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Sivil Toplum Geliştirme Merkezi



Agenda of Civil Society VI

# Is the Third Sector or Social Economy Sector Back?



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# Is the Third Sector or Social Economy Sector Back?

Through the information notes we will publish as part of the Monitoring Freedom of Association Project, we will attempt to assess how international organizations, particularly the EU, UN, and the OECD, are dealing with civil society. As a result of this effort, we will first provide a brief assessment of two important EU-level documents published in 2021.

First, we will summarize the Social Economy Action Plan, “**Building an Economy that Works for People: An Action Plan for the Social Economy.**” Second, we will discuss the report prepared by the European Parliament entitled “**A Statute for European Cross-Border Associations and Non-Profit Organizations.**”<sup>1</sup>

<sup>1</sup> [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662630/EPRS\\_STU\(2021\)662630\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662630/EPRS_STU(2021)662630_EN.pdf)



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# Social Economy Action Plan

The European Commission defined 14 industrial ecosystems in its 'New Industrial Strategy', which is published in 2020 and updated in 2021 by taking into account the effects of the pandemic.

**These 14 ecosystems are: aerospace and defense, agri-food, construction, cultural and creative industries, digital, electronics, energy-intensive industries, energy-renewables, health, mobility-transport-automotive, proximity, social economy and civil security, retail, textile and tourism.**

The social economy, listed among these 14 industrial ecosystems, has become a concept of increasing importance for civil society. It is observed that the concept of social economy is sometimes used alone and sometimes together with the acronym "TSE", especially in recently published international (especially UN and OECD) or EU-wide policy documents.

**The abbreviation TSE is derived from the initials of the term "third or social economy sector."**

In other words, the "third sector or social economy sector"... In this situation, the question inevitably arises whether the concept of the "third sector," which was popular in the 1990s in Turkey as well, has returned to the agenda.

Also as a consequence of this trend, the European Commission published the Social Economy Action Plan on December 9, 2021.

**According to the Commission's findings, 13.6 million people are employed in the social economy across Europe, representing 0.6% to 9.9% of total employment, with varying levels of employment across member states. Similarly, it's estimated that there are a total of 2.8 million social economy institutions.**



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The inclusion of young people and disadvantaged groups (e.g., the disabled, the elderly, the long-term unemployed, immigrants, people of minority racial or ethnic origin (especially Roma), single parents) in the labor market is a prominent feature of the employment structure.

**At this point, it should be emphasized that the social economy contributes to the development of gender equality, as many women gain access to the labor market through the jobs created by the social economy. Moreover, the social and care services offered by the social economy enable women to access the general labor market.**

Another outstanding finding of the plan is that the contribution of the social economy to the gross domestic product in some countries such as France is around 10%.

**Another important finding of the Action Plan is that the social economy has the potential to transform the economy with an inclusive and sustainable approach and could lead to a more equal ecological, economic and social transformation in the post COVID era.**

However, it's emphasized that one of the main obstacles in this regard is the lack of awareness of this potential. The action plan also emphasizes that the concept of social economy isn't recognized in at least 10 member states. Problems with access to finance, exclusion from public procurement and the fact that they benefit only to a limited extent from state aid are highlighted as the main shortcomings. It's important to emphasize that this situation is also very similar in Turkey.

**The action plan, to be implemented between 2021 and 2030, aims to develop social innovation, support the social economy and strengthen the power of social and economic transformation of the social economy.**



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# What is social economy?

It may be claimed that the concept of social economy has a history of approximately 200 years in the social, political and economic background of Western European countries. The generally accepted main characteristics of a typical social economy actor can be defined as follows:

- voluntary participation,
- autonomy of decision,
- formal existence through a legal identity,
- orientation toward an economic activity,
- democratic governance,
- nonprofit orientation, and distribution of profits that is not directly linked to the capital.

**As a result, the actors of social economy could be defined as an economical actor who “serves the man rather than the capital”**

(International Encyclopedia of Civil Society, p. 1405)

In the EU Social Economy Action Plan, it is stated that the social economy encompasses a range of entities with different business and organisational models. The main common principles and features are defined as such:

- 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)
- Democratic and/or participatory governance



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## 5 main structures that provide goods and services at EU level (cooperatives, mutual benefit societies, associations, foundations and social enterprises) constitute social economy actors.

For the Turkish context, although not yet legally defined, social cooperatives (<https://www.stgm.org.tr/en/blog/so-what-social-cooperative>) or non-profit cooperatives, social enterprises (<https://www.sosyalgirisimcilikagi.org>), associations and foundations, which are more traditional and widespread structures, could be considered as social economy actors.

It seems that the starting point of the Action Plan is to state that a favourable environment for social economy actors is necessary to drive the development of the social economy. However, the main challenge at this point is the intersectoral nature of the social economy and the fact that it includes various legal entities. Another challenge is the regulatory changes in the EU member states. Potential regulation requires intervention in a number of areas such as taxation, public procurement, competition law, social security and workers' rights, education, skills development, health services, SMEs, circular economy, etc.

The Action Plan also states that while the actors that can be defined as social economy actors have different goals, approaches and paths, and challenges, the differences in the "legal forms" preferred by social economy actors should also be taken into account.

Although it's not possible within the scope of this article to compare the difficulties encountered in Turkey, the main difficulties faced by all these structures are summarized in the Social Economy Action Plan. For example, cooperatives face difficulties in obtaining capital investments due to their membership structure, while mutual societies face difficulties in getting their non-profit status recognized. At the EU level, associations and foundations are unable to take advantage of the single market and face difficulties when operating in other member countries, while foundations face a number of challenges related to cross-border donations due to differences in tax regimes across countries. Social entrepreneurs, on the other hand, have struggled with inadequate regulations and a lack of action, despite positive developments in recent years.



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# The Actions Defined in the Action Plan

- The European Commission will create opportunities for mutual learning and provide guidance and support to member states,
- New initiatives will be mobilized to include social economy actors in member states' public procurement policies, and the Commission will prioritize social benefits in its procurement process.
- The social economy will be promoted at local, rural and interregional levels.
- The strengthening of the social economy will be anchored in financial instruments, and cooperation with international organizations to promote the social economy at the international level will be strengthened.
- Funding allocated to the social economy will be increased within EU financial instruments to facilitate access to finance.
- Simple standard methodologies for social impact assessment will be developed.
- New measures will be developed for boosting social innovation.
- More qualitative and quantitative data will be collected on the social economy in all EU member states.
- A dedicated study on philanthropic giving in the EU will be commissioned.

The Social Economy Action Plan, could be reached at <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=10117&furtherNews=yes#navitem-1>



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## The situation in Turkey

First of all, the situation in Turkey largely coincides with the points summarized above, which were also criticized in the Social Economy Action Plan. First, it can be said that the most important problem is the lack of perspective and awareness. The fact that there's no legal regulation on this issue is part of this lack.

For example, the term "social economy" isn't used at all in the 11th Development Plan. However, the following statement is included in the 11th Development Plan:

**"452.4 Social entrepreneurship will be regulated, the capacity for measurement of social impact will be enhanced, and the amount of support will be increased gradually in proportion to the contributions of good practices to the society based on analysis results."**

However, there's no information on the status of social entrepreneurship studies shared with the public. It can also be observed that the issue of social entrepreneurship has been placed on the country's agenda with several well-intentioned initiatives.

**With the narrow definition of civil society organizations in Turkey, namely associations and foundations, measuring the economic value they create proves to be another problematic area.**

More detailed evaluations can be found in the "Capacity and Limitations of Civil Society Organizations in Turkey Report," which we'll publish shortly, but we can already share some of our key findings here.

- **Statistics published by the Directorate General for Relations with Civil Society state that in 2020 there are 41,727 full-time employees,**





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**4,714 part-time employees and 32,551 project-time staff in associations. Considering that the number of active associations in 2021 is 121,932 and the total number of professional employees is 78,452, we conclude that the number of employees per association is 0.6. From the statistics published by the General Directorate of Foundations, the number of new foundations is 5,906 and the number of paid employees in new foundations is 17,278, so the number of employees per foundation is 2.9. At this point, it becomes clear that 86% of the CSOs participating in the study don't have paid full-time employees.**

- One of the most important indicators of the capacity of CSOs is the measurement of the financial status of the organizations and the economic value they create. First of all, it's not possible to comprehensively assess the economic value created by civil society in Turkey and the size of the sector based on published data. However, the total revenues of the associations are published by the General Directorate of Civil Society Relations. Total revenues are around TL 27.6 billion in 2020 and TL 12.2 billion in 2016, and a realistic explanation for the near doubling of revenues in the last 5 years isn't possible at this time. In the statistics published by the General Directorate of Foundations, total revenues for 2020 are reported at TL 31.4 billion, total expenditures at TL 10.9 billion, and total assets at TL 95.7 billion.

**It can be concluded that the total income of the new foundations and associations in 2020 is about TL 59 billion.**



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- The main sources of CSO revenue are individual donations (59%) and membership fees (42%). While in the case of foundations, income from business enterprises stands out with a share of 22%, in the case of associations they're in third place with a share of 10.4%. We can also emphasize that membership fees are second in revenue, but aren't collected regularly. We see that donations from companies and project/grant support from public institutions are below 10%. About 10% of CSO state that they've no income.

## What can be done in Turkey?

- **It's of great importance to develop a holistic perspective on social economy actors. First, it's necessary to improve the awareness and knowledge of all relevant actors.**
- Activities at UN, OECD, ILO and EU levels should be followed more closely and active contribution of actors from Turkey should be facilitated.
- Social economy actors could take a priority position in public procurement. Local governments in particular can take important steps.
- It can be put on the agenda to procure goods and services on a small scale (e.g., promotional materials, consulting services, training organizations) from social economy actors as part of EU projects implemented in Turkey.



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- In this context, although framework regulations aren't possible in the short term, voluntary commitments can be put in place for some of the purchases from social economy actors.
- More data needs to be collected to enable data-based decision making.
- **It's of great importance to facilitate the economic activities of associations and foundations, including employment and tax benefits, by amending the Aid Collection Law, and removing restrictions on freedom of association.**
- A pilot EU project can be implemented to improve the awareness and capacity of relevant actors in the social economy or social entrepreneurship.

For further reading please refer to the below links:

<https://sosyalkooperatif.org>

<https://sosyalekonomi.org>

<https://www.sosyalkooperatif.com>

<https://www.sosyalgirisimcilikagi.org>

<https://www.stgm.org.tr/blog/peki-nedir-bu-sosyal-kooperatifcilik>

[https://tusev.org.tr/usrfiles/images/TUSEV\\_SosyalKooperatifBilgiNotuTR.08.11.18.pdf](https://tusev.org.tr/usrfiles/images/TUSEV_SosyalKooperatifBilgiNotuTR.08.11.18.pdf)