



Social economy concepts and applications: The Peruvian case

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Abstract

This master thesis concerns the field of Social Economy, its acknowledgment and its practical application in Peru. In the last decades, Peru has gone through several economic states which have led to the development of Social and Solidarity initiatives. This work aims at determining how the different concepts of Social Economy are acknowledged in the Peruvian Society and in the Academic Sphere. Four different concepts of Social Economy are studied: the Social Economy approach, the Non-Profit Organization approach, the Solidarity Economy approach and the concept of Social Enterprise. Each concept is defined and clarified with regards to the different types of organizations associated with it, its legal framework, its history, its academic acknowledgement and statistics. In addition, the practical application of these concepts is studied through real-life cases in Peru. Three case studies are elaborated allowing to measure the influence of the different concepts in the Peruvian social organizations. The occupation sector chosen is the one of education with a look at three private organizations. A methodological framework is developed with the elaboration of different typification indicators for the four concepts. Therefore, the three case studies are introduced and developed: the typification indicators are applied for each of the four concepts and summarised. Finally, conclusion and analysis remarks are provided regarding the acknowledgement and the practical application of the concepts for the case of Peru. It has been possible to determine which concept was predominant and recognised by the Peruvian Society. For the practical application it has been possible to identify to which concept the three social organizations from the case studies were corresponding the most. This allows to draw conclusion regarding the Peruvian education sector in light of the Social Economy concepts.

Key words: Social economy, Non-profit Organizations, Solidarity Economy, Social Enterprises, Peru.

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Introduction

The concepts of Social Economy have been the subject of numerous research since the end of the 20th century. The pioneers in the understanding and the defining of these concepts have been the Europeans and the Americans mainly lead by Lester Salamon and the EMES International Research Network. In addition to the interest for the field, the Northern countries have also bore these concepts while at the beginning of the 19th century, the worker class organised itself to cope with the difficult life conditions during the industrial revolution. However, History have shown evidences of social and solidarity behaviours in southern countries and assuming that Social Economy have solely originated from the North would be a mistake. Nevertheless, it is not clear how much the field of Social Economy has been the subject of researches and developments in these southern countries.

In this master thesis, a closer look is taken at the South American country of Peru. In the last decades, Peru has gone through several economic states which has led to the development of Social and Solidarity initiatives. The aim in this thesis is to determine how the different concepts of Social Economy are acknowledged in the Peruvian Society and in the Academic Sphere. To do so, the historical, contextual and conceptual issues about the emergence of social economy and social enterprise in Peru will be treated. The acknowledgment of four different concepts will be studied: the Social Economy approach, the Non-Profit Organization approach, the Solidarity Economy approach and the concept of Social Enterprise. In this thesis, we will also investigate how these concepts can be applied to real-life case in Peru. Three case studies will be elaborated allowing us to measure the influence of the different concepts in the Peruvian social organizations.

The thesis is divided into two chapters. In Chapter 1, the four concepts of Social Economy are studied. Each concept is defined and clarified with regards to the different types of organizations associated with it, its legal framework, its history, its academic acknowledgement and some statistics related to it. In Chapter 2, three case studies are realised in order to measure how much the concepts of Social Economy apply to the Peruvian society. First the methodological framework is explained and the different typification indicators for each concept are described. Then, the three different case studies are presented and developed: the typification indicators are applied for each of the four concepts and summarised in a graphic. Finally, we conclude our work by providing a summary of the first chapter and an analysis of the three case studies.

1. Understanding concepts and context

In the following chapter, the historical, contextual and conceptual issues about the emergence of social economy and social enterprise in Peru will be treated. First Social Economy and its three main forms are introduced: the Social Economy approach, the Non-profit organizations approach and the Solidarity Economy approach (1.1.). Then the acknowledgment of each concept in Peru is treated and a closer look at the case of 'social enterprise' in Peru is taken (1.2.). Eventually, we present the political discourses and the conception of public authorities regarding the notion of Social Economy (1.3.).

1.1. General concepts of Social Economy

There exist several approaches attempting to define and understand the third sector of the Economy which one could define as "the range of organizations that are neither public nor private" (NAO 2016). We will present three different approaches: the one of Social Economy, the one of Non-Profit Organization and the one of Solidarity Economy.

Nowadays, the concept of Social Economy (SE) is yet not clearly defined because of its rooting into different social, political and economic contexts. However, several point of view (from Belgium, Spain, Québec, etc.) seem to lead to a common definition:

"By social economy, we refer to the economic activities [...] pursued by companies [...] whose ethics is traduced by the set of the four following principles: the finality of service goes to the members or to the community (rather than profit finality), the primacy of people and work before capital in terms of the distribution of the revenues, the democratic decision-making process and the managerial autonomy". (Décret relatif à l'économie sociale RW 2008)

Even if this perspective encounters a certain interest in Europe, the Anglo-Saxon countries (US and UK) prefer to study the third sector through the concept of non-profit organization (NPO). This concept differs from the SE by a strong constraint on the distribution of profit (which the US and the UK prohibit) and the absence of consideration for democratic decision-making processes. Because of its international dominance and a clearer legal definition, the non-profit approach has been broadly used all over the world. (Nyssens 2016)

Eventually, the concept of 'Solidarity Economy' (Economía Solidaria) often supplants the one of Social Economy in some parts of Latin America (Laville 1994 and Razeto 1991). Regarding its definition, Solidarity Economy is less precise as it refers to "a set of economic activities that involve a democratic action, where the social relation of solidarity is fundamental over individual or material interest" (Eme & Laville 2006).

1.2. The main forms of Social Economy in Peru

In the following section, we will see how each of the three concepts of Social Economy can be applied to the case of Peru. After defining them, we will see how they are historically, legally and academically acknowledged and how well they are implemented in Peru. In addition to these three concepts, the notion of social enterprise will be presented and its acknowledgement in Peru will be treated.

1.2.1. The Social Economy Approach

1.2.1.1. Definition

The concept of Social Economy is defined in some countries (Belgium, Spain, Québec, etc.) as follows:

“By social economy, we refer to the economic activities producing goods and services which are pursued by companies (mainly cooperatives and/or with a social finality), associations, mutual insurance companies or foundations, whose ethics is traduced by the set of the (4) following principles: the finality of service to the members or to the community (rather than profit finality), primacy of people and work before capital in terms of the distribution of the revenues, the democratic decision-making process and managerial autonomy” (Décret relatif à l'économie sociale RW 2008).

The concept of Social Economy does not have clear borders such as the Non-Profit approach. As a consequence, it encompasses different organizations whose functions, management and finalities can strongly differ and that can be broken down into three types: the associations (see section 1.2.2.3.), the mutual societies and the cooperatives, the last two being specific to the field of Social Economy (see section 1.2.1.2.).

1.2.1.2. Types of Organizations

In the following part, we will present one of the three types of Social Economy organizations: the cooperative. The two others are not treated here as the mutual society does not have any legal recognition in the Peruvian law and because associations will be treated in the section regarding the NPO.

Cooperatives are present around Peru, mainly in Lima (45%), Puno, Junín, Arequipa, the country's main cities. The cooperative definition in the law says that they do not have lucrative purposes because their main finality is to serve their members and give them (workers and partners) employment. They provide goods, services and work. The cooperatives are based on voluntary affiliation and they have self-management. As the members contribute to create the patrimony, they also receive when the cooperative is shut down.

It is important to note that the cooperatives are a special case of legal person in Peru, they have a specific legal structure that stipulates the return of all surpluses. (Caballero, Fuchs & Prialé 2015)

1.2.1.3. Legal Framework

The notion of Social economy is not clearly defined and widely disseminated within the Peruvian population. Legally, the political Constitution of Peru (1993) mentions that the country's Economy is based on the model of Social Market Economy, an economic system based on a free market operated in conjunction with state provision for those unable to work, such as elderly or unemployed people. This however does not refer to the concept of Social Economy as defined above.

Art 58: "Private enterprise is free and is practiced within a social market economy. Under this system, the government guides the country's development and is mainly active in the areas of the promotion of employment, health, education, security, public services, and infrastructure".

Regarding the three different S.E. organizations, neither the mutual society nor the cooperative are mentioned in the 1993 Constitution (the case of association is treated in section 1.2.2.2). However, cooperatives have benefitted from a special status in the law since 1902 (see section 1.2.1.4). Recently (2011), the government of Peru has passed landmark legislation that recognizes the not-for-profit status of credit unions and other cooperatives and grants them tax exemption. The law specifies the scope of two articles in Peru's existing General Law of Cooperatives by recognizing that cooperatives are different from commercial enterprises in that their transactions with members are cooperative acts (WOCCU, 2011).

1.2.1.4. History

The concepts of Social Economy are not well developed in Peru compared to other countries like Canada, Belgium, France, etc. However Social economy has been present in Peru for a long time under different forms: association, cooperatives and mutual societies (Mogrovejo, Mora & Vanhuynegem 2012).

In the 19th century, the first Peruvian cooperative movement appeared in Callao, Lima thanks to a strong worker movement and an impulse from the artisanal and worker mutualism. Mutualism was the first form of SE in Peru which later inspired the cooperative movement. Mutualism grew continuously in Peru thanks to the workers organizations from 1850 to 1858 when finally the working-class mutual societies formed the philanthropic democratic society (Sociedad Filantrópica Democrática) in order to organize themselves. The first cooperative, la Sociedad de Artesanos de Auxilios Mutuos was created a bit later in 1866, as a consumer cooperative. It was followed by the creation of a credit cooperative, La Cooperativa El Crédito Social whose goal was to provide the artisan and workers with social credits. It is only 42 years after the creation of the first cooperative, in 1902, that the law (el Código de Comercio de 1902) introduced a legal form for the cooperatives.

However, in 1942, only two cooperatives were formally registered as many others failed due to lack of capital, bad commercial management and political instability. In

this context, the rise of Trade unions promoted the creation of new cooperatives inspired from the three maxims of the "Belgian Socialist Party" (Partie ouvrier Belge): the trade union, the cooperatives and the party. During this period, several legal dispositions such as the access to education and agricultural field or the registration as a legal entity, improved the legal acknowledgment and the role of cooperatives in Peru. Legal improvement regarding the cooperative movement from 1940 and 1960 was made possible thanks to several actors like the Catholic Church, the Peruvian Cooperative Institute, the Agency for International Development and other international organizations.

Despite a strong recognition of the cooperative movement through the enactment of the General Law for Cooperatives (1964), cooperatives declined in the late seventies. In 1968, under General Velazco governance, an agrarian reform is introduced along with the creation of new organisms to manage them. Although the number of cooperatives encountered an important increase, the agrarian reform, which consisted in a redistribution of the lands among the owner and the peasant, failed to be productive mainly due to the lack of managerial knowledge from the peasant. This paternalism in the cooperative movement led to a serious downfall of the concept. During the mid-eighties, when Peru returned to a democratic regime, the concept continued to collapse and some cooperatives went bankrupt. In the end of the eighties, there were approximately 3459 cooperatives. In the early nineties, the neo-liberal government of Fujimori introduced liberal reforms, which promoted the private sector and completely erased the cooperative movement. As a matter of fact, the Mutual societies were forced to disappear through legal reforms. Between 1991 and 1995, fifteen mutual societies registered their process of liquidation in the Superintendence of Bank and Insurances.

1.2.1.5. Academic Sphere

The social Economy alone is recognized but its scope is quite limited. It might be acknowledged by some Peruvian prominent persons in more international context. As an example, Ismael Munoz has contributed to several papers regarding globalization and Social Economy. At a continental states, he states the necessity of International organization in order to regulate and organize the social movement. At a more national scale, the concept of Social Economy is not prominent in the economic landscape.

On the other hand, literature in social organizations as cooperatives and associations has been widely used in different academic fields to encourage solidarity and social movement.

1.2.1.6. Statistics

While statistics regarding association and other non-profit organizations (see section 1.2.2.6) are important, the information regarding cooperatives and mutual societies is scarce and more difficult to find. Between 1994 and 2011, the percentage of taxpayer related to cooperatives decreased by 12%. The percentage is however influenced by the other types of organizations. As a matter of fact, if we look at the number of taxpayer for cooperatives, it decreased but only by 9.8% (from 1948 to 1756). In the context of great competition with the private sector, the cooperatives are fewer in number but they develop a good organization and they compete with international and national companies (Mogrovejo, Mora & Vanhuynegem 2012).

Table 1.1: Taxpayers registered in the national tax institution (SUNAT) for different types of organization (1994-2011).

| CONCEPTO | jun-94 | | jun-96 | | jun-01 | | jun-06 | | jun-11 | |
|---|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|
| | Número | % | Número | % | Número | % | Número | % | Número | % |
| TOTAL | 1.298.14 | 100 | 1.563.57 | 100 | 2094.00 | 100 | 3.298.23 | 100 | 5.412.09 | 100 |
| Persona natural sin empresa | 711.585 | 54,82 | 889.874 | 56,91 | 1.244.23 | 59,42 | 2.374.41 | 71,99 | 3.948.29 | 72,95 |
| Persona natural con empresa unipersonal | 412.078 | 31,74 | 451.815 | 28,9 | 621.98 | 29,7 | 683.545 | 20,72 | 1.086.12 | 20,07 |
| Sociedad anónima | 49.217 | 3,79 | 62.047 | 3,97 | 52.719 | 2,52 | 78.905 | 2,39 | 160.458 | 2,96 |
| Empresa individual de responsabilidad limitada | 34.566 | 2,66 | 48.015 | 3,07 | 51.921 | 2,48 | 54.116 | 1,64 | 96.125 | 1,78 |
| Sociedad comercial de responsabilidad limitada | 46.165 | 3,56 | 64.374 | 4,12 | 42.349 | 2,02 | 39.666 | 1,20 | 50.566 | 0,93 |
| Cooperativas, sociedades agrarias de interés social | 1.948 | 0,15 | 2.184 | 0,14 | 1.572 | 0,08 | 1.546 | 0,05 | 1.756 | 0,03 |
| Otro tipo de contribuyentes | 42.578 | 3,28 | 45.264 | 2,89 | 79.224 | 3,78 | 66.041 | 2,00 | 68.774 | 1,27 |

Nota: Solo considera a los contribuyentes activos.

Source: SUNAT

1.2.2. The Non-Profit Organization Approach

1.2.2.1. Definition

A non-profit organization is an organization which complies simultaneously with the five following criteria: formality of the organization, membership of the private sector, independence of the organization in relation to any other instance in the control of activities, no distribution of profits to members and presence of a certain level of voluntary participation (Salamon et al., 1996).

1.2.2.2. Legal Framework

The Peruvian law states the freedom to create an organization with non-profit purposes:

“Every individual has the right: [...] to form associations and establish foundations and various forms of legal organization for nonprofit purposes with no previous authorization and in accordance with the law. Such organizations may not be dissolved by an administrative resolution.” (Peruvian Constitution 1993)

Proofs of legal acknowledgement can also be found through the fiscal legislation related to the non-Profit organizations. For instance, in developed countries (U.S.) non-profit organizations benefit from a substantial reduction of taxes. In Peru, Non-profit associations with different finalities as social care, education, culture, etc. are among the institutions whose transactions are exonerated from contributions as it is mentioned in article 19 of “the Law on Income Tax” (Ley Del Impuesto a la renta)(SUNAT 2016). In order to benefit from this exoneration, the organizations need to have an administration record, do the accounting and hold a tax contribution number.

Through the legal framework and the political restriction during the 90s, the non-profit organizations have been the most widespread in Peru. According to the Peruvian law, there are only three types of non-profit organizations: the associations, the foundations, and the committees (more details are given in section 1.2.2.3). As a consequence, many social organizations adopt one of the three pre-cited status just to be legally recognized by the state. Some organizations cannot register themselves as a legal person and have to adopt the form of ‘civil association’ to get a legal identity and then benefit from tax advantages.

1.2.2.3. Types of Non-Profit Organization

In the following part, we will present the three types of NPO: the associations, the foundations, and the committees. The main source for the following classification is the document “Legal framework for the non-profit private sector in Peru” (Belaunde&Parodi 1997), the civil code (OAS 1991) and others.

a) Associations

Associations are the most common non-profit organization encountered in Peru. Such prominence is mainly due to the necessity of organizations without specific form such as NGOs or religious organizations to get a legal status.

Associations can either endorse a legal or a natural person to offer services or goods and their finalities can be diverse (social, artistic, sportive, environmental, etc.). Each associate represents one vote in the decision making and the membership has to be voluntary. The association is self-governing and in the case of dissolution, all the

patrimonial monetary result is given to a specific cause specified in the association status when created.

There is a large variety of associations that can be found in the Peruvian society. For example civic associations (taking care of poverty), sport associations (promoting sport and entertainment), artistic organizations (supporting activities to spread artistic activities). From this panel of associations, a closer look will be taken at some organizations which often take the status of association: NGOs, Villager organizations, Grass-root social organizations, Educational institutions, Religious organizations and microfinance institutions.

Non-governmental development organizations (NGO)

They are mainly organizations which at first have no specific form in the Peruvian law and could exist either as non-profit organization (primarily as associations) or as Enterprises. The authentic finality of the NGOs is to cooperate in social causes. The monetary resources mainly come from international funding and in a lesser proportion from national collection funds.

Before, NGOs were extensively present in Peru. They nonetheless began to withdraw from the country because of the Peruvian economic growth. There are around 1480 NGOs registered in The Peruvian Agency of international cooperation, which only keeps track of the Non-governmental development organizations that receive support from the governments. (Gestion 2015)

Villager organizations

These organizations are recognized by the municipalities and need to be registered in their own municipality for that. Their finality is to protect the social interests of the villagers and the membership is voluntary. These organizations play limited role in the social action because their actions are limited to the municipality area and because they cannot be a legal person.

These organizations can be a strong source of aid and support for the municipalities, since they know the necessities in the area and the urgency of the project (basic needs, childcare, etc.). However they can cause difficulties in the implementation of municipal projects because the villagers can have personal interest and difficulties to understand the benefits of the project.

Grass-root social organizations

These organizations, as the villager organizations, have a municipal recognition and then have to be registered in their municipality. Their finality is to protect the social interests of the urban population in their delimited area. The main difference between villager organizations and grass-root social organizations is that the former is present in rural areas while the latter is in urban areas and can adopt a status of legal person which is not the case of villager organizations.

As the villager organization they can be extremely useful or a trouble to generate social action. These organizations are largely used in Peru and especially in Lima. They are found as "club de madres", "comedores populares", "comites de vaso de leche", "cocinas familiares", "centros familiares", "centros materno infantil", and others. (MIDIS 2002)

Educational institutions

These organizations have an education finality, they cannot distribute profit and in case of dissolution, the equity will be given to educative proposes.

The state wants to promote a better education system by offering the opportunity to create a non-profit organization or for-profit organization related to education. In both cases, the organizations have a legal person recognized by the state. However, they need a special authorization either given by The Ministry of Education for children garden, primary, high school, institutes, special schools, etc. or by the CANAFU (Consejo Nacional para la Autorización de Funcionamiento de Universidades) for universities.

As non-profit organizations, they can be found at different levels and under different forms (civil association, foundations, cooperative, etc.) (SUNAT 2016)

Religious organizations

The Catholic religion is the only one that can have a religious organization admitted as legal person in Peru. It follows a specific legal regime but still has similar benefits and exonerations as the associations, foundations and committees. On the other hand, other religions have to register an organization as a 'religious association' which are grouped with the civic association.

These dispositions represent a form of discrimination towards the other religions, while the state considers itself as secular. The catholic religion has an important place in the Peruvian culture: even though it is separated from the state, it still plays a significant role in various aspects of education or even culture.

Nowadays, the registration of others religions is around one hundred forty and a big part of them is under the religion association regimen. (MINJUS 2016)

Trade unions

The aim of the trade unions is to protect and to promote the labour interests of workers. They have a special regulation and when they need to do civil activities they have the form of civic associations. In order to create an association and have a legal person representation, the trade union has to be registered in The Minister of Labour and Social Protection and in the Register of Legal Persons.

Microfinance Institutions

A microfinance institution is an organization that offers financial services to low income populations. Microfinance institutions in Peru are not necessarily social enterprises. they can be managed by the municipalities (Caja Municipal de Ahorro y Crédito - CMAC), or have a natural or legal person (Caja Rural de Ahorro y Crédito - CRAC, Entidades de Desarrollo a la Pequeña y Microempresa – EDPYME). Those managed by the municipalities are created to develop and help the population in their area. In other cases, they are in the private sector or in the third sector as associations, credit cooperatives, foundations, etc.

These institutions empower the community; they help providing more accessible credits to natural and legal persons to raise their objectives. In addition, they finance social projects and give classes about various subjects such as banking, loans and market to their members.

b) Foundations

The Foundations are non-profit organizations created with different social interest; that involves assets or goods. It can be managed by a legal or a natural person; the founder cannot participate in the organization but can designate the administrators, the rules and the final vocation of the equity. Except for special cases, the administrators and their family cannot have contracts with the foundations.

The decisions sometimes require the state acceptance and it is not the most convenient form for the institutions. As a result, this form is not often adopted compared to others.

c) Committees

These organizations can be created as a legal or natural person. The only purpose of this type of organization is collecting funds to help humanitarian causes. As expected it is a non-profit organization with voluntary associates.

These activities are temporary and not frequently used. The other non-profit organizations can collect funds on their own, they do not need to adopt the form of committees to do that.

1.2.2.4. History

In the late Eighties, Peru was suffering both from a financial crisis and a civil war with the Maoist guerrilla insurgency known as the Shining Path (Sendero Luminoso). The scarce of resources and the necessity of protection, led to the creation of mutual aid, support and cooperation between the citizens. These organizations were mostly civil, religious and nongovernmental (NGO). They encountered problems at the beginning since they emerged in a particularly difficult context.

From the early Nineties, the private sector underwent an increase in investments due to the liberal Economic reforms realized by Fujimori's government. Consequently, the public sector undertook an important number of social reforms to develop the neediest

socio-economic segment. The economic reform was not the only one, they draw up new civil constitutions that promote the non-profit associations and this concept became strong between the citizens. The NGOs, villagers associations and others NPO became accountable and proliferate in the Peruvian society.

At that time, the main problem was that the social government's programs were not well-implemented by the state and the private companies were not able to deal with these types of errors in the economy. As an effect, the NPO rose as one solution at that time.

During the last decade, the new governments tried to follow the same path with the same results. At that moment other concepts of social economy started to be seen as more realistic to poverty reduction and as an effective contribution to the necessities of the community.

1.2.2.5. Academic Sphere

The Non-profit approach encounters a stronger recognition among the Peruvian academic field. In their article, "El tercer sector en el Peru: dimensiones y potencial social" - 2000, Sanborn and al., define the third sector as "all the entities that are organized or institutionalized at some level which (1) has a private nature, (2) are self-governing, (3) involve voluntary work and (4) does not redistribute the profits to the members". This definition is clearly in accordance with the non-profit approach defined above. Other Peruvian works have a preference for the U.S. NPO approach especially the works related to Social Enterprise realized by researchers from the Universidad del Pacífico.

1.2.2.6. Statistics

In comparison with the USA that have several and current data in NPO, the data in Peru are more difficult to find. As a matter of fact, it is the American center, Johns Hopkins Center for Civil Society Studies in nonprofit sector, which gives us valuable statistics for Peru. The necessary data are provided by different national sources like the National Economic Census, the National Education Census, the National Census of Universities, the National Census of Sanitary infrastructure, the Directories of nongovernmental organizations, National Census of Municipalities and etc. With all the data available, the Johns Hopkins center was able to build some NPO outcomes. NPOs in Peru represent 1.5% of the total employment. There is 1% of voluntary work which is realized inside a non-profit organization. NPOs are also responsible for 2.2% of the total GDP (in 2005). In addition, Johns Hopkins Center provides us with some comparison frameworks. In those, we can see that Peru has still a low NPO employment compared with developed countries (Salamon, Wojciech& associates 2004).

Table 1.2: Table of NPO outcomes for Peru updated in 2005

| Field | Employment | Volunteers | Expenditures | Revenue from: | | | Total revenue millions* |
|--------------------------------|-------------|-------------|--------------|---------------|--------------|------------|-------------------------|
| | | | | Government | Philanthropy | Fees | |
| Culture and recreation | 4% | 0% | 8% | 0% | 7% | 93% | 100 |
| Education and research | 73% | 1% | 55% | 6% | 6% | 89% | 695 |
| Health | 4% | 0% | 4% | 37% | 58% | 5% | 55 |
| Social services | 1% | 98% | 8% | 15% | 4% | 81% | 100 |
| Environment | 1% | 0% | 1% | 62% | 29% | 9% | 8 |
| Development and housing | 14% | 0% | 17% | 64% | 30% | 6% | 219 |
| Civic and advocacy | 1% | 0% | 1% | 65% | 30% | 5% | 12 |
| Philanthropy | 1% | 0% | 4% | 0% | 0% | 100% | 52 |
| International activities | 0% | - | 0% | 0% | 3% | 97% | 0 |
| Religious worship | - | - | - | - | - | - | - |
| Professional and unions | 1% | 1% | 3% | 0% | 4% | 96% | 32 |
| Not elsewhere classified | - | - | - | - | - | - | - |
| Totals: | 100% | 100% | 100% | 18% | 12% | 70% | 1,272 |
| | FTE | FTE | millions* | | | | |
| | 129,826 | 80,144 | 1,272 | | | | |
| Totals as a percent of: | | | | | | | |
| Economically active population | 1.5% | 1.0% | | | | | |
| Gross domestic product | | | 2.2% | | | | |

updated: 1/18/2005

* Local currency.

"-" = Data not available.

SOURCE: Adapted from Lester M. Salamon, S. Wojciech Sokolowski, and Associates, *Global Civil Society: Dimensions of the Nonprofit Sector*, Volume Two (Bloomfield, CT: Kumarian Press, 2004).

Table 1.3: Comparison of NPO employment updated in 2005

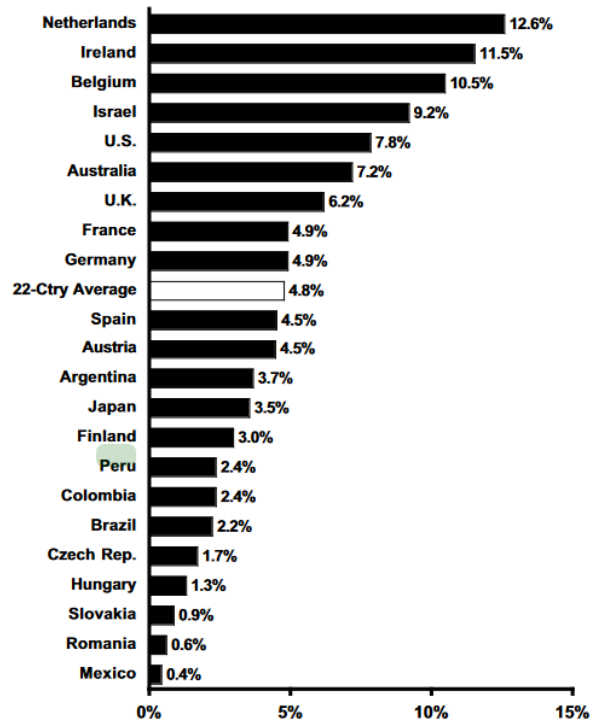


Figure 1.5 Nonprofit share of total paid employment, by country, 1995

Source: The Johns Hopkins Comparative Nonprofit Sector Project

1.2.3. The Solidarity Economy approach

1.2.3.1. Definition

Eme and Laville define the solidarity economy as: "a set of economic activities that involve a democratic action, where the social relation of solidarity is fundamental over individual or material interest" (Eme & Laville 2006).

Two dimensions are important in the definition of Solidarity Economy: the economic and the political one. Regarding the economic dimension, there is an initial predominance of the reciprocity and mutual help which leads to a joint construction of the offer and the demand. Regarding the second dimension, the political project initiated by the reciprocal impulse has to maintain itself through "proximity" public spaces which offer the possibility of a debate about the social demands and purposes (Eme & Laville 2006).

However, this concept can have various meanings; in Peru, Solidarity Economy involves the concept of Popular Economy. Peruvian economist Humberto Ortiz, a member of the Solidarity Economy Network Group of Peru (GRESPE) states that solidarity economy starts from a popular economy. Such economy is defined by Ortiz as "a set of economic activities where people and organization that participate in this economy auto-generate income and employment to access to basic goods" (Ortiz 2002). He says that Solidarity Economy implies popular economy and fundamental elements of Solidarity: mutual help, cooperation and different types of share (benefits, work, knowledge, technologies, infrastructures, market, etc.)

1.2.3.2. Legal Framework

The concept of Solidarity Economy is not mentioned as such in the Peruvian law, but the government in general recognizes the economic pluralism. In fact, they support the different forms of organizations: traditional and domestic production, organization of reciprocity (association, cooperatives, etc.) and organization for profit.

The posture of the state is illustrated in article 60 of the political Constitution of Peru (1993): "The government recognizes economic pluralism. The national economy is based on the coexistence of several forms of ownership and enterprise".

1.2.3.3. History

Even if the definition of Solidarity Economy is recent and the concept has just started to evolve, the reciprocity has always been present in all ancestral cultures, where Peru is not an exception. Under the Inca Empire (XV and XVI centuries), there were strong reciprocity principles between families. Families were the principal part of the economy. In fact, when the children were coming to a certain age, they were married to others and went to live far from the family village. Food and labour exchanges inside the family (parents, brothers and children) were really important and helped for the overall redistribution of resources and authorities. This important reciprocity around

the family and the redistribution helped to face difficult phenomena such as natural disasters, drought, food shortage, etc.

In the colonial period, another form of economic behaviour was brought: the market. However within rural areas and among jungle tribes, the principles of cooperation and reciprocity inside the community continued to dominate. Throughout Peruvian history, numerous examples of Solidarity can be cited such as the Comedores Populares, Cunas or Grupos Campesinos. Those solidarity initiatives tend to increase during hard times such as climatic phenomena, starvation, terrorism context, economic crisis, etc.

Today, the Peruvian population still needs to group and support itself because this union allows them to be part of the growing economy and improve their life condition. There are different social organizations such as the Grass-root social organizations, the villager organizations, the micro enterprises or the cooperatives where the Peruvians can group and support themselves.

1.2.3.4. Academic Sphere

The approach of Solidarity Economy is clearly the most supported and documented in the Peruvian academic sphere. Among the supporting universities, the Pontificia Universidad Católica del Perú is one of the most significant with the works of Muñoz (Muñoz 2003). The Universidad Nacional de San Marcos does also favour the solidarity Economy approach through its Observatorio de Economía Social, Solidaria y Popular (SOCIOECO 2016).

In addition to the Academic field, there are several social organizations promoting the third sector which have emerged in the past two decades. In fact, if the concept of social and solidarity economy has been already implemented by rural populations a long time ago (see above), very little was done to promote the concept of social and solidarity Economy at that moment. The existence of national organizations promoting social economy is a proof of a given acknowledgement of the concept of social and solidarity economy.

The Solidarity Economy Network Group of Peru (GRESP) is one of those social organizations. It was created in 1994 with the goals of developing a project of mutual support between existing cooperative organizations but also to engage the state in encouraging the Solidarity Economy. (Angulo 2007) Among the achievements of GRESP, one can cite the official recognition of the Comedores Populares (a cooperative organization started in 1979 by the people), the earning of government support for these programs and the approval of a law for artisan programs encouraging the growth of this sector (through some tax cuts).

There are plenty of other Peruvian organizations which promote solidarity and social economy such as Foro Nacional Internacional (FNI), Alternativa or the Peru Solidaridad Forum (PSF). In addition, international organizations (cesvi, neSst, etc.) have also

tackled through their Peruvian branch the problem of development through the approach of Social and Solidary Economy.

1.2.3.5. Statistics

The data in solidarity economy give positive outcomes of the reciprocity principle nonetheless the information could be biased because some organizations in Solidarity economy start in the informal economy.

In Peru, there are 1.359,861 micro-enterprises which represent 96% of the total number of companies (Ortiz 2002). The majority of those micro-enterprises group in Associations. The statistics show better performance when we take into account auto-employment, domestic work and the micro enterprises, 38% of GDP and 75% of employment.

The best examples of solidarity economy and social innovation are present in Lima. As an example, one can cite the case of Villa Salvador, a municipality in Lima where there is a high quantity of production micro-associations, street vendors and an important number of civil associations (dedicated to education, food, childcare, etc.). This municipality in Lima is considered as a deprived neighbourhood but still encounters a good life condition thanks to the cooperative and mutual help between the citizens.

1.2.4. The concept of Social Enterprise in Peru

In this section, we solely address the question of Social enterprise and its acknowledgment in Peru. Beforehand it is important to see how the concept of Social Enterprise is defined in Peru and to compare the definition from different schools of thought on the matter.

1.2.4.1. Definition and academic acknowledgment

Historically, two main lines of thinking developed separately in the U.S. and in Europe. In the U.S., two main schools of thought (the one of earned income and the one of social innovation) have tackled the question of Social Enterprise, while in Europe the matter of Social Enterprise has been addressed by EMES research network in Social economy. In the U.S., researchers have tried to determine a series of criteria for social enterprise - research of social impact, social innovation, generation of revenues and use of managerial methods - and this whatever the legal status of the organization. In Europe, the EMES insists both on the necessity to have activities (services and goods production) with a social nature and on the participation and representation of all the different actors (beneficiaries, donors, workers, etc.) in the organization. (Defourny & Nyssens 2012) Even if these approaches are different on both sides of the Atlantic, the European Commission, in 2011, managed to adopt a definition of Social Enterprise which encompasses the different approaches:

"A social business/social enterprise is an undertaking: whose primary objective is to achieve social impact rather than generating profit for owners and shareholders, which

uses its surpluses mainly to achieve these social goals, which is managed by social entrepreneurs in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.” (European Commission 2011)

The Northern lines of thinking does influence the vision of social Enterprise in the southern Countries. In Peru, the concept of Social Enterprise is among others studied by the University of Pacifico which is part of the Social Enterprise Knowledge Network (SEKN), gathering several Latin American business schools and the Harvard Business School. The SEKN (2010) defines social enterprise as follows : “private organization that implement market strategies to finance themselves, with the aim of generating social value for their members, collectives and/or communities, whether they are legally constituted as non-profits or cooperatives”.(Márquez, Reffico, Berger & SEKN 2010) This definition clearly goes in accordance with the U.S. approach. In their paper, “Social enterprises in Lima: concepts and operational models” published in 2015, the three authors clearly state that the Peruvian literature regarding social enterprise is scant. They also pinpointed the lack of awareness regarding social enterprises among the Peruvian society. In another paper “Empresas sociales como catalizadoras del desarrollo en las regions del Perú”, the same researchers give a definition of Social Enterprise: “A social enterprise is an organization that emerges with the finality of resolve a social or environmental problem and that is funded thanks to a commercial activity”. (Caballero, Fuchs & Prialé 2014). The notion of innovation is not specifically mentioned in their definition, which differentiates them from the European approach that specifies the need of innovative management. It however does not mean that Peruvian social Enterprises omit innovation in the way they are managed.

1.2.4.2. Legal Acknowledgement

Since Peru does not have a special legal status for the third sector, the social enterprises exist under two different forms. Firstly, they can exist as non-profit organizations which are regulated by the civil code, requiring them to reinvest revenues in the organization. Secondly, social enterprises can be for-profit organization which are regulated by the Corporations Law (Ley de Sociedades).

Article 59 of the 1993 constitution: “The government promotes the creation of wealth and guarantees the freedom to work and the freedom of private enterprise, commerce and industry. Exercising these freedoms must not be harmful to the public's morals, health or safety. The government provides sectors suffering from inequalities opportunities for advancement and to that end promotes small businesses of all types”.

1.2.4.3. Popular acknowledgement

In Peru, the notion of social enterprise is often confused with the one of Inclusive business which is defined as follows:

“It is a business initiative that, keeping its for-profit nature, contributes to poverty reduction through the inclusion of low income communities in its value chain. In simple words inclusive business is all about including the poor in the business process be it as producers or consumers”. (Christina Tewes-Gradl & Claudia Knobloch 2010)

In their article, Caballero, Fuchs & Prialé, give three main differences between the notion of Inclusive Business and the one of social enterprise defined by SEKN:

- Inclusive business is not necessarily an organization; it may be a project or program implemented by a company. In this case, the company is not necessarily a social enterprise.
- The beneficiaries of inclusive businesses are the company and a group of low-income individuals. In the case of social enterprise, the beneficiaries are people of various social economic status.
- Inclusive business has to maximize at the same level its social and economic value while the social enterprise firstly focuses on the maximization of the social impact.

Other literature goes in the same direction when it comes to define the notion of social business and social enterprise. (Comini, Barki, & Trindade de Aguiar 2012) tackle the concept of social enterprise/business with three separate approaches, adding the emerging countries perspective to the two existing ones. In such approach, social business is characterized by strong concern for poverty reduction initiative and must have a positive, effective and especially long-term social impact.

To summarize, the concept of social enterprise is not well-known in Peru and is often supplanted by the one of inclusive business. Even though the concept of inclusive business might have been predominant in Peru (and more generally in Latin America), there is still a place for the concept of social enterprise as shown by recent studies. (Caballero, Fuchs & Prialé 2015).

1.3. Public and political discourses regarding Social Economy

Regarding the discourses and policies of the public authorities, there is evidence that the former president of Peru, Ollanta Humala has tried to reduce the neoliberal tendency and promote a more equal economic model: “The government palace will be a museum because we will govern from the street, from within the Andean and Amazonian communities, from the villager organizations” (Diario la primera Peru 2011).

However, his government has had a lot of trouble to communicate with villager organizations. For example, in 2015, a village organization tried to express their common interest against a mining project. The president instead of negotiating to seek a common social interest between the people and the mining campaign, disapproved the attitude of the villagers and in front of the violence proclaimed the state of emergency in the province of Islay.

This government also tries to develop the country in terms of social plans as Juntos, Pensión 65, Cuna más, Foncodes, Beca 18, Qaliwarma, Vamos Perú, trabaja Perú and Compras Perú; Ollanta presents some improvements in different fields such as education or health. Nonetheless, these plans do not include the participation of the social organizations and few of those projects are related to enhance the Social and Solidarity Economy. In general, the government has continued social programs to answer short run problems and it did not have any social policy to improve social economy in the long run.

In addition, the candidates to presidency do not have an extended discourse on social economics as their respective programs show.

Kuczynsky, in his plan of government, has four ideas related to social economy. First, he wants the recognition of the good practices in gender equality for public, social and private organizations. Secondly, there will be work in cooperation with social organization, private companies and society to reduce social conflicts. Thirdly, he plans to give the power to the Superintendencia de Banca, Seguros y AFP (SBS), an entity in charge of supervising the banks, insurance and pension funds, but also credit cooperatives. Eventually, he wants to invest and support agrarian activities reforming the Agrarian Bank to have a real support to producers associations. Whether he will respect and realize his project during the next years is not ensured. However it is clear that improving the sector of Social Economy is not part of his main concerns.

Fujimori in her government plans, first wanted to improve the social programs working with international cooperation, private sector, non-profit organization, social organization and society. Secondly, she was planning to give infrastructure for artisanal fishing and give the administration to the social organization of fishing. Thirdly, she wanted to reactivate the involvement of private and social organizations to develop the underprivileged. Eventually, she wanted to create a superintendence of social investment which will monitor and evaluate social programs. Even though her plans looked more social oriented, it is not sure that she would have been able to change the capitalist tendency that rules the current Peruvian economy.

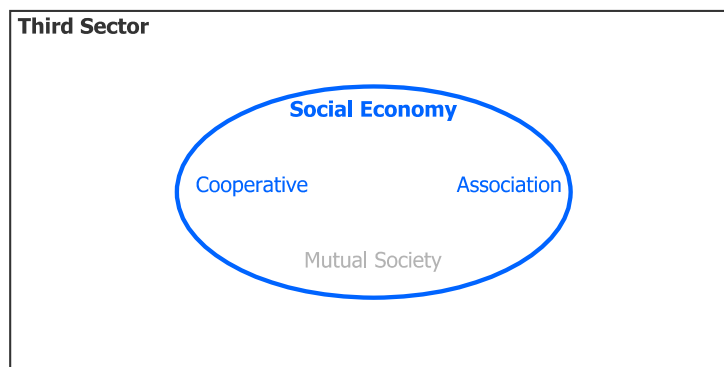
1.4. The Third Sector

In this chapter, it has been shown that the different concepts of the third sector have been implemented at distinct periods in time trying to solve different social problems: from ancestral time, when indigenous people used redistribution and reciprocity to construct a strong economy, to nowadays when people regroup in villages or district organizations to access basic service such as medical insurance, childcare services or education.

1.4.1. Social Economics

The Social Economics movement were prompted by foreign artisanal and workers in the port of Callao. This significant work movement created the first mutuality societies and cooperatives in response to a strong necessity of groups to get credit to fund their own business (Credit cooperatives), to manage their stores more efficiently (Consumer cooperative) or to protect themselves from diverse predicaments (Mutual aid society). In the seventies, the agrarian reform redistributed the lands to the peasants which encountered difficulties to sell small productions. This situation led to a massive integration of peasants into agrarian cooperatives where organization into groups was mandatory and the managerial autonomy principle was not satisfied, leaving terrible consequences for agrarian cooperatives. The last decade, cooperatives were better off maybe because then they understood the real essence of cooperation and its principles after a long history of failures and successes. Nowadays, cooperatives continue to be beneficial for the economy and the social structure as they promote the growth of small enterprises implemented in either urban or rural areas.

Figure 1.1: Social Economy is part of the third Sector. Nowadays, mutual societies does not exist anymore in Peru.

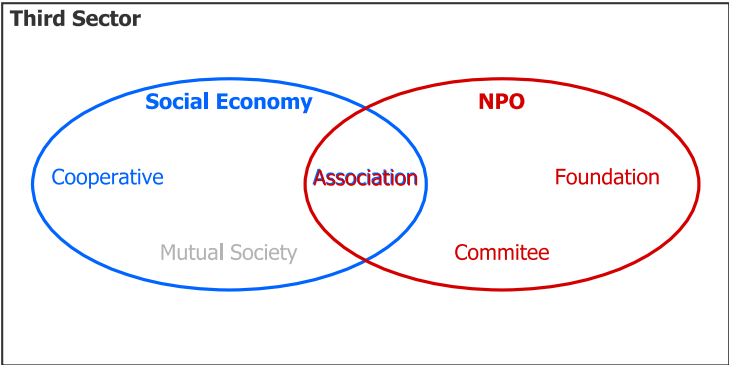


1.4.2. Non-profit associations

When we study associations, it could either refer to the Social Economics or to the non-profit organization, the main difference being the decision-making process. In Peru, a non-profit organization can either be an association, a foundation or a committee; nonetheless the term association includes other organizations that have no specific forms. Non-profit associations emerged in a difficult context the same way

Social Economy did; nevertheless NPO differs from the SE as it does not arise only from external economies, foreign people or movements but also from the Peruvian society itself. In the eighties, religious and nongovernmental organization (external associations) played a major role. However, villager movements were maybe the most important around the country. At that time, they were valuable to help with important social issues such as terrorism or hunger. Currently these organizations are useful to tackle diverse problems as unemployment, malnutrition, the poor education or the expensive medical system. These organizations have been improving thanks to private helps and investments but the state still has to improve by, for example, establishing a better mechanism of control, implementing policies to facilitate the proliferation of these organizations, giving associations more support, resources and responsibilities. The lack of support from the state is one of the most important debates, even when the state recognizes the plurality of the economy, it does not promote the third sector.

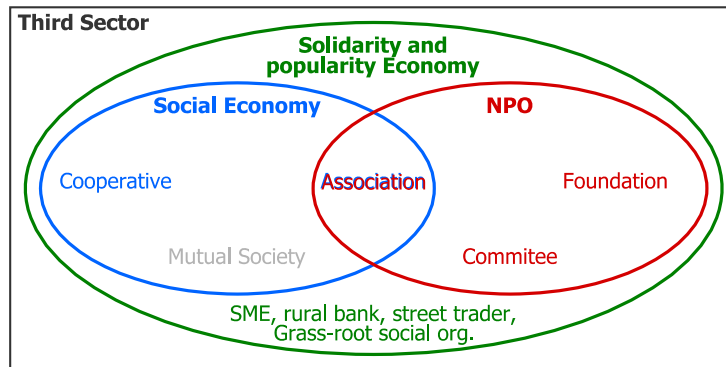
Figure 1.2: Associations are first part of the Non-profit Organization in Peru.



1.4.3. Solidarity and Popular Economy

The Solidarity and Popular Economy is maybe the most complex phenomenon, it comprises the economic, social, political and cultural life. The solidarity represents an alternative production, where work is collective involving family and/or community. Solidarity Economy also reminds important principles such as fair trade, responsible consumption, decent work, etc. Even if a lot of the solidarity practices were born in the informal sector without necessarily considering the principles of Solidarity Economy that we know, they have a long history and strong roots in the Peruvian society. Solidarity practices are useful in the Peruvian economy because they include vulnerable people such as women, older or disabled people in more suitable works. Solidarity practices produce artisanal and traditional goods to maintain the Peruvian culture alive, they adapt services and goods to a larger community (i.e. children nursery), they make cooperation possible between producers and manufacturers and they are present in public and political sphere to protect their social or ecological interests. The Solidarity organizations are seen as SME, rural and municipality banks, informal workers and enterprises, grass-root social organizations, street trade, self-employers, home workers, education center of occupation, technologic institutes, etc.

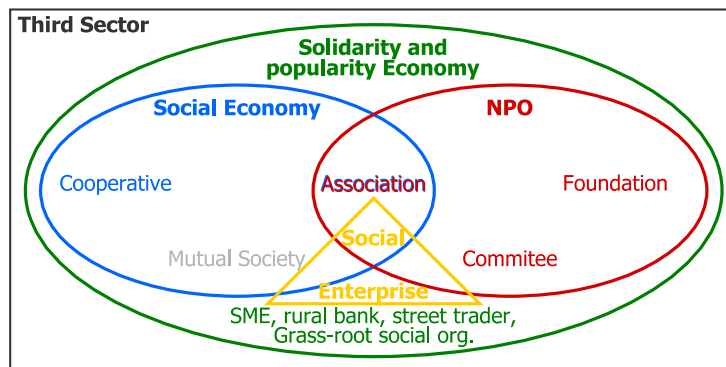
Figure 1.3: In Peru, the Solidarity and Popular Economy generally includes all the organizations of the third sector.



1.4.4. Social Enterprise

The Social Enterprise in Peru is not a well-spread concept and is frequently confused by the population. In Peru, social enterprises are characterized by the pursuit of a social or environmental finality and by a self-financing through commercial activities. There are several cases of social organizations in Peru; they suffer however from competition with foreign, private and public institutions.

Figure 1.4: In Peru, Social Enterprise could be at the heart of the third sector.



2. Forward the Third Sector

This chapter presents different case studies related to Peru which consists in measuring how much the concepts of Social Economy apply to the Peruvian society. To do so, it is necessary to develop a methodology based on the concepts introduced in the first chapter. First we should formulate indicators able to capture the essences of each approach in the Peruvian context: the Social Economy approach, the Non-profit Organization approach, the Solidarity Economy approach and the Social Enterprise (2.1.). Then, we present the criteria chosen for the case studies and give general information about the organizations studied (2.2.). Eventually, we develop the notion of Social Economy approaches for each of the three cases (2.3., 2.4., 2.5.).

2.1. Methodological proposal

We will analyse qualitative data from three cases of organizations expecting to encounter different types of social organizations among the cases, since we want to put in practice all the social economy concepts. To do so, we will use four concepts: Social Economy, Non-profit Organization, Solidarity Economy and Social Enterprise. For each of these, we will have five indicators showing how much an organization agrees with the concept.

Tables 2.1. to 2.4. describe the different indicators for the four concepts (respectively Social Economy, NPO, Solidarity Economy and Social Enterprise). For each indicator, a definition is given as well as a criterion which can be fulfilled at different levels by the organization (0, 0.5 and 1). The indicators definition for Solidarity Economy are partially based on a paper concerning Social Enterprise in Bolivia (Hillenkamp & Wanderley 2015).

Table 2.1: Social Economy typification indicators

| Indicators | Definition | Criteria | Categorical Variable |
|----------------------------|--|--|---|
| Finality of Service | The finality of the organization is to provide services to the members or to the community before the profit generation. | The organization prioritizes the services of its members or/and its community over the profit generation. | 1 – The organization expresses a finality of service that is oriented towards members or communities. 0.5 – The organization has a finality where at least one objective is oriented towards members or communities. 0 – No finality of service is oriented towards members or communities. |
| Social Primacy | Priority of work and members over capital distribution. | The organization can distribute profit but in a non-capitalistic way. It reinvests the surplus in the pursuit of the social objective. | 1 – The organization can distribute profit but in a non-capitalistic way and reinvest the surplus in the pursuit of the social objective. 0 – Profit is redistributed depending on the capital contributions. |
| Democracy | Internal democratic decision-making process. | The participation in the decision making does not depend on the capital property. | 1 – The decision-making process does not depend on the capital property: 1 member = 1 voice in the general meeting. |

| | | | |
|--------------------------|---|---|--|
| | | | 0.5 – The general meeting can be composed of representatives for different entities of the organization 0 – The decision-making process depend on the capital property. |
| Autonomy | Managerial autonomy of the organization with respects to external entities. | Autonomy of the organization regarding external influence such as private and public institutions | 1 –The organization is administratively independent 0.5 –The organization administration is influenced by other institutions. 0 –The organization is administrated by external institutions. |
| Economic Activity | The organization carries out a permanent economic activity. | The organization provides any goods and services to third persons or to their members. | 1 –The organization has a permanent economic activity, it provides goods or services. 0 –The organization has not a permanent economic activity, it provides goods or services. |

Table 2.2: Non-profit Organization typification indicators

| Indicators | Definition | Criteria for operation | Categorical Variable |
|---|---|---|---|
| Formality of the organization | The formality of the organization regarding code of conduct, accounting process, functioning rules, meetings etc. | The organization has an internal code of conduct, accounting process, functioning rules, meetings, etc. | 1 – The organization has an internal code of conduct, accounting process, functioning rules, etc... 0.5 – The organization has a few processes, rules and meetings 0 –The organization does not have any form of functioning structure. |
| Private sector | The organization belongs to the private sector. | The organization is not part of the public sector. | 1 – The organization is not part of the public sector. 0 – The organization is part of the public sector. |
| Independence of the organization | The organization is independent from public or other entities in its decision-making process | The organization is independent: external organizations do not interfere in its decisions | 1 – Autonomy of the organization regarding external entities such as private and public institutions. 0.5 – Autonomy of the organization but with some influences from other institutions (public or private). 0 – No Autonomy of the organization. |
| No distribution of profit | The organization does not distribute profit to its members. | The organization does not distribute profit to his members. | 1 – The organization does not distribute profit. 0 –The organization has no profit distribution. |
| Voluntary participation | There is certain level of voluntary participation. | The organization has some volunteers and donations | 1 – The organization has some volunteers <i>and</i> receives donations. 0.5 - The organization has some volunteers <i>or</i> receives donations. 0 –The organization has no volunteers and does not receive donations. |

Table 2.3: Solidarity Economy typification indicators

| Indicators | Definition | Criteria for operation | Categorical Variable |
|------------------------------|--|--|---|
| Reciprocity principle | The principle of reciprocity and mutual help (vision of common good) in the way of | The members need each other in the production of the service because the organization foresees that material and | 1 – The organization shares material <i>and</i> immaterial goods with a vision of common good. 0.5 – The organization shares material <i>or</i> immaterial goods with a vision of common good. |

| | | | |
|--|--|--|--|
| | organizing the service. | immaterial resources are shared. | 0 – The organization does not share any kind of material and immaterial goods. |
| Social transformation | The organization participates in the Social transformation. | The organization expresses its social finality by working for social transformation | 1 – The organization participates in the Social transformation. 0.5 – The organization has some impacts on the Social transformation. 0 – The organization does not participate in the Social transformation. |
| Principle of democracy and Autonomy | Solidarity is established as a horizontal (egalitarian) social relations and empowerment between the members but also between the organization and the external organizations. | Participation of the members in defining the mission of the organization and the means to achieve it. The organization manages its relationships with external entities in a way that favors its own autonomy. | 1 – The organization has members' participation, its members share the strategic plan <i>and</i> the organization has an autonomy regarding external organizations. 0.5 – The organization has members' participation, its members share the strategic plan <i>or</i> the organization has an autonomy regarding external organizations. 0 – Neither democracy nor autonomy. |
| Popular and Social Economy | The organization has a social or popular finality, beyond profit generation | The organization has a social or popular finality where the most important is the social or popular interests beyond the profit generation. | 1 – The organization has a social <i>or</i> popular finality beyond profit interests. 0.5 – The organization has a social, popular <i>and</i> profit finality. 0 – The organization has a profit finality. |
| Public participation | The organization advocates in public spaces to improve common interests with other sectors. | The organization participates in public spaces where it advocates to improve common interests with the state or private identities. | 1 – The organization advocates to improve common interests more than one time in the last years (5). 0.5 – The organization advocates to improve common interests at least one time in the last years (5). 0 – The organization does not advocate. |

Table 2.4: Social Enterprise typification indicators

| Indicators | Definition | Criteria for operation | Categorical Variable |
|--|---|---|--|
| Private organization with economic activity | The organization is part of the private sector and has a permanent economic activity. | The organization is not in the public sector, it cannot be funded by public resources. The organization is private and it produce goods and/or services. | 1 – The organization is private <i>and</i> it has a permanent economic activity. 0.5 – The organization is private <i>or</i> it has a permanent economic activity. 0 – The organization is not private and it not has a permanent economic activity. |
| Various beneficiaries | The beneficiaries are people of various social economic statues. | The beneficiaries can be people of various social economic status (low, middle or high economics sectors) and members of the organization (through their salary). | 1 – There are various beneficiaries (company and various social economic statues). 0.5 – There are two groups of beneficiary (Special groups and the company). 0 – The only beneficiary is the organization. |
| Social transformation | The organization is born to solve social problems in the society | The organization has an impact in the social transformation. The social value created by the organization solve social problems and gives social | 1 – The social value improves the social conditions. 0.5 – The social value has a few impacts on the social conditions. 0 – The social value has no impact in the on the social conditions. |

| | | | |
|-------------------------------|--|--|--|
| | | transformation to the community. | |
| Social Value | The organization creates a capital in terms of social value. | The principle objective of the organization is to maximize the social value beyond profit value. | 1 –The organization maximizes the social value. 0 –The organization maximizes the economic value (profit) of the company. |
| Sustained organization | The organization is funded by its own commercial activity. | The organization is funded by their own commercial activity that involves sells goods and/or services. | 1 – The organization is funded by their own commercial activity. 0.5 – The organization is funded at least 50% for its production of services and/or goods. 0 – The organization is not funded by its own commercial activity. |

2.2. Peruvian case studies

Three different organizations will be presented in order to study the Peruvian third sector. These cases were selected using two criteria: the occupational and economic sectors of these organizations. The first criterion was established in order to better contrast the results, so we opted for the educative sector. Education is seen as one of the first source of development Peru. However, the state investment in education is too weak which has led to the partial privatization of the education and a diminution of its quality for poor communities. As a solution, many social organizations have emerged to ensure a proper education in the poorest communities. Regarding the economic sector, we limited ourselves to the private sector. Table 2.5 presents general information for the three organizations such as the year of creation, the name, a description and its legal status.

Table 2.5: General information for the three organizations 2016

| Year of creation | Full name | Description | Status |
|------------------|--|--|---|
| 1965 | Asociación Fe y Alegría del Perú (Fe y alegría) | Kindergarten, primary, secondary, alternative (adult students), special (disabled students) and technical schools are located in the poorest sectors in Peru. | Fe y Alegría is a non-profit association. |
| 2002 | Asociación la Buena Esperanza Alabe (La Buena Esperanza) | Kindergarten and primary school located in a poor village "Villa el Salvador". | La Buena Esperanza is a non-profit association. |
| 1986 | La Tarumba Grupo de Teatro (La Tarumba) | Enterprise of circus, theater and music. School of circus, theater and music for children and young people, professional school of circus for young people from 17 and different educational workshops for youngsters and adults, corporative companies and members of social organizations. | La tarumba is a non-profit association. |

For this study, data is built exclusively in 2016. The cases of study are presented following a common schema. Firstly a general profile of the organization is presented, secondly data concerning each indicators are collected, and thirdly a table of the indicators with a graphic summarize the case study.

2.3. Fe y Alegría

Fe y Alegría is an international federation active in Europe, Africa and America. Fe y Alegría has 80 institutions in 20 states of Peru. These institutions are responsible for 89,500 students in kindergarten, primary, secondary, alternative (adult students), special (handicapped students) and technical schools which are located in the poorest regions in Peru. The students are mainly underprivileged and excluded people that the schools try to integrate. Fe y Alegría schools are present in both rural and urban areas. Some of them, especially in rural areas, have a bilingual education (native languages such as Quechua are taught in addition to Spanish).

Fe y Alegría was founded in 1965, but its operations started in 1966 within the poorest areas in Lima. At the international level, Fe y Alegría functions as a federation of the national organizations and is registered as a social welfare organization. The federation has a general meeting and a board of directors. At the national level, the central office of 'Fe y Alegría' is managed by the general board of the association. This board is composed of the general administrator and the governing board which includes the national director, the general secretary and the head of the education department. There are around 30 persons working for the central office. At the local level, each school is managed by the board of directors composed of four persons: the director, the deputy director for primary school and the secondary school coordinator.

The education is free of charge with only a minimum annual administration fee. Firstly, the schools are funded by national campaigns (organized by the organization), international organizations and private organizations. The funds are used to invest in infrastructure and for the schools maintenance. The second source of funding is the state (public sector) which, through an agreement, is in charge of the teachers' salaries. Even though the state helps in the financing and gives the annual curricula, it does not have any power of decision in the schools management. Concerning the private and international organizations, they neither have power on the schools management methods.

The schools try to include teachers, parents and the community in the students' education. Teachers have pedagogical trainings and their work is monitored while the parents are involved in the education of the children but also contribute to the organization through the campaigns and working. Both are key of the students education. The community helps by supporting the funding campaigns and in addition small and medium enterprises within the community hire graduated students.

In Table 2.6, the different indicators for Social Economy, Non-Profit Organization, Solidarity Economy and Social Enterprise are given for to the case of 'Fe y Alegría'. For each indicator, a short description is given and a score is given according to the criteria (see Section 2.1). The data are collected from different sources such as the official

webpage (Fe y Alegría Org. 2016), papers about the school (Repositorio UP 2016) and the statutes of the association (Fe y Alegría 2016).

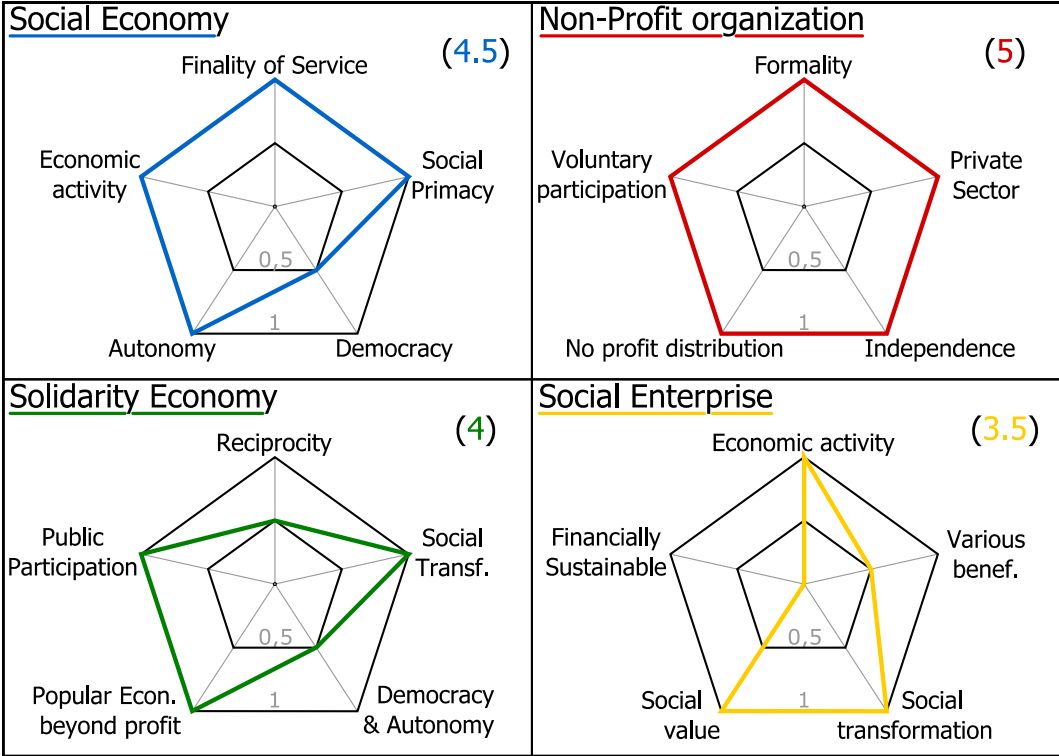
Table 2.6: Typification indicator for Fe y Alegría organization 2016

| Social Economy | Characteristics | Sc |
|----------------------------------|--|-----|
| Finality of Service | 'Fe y Alegría' finality is to serve the community giving a high quality education to its students. They give the tools to improve students' quality of life and enhanced social transformation. | 1 |
| Social Primacy | The schools work to give the tools to improve students' conditions and social conditions, the schools do not distribute profits since the education in Fe y Alegría is free of charge (just administration fee). | 1 |
| Democracy | In the general board (national level), directors and department heads are in charge to make decisions in their field. In each school, the board of directors make decisions respecting their duty of democratic leadership. | 0.5 |
| Autonomy | The central office has an autonomous process of decision making with regards of external entities such as the state and the private organizations (even regarding 'Fe y Alegría' in other countries). The schools take decisions independently of other 'Fe y Alegría' school and other external entities. But it is clear that all schools try to follow good administration and pedagogical practices. | 1 |
| Economic activity | Fe y Alegría schools provide education services to diverse groups of students (regular, adult, handicap and bilingual student). Education service has been given since 1966 and has improved and been permanent until now. | 1 |
| Non-profit Organization | Characteristics | Sc |
| Formality of the organization | The general meeting establishes a general internal code of conduct and functioning rules. The accounting process and other formalities of the school is managed by school. | 1 |
| Private sector | The organization is a non-profit association and each Fe y Alegría school is registered as educational institution, they are part of the private but they have a strong relation with the state. | 1 |
| Independence of the organization | Each school has its own characteristics, for that same reason, each school takes decision in the most appropriate way depending on its context and its identity. The school follows the national annual curricula but is independent from the public sector, the private sector and other Fe y Alegría schools. | 1 |
| No distribution of profit | The schools do not have a profit, the minimum annual administration fee is spent in administration processes and the collected funds are invested in infrastructure improvement, technology or maintenance. | 1 |
| Voluntary participation | Some schools benefit from voluntary participation from college students in activities such as after-school tutoring destined for primary students. They also receive donations. In 2012, the community was responsible for 75% of the funds while private organizations, international cooperation were responsible for 21%, the last 4% come from the organization itself. | 1 |

| Solidarity Economy | Characteristics | Sc |
|---|--|-----|
| Reciprocity principle | The organization shares immaterial goods through strategic alliances with MED, universities, technological institutions and enterprises. It also receives help to improve its educative service through research conducted to find success factors in the Fe y Alegría schools by the 'Catholic University of Lima' or by being part of projects such as "TÁRPUY - Sembrando Tecnología" with the Cultural British Association. The reciprocity principle is complied with related to exterior organizations but not inside the organization itself where members share the same infrastructure but do not necessarily share immaterial goods. | 0.5 |
| Social transformation | The schools participate in the Social transformation, they create social value to orientate the children's life and be able to transform the community. The courses in the secondary level are designed to provide students with extra assets such as a technical qualification. In addition, the schools empower students to be entrepreneurs or to follow a professional career. | 1 |
| Principle of democracy and Autonomy | The general board (national level) and directors take decisions regarding important issues of the organization and share the strategic plan. Both the central office and the schools have an autonomous decision-making process with no influences from external entities such as the state and the private organizations. | 0.5 |
| Popular and Social Economy | The schools have a social or popular finality where the most important is to give students opportunities in terms of social changes beyond the profit generation. | 1 |
| Public participation | The organization advocates in public spaces for common interests. As a result, they have alliances with public organizations (i.e. agreement) and the community (i.e. funding campaign). | 1 |
| Social Enterprise | Characteristics | Sc |
| Private organization with economic activity | The organization is part of the private sector, they are registered as educational institutions but they have a strong agreement with the state (State funded the teachers' salary). Even when they provide a service, they do not receive a payment in return. | 1 |
| Various beneficiaries | The principle beneficiaries are special groups: the parents, the students and the teachers. Parents and students receive a high quality of education with free fee (the normal courses include hands-on workshops in woodwork, clothing, etc.). Some other beneficiaries are adult students (alternative schools), handicap students (special schools) and graduated students without possibilities to go to the university (technical schools). Teachers have more capacitation and support, they have consultation sessions, monitoring and following up on their work. | 0.5 |
| Social transformation | Fe y Alegría school gives a high quality education to fight with inequality and give a real change opportunity in terms of social transformation, where graduated students have the tools to work and change their lives, their family life and their community opportunities. | 1 |
| Social Value | Fe y Alegría is not only schools, it is also a movement of popular education and social promotion. It is essential for the organization to maximize the social value. | 1 |
| Sustained organization | The organization is not sustained by itself. State funds the teachers' salary while infrastructure and maintenance of the schools are funded by different entities: international organizations, private organizations and campaigns in the communities. | 0 |

Figure 2.1 summarizes the score of 'Fe y Alegria' for the different indicators. The general scores of (4.5),(5),(4.5),(3.5) were obtained for respectively the Social Economy, the Non-profit Organization, the Solidarity Economy and Social Enterprise.

Figure 2.1: Summary of the indicators for the case of 'Fe y Alegria'.



First we can see that 'Fe y Alegria' does not comply with the criteria of a Social Enterprise. The main issue is the lack of financial sustainability and variety in the beneficiaries. The association is not managed in a democratic way in the sense that not every member has the same rights in the decision-making process. In reality, 'Fe y Alegria' is an association which is well organized and prioritized from the international level to the local level (the school). Because of this democracy participation deficiency and unverified members reciprocity, 'Fe y Alegria' does not fully comply with the Social and Solidarity Economy approaches. The non-profit approach seems to fit the best to 'Fe y Alegria' as all the criteria are fulfilled. It is a social organization which complies with the definition of NPO from the Peruvian State.

2.4. Buena Esperanza

Buena Esperanza is a school located inside 'Villa el Salvador', a poor suburb in Lima. The association is managed by three persons: the founder, the manager and the director. The organization has around 160 students in kindergarten and primary school. The school provides social care and education to the poorest community trying to improve their life conditions with access to high-quality education, fundamental food (Lunch meals) and medical service (preventive examinations).

La Buena Esperanza was created in 2002, but its operations started three years later due to the lack of infrastructure. The area that the school occupies was a former property of the state initially planned to be a local for the community; however the community decided to give this area to the 'La Buena Esperanza' with the agreement to serve to the community. The school uses a model of constructivism teaching while still following the national annual curricula. 'La Buena Esperanza' gives a new methodology to learn through playing and using the reality where they live. Students frequently go to the street market or to the greenhouse (that they created in the middle of the community) to apply basic knowledge of mathematics or biology.

The school is funded by parents and private enterprises. The parents give a minimum fee once a month; they also contribute to the school in some tasks such as cleaning, helping to construct (greenhouse, school and park), etc. Meanwhile private enterprises give full scholarships to good and poorer students or cover the residual price of the students. The school decisions are taken by the organization (the founder, the manager and the director) with the community (schedule, benefits, nutrition service, month fee, etc.). The organization is autonomous in their decisions since it is a private organization but they are always looking for the benefits of the community.

In Table 2.7, the different indicators for Social Economy, Non-Profit Organization, Solidarity Economy and Social Enterprise are given for to the case of 'La Buena Esperanza'. For each indicator, a short description is given and a score is given according to the criteria (see Section 2.1). The data come from different sources such as YouTube videos (La 1ra Infancia Primero and La Buena Esperanza 2016), a Facebook page (Facebook 2016) and a personal interview with one member of the organization.

Table 2.7: Typification indicator for the La Buena Esperanza organization 2016

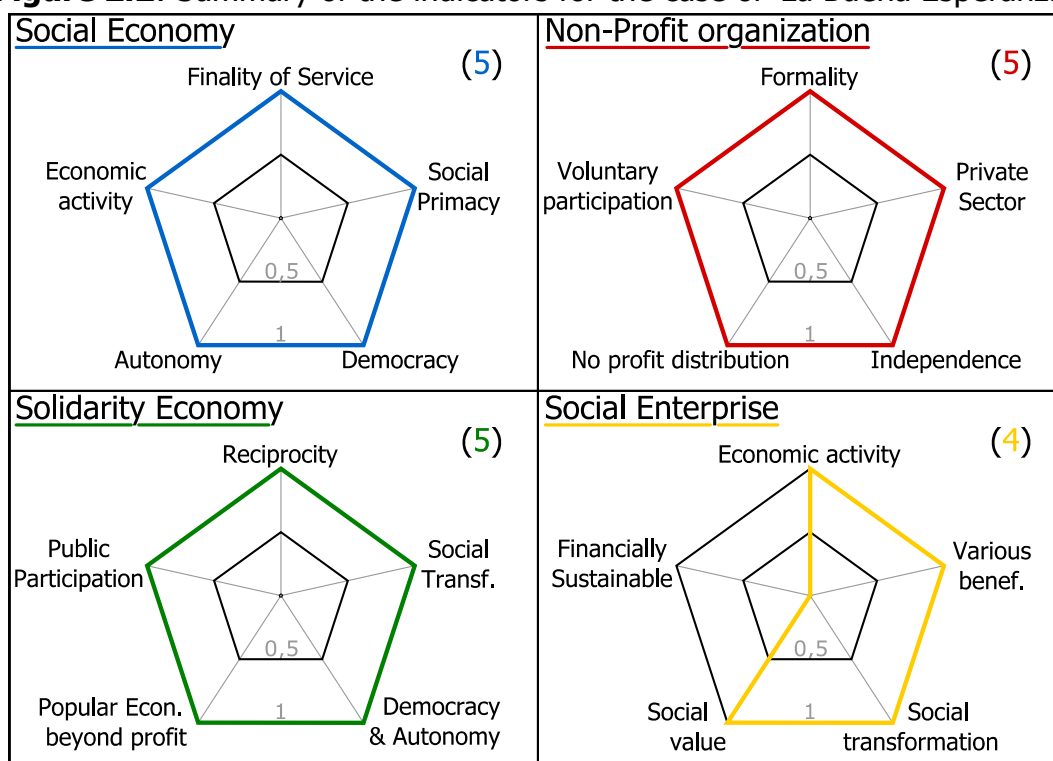
| Social Economy | Characteristics | Sc |
|---------------------|---|----|
| Finality of Service | La Buena Esperanza school committed to improve quality of life for low income families. This finality is achieved through a high quality of education and constructivism teaching. | 1 |
| Social Primacy | The organization does not induce an economic benefit. The school does not distribute profits, the funds are spent in the workers' salaries, infrastructure and the meal. | 1 |
| Democracy | The organization is managed by three persons that all possess one vote regarding decision-making. The internal decision-making process is then democratic and also takes into consideration the pedagogical advisors, the nutritionist, the teachers and the community. | 1 |
| Autonomy | The organization takes independent decisions with respect to exterior organizations (public and private). In addition, it has a strong bonding with the community, for this reason each decision is taken in order to benefit the students. | 1 |
| Economic activity | The school provides an education service in which it teaches with a new method to learn, it gives a lunch meal and medical preventive examination. The school affords an education service which has unbelievably improved and been permanent since 2005. | 1 |

| Non-profit Organization | Characteristics | Sc |
|---|---|----|
| Formality of the organization | The organization has a general internal code of conduct, functioning rules, accounting process. | 1 |
| Membership of the private sector | The organization is a non-profit association and the school is registered as an educational institution, they are part of the private sector. | 1 |
| Independence of the organization | The organization as a private entity takes its decisions alone. Its agreement with the community does not undermine their freedom and decision making process, it just strengthens the school connexion with the community. | 1 |
| No distribution of profit | The schools do not pursuit a profit finality, the minimum month fee does not cover the full price of the fee (it is around the 20% of the price). The principal sources of funds are private and international enterprises. | 1 |
| Voluntary participation | The organization receives volunteers for workshops in arts, theatre, acrobatics and crafts but also for courses of music or English. Volunteers also help with infrastructure improvement and maintenance such as painting, gardening and cleaning. The 80% of the school cost is paid with donations. | 1 |
| Solidarity Economy | Characteristics | Sc |
| Reciprocity principle | The organization shares material goods with the community. The park located in front of the school was built by the school. In this park, they created a greenhouse, the products given by the greenhouse are part of the lunch meals in the school and this space also helps to the learning. The community protects and respects the greenhouse. Thanks to private organizations, the school was able to have a bio-digester and a drip irrigation system for the greenhouse. The school receives help from community and private organizations in order to improve its performance. The members of the organization share infrastructure and immaterial goods as a new methodology to learn and teach. | 1 |
| Social transformation | The school participates in the social transformation, it brings the constructive education which is adapted to the context and teaches the students to be innovative. These students have more assets to enhance their life and community' conditions. The school also makes the community more aware of education and more careful with their park, their school and their children. | 1 |
| Principle of democracy and Autonomy | The organization has an internal egalitarian participation and its members share strategic plans. The organization has a horizontal social relation with other institutions and it has autonomy from them. | 1 |
| Popular and Social Economy beyond profit generation | The school provides a complete service (medical care, nutritional support and adapted education) to impact the future professional life of the students. These students are part of a vigorous community trying to change their life conditions. The organization does not have any profit finality. | 1 |
| Public participation | The school participates in different public spaces advocating for common interests such as improving education, reforming the education system and multiplying the social organization in favor of the education and community. As a result, they are supported by the community, social organizations (Food Bank Peru, USAID, Cross International Foundation, Atocongo Association, etc.) and private companies. | 1 |

| Social Enterprise | Characteristics | Sc |
|---|--|----|
| Private organization with economic activity | The school is part of the private sector, they are registered as an educational institution but they have a strong dependence from the private sector as around 80% of the education cost per student is covered thanks to a private company. The school provides a high standards service, but their students are only able to pay 20% of the fee. | 1 |
| Various beneficiaries | The main beneficiaries are the parents, the students, the teachers, the volunteers and the community. Parents and students receive a high quality of education with a minimum fee. Teachers have more capacitation, they receive support from pedagogical advisors and they have rewards as cultural and pedagogical travels. The volunteers have new experiences and can work to fight for what they believe (from different economic sectors). The community has a high educational ranking of their children, better common areas, visitors from social organizations, collaboration from private entities and finally volunteers (national and international) that help the community. | 1 |
| Social transformation | The organization tries to improve the community's social condition with the children education. The principle cause of transformation for the organization is the human capital that is able to change the families and the community itself. | 1 |
| Social Value | 'La Buena Esperanza' organization was created in order to build real social value in the society. This value for the organization is human capita, community participation in the social transformation and better life expectation. | 1 |
| Sustained organization | The organization cannot cover the normal fee of the students or the cost of maintenance. Social and private organizations fund the operation of the school through grants, scholarships and donations. | 0 |

Figure 2.2 summarizes the score of 'La Buena Esperanza' for the different indicators. The general scores of (5),(5),(5),(4) were obtained.

Figure 2.2: Summary of the indicators for the case of 'La Buena Esperanza'.



The financial sustainability is the main feature lacking for the 'Buena Esperanza' to be considered as a Social enterprise. Regarding the other three approaches, 'la Buena Esperanza' fits them all which could mean that the plurality of the approach is not justified in that case. However, we could clearly state that the 'Buena Esperanza' fits better the Solidarity Economy approach than the three others because of its essence (presentation, interviews, videos) and the strong reciprocity between its members and the community. Even though the indicators do not help in categorizing the organization, considering different approaches is still justified for the study.

2.5. La Tarumba

'La Tarumba' is a famous circus in Peru but also a circus school (Circus, theatre and music courses). The Peruvian organization supports the diffusion and learning of circus arts, theatre and music activities thanks to the circus events and the circus school. 'La Tarumba' is considered as a Social Organization whose finality is to construct a social capital training artists, musicians, actors and artists teachers. It has more than 700 students per year participating in the different courses and workshops.

In 1984, three artists from a street theatre started to build 'La Tarumba' with the great idea to reinforce and develop artistic education. This dream was born on values such as democracy, inclusivity, Peruvian identity, inspiration, etc. Years later, their efforts are transformed into four circus tents, a school, a series of courses, workshops and one professional degree in circus arts. The organization is located in Lima, while the circus shows are performed in important cities of the country such as Arequipa and Trujillo.

The organization is funded by the circus performances and school fees. This allows to fund the administration of the organization and the social programs such as 'Professional Social Circus School' and 'Cuerda Firme' (Firm Rope). The 'Professional Social Circus School' is a professional program of three years dedicated to young people who want to follow a circus career. 'Cuerda Firme' is a regional program that aims to improve the labour insertion of young vulnerable people through the development of social-emotional abilities with a methodology based on the circus art, theatre and the art of music.

In addition to the professional program, young students can benefit from the professional experience of the circus troupe of 'La Tarumba' by participating in their circus performances. The circus troupe is composed of around 35 artists from different nationalities. The spectacle consists in live music (frequently Afro-Peruvian music), acrobatics, dance and domesticated horses. In 2013, the seasonal spectacle 'Caricato' had 110.000 spectators. Each year represents a new season with a totally innovative story and spectacle. The circus and the school are focused on children especially poor ones, even though the spectacles are intended to a general public.

La Tarumba participates frequently in public spaces where they advocate for common interests, as result they have different alliances with national and international organizations. In 2014, an alliance with the BID (Banco Interamericano de Desarrollo) and FOMIN (Fondo Multilateral de Inversiones), allowed to fund 150 students in the school (while before only 20 were funded). The alliance tries to encourage young people (high unemployment of young people compered the adult people) to enter the market thanks to cultural and artistic activities.

In Table 2.8, the different indicators for Social Economy, Non-Profit Organization, Solidarity Economy and Social Enterprise are given for the case of 'La Tarumba'. For each indicator, a short description is provided and a score is given according to the criteria (see Section 2.1). The data are collected from different sources such as the official webpage (La Tarumba, 2016), the Ministry of Culture webpage (Puntos de Cultura 2016), their YouTube channel (YouTube 2016) and email exchange with a member of the association.

Table 2.8: Typification indicator for La Tarumba organization 2016

| Social Economy | Characteristics | Sc |
|----------------------------------|---|----|
| Finality of Service | 'La tarumba' pursuits a finality of service for their members and its community. Their goal is to spread art and cultural education through ludic teaching and respecting their motto: 'the human as a philosophy and team work as a foundation'. | 1 |
| Social Primacy | Even though the organization has a commercial part, 'La Tarumba' pursuits a service finality without any economic interests. The organization does not distribute profit but it reinvests the surplus in the pursuit of the social objective. | 1 |
| Democracy | The four directors form the executive board and take decision together. There are no general meeting where the members can vote. The organization is similar to the one of an enterprise. | 0 |
| Autonomy | The organization takes independent decisions with the guidance of its consultative councils. | 1 |
| Economic activity | The school provides an education service and the circus provides an entertainment service. Both have coexisted since 1984 and they represent the excellence in circus arts around Peru. | 1 |
| Non-profit Organization | Characteristics | Sc |
| Formality of the organization | The organization has a general internal code of conduct, functioning rules, accounting process and other formalities. | 1 |
| Membership of the private sector | The organization is a non-profit association, they are part of the private sector. | 1 |

| | | |
|----------------------------------|---|---|
| Independence of the organization | The organization has an independent decision-making process but follows the guidance of its consultative councils. They are committed towards poor people and children to make them live the magic of the circus and be able to live from it. For this reason the school and the circus take decisions to reinforce their commitment. | 1 |
| No distribution of profit | The school and the circus have a commercial part that sustains students' education, social projects, workers' payments, infrastructure and maintenance. Even if it has a commercial part, the organization does not look for profit from education. | 1 |
| Voluntary participation | The organization do not make use of volunteer work. They do receive donations but they are insignificant in the overall organization funding. | 0 |

| Solidarity Economy | Characteristics | Sc |
|--------------------|-----------------|----|
|--------------------|-----------------|----|

| | | |
|---|---|-----|
| Reciprocity principle | The organization shares material goods with the community in the different social projects as for example the communities' common local. They also work in co-operation with private institutions such as the famous Canadian Circus, 'Le Cirque du Soleil'. Together they share the social programs named 'Cirque du Monde' which empowers the participants with circus arts for their personal development and the reinforcement of values such as solidarity. The organization also receives help from national, private and Latino-American institutions to improve their service. Their last alliance allows the organization to have more students with scholarship. The members like the professors or the artists share material goods and immaterial goods. Circus tents, instruments and spaces are shared by the members. The school and the circus both reinforce the mutual learning of the members. | 1 |
| Social transformation | The school participates in the social transformation as it brings to the community and to the children, the opportunities to live from arts. The idea to create art human capital is not frequently supported and diffused by the society. However the school shows with their first students that it is possible to change people life and a community reality with artistic and cultural education. | 1 |
| Principle of democracy and Autonomy | As the organization is similar to the one of an enterprise, members do not necessarily participate in important issues such as defining its mission and goals but the members share common strategic plans. The organization benefits from alliances with external entities but remains autonomous in its decision-making process. | 0.5 |
| Popular and Social Economy beyond profit generation | The organization plays an important role in the life of young people by allowing them to follow an artistic profession. The school also works with villager organizations and social organizations to diffuse the art education. They do not pursuit economic profit but simply want to share their passion for the circus arts which is the most essential aspect of their life. | 1 |
| Public participation | The school and the circus are present in different public spaces. Thanks to these participations, the school can improve their service and support their finality. | 1 |

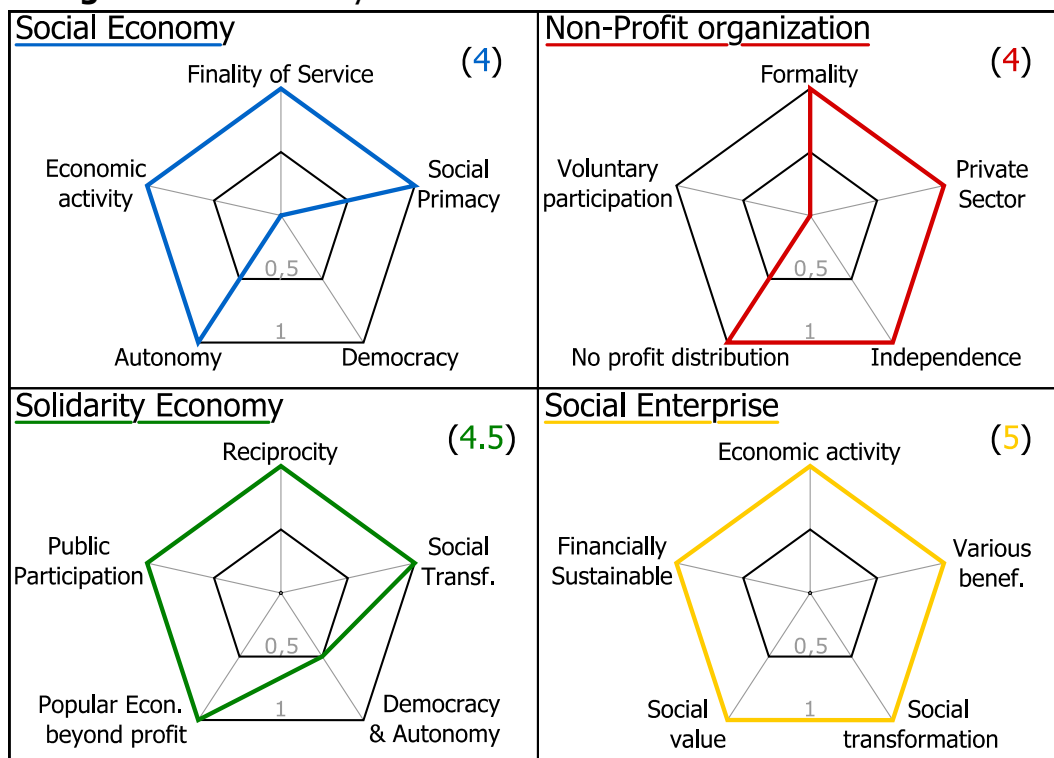
| Social Enterprise | Characteristics | Sc |
|-------------------|-----------------|----|
|-------------------|-----------------|----|

| | | |
|---|--|---|
| Private organization with economic activity | 'La tarumba' is part of the private sector, they are registered as a non-profit association. 'La tarumba' strongly depends on its commercial part. Even though it sustains itself, the association receives help from the exterior in order to provide better services. It provides two different services: entertainment and education service. | 1 |
|---|--|---|

| | | |
|------------------------|--|---|
| Various beneficiaries | The principle beneficiaries are the students. They receive an art and cultural education (from different economic sectors). The fee that they have to pay depends on their standard of living. Teachers do not just work for a salary, they teach because art is their passion. The different workers of the circus have a positive environment and higher responsibility related to the education component of the circus. The community has a better understanding of culture and art. In addition, they have the opportunity to express their own talents and their own culture. They can also send their children to spectacles or to art classes. | 1 |
| Social transformation | The arts and cultural education offer positive externalities such as citizenship (inclusion, identity, team work, etc.), values (respect, equality, democracy, etc.) and social capital. These externalities allow a plural economy, a plural employment and a more dynamic and inclusive environment. | 1 |
| Social Value | When the organization works for social transformation, they create human capital. This human capital is the key and is what the school tries to maximize. | 1 |
| Sustained organization | The organization can cover the 90% of their own expenses. They have strategic alliances to work with private organizations that help to fund more projects, more students and improve the service provided. | 1 |

Figure 2.3 summarizes the score of 'La Tarumba' for the different indicators. The general scores of (4),(4),(4.5),(5) were obtained for respectively the Social Economy, the Non-profit Organization, the Solidarity Economy and Social Enterprise.

Figure 2.3: Summary of the indicators for the case of 'La Tarumba'.



The democracy indicator is not fulfilled which makes the Social Economy not suitable for 'La Tarumba'. Regarding the Solidary Economy, 'La Tarumba' is characterized by a strong reciprocity and popular economy however the members' participation in the decision-making process is clearly missing. 'La Tarumba' does not comply with the NPO

approach because of the lack of voluntary participation (voluntary resources). This can be explained by the essence of 'La Tarumba' which clearly states its desires to be financially autonomous. As a matter of fact, 'La Tarumba' fits all of the Social Enterprise indicators and clearly comply with this approach. In this case, the plurality of the concepts is justified as different results are obtained for the four approaches. However, there is no legal form for Social Enterprise in the current Peruvian law.

Conclusion

In Chapter 1, we have studied the four concepts of Social Economy and their acknowledgment in Peru. The Social Economy approach is less known in Peru than in Europe simply because it has not been the subject of elaboration in the past decades. In addition, we think that democracy which is a pillar of the Social Economy approach has been a lesser concern in Peru (several dictatorships and authoritarian regimes) compared to European countries. There is a clear predominance of the Non-profit organization approach in Peru. The majority of the social organizations are registered as non-profit organizations because there are no other legal forms. Such predominance of the Non-profit organizations can be explained by the greater influence of the United States in South American countries. Solidarity Economy is also part of the Peruvian socio-economic landscape. This is not surprising as the concept of Solidarity Economy emerged from Latin America. The rather chaotic political environment during the eighties and early nineties has particularly affected the Peruvian society. In this context, the poorest communities developed local initiatives (associations, cooperatives, rural banks) organized around central concepts such as solidarity, reciprocity and social participation. Nowadays, those initiatives still subsist and remedy to the breaches of the neo-liberal Economic System implemented in Peru. Finally, the social enterprise is a concept frequently confused by the population. In Peru, social enterprises exist but suffer from the competition with the traditional private sector.

In Chapter 2, we have studied the influence of Social Economy concepts in the education sector through the analysis of three study cases. In order to measure the presence of social concepts in educational organizations, a methodology has been developed. For each of the four concepts, a total of five typification indicators have been created. Applied to three study cases, we have been able to characterize the three different organizations. Firstly, 'Fe y Alegria' corresponds more to a non-profit organization and fits the definition of the Peruvian law with regards of social organization. In the case of 'La Buena Esperanza', the indicators only allowed to dismiss the Social Enterprise approach. However, we think that 'La Buena Esperanza' is closer to the Solidarity Economy approach than other approaches because of the strong reciprocity observed between the school and the community. Thirdly, the case of 'La Tarumba' corresponds more to the definition of Social Enterprise as it is financially sustainable and not especially democratic in its decision making-process.

In the case of 'Fe y Alegria' and 'La Tarumba', the plurality of the approaches is clearly justified as one approach fits better than the others. In the case of 'La Buena Esperanza', the school fully fulfilled the criteria for three approaches (NPO, Social and Solidarity economy), which did not allow to define the organization. However, from the school structure, methods and goals, it appears clearly that the Solidarity Economy approach is preponderant compared to NPO and Social Economy. The plurality of the approach is again justified even if the methodology failed to define the organization.

We think that it is primordial that the Peruvian state acknowledges the plurality of the approaches in Social Economy. Currently, the law only provides legal status for non-profit organizations but does not give the necessary frameworks to legally define all the social organizations existing in Peru. There is also work concerning the acknowledgement of social Economy in the Peruvian Society. Peruvian politicians and academics should debate regarding the place of the Social Economy in the Peruvian Economy and the necessity to take into account the plurality of the Economy. The necessity of discussions is even more critical as more and more social organizations are now competing with the traditional (capitalist) private organizations providing comparable services with sometimes less resources. In fact, social organizations in education are more willing to participate in public spaces. At the same time, national, private and international organizations are more disposed to help especially when it comes to education. Indeed, helping social institutions has a positive aspect for private organizations not just regarding the reputation but also at the fiscal level with reduction in taxes.

In Peru, the middle class is constantly growing, asking for better and different services. Social organizations such as social enterprises can have a high impact in that sector, providing high quality services and receiving financial funds to promote social projects. Studies have been conducted proving the high quality of the educational services provided by these social organizations in comparison with public schools. However these results have not been compared with the ones of private schools. The three organizations presented are evidences of a certain creativity and important efforts. Recreate this model in different cities and others countries can be possible but remains a challenge. Agreements with the state, which partially funds the activities of the organization (as observed for 'Fe y Alegria' teachers), could be a real plus. Indeed, additional funds could boost the organization performances covering for better services (lunch meals) and infrastructures improvement (schools). In addition, it will be necessary to define what is the place of the third sector in the Peruvian Economy. To do so, Social Economy needs to be better acknowledged and discussed both by the Peruvian academics and politicians.

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