs arising in society** (Borzaga et al., 2016a; 2016b). There is indeed an intrinsic tendency for local communities to self-organise to collectively design solutions to unmet needs arising in local territories. This tendency has contributed to shaping a variety of organisational forms. Organisational adjustments and innovative forms of civic engagement continue to emerge in response to demographic, social and economic transformations, thanks to the bottom-up mobilisation of civil society. Recent research shows that while there is a decline in some forms of associational activity, there is a growth in others (European Commission – EISMEA, 2024).

The **intrinsic flexibility of social economy organisations** is due to two main features: their participatory and collective ownership of assets and the relevance of goals other than the economic. These particular features have led to a high degree of organisational creativity in shaping organisations with goals other than profit maximisation and organisational models which reflect contextual conditions, changing over time and space. This has implied, in some instances, the more recent development of innovative governance models, reflecting the need to represent diverse stakeholder groups (e.g. in France, the *Société Collective d'Interet Collective*; in Italy, the social cooperative, social enterprise and community cooperative).

In spite of its structural features, the evolutionary dynamic of the social economy is strongly context-specific for the reasons mentioned above. It appears to be influenced by a **mix of local circumstances and exogenous factors** that have contributed to the definition of specific activities, institutional models and practices, with significant differences to be noticed across and within countries. Key factors explaining country variations include, among others, the cohesiveness and entrepreneurial inclination of local communities, the degree of development of markets, the degree of coverage of basic needs by the welfare state, and the existence of more- or less-enabling policies.

Research corroborates that in domains where markets are more developed, cooperatives have progressively weakened their role (Borzaga and Galera, 2012b; European Commission – EISMEA, 2024). For example, in Austria, Belgium, France and the Netherlands, consumer cooperative trade disappeared more or less completely from the economic landscape, due to its inability to handle competition from large-scale and highly competitive private firms (Brazda and Schediwy, 2001; Battilani, 2005 – as cited in Ekber, 2008; European Commission – EISMEA, 2024).



The social economy has conversely regained relevance in the welfare domain in most EU Member States over the past 30 years, after decades of marginalisation.

With the need to reduce inequalities and confront essential social problems in industrial societies, state involvement in welfare became a prominent feature after World War II (Glennister and Midgley, 1991). As part of the process of constructing European welfare states, most insurance, educational, social and health services – which had been delivered by community-based organisations for centuries – were taken on by government authorities in Western Europe (Walzer, 1998). What needs to be highlighted is that the new public welfare institutions were, however, strongly inspired by the experience accumulated by social economy organisations at the local level. In Italy, for example, key welfare institutions were originally developed by mutual aid and cooperative societies, which were subsequently incorporated or adopted by national governments (Borzaga and Galera, 2012b). Along similar lines, membership-based voluntary organisations had a key role in the creation of the public welfare system in Norway (Loga, 2018).

Needless to say, while on the one hand **the development of welfare states** has strengthened the presence of politics in the social life of a political community, on the other hand it **has weakened associations, mutual benefit societies, cooperatives, and voluntary organisations** engaged in providing social services and promoting community activities (Evers and Laville, 2004). Private charities and voluntary organisations declined in number; in some countries, non-profit organisations kept a specialist role in some fields, which were not seen as a priority by the state, and developed a complementary role in others (Taylor, 2004). Similarly, the role of mutual benefit societies evolved differently across countries, reflecting the diversity of welfare models (Esping-Andersen, 1999).

While the overall role of associations and active membership in mutual benefit societies and cooperatives decreased in importance (Evers and Laville, 2004), differences are thus to be noticed at national levels, vis-à-vis the welfare state. These differences contribute to explaining the diverse roles played by the social economy today, both in terms of the relevance of its components and its fields of engagement.

4.3.1 Trends and challenges in the studied countries

The seven countries studied – Hungary, Italy, Lithuania, Norway, Poland, Serbia and Spain – represent distinctive paths of development of the social economy. However, a number of commonalities are noticeable in countries belonging to the same region. A snapshot of key trends shared by social economy organisations in **three clusters of countries – (i) Northern; (ii) Southern; and (iii) Central, Eastern and South-Eastern Europe** – is therefore proposed next.

In the **social democratic system of Northern European** countries, comprehensive social citizenship has been promoted, very much focused on preventive measures and with an emphasis on the public provision of social and personal services. In such a context, the delivery of services was perceived as the exclusive responsibility of governments, with a marginal role consequently assigned to associations considered as a 'channel through which to voice demands and mobilize networks to foster the delivery of services by public organizations' (Evers and Laville, 2004: 27). As a result, the voluntary sector had to reposition itself in a role where its organisations play a much less innovative role as providers anchored in public sector plans (Kuhnle and Seelle, 1992; Eimhjellen and Loga, 2016; Enjolras and Stromsnes, 2018; European Commission, 2020a). In Norway, the role of voluntary organisations thus decreased in relevance: social economy entities still contribute to the provision of public welfare, but in limited volume and with few legal responsibilities (European Commission, 2019b). Nevertheless, the very favourable conditions that have characterised the Norwegian economy over the last decades have recently started to shift, paving the way for a more significant engagement of social economy organisations in welfare service provision. Compared to other countries in Europe, however, social enterprises continue to be in a much less developed phase (Enjolras et al., 2021). Alongside non-profit organisations displaying a significant advocacy role, the social economy in Norway is distinguished by a large cooperative sector, mainly consisting of housing, consumer and agricultural cooperatives. These cooperative sectors, which control large shares of the market, continuously increased their market share until 1999, but have registered a weakening of their position, especially after 2008 (Rysstad and Lenvik, 2024). In addition to large agricultural and consumer cooperatives, the Norwegian cooperative landscape also includes energy and transport cooperatives, as well as parent cooperatives, which are nevertheless small in size.

Concerning **Southern Europe**, Italy and Spain have a large cooperative sector which has continued to play a significant role in creating value, generating income, promoting employment and fostering social cohesion. Originating as a response to rural poverty and the disparities generated by the Industrial Revolution, cooperatives have gained prominence across diverse sectors, especially agriculture and retail (European Commission – EISMEA, 2024). The role of the social economy in welfare provision has conversely witnessed a fluctuating trend, with social economy organisations shifting from playing a minor role to gaining increased relevance in the provision of welfare services. Until the end of the 1970s, the Italian and Spanish public social service systems were traditionally based on family networks and informal care to a far greater extent than other EU Member States (Anheier and Kumar, 2003). In Italy, the so-called non-profit sector was almost non-existent, or at least invisible, whereas in Spain it was developed only to a certain extent (Pelmutter, 1991; Borzaga and Santuari, 2003).



Box 1 TAYMA – Spain (Pinares Burgos-Soria MAP area)

Name of the organisation: TAYMA (project promoted by Tierra del Lara)

Website: <https://tayma.org/>

Legal form: association

Main target group(s): elderly people living alone

Sector of activity: social services, care sector

Description: TAYMA, the full name of which in Spanish means ‘I help you and you help me’, is a project launched in 2022 and promoted by Tierra de Lara, an association that involves people from approximately 27 villages. It operates in two small Spanish villages with minimal populations during winter, and focuses on providing instant assistance to residents in need, particularly elderly individuals who live alone.

The initiative equips users with a device that emits a geolocated alarm signal when activated, enabling nearby volunteers to respond quickly. By pressing the device for two seconds, an alert is sent to a volunteer network via mobile phones, allowing volunteers to access the user’s file and location through an app and decide on the assistance required. While organisations like the Red Cross also offer devices for individuals over 80, the isolated conditions of these villages make rapid assistance a unique challenge.

TAYMA addresses this issue as a socio-health project rooted in rural communities, aiming to enhance quality of life and foster solidarity and cooperation among neighbours. Its core philosophy of ‘help and be helped’ promotes social innovation and strengthens community networks, encouraging active participation in supporting neighbours’ welfare. By offering this service, TAYMA stabilises rural populations in a safe environment, addressing the challenges of ageing in isolation and creating a network of ‘guardian angels’ for vulnerable individuals.

Source: based on information provided by UBU

The high levels of unemployment and public spending cuts caused by the industrial crisis of the 1970s, which coincided with the political transition to a democratic form of government, paved the way for the emergence of new civil society organisations in Spain. During this period, a variety of new institutional arrangements emerged in response to unmet demand for social services and to solve unemployment problems that would be grouped into the social economy sector and create the basis for social enterprises in Spain (European Commission, 2020d).

Likewise, in Italy, increased unemployment levels due to the slowdown of economic growth, coupled with demographic and social changes – including an increase in employed mothers – fuelled demand for both income support and new social services. Given the inability of public policies to tackle social exclusion, a number of volunteer

groups attempted to bridge the gap between the demand for and the supply of social services by devising new services and organisational forms. This contributed to shaping social cooperatives as an innovative dynamic. Noteworthy here is that in recent years, the social and economic crisis suffered in both countries has boosted the flourishing of new initiatives that try to satisfy the economic, social, environmental and cultural necessities of their communities, giving rise to new organisational forms like, for instance, community cooperatives in Italy.

When looking at **Central, Eastern and South-Eastern European countries** two issues are noteworthy: (i) the key role played by the social economy in the socio-economic transformation triggered by the post-socialist regime change, and (ii) the relevance of external factors, including the support of Western European and US donors in driving the growth of selected organisational forms, which were expected to trigger the reform process and play a role in social relief. After the collapse of the communist regime, the rich traditions of charity, cooperative movements, and solidarity principles going back to the pre-war period, coupled with the emancipatory nature of the newly established civil society organisations, contributed to the renaissance of the social economy (Leś and Jeliaskova, 2005; Borzaga et al., 2008). Contrary to popular opinion, the social economy in Central, Eastern and South-Eastern Europe is not a product of the breakthrough of 1989. As highlighted in Section 4.1, foundations, associations and cooperatives have a long history in this region (Leś and Jeliaskova, 2005). However, not all components of the social economy would go on to receive equal support at national and European levels, nor by private donors. While the contribution of advocacy organisations for the construction and strengthening of democracy was acknowledged by neoliberal policies and Western donors, the role of non-investor-owned organisations, including cooperative organisations, was severely overlooked. This process was consistent with mainstream thinking that portrayed the 'market' – conceived of as the ensemble of for-profit enterprises in competition among themselves – as the sole actor capable of filling the gap left by the removal of state involvement in a short period of time (Smyth, 1998). The market, however, was to be complemented by grant-making foundations, and advocacy and civic organisations which succeeded the most in attracting Western funding (Toepler and Salamon, 1999).

As a result, at the beginning of the transition, legal and regulatory systems rediscovered associations and foundations. These organisations were boosted by the interplay of both grassroots activities and the pressure 'from above' to conform with the basic standards of contemporary parliamentary democracy. Against this background, ad hoc legislation was issued to regulate the functioning of associations, foundations and similar entities in all countries of the region. Conversely, during the transition from a state socialist to a market economy, cooperatives were conceived of as a remnant of communist times and many governments forced them to divide up their assets among their members (Bartus, 1998 – as cited in Juliá Igual and Meliá Martí, 2008). An impressive boom of civil society



organisations, especially associations, was registered in all the countries of the region in the early 1990s (Mansfeldová et al, 2004). Meanwhile, cooperatives dramatically decreased in number (Borzaga et al., 2008).

Table 5 Trends and challenges in Northern European, Southern European and Central, Eastern and South-Eastern European countries

Cluster of countries	Country commonalities post-World War II	Country trajectories	Recent trends
Northern European Countries	<ul style="list-style-type: none"> - Comprehensive social citizenship focused on preventive measures & public provision of social services - Marginal role of non-profit organisations for delivery of welfare services - Cooperatives developed in sectors in which capitalist activity was weak 	<ul style="list-style-type: none"> - Norway: voluntary sector frontline role; large consumer and agricultural cooperatives 	<ul style="list-style-type: none"> - Due to less favourable economic conditions, more significant engagement of social economy organisations in welfare service provision - Tentative emergence of social enterprises and new types of cooperatives (e.g. energy cooperatives)
Southern European countries	<ul style="list-style-type: none"> - Poor welfare states with key role for families in the provision of welfare services - Non-profit organisations have mainly advocacy function - Cooperatives developed in sectors in which capitalist activity was weak 	<ul style="list-style-type: none"> - Italy: pioneering emergence of social enterprises in the form of social coops to address new needs - Spain: emergence of new civil society engaged in service provision and work integration 	<ul style="list-style-type: none"> - Consolidation of social enterprises in both countries also due to dedicated policy actions - Key role for traditional cooperatives - Progressive spread of social economy in new fields (renewable energy, health, tourism, local food, etc.)
Central, Eastern and South-Eastern European countries	<ul style="list-style-type: none"> - Longstanding traditions of cooperatives, associations and other non-profit organisations destroyed and their continuity broken - Communist regimes dissolved foundations and associations, and deprived cooperatives of their autonomy in representing the interests and meeting the needs of given groups of citizens 	<ul style="list-style-type: none"> - In all countries, strong influence of Western donors in the post-transition phase. - Underestimation of cooperatives, boom of associations and foundations; dramatic decrease in the number of cooperatives 	<ul style="list-style-type: none"> - Development of social enterprises conflated with work integration due to influences of Western donors (Poland, Hungary, Lithuania, Serbia) - Social enterprise potential in welfare service delivery overlooked - Discrediting of cooperatives in all countries - In Hungary: shift towards illiberal democracy.

Source: Own elaboration

All in all, the potential role of the social economy in Central, Eastern and South-Eastern European countries is still far from being fully harnessed. The social responsibility taken on by cooperatives has yet to be recognised and social enterprises are often conflated with work integration by both policymakers and researchers (European Commission – EISMEA, 2024), thereby underestimating the potential contribution of social enterprises in filling gaps in welfare delivery. The Polish, Hungarian, Slovenian and Croatian examples are, in this respect, a case in point.¹⁹

Not surprisingly, while social enterprises facilitating work integration have been legally acknowledged in all countries of the region through the introduction of ad hoc laws and dedicated support schemes – which sometimes led to artificial growth – cooperative laws here are mostly outdated, dating back to the pre- or early transition phases (e.g. Poland: Cooperative Act of 1982; Lithuania: Law on Cooperative Societies of 1993). Despite their impact on employment and key role in supporting small and medium-sized farmers (Krasavac and Petkovic, 2015; Novković et al., 2024), cooperatives are often treated as for-profit companies. This is notable in the case of Serbia, where cooperatives do not enjoy any favourable tax treatment, even though they are not free to distribute their profits.

An additional barrier jeopardising the development of the social economy in Central, Eastern and South-Eastern Europe, particularly of social enterprises, is the failure to decentralise administrative powers. In this respect, regional and municipal authorities still have very little power or autonomy in Hungary, which prevents them from developing proper policies for social enterprises at the local level (Tóth et al., 2024).

4.4 The added value of the social economy

Research provides evidence of the **crucial role played by the social economy in supporting local development** and especially in promoting the interests of the most marginal stakeholders of society. Empirical evidence shows that economic self-help strategies at the local level have played a major role in emancipating disadvantaged groups and deprived communities in parts of the world with totally different geographical, cultural and political backgrounds (Birkhölzer, 2005; Borzaga et al., 2008; European Commission, 2020a).

There is a red thread connecting old – e.g. cooperatives set up more than 200 years ago – and newly established social economy entities, which builds on **three key features: goals pursued other than profit; allocation principles adopted based on reciprocity;**

¹⁹ In Poland, significant support was granted to organisations aiming to support the social and vocational rehabilitation of people with disabilities – i.e. professional activity establishments (ZAZs), occupational activity establishments (WTZs) and supported employment enterprises (ZPChs) – as opposed to the poor support provided to cooperatives, despite the latter’s long tradition (Gizińska et al., 2024).



and the implementation of participatory decision-making processes. This red thread helps explain the added value of the social economy in tackling a number of challenges that neither public authorities nor traditional enterprises are capable of coping with, in both urban and rural contexts. In this sense, it is precisely thanks to these identity-defining characteristics that social economy organisations are particularly well placed to foster social innovation processes, generating novel solutions to social needs and enabling new forms of collective action.

Goals other than profit: social economy entities are not motivated to maximise the rate of profit for investors, but rather to address the needs of local communities or specific groups of stakeholders. The other-than-profit goal pursued is the main reason for their success and longevity, which stems from their embeddedness in forms of collective awareness (Borzaga, 2005; Defourny and Nyssens, 2012). As such, social economy organisations are collective problem solvers that tend to prosper when they have specific advantages over investor-owned enterprises and public agencies, and satisfy needs that are otherwise unmet (Borzaga and Galera, 2012b). Common social, political and ideological goals can contribute to enhancing collective identity and group cohesion in social economy organisations. Nevertheless, while identity incentives can have a prominent role in the establishment of social economy organisations, since they enhance group cohesiveness, they may induce organisations to perform their activities notwithstanding the concrete realisation of their mission for merely ideological or religious grounds (Provasi, 2007). Hence, it becomes especially important to rely on incentive mixes other than identity-based ones and maintain a complex institutional design.

Allocation principles based on reciprocity and solidarity: social economy entities operate according to the principles of solidarity and reciprocity. In contrast to conventional enterprises and market relations, in social economy organisations exchanges among agents also take place when the exchange does not comply with the equivalence relation (Borzaga, 2005).

Relationships based on a non-contractual principle of economic action are established, in which social links are more important than the goods and services exchanged (Evers and Laville, 2004). The absence of the profit motive also implies a lower propensity to exploit market power and market imperfections, such as the presence of asymmetric information (Borzaga and Tortia, 2005). The exchange resulting from allocation systems based on reciprocity generate a beneficial impact on beneficiaries other than the owners. Hence, the distributive function displayed by social economy organisations implies – in the case of social enterprises – the transfer of resources and/or benefits generated from producers to users, who are often vulnerable persons, or even to the entire community (Bacchiega and Borzaga, 2003).

Participatory decision-making processes: social economy organisations rely on modalities of participation and democratic decision-making that, on the one hand, allow for the active engagement of the concerned stakeholders in key decision-making processes, and on the other, the generation of new solidarity networks. Democracy in the decision-making process refers theoretically to the ‘one person, one vote’ rule, as opposed to ‘one share, one vote’. This rule – which is notably applied by cooperatives, mutual benefit societies and social enterprises in general – implies the primacy of workers, consumers or a broader set of stakeholders over capital (Borzaga, 2005). Depending upon the type of social economy organisation under consideration, ownership rights and control of power are furthermore assigned to a sole category of stakeholders (users, workers, etc.) or to more than one category at a time – with the latter giving ground to a multi-stakeholder ownership model.

These features of social economy organisations have a role in shaping governance models that enhance the participation of the concerned stakeholders and democratic management, thus contributing to the adoption of strategic decisions for the community through participatory mechanisms. Depending upon the degree and number of stakeholders involved, goal pursued, and types of services and goods supplied, social economy organisations can nonetheless succeed in **mobilising a plurality of resources** (monetary and non-monetary, as well as economic and non-economic) supplementary to those generated by the mainstream economy (commercial incomes and/or public funding) (Galera, 2009). This includes the exploitation of local assets that would otherwise not be used to pursue welfare and local development goals. Organisational practices in the social economy are moreover expected to favour fair payment, high transparency, a diverse workforce, and the establishment of close relationships with suppliers to secure a sustainable supply chain (Krev et al., 2023).

Table 6 Key features and added value of the social economy

Key feature	Description	Added value
Goals other than profit	Goals pursued deviate from maximising the rate of profit for investors. They either coincide with the promotion of the interest of members (e.g. consumers, workers, etc.) or of the entire community	Problem solving nature of the organisation leads to addressing multiple challenges and unmet needs arising in local communities, which may change over time and space
Allocation principle based on reciprocity and solidarity	Exchanges among agents also take place when the exchange does not comply with the equivalence relation	Distributive function allows for the transfer of resources and/or benefits from producers to users and/or to the community
Participatory decision-making processes	Ownership rights and/or control are assigned to stakeholders other than investors	Participatory structure contributes to the adoption of strategic decisions for the community and enables the attraction of resources that would not be otherwise allocated for welfare and development goals

Source: Own elaboration

5. Role and contribution of the social economy in rural areas

As highlighted in Chapter 3, rural areas face a number of interrelated structural economic, social and environmental challenges which include, among others, isolation, depopulation, lack of essential services, and poor employment and income opportunities (Barraket et al., 2017; van Twuijver et al., 2022). When compared to urban contexts, rural areas are subject to a vulnerabilisation process, implying the erosion of social networks, which is further exacerbated by digital disparities restricting access to information, education and remote work opportunities. All these dynamics make rural populations extremely susceptible to external shocks, such as economic crises, environmental degradation and demographic transformations, which can accelerate the transition to social exclusion.

Drawing on the tangible and intangible resources available at the local level, social economy organisations have proved to be able to design innovative pathways that can significantly improve the well-being of rural communities. According to Steiner and Teasdale (2018), the social economy offers a **resilient alternative to traditional models of economic development**, which is especially relevant for rural or otherwise marginalised contexts. While changing over time and space, depending on the diverse needs arising in local communities, innovative solutions have been experimented with thanks to two features shown by social economy entities: **local embeddedness** in the socio-economic and institutional structure of local communities and **goals pursued other than profit**. As underlined in Chapter 4, social economy organisations have particular ownership structures: they are either owned or controlled by local residents (e.g. social enterprises) or by local stakeholders other than investors, representing specific social groups such as e.g. workers, consumers and farmers. Social economy organisations are thus owned and controlled at the local level and are, for this reason, able to attract a mix of resources and assets that would not otherwise be allocated for development and general interest goals. Thanks to the distributive function displayed by social economy organisations, these resources are then used to generate a beneficial social, economic and environmental impact on the local community. This aspect is especially relevant when it comes to common goods such as energy and water; thanks to social economy organisations, these goods can be kept under the control of the concerned communities.

Empirical evidence suggests that social economy organisations contribute to **boosting place-based development of left-behind places** (Lichter and Schafft, 2017; MacKinnon et al., 2024) by leveraging endogenous assets – natural resources, cultural heritage and social capital – while simultaneously attracting external resources (Naldi et al., 2020). This approach aligns their actions with neo-endogenous development principles, which

emphasise a synergistic integration of local and external resources (Olmedo and O'Shaughnessy, 2022).

Given a conception of development as a social process, where various factors are simultaneously at play – including economic, social, historical and cultural ones – social economy entities can contribute effectively to the social and economic development of rural territories from diverse perspectives.

First, thanks to the economic activities they run, social economy organisations create **new employment**. Some social economy entities are specifically aimed at safeguarding employment and others emerge to facilitate the work integration of disadvantaged and vulnerable people that would otherwise be excluded from the labour market (i.e. work integration social enterprises – WISEs).

Second, social economy organisations **contribute to filling gaps in general interest service delivery** (e.g. social services, telecommunications, transport, postal services, education and training, healthcare, housing).

Third, since they influence the management of economic and social development at the local level, they support a **more balanced use and allocation of resources available at the local level**.

Fourth, by increasing the weak market power of particular stakeholders, social economy organisations contribute to **ensuring the survival of key economic activities** for the rural areas in which they operate.

Fifth, by engaging local inhabitants in strategic decision-making, social economy entities enable the **management of common goods** that would otherwise run the risk of being taken out of the control of local inhabitants in a collective way. Thanks to their particular allocation mechanism, which is based on cooperation as a coordination mechanism (Borzaga and Tortia, 2017), social economy organisations ensure the survival of key economic activities.

Finally, social economy organisations contribute to the **strengthening of social cohesion** thanks to the relational dimension of the services supplied and the participatory governance structure adopted.

Furthermore, beyond these direct social and economic contributions, social economy organisations play a key role in **fostering social innovation**, experimenting with new solutions, practices, and organisational models that respond to local needs and challenges, particularly in marginalised or peripheral rural areas.

All these elements are deepened in the following paragraphs to better understand how social economy organisations contribute to social and societal challenges in rural areas.



5.1 Creating and safeguarding employment

The social economy is a fundamental source of employment and income opportunities (Ridley-Duff and Bull, 2015). Compared to urban contexts, however, **employment displays a dual function in rural areas**. First, it is one of the main conditions needed to tackle the abandonment of rural areas, often characterised by a weak production structure and few economic opportunities. Second, it is a condition for human development, personal fulfilment and social integration, capable of contributing to individual and collective well-being.

The task of safeguarding employment is notably fulfilled by **worker cooperatives**, which are set up to provide members opportunities to self-manage their businesses in fields where working collectively is more effective than working individually. Worker cooperatives are owned and controlled by workers and differ from traditional enterprises for three reasons: (i) the enterprise capital is owned by workers who control the factors of production of the firm; (ii) worker cooperatives are democratic and members are in charge of capital provision, management and strategic choices (Cheney et al., 2014); and (iii) worker cooperatives tend to attribute more importance to the creation and maintenance of fair jobs (Pérotin, 2013).

Thanks to the sharing of tangible (e.g. financial and physical assets) and intangible resources (e.g. skills and knowledge), worker cooperatives moreover play a role in promoting sustainable development strategies in rural areas. In some instances, they are set up by vulnerable groups (e.g. individuals with no formal education or only basic education, the unemployed, women and youth), in other cases they are created by professional workers operating in uncertain markets (e.g. artisans, artists and technical workers). By joining forces, workers who are usually exposed to a high risk of precariousness, can improve access to markets and capital. In such cases, the cooperative advantage stems not simply from the sharing of business ideas and networks, but rather from: the possibility of accessing goods or services that would be too expensive individually (diminished administrative costs); having greater social protection; ensuring contractual continuity (as well as legal and transparent contracts); and sharing a physical space or other specialised supplies (Berranger et al., 2020). Moreover, worker cooperatives can contribute to the development of human capital (e.g. organisational and managerial skills) that can be subsequently used within the local community.

Besides worker cooperatives, a fundamental role in the creation of job opportunities is played by **Work Integration Social Enterprises (WISEs)**, which can take a variety of legal forms in the countries studied. WISEs are social enterprises whose primary goal is to facilitate access to the labour market for disadvantaged or vulnerable individuals, such as individuals with physical or mental disabilities, the long-term unemployed, people with

a migration background, prisoners and former prisoners, and NEETs (Not in Education, Employment, or Training).

Box 2 Radanska Ruža – Serbia (Jablanica and Pcinja Districts MAP area)

Name of the organisation: Radanska ruža

Website: <https://www.radanskaruza.rs/>

Legal form: non-profit limited liability company

Sector of activity: processing and preserving fruits and vegetables

Main target group(s): women from rural areas of Lebane and Jablanica district

Description: Radanska Ruža, operating in Lebane, Serbia, is a social enterprise focused on producing high quality, handmade traditional fruit and vegetable products. The organisation employs women from the Jablanica district, many of whom belong to marginalised groups, such as middle-aged women (45–55), single mothers, and retirees in need of supplemental income. These women work together in a large communal kitchen, selecting and processing fruits and vegetables by hand on traditional stovetops in small batches, following old recipes and without using preservatives or additives. The products, including *zimnica* (fruit and vegetable preserves), are carefully pasteurised and packaged in glass jars, each reflecting the care, dedication and energy invested by the women through their work. True to its mission, Radanska Ruža prioritises quality over quantity.

The enterprise was founded as a limited liability non-profit organisation through the project ‘Social Entrepreneurship for a Socially Responsible Society’, funded by the EU, the Swiss Government, and the Government of the Republic of Serbia under the European PROGRESS programme. Alongside food production, the organisation also markets its products through local sales and an online marketplace.

Radanska Ruža addresses the pressing issue of unemployment in Lebane, particularly among women who are often excluded from the formal workforce and confined to unpaid household labour in rural areas. By creating jobs and leveraging their skills in food production, the organisation empowers these women to generate income, gain financial independence, and contribute to local development and social inclusion. This social enterprise is a testament to how tradition and social responsibility can be combined to create meaningful change in marginalised communities.

Source: based on information provided by IRI

WISEs exist not merely to offer temporary jobs but to guide beneficiaries through a socio-economic inclusion process that involves training, support and a work environment adapted to their needs. In countries where they have been properly recognised by public policies and provided with suitable support measures, WISEs represent an effective



strategy for supporting employment (European Commission, 2021). WISEs provide a concrete response to structural unemployment in rural areas, demonstrating that work can be a driver of inclusion and autonomy for vulnerable individuals. In rural areas, these organisations are generally small in size and operate in various sectors. One interesting field where WISEs are increasingly engaged is social farming, which can be conceived of as a multifunctional strategy bridging social and agricultural practices (Di Iacovo et al., 2014). Through this activity, WISEs can accomplish multiple goals. In addition to generating job opportunities for vulnerable workers, social farming supports a system of food provisioning with short supply chains, which can contribute to promoting the long-term sustainable development of rural areas by safeguarding biodiversity, preventing depopulation and promoting the cultural heritage of local communities (Lanfranchi et al., 2015; Tulla et al., 2017). In Hungary, for example, although overall employment in social enterprises is not very significant, they create a large share of new jobs in local areas with high rates of unemployment. EU funds have been a key driver for the development of WISEs (Koltai, 2019).

Box 3 Consolida – Italy (Trentino MAP area)

Name of the organisation: Consolida – Consorzio Cooperative Sociali Trentine

Website: <https://www.consolida.it/>

Legal form: social cooperative consortium

Sector of activity: education, employment, housing and care services

Main target group(s): vulnerable populations, elderly people, people with disabilities

Description: Consolida is a consortium of 51 social cooperatives operating in the Autonomous Province of Trento. It was founded in 1986 to enhance its members' capacity to provide personal services, create job opportunities for disadvantaged individuals, and promote sustainable living and working conditions. The consortium plays a key role in the Trentino welfare system by contributing to policy discussions in education, social services, healthcare and labour initiatives, while fostering partnerships among cooperatives, public authorities, educational institutions and the local business community.

Consolida operates in three key areas: education, employment and care services. Concerning education, the consortium organises the annual EDUCA festival, in collaboration with the Autonomous Province of Trento, the University of Trento, and the Municipality of Rovereto. In its 13th edition, held in 2024, the festival raised awareness of the importance of education and fostered dialogues among youth, parents, educators and the broader community.

Consolida moreover supports initiatives like GJOB, a project designed to train young people in vulnerable conditions in agricultural work and active job-seeking. This multidisciplinary programme, involving social cooperatives, for-profit companies, and agricultural organisations, equips participants with skills applicable across various sectors, improving their employability.

Within the care services area, Consolida facilitates working groups addressing issues such as housing for people with disabilities, mental health and elderly care. These groups bring together member cooperatives and stakeholders to foster collaboration, provide training and advocate for local needs. Additionally, the consortium organises informational events and works with experts to raise awareness and enhance the quality of care-services.

Through these initiatives, Consolida strengthens the network of social cooperatives in Trentino and promotes collaboration with public institutions and the private sector, fostering social inclusion and advancing the social and economic development of the region.

Source: Own elaboration



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5.2 Filling gaps in general interest services

Social economy organisations complement the supply of general interest services that public agencies and for-profit enterprises fail to deliver for a number of reasons, including budget constraints, the incapacity to grasp new needs arising in society, and market failures (Galera, 2009).

All these aspects are of crucial importance in rural areas, which often lack basic public services and facilities. Many rural contexts are characterised by a struggle to ensure public and merit goods, such as social, educational and health services. Research shows that these services can, however, be efficiently provided by social economy entities thanks to the self-organisation and self-reliance of local citizens.²⁰

Additional examples are provided by the **delivery of community** services by social economy organisations, including the management of coffeehouses, internet points, retail shops, and pharmacies; the delivery of recreational services for specific categories (e.g. children or the elderly); the supply of sports and psychophysical care; as well as access to natural areas and historical assets (Akhavan et al., 2022; Finegan and Buckley, 2023; Perry and Alcock, 2010).

Moreover, in many EU Member States, social economy organisations play a crucial role in ensuring equitable access to **healthcare services**, particularly in underserved rural areas (Caimi, 2023). The added value of social economy actors in delivering care services was underlined in the *European Care Strategy* (European Commission, 2022), which noted that their person-centred approach contributes to social innovations, such as mobile clinics, telemedicine services, and community health initiatives to reach dispersed populations.

²⁰ For more detailed information, see the collection of ESIRA country reports.

Box 4 Viečiūnai Community 'Versmė' – Lithuania (Druskininkai MAP area)

Name of the organisation: Viečiūnai community 'Versmė' (in Lithuanian, *Viečiūnų bendruomenė 'Versmė'*)

Website: <http://www.dvvg.lt/versme/>

Legal form: association

Sector of activity: children's day-care, youth activities, support for the elderly and lonely, volunteering, environmental improvement projects

Main target group(s): children, youth, older adults

Description: Viečiūnai Community 'Versmė', located in the rural and remote border area of Viečiūnai eldership within the Druskininkai LAG territory and the Druskininkai MAP area, faces significant challenges in providing social services to people in these isolated regions. Established in 2003 in a territory of approximately 2,000 inhabitants, it is one of the most active social economy initiatives in the Druskininkai region, contributing greatly to local development and social inclusion. The association organises a children's daycare centre, delivers social services for older adults and lonely individuals, engages youth through various volunteering activities, and implements environmental improvement projects.

These initiatives are supported by funding such as the Druskininkai Municipality Rural Community Support Programme, the National Agriculture Ministry support programmes, and LEADER programmes. The local government's favourable attitude towards community and social business is evident in its inclusion of two rural communities in the network of social service providers and its commitment to integrating NGOs and community-based organisations into this network.

Source: based on information provided by LSMC

Cooperatives are among the most significant contributors to care services within the social economy. In Italy, for example, social cooperatives provide a wide range of services, including home care, socio-educational support, assistance with social emergencies, nurseries, residential and day centres for both children and adults, support for foster care, and rehabilitation for psychiatric patients. Their strong integration within communities allows them to customise services effectively by leveraging local partnerships and combining resources and expertise. They also contribute to capacity building through the training of local healthcare workers and raising health awareness.

In many European local contexts, the social economy fosters the development of community-based health and care systems, the performance of which overcome traditional models focused on large clinics and hospitals that often prove inefficient in rural areas, as evidenced during the COVID-19 crisis (Galera, 2020). Community-based and home care, which social economy organisations are uniquely positioned to provide,



is widely recognised as a more effective and empowering model, enabling recipients to maintain ties with their communities and fostering inclusion (CECOP, 2022).

Another area in which the contribution of social economy organisations is increasingly significant is the **provision of social services specifically addressed to migrants and refugees**. These organisations play a pivotal role, alongside other local actors, 'in achieving a truly effective and comprehensive integration policy', as highlighted in the EU Commission's *Action Plan on Integration and Inclusion 2021-2027* (European Commission, 2020e: 7-8). Their involvement has become crucial due to the growing number of refugees and migrants arriving in the EU since the mid-2010s,²¹ leading to a rising demand for services. There are several explanations for the influx of migrants in remote areas, including resettlement schemes that have directed asylum seekers and refugees to such regions (Bianchi et al., 2023). While incoming migrants in remote areas are often viewed as a burden on the local economy, due to their dependence on public aid, recent studies reveal their potential to contribute to social regeneration (Galera, 2016; Membretti and Galera, 2017; Caroli and Tortia, 2017). Social economy organisations often complement public services by addressing the diverse and rapidly changing needs of migrants, such as legal and administrative assistance, accommodation, food, clothing and labour market integration. Research demonstrates that the flexibility of these organisations enables them to respond more effectively than public authorities to these complex challenges, providing tailored services that facilitate integration and support (UNRISD, 2020). Examples of services provided by social economy organisations include – but are not limited to – helpline services, advisory consulting services, language and cultural mediation services, access to housing, health services, and training (e.g. in languages). Moreover, by spreading values of solidarity and concretely contributing to the social and labour integration of migrants, social economy organisations enhance social cohesion, thus helping to tackle social polarisation, which is rather widespread in rural areas (OECD, 2023).

²¹ For more information, see: <https://www.unhcr.org/about-unhcr/who-we-are/figures-glance>

Box 5 Fundacja Nauka dla Środowiska – Poland (Zachodniopomorskie MAP area)

Name of the organisation: Fundacja Nauka dla Środowiska (ndsfund)

Website: <https://ndsfund.org>

Legal form: foundation

Sector of activity: entrepreneurship support, ecology, education, tourism and culture, social inclusion and migration

Main target group(s): people with disabilities, the elderly, children and young people, people at risk of social exclusion, including the long-term unemployed and people with a migration background

Description: Fundacja Nauka dla Środowiska (ndsfund), operating in the Zachodniopomorskie (Western Pomeranian) voivodeship in Poland, serves a diverse area including districts such as Wałecki, Drawski, Szczecinecki, Świdwiński, Łobeski, and municipalities like Biały Bór, Będzino, Koszalin, Manowo, Mielno, Polanów, Sianów, Świeszyno, Tychowo, Bobolice and Ustronie Morskie. This region, characterised by a significant rural population, faces challenges such as unemployment, low incomes, and limited access to social and educational services. These lead to social exclusion and the need for targeted support. The foundation addresses these challenges through activities in four key areas:

- **Support for entrepreneurship:** the organisation fosters the development of social economy entities and conscious entrepreneurship, helps individuals enhance their skills in budget management and financial goal setting, and promotes the proximity economy and local economic development.
- **Education:** it offers non-formal education emphasising active knowledge acquisition and practical career guidance, ensuring equal opportunities for children and youth, while encouraging adults to take developmental steps.
- **Social inclusion and migration:** the Foundation introduces innovative care services for dependent individuals and supports neighbourhood-based assistance. It also aids in responsible migration, raises awareness about personal development, facilitates sustainable reintegration, and helps aspiring workers to secure decent jobs and quality lives.
- **Responsible communities:** by empowering local leaders, organisations and authorities, the foundation encourages bold developmental actions, organises local grant competitions, conducts training and animation activities, and engages individuals, businesses and organisations in local social regeneration efforts.

Source: based on information provided by ERDN



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5.3 Supporting a more balanced use and allocation of resources available at the local level

Since social economy organisations have a direct influence on the management of economic and social development at the local level, they can contribute to a more balanced use and allocation of resources, to the advantage of the entire community. Thanks to the promotion of the wide participation of local stakeholders, such organisations have, in other words, a role in **empowering the local community in strategic decision-making** (Sugden and Wilson, 2000).

Community involvement through social mobilisation contributes to **positive changes in attitude**, as communities become aware that they can take stock of their own situation and contribute towards the solution of their problems through collective action (Galera, 2009; Christen, 2004). Active engagement in social enterprises ensures, for instance, that the social goals pursued will approach the general interest of the community, rather than particularistic interests. Moreover, thanks to the interactions established with other sectors, including public agencies and for-profit enterprises, social economy entities can contribute to **the transformation of the social and economic system wherein they operate**, to the advantage of the community as a whole (Galera, 2009; Koltai and Rácz 2019).

Box 6 DIACONIA – Hungary (Cigánd District MAP area)

Name of the initiative: DIACONIA

Website: <https://www.diaconia.hu/>

Legal form: non-profit limited company

Sector of activity: production of handmade items

Main target group(s): people with disabilities and disadvantaged local workers

Description: DIACONIA, operating in the villages of Mezőladány in Sabolcs and Zemplénagárd in Borsod-Abaúj-Zemplén county, Hungary, focuses on the production of leather, textile and ceramic products. These two villages, located less than 15 kilometres apart and separated by the Tisza River, have a combined population of fewer than 1,000 people. They are categorised as 'disadvantaged settlements' due to the high proportion of residents with limited education and scarce local employment opportunities. Both villages benefit from their inclusion in the Hungarian Reformed Aid Service's (MRSZ) Catching-Up Settlements programme, which supports the operation of DIACONIA's workshops.

The main challenge addressed by DIACONIA is the lack of local employment opportunities, which is one of the region's most critical needs. True to the mission of the Hungarian Reformed Aid Service, DIACONIA focuses on job creation rather than providing handouts like firewood or clothing. One of its significant challenges is connecting handmade products with markets. To overcome this, the organisation is opening a shop in Budapest and launching an online store to expand its reach and market presence. Its main products include leather bags, trouser belts, belt pouches, toiletries, and colourful mugs and plates. Each item is characterised by a distinctive design. These design products have undergone significant developments, both in their physical form and conceptualisation, in order to successfully reach the shelves of stores in Budapest.

In terms of local development and social inclusion, DIACONIA has established three craft workshops in Mezőladány and Zemplénagárd under the Catching-Up Settlements programme through Jobbadni Nonprofit Ltd. These workshops provide vital employment opportunities for local residents, particularly those in need of work. Beyond economic benefits, the initiative has fostered a supportive community that emphasises learning, mutual appreciation, and the creation of meaningful, high-quality products. Through these efforts, DIACONIA contributes significantly to the social and economic development of these disadvantaged villages.

Source: based on information provided by HETFA



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A case in point of the potential transformation of the local social and economic system is **tourism**. Thanks to their peculiar governance models and ownership assets, social economy entities can enable local communities to regain control over the tourist industry and overturn the notably extractive model driving its development. Against this background, the social economy has the power to turn tourism into a transformative social force (Higgins-Desbiolles, 2019), with a view to improving the well-being of the local community (Rozemeijer, 2001; Sloan et al., 2014) by ensuring that the positive outcomes of touristic services are distributed in a more equitable way. Rather than simply benefiting big tourist operators linked to large multi-national enterprises (Bellato et al., 2022), social economy organisations thus represent a viable alternative to the mass tourism industry (Pollock, 2015).

Social economy entities operating in the tourism sector are in essence a manifestation of a local 'human agency', that is the capacity of local people to act in a given environment and to decide on their socio-ecological path (Ruiz-Ballesteros and Gonzales-Portillo, 2024). They are often micro, small, or medium-sized entities that involve a range of local stakeholders (Jamal and Stronza, 2009). These can serve as catalysts for community development (Aquino et al., 2018), acting as 'network architects' (Mottiar et al., 2018) by connecting individuals, groups, and other enterprises. Tourism promoted in the interest of the local community can moreover stimulate the establishment of other economic activities (e.g. organic agriculture, cultural and artistic activities, beekeeping, ecosystem services, and handicrafts) which can generate additional sources of income for local inhabitants. Thanks to this diversification of the economic structure, new employment opportunities for younger generations are created, pushing young people to remain in their home communities rather than migrate to other areas in search of employment (Lazic and Gasparini, 2023). Also noteworthy is the innovative reach of services designed thanks to the engagement of the local community, including experiences of historical, cultural, natural and landscape interest stemming from local traditions and knowledge. These are often linked to local production activities (e.g. livestock farming, agriculture, handicrafts). In many territories, such efforts are harmonised by sharing lifestyles and values rooted in the community's history. Finally, by experimenting with innovative strategies for managing tourist activities, the social economy can raise awareness in local communities of the advantages which stem from the self-management of local resources by the local community (Lazic and Gasparini, 2023).

Relatively recent fields of activity within the social economy, like for instance tourism, culture and the arts, exemplify the ability of social economy organizations to transform the economic ecosystem wherein they operate, thus contributing to building more cohesive and just society through their intrinsic inclination towards social innovation.

5.4 Ensuring the survival of key economic activities

Among the key contributions of the social economy is an **increase in the weak market power of particular stakeholders**, including for instance small producers whose survival is threatened by big producers and retailers.

Agricultural cooperatives are, in this respect, the main institutional tool whereby independent farmers can maintain their roles as producers and the protectors of local economies (Borzaga and Galera, 2012b). Farmers can thereby benefit from economies of scale, have access to key inputs (Valentinov, 2006; van Dick, 1997),²² influence consumers' and suppliers' behaviour, and counteract retailers' market power (Bijman and Iliopoulos, 2014). The redistribution mechanism typically applied by agricultural cooperatives provides, on the one hand, for a partial distribution of profits to members according to the volume of business conducted with the cooperative (Kenkel, 2015); on the other hand, it provides for the reinvestment of part of the profits in the provision of goods and services for the members (farmers) or for the broader rural community (Bijman and Wijers, 2019). This mechanism differs substantially from the redistribution model of investor-owned firms, where profits are allocated to shareholders according to the share of ownership (usually referred to as patronage refunds). The cooperative business model has proved to be particularly suited to providing employment and income opportunities to people living in marginalised areas that have a high degree of parcel fragmentation and limited resources (Chaddad and Cook, 2004; Kenkel, 2015; Wang et al., 2021).

All in all, by supporting farmers' income, promoting employment, and fostering trust and social capital among members and within rural communities, agricultural cooperatives contribute to both more equitable rural development (Kustepely et al., 2020) and to strengthening community resilience in the face of contemporary economic challenges (Knickel et al., 2018). This role is also played in Central, Eastern and South-Eastern European countries (Tuna and Karantininis, 2021), despite a certain level of mistrust in the cooperative model inherited from the old regime based on State control of cooperatives, i.e. large collective farms administered under the label of cooperatives and imposed from above in a process of forced collectivization (Gardner and Lerman, 2006).

Also noteworthy is the model of **Community-Supported Agriculture**. This stems from the joint action of producers and consumers, and allows for the direct involvement of local communities in the co-production of the food they consume, thus creating an alternative system for food production, distribution and consumption (Box 7).

²² As reported by van Dick (1997), one of the main constraints for small farms was a lack of access to credit. Rural banks thus arose as an attempt to provide a solution to this issue.



Box 7 Community-Supported Agriculture

Community-Supported Agriculture (CSA) is a community-based model of agriculture that emerged in response to the decline of traditional family farms and the rise of industrial agriculture. Originating from Japanese organic farming initiatives in 1971, CSA has since spread worldwide, evolving into diverse models tailored to local contexts (European CSA Research Group, 2016; Genova and Piccoli, 2019).

Generally, CSA can be established through four main approaches: producer-led initiatives, community-led initiatives, producer-community agreements, or community-owned enterprises (Saltmarsh et al., 2011).

According to the European CSA Research Group (2016), around 2,800 CSAs were operating in Europe in 2015 (104 in Italy, 75 in Spain, 35 in Norway, 12 in Hungary, 8 in Poland, 2 in Serbia and 2 in Lithuania).²³

Each CSA is site-specific according to its own socio-institutional culture, legal forms (cooperative, association, NGO) or group formality, level of engagement of the stakeholders (i.e. in some cases, all members work on the farm, while in others only paid workers do the actual farm work), and local values and needs (European CSA Research Group, 2016).

Despite these differences, all CSAs share two fundamental principles:

1. Stakeholder involvement: CSAs engage producers, consumers and volunteers to ensure the provision of sustainable, high-quality food.
2. Community values: CSAs represent an alternative system of production, distribution and consumption of food, based on people freely deciding to share community values, mutual assistance, solidarity, trust, benefits, costs (e.g. land rent, seeds, tools and the farmers' salaries) and entrepreneurial risk (European CSA Research Group, 2016; Genova and Piccoli, 2019).

The aim of CSAs is to redefine the meaning of food and the values associated with it, while meeting the growing demand for high-quality and sustainable food and respecting the local specificity of production areas and the dignity of the people involved. By promoting social bonds between the different actors involved, CSAs also guarantee stable employment and adequate economic income for producers, as well as products at fair prices in line with the needs and financial capabilities of consumers. In the process, learning is fostered and collective empowerment takes place, enabling individuals to develop their capacities.

Source: Own elaboration

²³ According to the European CSA Research Group (2016: 66), in Lithuania 'there is no agreed definition for CSA [and] no real CSA exists. However, there are two organisations which have a lot of the features of a CSA'.

5.5 Managing common goods

Social economy organisations and their precursors have played a **pivotal role in managing common goods since medieval times** and recent research demonstrates that communities, under certain circumstances, are better equipped than the state or the market to manage these resources (Ostrom, 1990). Through self-organised collective action, inhabitants can sustainably govern commonly-held resources, like land, forests, or rivers, and even produce public goods. The capacity of inhabitants to self-organise has enabled them to effectively safeguard the delivery of non-excludable and rival goods, like water reservoirs, reducing the risk of overexploitation and thus ensuring better outcomes for the community (Franzini, 2013; Dellenbaugh-Losse et al., 2020; Polko et al., 2021).

Against this background, social economy organisations represent what Ostrom (1990) described as a **'third way' for managing common goods**, offering an alternative to the two mechanisms for coordinating the activity of individuals – the market or exchange for profit, and the authority personified by the state in its various articulations. Social economy organisations are indeed “collective enterprises [...] equipped with forms of governance capable of leveraging the willingness to cooperate and motivations other than self-interested ones” (Borzaga, 2015: 283).

Social economy organisations provide a viable alternative thanks to the **cooperative coordination mechanism** that rules their functioning, which is based on reciprocity and solidarity principles (Ostrom, 1990; North, 1994; Trigilia, 1998). By means of their inclusive and participatory governance (Ostrom, 1990; Donolo, 2012; Borzaga, 2015), social economy organisations represent a key opportunity to reintegrate commons into the local economy (Sacconi and Ottone, 2015; Dalla Torre et al., 2021). Furthermore, the engagement of the local community reduces the risk of resource overexploitation and fosters the economic and social well-being of local communities.

Examples of common goods managed by social economy organisations are found across all Member States. In Finland, Lithuania and Sweden, cooperatives normally manage forests (European Commission – EISMEA, 2024), while innovative projects are being promoted by local cooperatives to reduce hydrogeological instability and ensure forest maintenance in Italy (Mastronardi and Romagnoli, 2019). In Spain, similar projects promoted by community consortia have ensured access to water for agricultural and domestic purposes, while promoting sustainable practices, reducing waste and mitigating conflicts (ENRD, 2021).

Based on recent research, the collective management of natural resources – including stewardship of forest areas for timber harvesting, grazing areas, fisheries or watercourses, irrigation of fields and vegetable gardens, or the production of electricity – is of utmost importance both for the development of local territories and for ensuring nature preservation.



The concept of common goods expands further with the inclusion of so-called **immaterial goods**, such as shared knowledge and digital networks (Hess and Ostrom, 2007). In rural areas, limited access to digital infrastructures poses significant challenges. Against this background, digital cooperatives (ENRD, 2021) demonstrate how community-managed internet networks can bridge the digital divide and promote social and economic inclusion.

When considering the management of common goods and general interest services, noteworthy is the increasing relevance of **multi-stakeholder cooperatives**, which represent and involve different groups of the community who each maintain different relations with the enterprise. This is the case, for instance, of community-based cooperatives in Italy (for more details, see Box 8 below and Sforzi and Tallarini, 2025).

Box 8 Community-based cooperatives

Community-based cooperatives (or community cooperatives) are enterprises formed by inhabitants to address local needs and enhance the quality of life within their communities. These cooperatives emerge as responses to various challenges, such as employment crises, the absence of essential services, and environmental conservation. By leveraging local resources and fostering active citizen participation, community cooperatives aim to create sustainable socio-economic development tailored to the unique characteristics of their territories (Mori and Sforzi, 2018; EURICSE, 2024).

The governance structure of community cooperatives is inclusive, involving a diverse membership base in the management, financing and implementation of the organisation's activities that reflects the community's composition. This participatory approach ensures that the cooperative's activities align with the collective interests and needs of its members (Sforzi, 2018a). The cooperative model facilitates the provision of services and the development of economic activities that might otherwise be unfeasible in areas facing depopulation or economic decline (Mori, 2017).

In Italy, the concept of community cooperatives has gained traction as a means to revitalise local economies and strengthen social cohesion. Their role has been recognised at the regional level through specific regional laws (Sforzi and Borzaga, 2019) and ad hoc support measures, as well as by Local Action Groups, creating a favourable context for their operation (Spalazzi et al., 2025). These cooperatives operate across various sectors, including tourism and cultural heritage preservation, agriculture and land management, social services, and renewable energy. By promoting local entrepreneurship and fostering a sense of ownership among community members, community cooperatives contribute to the development of a new sense of community among local populations and new local development pathways for their territories.

Source: Own elaboration

Interestingly, there is evidence of a **progressive shift from social economy organisations based on single-stakeholder structures towards multi-stakeholder governance models**. This evolution, which is atypical organizational social innovation, mirrors profound demographic and social transformations and economic challenges, serves as a tool to trigger a long-term sustainable development process capable of promoting the integration between locally available resources (e.g. abandoned buildings and lands) and those to be attracted from outside (e.g. financial and cognitive resources). These new types of cooperatives have emerged in several 'depleted communities' (Johnstone and Lionais, 2004) facing challenges of marginalisation, such as for instance mountainous rural areas.

Box 9 Vivi Calascio – Italy (Abruzzo MAP area)

Name of the initiative: Vivi Calascio

Website: <https://www.vivicalascio.com/>

Legal form: community cooperative

Sector of activity: tourism, mobility and management of public green spaces

Main target group(s): young people, elderly people

Description: Vivi Calascio, a community cooperative founded in 2020 in the small mountain village of Calascio in Abruzzo, Italy, was established to manage the growing influx of tourists visiting the area and its renowned fortress. With a population of around 100 inhabitants, the village sought to develop a sustainable model that benefits the entire community. Vivi Calascio initially took over the shuttle service connecting the village to the fortress, previously managed by an external company, as well as the management of the fortress itself. Over time, the cooperative expanded its activities to include guided tours, and snowshoe and e-bike rentals, enhancing the experience for visitors.

Vivi Calascio exemplifies a successful partnership between public administration and community enterprise. Ten percent of the cooperative's fortress-related revenues is allocated to the municipality, which reinvests the funds into community activities. Additionally, the municipality entrusted the cooperative with the management of public green spaces, ensuring year-round employment for its staff, even during periods of low tourist activity. The cooperative also provides new job opportunities for young people in the area.

In addition to its focus on tourism, Vivi Calascio addresses the challenges faced by the village's elderly population, who comprise a significant proportion of residents and face limited access to healthcare due to the village's remote location. Partnering with the health cooperative OSA, with support from Confcooperative Abruzzo and co-financing from the insurance company Assimoco, Vivi Calascio launched an innovative telemedicine project. This initiative distributes electronic bracelets to elderly residents,



allowing for continuous health monitoring and ensuring access to quality medical care in a village otherwise distant from medical facilities. Vivi Calascio demonstrates how community-driven solutions can promote sustainable development, social inclusion and improved quality of life in rural areas.

Source: based on information provided by BorghiIN

Another case in point is provided by **user cooperatives** engaged in energy production and distribution, such as energy cooperatives. Energy cooperatives play an essential role in rural areas, particularly in contexts characterised by natural monopolies or limited access to services. In Italy, energy cooperatives have a longstanding tradition, particularly in Alpine mountain areas, where – faced with disinterest from private for-profit enterprises and the inability of public agencies to invest public money – they have managed both the production and distribution of electricity since the end of the 19th century (Mori and Spinicci, 2010).

Interestingly, some of these cooperatives also provide centralised heating using local resources like biomass or geothermal energy, as well as internet connectivity. Although their quantitative impact remains limited, these cooperatives offer an alternative energy management model that combines community self-management with sustainability. Energy cooperatives represent a model of social innovation, delivering key benefits including the democratisation of energy through user participation (see Box 10). Nonetheless, like social economy entities operating in other fields, energy cooperatives demonstrate how community self-management can effectively address both the challenges of energy transition in local contexts (Mori and Spinicci, 2010) and the more recent energy crisis.

In conclusion, the management of common goods in rural areas represents a strategic lever for promoting sustainable and inclusive development. By leveraging the participatory and innovative models promoted by social economy organisations (community cooperatives, local consortia, energy cooperatives, social enterprises, etc.) it is possible to harness natural and immaterial resources, generate economic opportunities and counter demographic decline.

Box 10 Renewable Energy Communities

Renewable Energy Communities (RECs) are associations of citizens, small and medium-sized enterprises, local authorities, cooperatives, research entities, religious organisations, Third sector actors, and environmental protection groups. These communities share renewable energy produced by facilities owned by one or more of the community members. Within a REC, energy sharing among producers and consumers within the same geographical area is facilitated through the national electricity distribution network, enabling virtual energy sharing.

The emergence and development of RECs at the EU level is deeply rooted in historical trends, particularly the negative effects of climate change, which demand transformative shifts in energy production and consumption. Recent geopolitical events have further underscored the need to reduce dependency on external resources, as emphasised in initiatives like the Clean Energy for All Europeans Package (2019), RED II and IEM directives, and the Next Generation Europe framework.

RECs provide substantial benefits for local communities, addressing environmental, economic and social challenges. By leveraging renewable energy sources such as wind, solar, thermal, hydro, marine and biomass, RECs reduce energy costs for participants, combat energy poverty, and enhance local energy autonomy. Moreover, when RECs are managed by social economy organisations, they can foster 'prosumers'. Prosumers are entities that own energy production facilities, consume a portion of the generated energy, and allocate the surplus for grid supply or other (non-member) consumers. Alternatively, they may store it for other goods or services in the interest of the community (e.g. e-mobility services) (De Vidovich, Tricarico and Zulianello, 2021).

Finally, in redefining energy production and consumption, RECs empower communities to tackle both global and local challenges through innovative and sustainable solutions.

Source: Own elaboration



5.6 Strengthening of social cohesion

Social exclusion in rural areas is multifaceted, involving economic, social and institutional dimensions. Unlike urban deprivation, which is often geographically concentrated, rural poverty is spatially dispersed, making it less visible and harder to address through traditional policy measures (Commins, 2004). The invisibility of rural poverty is nonetheless compounded by the cultural perception of rural life as idyllic and self-sustaining, which can obscure systemic disadvantages (Commins, 2004). Additionally, rural social exclusion is often linked not only to limited access to services, employment opportunities, and transportation infrastructure, but also to deficiencies in communal networks and family support structures. The latter is particularly exacerbated by outmigration and demographic shifts (Bertolini et al., 2008).

Vulnerabilization refers to the process by which individuals and groups transition from a state of social integration to one of marginalisation and disaffiliation (Castel, 1995). As such, vulnerability is not merely an individual attribute, but rather a relational phenomenon that depends on interactions with others and on the availability of collective resources, including physical, social, ecological and existential assets (Fineman, 2016). The capacity to respond to vulnerability, therefore, is not evenly distributed and depends on the capacity to access such resources, which may be either individually or collectively managed.

Addressing social vulnerability in rural areas requires moving beyond remedial policies toward proactive and participatory strategies that foster empowerment and promote rights. Drawing on Appadurai (2004), this perspective sheds light on the necessity of incorporating participatory processes, aspirations, and broad-based resource access into rural development policies. Rather than merely responding to crises, such an approach focuses on **enhancing awareness and agency among individuals and communities**. This shift is crucial in rethinking interventions in rural areas, where traditional top-down policies have notably failed to address the underlying structural vulnerabilities. Conversely, an approach grounded in vulnerability as a starting point – with attention given to aspirations, rights and participatory engagement – can succeed in building long-term strategies that enhance individuals' social and economic resilience.

Box 11 Bufar Kompetanse AS – Norway (Innlandet county MAP area)

Name of the organisation: Bufar Kompetanse AS

Website: <https://www.bufarkompetanse.no/>

Legal form: private limited company (stock-based company - AS)

The sector of activity: work inclusion, vocational rehabilitation

Main target group(s): people out of work or with reduced capacity to work, due to social or health issues

Description: Bufar Kompetanse AS, headquartered in Fagernes in the northern part of Innlandet county, Norway, works with 14 local departments across the entire country, from Alta in the north, to Stavanger and Sandnes in the south. The organisation focuses on work-oriented rehabilitation, aiming to strengthen individuals' work capacity and address health-related or social issues that prevent workforce participation. The initiative seeks to help participants remain employed or become employable, assessing their work capacity and identifying the assistance or adaptations they need to obtain or retain employment. Through this process, participants gain increased knowledge about the labour market, their opportunities, and their own resources and skills in the context of a workplace.

Bufar Kompetanse AS also contributes to local development and social inclusion through its localised approach, including in a department in the Kongsvinger region, where workforce participation poses significant challenges. By assisting individuals in finding employment opportunities that suit their abilities and needs, the company fosters social inclusion and supports community development across its operational areas.

Source: based on information provided by INN

Social cohesion and inclusion within a community are built on 'the action' (Arendt, 1958) of organisations (such as those in the social economy) capable of aggregating a plurality of actors. Through the implementation of participatory models, social economy organisations – particularly social enterprises involving diverse stakeholders – can **foster a sense of community belonging** and hence enhance social cohesion (Olmedo et al., 2023). While agricultural cooperatives have proved to be successful in building human and organisational capital (Fontanari, 2018; Koltai and Rácz, 2019), the collective management of commons and the delivery of general interest services targeting the entire community, play a role in strengthening community ties and enhancing solidarity among members alike. **Social enterprises** have gained particular prominence in policy and academic discourses in light of their capacity to help foster social cohesion and enhance social capital, as they supply goods and services that are endowed with a high



social potential and strengthen trust relations among the agents involved (Kelly et al., 2019).

Furthermore, the inclusive and participatory approach favoured by social enterprises results in the active participation of citizens in the addressing of key social and economic issues affecting the local community. This enhances a **sense of social responsibility towards the belonging community**. Social enterprises engaged in the production of general-interest services and in the management of common goods indirectly contribute to tackling low citizen trust in political institutions and participation in democratic processes. This is a crucial problem affecting many EU Member States and especially Central, Eastern and South-Eastern EU countries, whose stock of social capital is particularly low. Thanks to the direct involvement of different local actors, social enterprises moreover offer **opportunities for interaction, socialisation and engagement** among inhabitants – which are crucial in sparsely populated areas where traditional social structures may be weak – thus actively contributing to fostering solidarity among individuals (Kelly et al., 2019; Koltai, 2019). Research shows that a more cohesive community, in which different actors share common objectives, is more capable of responding effectively to its needs and improving its collective well-being (Sforzi, 2018b).

Box 12 Rural Housewives' Circle KGW 'Babiniec' – Poland (Leski-Bieszczadzki MAP area)

Name of the organisation: Rural Housewives' Circle KGW 'Babiniec' – Czarna and friends in Czarna Góma

Website: <https://www.facebook.com/GITCzarnaDolna>

Legal form: association, rural housewives' club (KGW – *koło gospodyń wiejskich*)

Sector of activity: preservation and promotion of culinary, art and folk traditions, empowerment of rural women, education, tourism and culture, ecology

Main target group(s): women, inhabitants of the Czarna municipality, tourists visiting the Bieszczady mountains

Description: Rural Housewives' Circle KGW 'Babiniec', operating in the Podkarpackie voivodeship, Bieszczadzki district, and Czarna municipality, focuses on empowering rural women and fostering local development in a region still influenced by patriarchal societal norms. Registered in the National Register of Rural Housewives' Clubs, KGW 'Babiniec' is a voluntary, self-governing social organisation of rural inhabitants, independent of government administration and local self-government units. As part of the broader network of Rural Housewives' Circles established under the Act on Rural Housewives' Circles of 9 November 2018, KGW supports the development of rural entrepreneurship and actively works to improve rural communities. It acquires legal

personhood upon registration in the National Register of Rural Housewives' Circles, maintained by the Agency for Restructuring and Modernisation of Agriculture.

KGW 'Babiniec' faces the challenge of creating opportunities and conditions that encourage women to leave their homes, connect with others, learn new skills, work collectively to improve their quality of life, build confidence and contribute to the local community. One of its most ambitious projects was the construction of an amphitheatre in Czarna municipality, demonstrating its commitment to significant infrastructure improvements.

Since its inception, the members of KGW 'Babiniec' have been deeply involved in local, municipal and district community life, initiating and participating in numerous activities to integrate residents, teach practical skills (such as crafting Florentine plates), and provide aid. Following the outbreak of the war in Ukraine, the organisation was among the first NGOs to engage in direct humanitarian efforts, assisting at the Krościenko border crossing and staffing reception centres in the Bieszczadzki district. KGW also co-organises prominent cultural events such as the Bieszczady Festival of Arts and the Bieszczady Sobania, which celebrate and promote Boyko culture. The group conducts open workshops in macramé, magnet painting, and decoupage, serving as ambassadors of folklore, tradition, culture and local cuisine.

Notable projects implemented by KGW 'Babiniec' include:

- Construction of an open-air event facility in Czarna Górna: completed in 2021, this project cost about 4,600 EUR and was entirely funded by the European Agricultural Fund. It resulted in a modern amphitheatre, an auditorium, and area enhancements such as small infrastructure elements and solar lamps.
- Unleash the Bieszczady Social Economy: this initiative was co-financed with about 2,000 EUR from the Podkarpackie Social Economy Support Centre in Jasło, supporting the development of social economy activities in the region.

Source: based on information provided by ERDN

While top-down processes, imposed by both public administrations and external actors, can stimulate forms of defensive localism (Magnier and Russo, 2002), social enterprises emerging from below have the power to transform the specific territorial capital of a place (Camagni, 2009) into opportunities for social growth. Nevertheless, the ability of social enterprises to thrive in rural contexts depends to a significant extent on leveraging social capital, community cohesion and local knowledge.



5.7 Fostering social innovation

Research on social innovation has contributed to enhancing the visibility of local solutions which rely on the active engagement of the local community in the design of new services and in the experimentation of new pathways for social and work inclusion. Based on the literature, social economy organisations are particularly well positioned to contribute to **social innovation processes** due to their intrinsic characteristics, such as their participatory governance, mission-driven orientation, and embeddedness in local communities.

Evidence from the ESIRA MAPs territories further illustrates how these dynamics unfold in practice. For example, in **Trentino** areas, the longstanding **cooperative movement** – spanning agricultural, credit, consumer, and social cooperatives – has enabled the integration of new services and economic opportunities while responding to local social needs. Cooperatives and third-sector organisations have collaborated intensively with municipalities and civic associations, fostering **community involvement**, cross-sectoral cooperations and sustainable development.

In **Abruzzo**, emerging community cooperatives have actively responded to local needs by engaging residents and managing community resources and services, experimenting with **participatory governance** and collective decision-making, and introducing new service models in a **social innovation** perspective, to address rural depopulation and social inclusion.

In **Hungary**, despite a restrictive legislative and political framework that limits the authority of civil society, several social enterprises have emerged. These operate at community level, combining entrepreneurial strategies with social objectives, bridging gaps in welfare, employment, and local service provision. They also collaborate with municipal authorities, institutions and other civil society actors to implement innovative solutions, to address the unmet needs of vulnerable groups.

These examples confirm that social economy organisations are well equipped to contribute to social innovation as they are structured to translate local needs into **new service models, organisational arrangements, and participatory governance practices** (Antichrists et al., 2025; Olmedo et al., 2024).

In this sense, social innovation can hence be regarded as one of the multiple applications of social enterprises, given their explicit aim of pursuing general interest aims rather than promoting the interests of members (as it is the case in traditional social economy organizations). This is particularly true in contexts where collaborative and value-driven approaches are essential, such as rural area. Within this framework, social innovation is not only as a practical instrument, but also a **transformative process** embedded in the structures of community-based organisations, which provides enabling conditions for

experimentation, knowledge sharing, collective problem-solving, and value-driven decision-making.

The alignment between social innovation and social economy organizations thus allows for the **co-creation of solutions** that are both socially effective and territorially grounded, ensuring that innovations respond to real community needs while reinforcing the normative mission of social economy, including equity, solidarity and empowerment. In rural settings, social innovation functions simultaneously as a **catalyst for practical solutions** and as a procedural dimension that supports community-based organisations, including social enterprises, in responding dynamically to **social and territorial challenges**. By fostering experimentation, knowledge circulation, and collaborative problem-solving, social innovation strengthens inclusive, resilient, and community-driven development, while enabling the replication of successful initiatives across diverse rural contexts (Caulier-Grice et al., 2012; O’Shaughnessy et al., 2023).



6. Closing remarks

As described in this report, the social economy has proven effective in both supporting and fostering local development and promoting the interests of the most vulnerable groups in society that might otherwise be excluded from mainstream economic and public life. This success is thanks to three key features: the pursuit of goals other than profit, the adoption of allocation principles based on reciprocity, and the implementation of participatory decision-making processes. These characteristics contribute to explaining the added value of the social economy in a number of domains, which change over time and place, reflecting demographic, social and economic transformations.

As highlighted by the ESIRA country reports and documented by previous research, the diffusion of the social economy is extremely patchy. While the social economy plays a key role in some countries, regions and industrial ecosystems, in others its contribution is almost insignificant (European Commission – EISMEA, 2024).

Historical evidence confirms that the contribution of the social economy – or more precisely of some of its components – to welfare, development and employment has evolved dramatically throughout history. In some countries, the role of mutual benefit societies and cooperatives has gone from being essential before the setting up of contemporary welfare states, to being absorbed by public institutions, right up to regaining force in some countries as a result of profound changes at a social, economic and political level.

The comparative analysis across the seven ESIRA partner countries (Hungary, Italy, Lithuania, Norway, Poland, Serbia and Spain) confirms that the development of social economy initiatives is deeply shaped by socio-economic structures, institutional relationships and cultural attitudes. In some contexts, social economy organizations have proven effective in enhancing inclusion, employment, and local development. In some other countries their contribution has been so far marginal. Based on recent research their diffusion depends on a combination of enabling and constraining factors that differ across and within countries. Country- and regional-level variations are influenced by a mix of local circumstances and exogenous factors that shape the space of intervention of the social economy, including the definition of its diverse activities, institutional models, and practices implemented. Among the enabling factors, the availability of high stocks of social capital fosters trust and cooperation within communities, while an inclination towards entrepreneurship, and novel approaches facilitates the development of social innovation processes and new social economy initiatives. A longstanding and well-recognised tradition of collective initiatives has proved successful in managing common goods, accessing markets and providing opportunities for commercial activities that supports economic sustainability; moreover, educational and technical skills development programmes help to strengthen local human capital. Furthermore, political

recognition and support policies at national, regional and local level can play a key role in fostering the replicability of locally rooted social economy initiatives.

Especially relevant is the role played by local municipalities in such territories, which could act as network builders, knowledge facilitators, and strategic partners in planning, such as described by the Polish, Hungarian and Lithuanian MAP managers or in Italy, with regard to the Abruzzo region. Furthermore, the existence of development strategies at regional or municipal level generates synergies and facilitate the integration of social economy objectives into broader local policies, as evidenced in Hungary and Poland MAPs territories. The presence of support structures, such as entities specifically aimed at supporting the social economy – including LAGs or OWES²⁴ – and access to EU-funded programs foster innovation, partnerships and capacity building. All these elements contribute to the creation of an enabling ecosystem that can pave the way for a widespread diffusion of the social economy, enhancing local development, social innovation, employment and the social inclusion of vulnerable groups.

Conversely, the lack of some or all of the above-mentioned factors explains the dearth of social economy initiatives witnessed by some specific territories. In this perspective, several barriers hinder the establishment and (long-term) sustainability of these initiatives. Insufficient financial resources and lack of human capital – including both skilled personnel or facilitators, and committed local leaders – restrict the ability to start and maintain such initiatives. Bureaucratic inefficiencies, administrative delays and insufficient political recognition further hinder their development, while limited awareness or understanding of the social economy concept reduces engagement. Weak entrepreneurial culture in many rural territories, skepticism towards cooperative models, fragmented networks, and the absence of supportive legal frameworks also constrain growth, particularly in the MAP regions of Serbia, Norway, and Hungary. Structural challenges such as depopulation and weak social infrastructures diminish the local capacity to sustain social innovation and collective initiatives, particularly in peripheral or rural areas.

The table below summarizes the common and cross-country factors influencing the development of social economy initiatives across the ESIRA territories.

²⁴ Social Economy Support Centers (OWES) in Poland offers comprehensive support services, together with direct financial aid to social enterprises. For more information, see: https://social-economy-gateway.ec.europa.eu/my-country/poland_en



Table 7 Common factors influencing the spread of social economy initiatives in MAPs areas

Factor type	Common factors	Country-specific notes
Constraining factors	Limited financial resources and investment capacity	<i>Crucial in Lithuania, Italy, Hungary and Serbia</i>
	Lack of awareness and understanding of the social economy	<i>Widespread in Norway and Serbia; partially addressed in Poland</i>
	Weak entrepreneurial mindset and skepticism	<i>Strongly felt in Serbia, Hungary and Norway; less pronounced in Italy</i>
	Bureaucratic and administrative inefficiencies	<i>Norway and Spain: delays and complex procedures; less felt in Lithuania</i>
	Limited institutional and legal recognition of the social economy	<i>Social economy not fully recognized in Serbia and Norway; Italy and Spain: more supportive frameworks</i>
Enabling factors	Collaboration with municipalities and regional authorities	<i>Strong in Lithuania, Italy, Norway and Poland; variable engagement in Spain</i>
	Existence of local/regional development strategies	<i>Hungary and Poland: integration of social economy objectives in broader local planning; limited in some Lithuanian regions</i>
	Strong social capital and community participation	<i>Quite high in Italy and Poland; emerging in Norway</i>
	Presence of social economy organizations, LAGs, or support structures (e.g., OWES)	<i>Italy and Hungary: well-established support structures; emerging in Spain</i>
	Access to external funding (EU-funded programs)	<i>Widely used in Spain and Italy; quite diffused in Serbia and Hungary</i>

Source: Own elaboration

Despite these constraints, some territories (e.g., MAPs in Hungary, Serbia and Spain) demonstrate growing actors engagement and innovation strategies, in particular regarding collaboration and knowledge sharing: recognition of local people’s contributions can create a “snowball effect”, enhancing community participation and empowerment. Access to natural and cultural resources opens new opportunities for social economy-based rural diversification, particularly in tourism, crafts, and agrifood sectors. Overall, the capacity of social economy initiatives to succeed depends on the alignment between community assets, such as leadership, trust, civic engagement, and systemic supports, including policies, financial resources and infrastructure, with country-specific differences influenced by historical, institutional, and cultural factors.

Given the aim of properly exploiting the contribution of the social economy in tackling crucial social and economic concerns affecting rural areas, the research carried out so far suggests that a number of key actions are needed. The actions proposed here are not exhaustive, but are meant to be a starting point for further reflections that will be conducted within the framework of the ESIRA project. Among these, key recommendations include promoting cooperative culture in the different counties; developing management and technical skills within local authorities and entities; recognizing the role of social economy through proper actions, likewise local support structure, financial and administrative mechanisms to reduce entry barriers; fostering

cooperation and collaboration networks among social economy organizations, local/regional institutions, business and other actors.

6.1 Moving forward: how to harness the added value of the social economy in rural areas?

6.1.1 Promoting a cooperative culture

Research shows that local communities are endowed with self-organisation capabilities that vary significantly across territories (European Parliament, 2014; European Commission, 2020a; European Commission – ESIMEA, 2024).

Social economy initiatives are indeed the result of a collective activity of people belonging to a given community (employers, employees, co-operators, volunteers and users) who share similar problems, values, norms and traditions (Mandrysz, 2020). Their development mirrors the capacity of local inhabitants to interact and collaborate in the collective interest and build networks with key stakeholders operating in the same context (Borzaga and Sforzi, 2014; Mandrysz, 2020). Nevertheless, community engagement can in some instances be encouraged by external actors through proper support aimed at encouraging interactions and cooperation among local actors (this is, for example, the aim of MAPs) (Croft and Beresford, 1994).

Evidence from the ESIRA MAPs territories further confirms these dynamics. In countries such as Italy and Spain, long-standing cooperative and associative traditions provide a fertile ground for active participation: they explain the rather significant mobilization of volunteers in tackling shared challenges. By contrast, MAPs in some depopulated Norwegian and Serbian rural areas highlight a weaker degree of civic mobilization, although the underlying reasons differ significantly. In both cases, community engagement seems to depend heavily on external facilitation, brokerage roles played by municipalities or development agents, and long-term investments in trust-building and awareness-raising. In addition, specifically in Norway, trust in government and public institutions is very strong, and the State already provides many basic goods and services and consequently this form of collective action reduces the need for volunteer mobilization.

Box 13 Rural Development Agent and their role in foster Social Economy in rural areas: evidence from MAP “Pinares Burgos-Soria” (Spain)

The analysis of the MAP of Pinares Burgos-Soria reveals the presence of well-established local structures that can serve as key facilitators in promoting and advancing local development initiatives. Among these actors are the Local Action Groups (LAGs) and the Rural Development Agencies (ADER), which serve as managing

entities for LEADER funds. Within these organisations, operate the Rural or Community Development Agents, who perform several key functions:

1. **Institutional-community bridge:** they act as a crucial link between complex regional and European regulations and rural entrepreneurs.
2. **Training and Mentorship:** they provide technical support for management, fundraising and business plan development, filling the gap in specialized knowledge at the local administration level.
3. **Ecosystem building:** they strengthen social capital by building networks among local leaders and civil society organizations, municipalities and enterprises, fostering co-creation processes essential to models such as the ESIRA Pinares Lab.

The local development actors already operating in Pinares Burgos–Soria could play a fundamental role in promoting the development of social economy organisations in the region, as potential agents of economic development and social cohesion. However, the effectiveness of the strategic role played by these structures is being called into question. The main challenge does not lay in the lack of funds to finance project and initiatives that emerge thanks to their work, but rather by the lack of financing for the support structures themselves and the Rural/Community Development Agents who can make these ideas feasible and sustainable. Indeed, the significance of these professional roles is not fully recognised at the public and political level, and insufficient financial resources are invested to consolidate their engagement. Without concrete financial and institutional support to professionalise these roles – shifting them from voluntary activities to supported professions with appropriate remuneration – it will not be possible to strengthen and enhance their role as “local intermediaries” and transform the existing social capital in rural areas into viable projects that generate employment and socio-economic development.

In order for the social economy to consolidate and take off in the territory, according to this Spanish MAP, it is essential to focus on the following set of systemic solutions.

- **Invest in human capital:** create a pilot programme to fund Rural/Community Development Agents with the specific aim of acting as social economy multipliers agents for a period of three years. These agents (who could be selected amongst qualified young people or returnees with personal/work experience in the social economy) would be hired to:
 - take on the administrative and technical burden currently placed on local leaders
 - act as mentors and trainers to support new initiatives, such as “Prototipando la nueva Ruralidad” (Prototyping the New Rurality), currently promoted through ESIRA. This initiative envisions creating

participatory processes that engage young people in generating innovative prototypes to foster rural development and social innovation in the region.

- **Develop a tailored regulatory and financial framework:** to tackle the lack of formal recognition and financial constraints, joint efforts with regional and local administrations are required.
 - accessible seed funding: promote micro-grants (mainly local) or participatory funds (e.g. micro-patronage) with simplified bureaucratic processes. Funding must be adapted to the speed and scale of rural projects, where small amount of financial resources can make the difference between getting started or not.
 - differentiated legal recognition: promote the creation of a 'Simplified Legal Framework for Rural Social Economy' or the application of positive discrimination criteria in public tenders, grants and bids for projects managed by social economy organizations with tax domicile in municipalities with fewer than 500 inhabitants.
- **Promote cohesion and replicability:** to ensure that the successful initiatives of the Pinares Burgos-Soria MAP can be replicated and that social entrepreneurs start from a solid knowledge base, efforts shall be devoted to dissemination and exchange practices:
 - good practices and successful stories: creation of an accessible and dynamic online catalogue with successful social economy programmes from other national and European regions. This resource will provide social entrepreneurs with real examples of viable activities, helping them to avoid common mistakes or failures when starting up, and enabling them to get to know each other and build new network.
 - shared resource repository: create a manual of practices and training modules documenting the ESIRA Pinares Lab prototyping process and the LAG management model.
 - integration into public policy: integrate the social economy dimension into municipal and regional repopulation policies, ensuring that the social economy is recognised as a key driver for local socio-economic development.

Source: based on information provided by F02



The overarching challenge, therefore, is to design strategies capable of revitalising community engagement and participation by shedding light on the advantages associated with a cooperative culture vis-à-vis a competitive paradigm that tends to discriminate against vulnerable groups, peripheral territories and marginalized population. For such strategies to be effective, the cooperative culture must build on shared norms, values, attitudes and procedures that are, in many cases, embedded in local history, heritage, and in the traditional knowledge of local communities (Mandrysz, 2020). Generally, ESIRA findings suggest that, social economy initiatives tend to flourish where these cultural foundations are present; where they are weaker or absent, sustained facilitation is essential to activate communities and endorse collective action.

6.1.2 Developing management and technical skills

Collective initiatives can be either informal or formal. The institutionalisation of initiatives emerging from the community can strengthen the capability of participants to act as a collective actor (Lanzalaco, 1995) and thus enable their recognition by local and extra-local public institutions.

However, not all communities are endowed with the skills needed to choose the most appropriate legal form, nor are they sufficiently knowledgeable in key policy domains such as welfare, labour rights or accounting. On top of this, they may lack the technical expertise needed to operate effectively in certain economic sectors. Less resourced communities may consequently face greater difficulties in translating their project ideas into concrete actions.

These gaps are evidenced across ESIRA partner territories: in most of the considered countries - particularly in Serbia, Lithuania and Poland - communities often face shortages of entrepreneurial actors, financial and management skills and experience in project design and sector-specific activities. Besides, in territories where social economy ecosystems are more mature and developed, smaller rural community-led initiatives still struggle with administrative capacities, strategic planning and sustaining long-term operations.

To boost the development of the social economy, ad hoc training courses and capacity building programmes aimed at creating the proper social, cultural and institutional conditions are therefore needed. Effective training activities should combine technical and theoretical aspects (i.e., service design labs, business mentoring, legal guidance or assistance with grant applications) and this presuppose that attention is paid to management tools and strategies that, rather than mimicking traditional enterprises, take the key features and values of the social economy into due consideration.

6.1.3 Recognising the specificity of the social economy through proper policy actions

A pre-condition for sustaining social economy development is its political recognition as a fully-fledged welfare and socio-economic actor. Hence, it is important to capture the interest of all stakeholders – including the general public, mainstream enterprises, trade unions, and donors – and strengthen their awareness of the potential of the social economy to inclusion, social innovation, employment and local development.

Based on the analysis on ESIRA MAPs, it emerges that in some countries, such as Norway and Serbia (see 4.2.2 *The recognition of the social economy at national level in the studied countries*), poor recognition and understanding of social economy by local authorities and other institutional actors could limit the ability of local initiatives to grow. This difficulty in defining the social economy, the scepticism toward social economy along with scarce municipal resources, could constrain the capacity of such organizations to access funding, engage in private-public partnerships and to scale up their activities.

Against this backdrop, consistent with the Social Economy Action Plan (SEAP) delivered by the European Commission in December 2021, the social economy must be recognised as an autonomous and distinct pillar, to be added to state actors and for-profit entities. This can be led, firstly, by national public authorities at different levels through ad hoc policy actions. And, furthermore, the relevance and potential of the social economy ought to be recognised in all economic sectors, not just in niche domains. From a practical perspective, some territories – including the MAP areas in Lithuania, Poland and Italy – confirm that local authorities and municipalities could play a crucial role in facilitating the development of social economy initiatives, provided that they possess adequate technical, managerial and leadership skills. Where municipalities demonstrate solid administrative, coordination and leadership skills, social economy initiatives tend to evolve more smoothly; conversely, when their leadership competences are weak or fragmented, the ability to effectively influence local development processes can be hindered and municipalities struggle to play a proactive role in enabling social economy initiatives. Differences among the entities that compose the social economy need nonetheless to be properly acknowledged, as they call for targeted support policies tailored to the diverse degrees of social responsibility taken on (by e.g. traditional cooperatives aiming to promote the interest of their members and social enterprises pursuing general interest goals).

Especially when it comes to the welfare domain, cooperative relationships between social enterprises and public administrations ought to be developed with a view to define and determine the manner and quality of welfare service provision (Brandsen and Pestoff, 2006). Meanwhile, the process of designing local development policies and building public-private partnerships should be reconsidered so as to assign a key role to social economy organisations. ESIRA MAPs confirm that most public-private partnerships for



local development indeed acknowledge solely the role of regions and local public authorities.

Strengthening the formal recognition inclusion of social economy actors in policy design and partnership structures-combined with capacity-building and awareness-raising can help unlock their full contribution to sustainable rural development.

6.1.4 Cooperation among different local/regional institutions and other actors

Finally, it is crucial to increase cooperation between local and regional institutions and other intermediate actors with a view to exchanging inspiring practices and advocating for proper support for social economy organisations by national institutions.

Such cooperation can also be accomplished through online platforms that are especially suited to coordinating actions beyond local administrative boundaries, enabling rural areas facing similar challenges to share knowledge, replicate successful initiatives, and build cross-territorial networks.

Evidence from the ESIRA MAPs territories illustrates how these collective dynamics unfold across different rural contexts. In Italy, Spain and Poland, for example, local actors (e.g., rural development agents) and structured support organizations (e.g., OWES) play a decisive role in nurturing collaboration between residents, local business and municipal authorities, while also mitigating the risk linked to leader burnout and weak network cooperation. In Norway, local municipalities are generally skeptical towards the concept of the social economy and display a relatively low level of awareness of social economy organizations as analytical categories. Despite this, substantial collaboration between local municipalities and social economy organizations is observed in practice, particularly around service provision and local development initiatives. Similar dynamics can be observed in Lithuania and Hungary, where proactive municipal actors play a key role in connecting dispersed stakeholders, triggering cooperation and enhancing the visibility of collaborative opportunities. By contrast, in Serbia, limited municipal engagement, fragmented networks and low awareness and understanding of the social economy concept constrain collaboration, highlighting the need for deliberate facilitation and trust-building mechanisms.

With these challenges in mind, ESIRA will contribute the roll out of place-based innovative social economy initiatives for rural inclusion and development in (marginalised) rural areas. It will support the creation of an enabling environment and policy architecture, including the connection and empowerment of key actors. Based on the great diversity of rural areas within Europe, particularly in the target countries, policy recommendations will be formulated with a view to unlocking the potential of the social economy for tackling the pressing challenges ahead and supporting their replication across rural Europe.

7. References

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8. Partners

