



**S**OCIAL AND SOLIDARITY ECONOMY (SSE), with its defining characteristics of community-centeredness, democratic self-management and solidarity within and beyond organizations and enterprises, has increasingly attracted the attention of policy makers and practitioners as a means of localizing the SDGs. Given its association with localized circuits of production, exchange and consumption SSE can be conducive to not only basic needs provisioning but also local economic development based on sustainable production and consumption as well as local reinvestment. Its values and principles centred around democracy, solidarity and social cohesion have considerable potential to reduce inequalities in multiple dimensions. The patterns of production and consumption practised by SSE organizations and enterprises (SSEOs) are more likely to be environmentally sustainable since they tend to be more sensitive to local environmental conditions than those of for-profit enterprises. Further, given the active participation of women, SSE can have a significant impact on women’s economic, social and political empowerment. Above all, as a political economy strategy, SSE denounces, boycotts and combats the structures that generate social, economic and environmental injustice.

In order to provide a conceptual and explanatory framework for the subsequent chapters on the potential of SE to contribute to localizing and implementing the SDGs in Seoul, this chapter answers the following questions: How does SSE affect various aspects—social, economic, environmental and political—of sustainable development? How can it, therefore, contribute to the achievement of localized SDGs? What are the enabling institutions and policies for SSE as a means of implementation of the SDGs? And what are the lessons learned for Seoul based on the experiences of other municipalities so far?

The chapter is structured as follows. The first section introduces various experiences of local development initiatives corresponding to five key areas of SDGs, namely social, environmental, economic, governance and financing concerns. It reviews existing institutions which are the potential means of implementation of the local SDGs and their interaction with SSE. While referring to a wide range of experiences, the focus is on urban cases in middle- and high-income countries which are more relevant to Seoul. The chapter concludes with the challenges and limitations of SSE in realizing its full potential, and with policy recommendations for crafting an enabling environment for SSE and promoting the transformative localization of the SDGs.

## SSE and sustainable development at the local level

Local development initiatives are diverse and complicated, a mixture of different ideological elements and practices. A variety of actors are also involved, including but not limited to: local authorities and national government agencies, employers, trade unions, community and voluntary organizations, development agencies, universities and various SSE organizations such as cooperatives, mutual societies, associations and social enterprises.

Local development initiatives for people, planet, prosperity, peace and partnership (United Nations 2015) address a wide range of issues, many of which correspond to the SDGs and targets. They include: housing, local public transport services, refurbishment of public facilities, management of water, waste, energy and the natural environment, childcare, home help, and support for young people in difficulty (European Commission 1995, 1997, 1998).

Social development initiatives are associated with “people”, environmental initiatives with “planet”, economic development initiatives with “prosperity”, governance relates to “peace”, and financing is a key element constituting “partnership” (Table II.1). The following subsections on local development initiatives particularly focus on SSE’s potential to align them better with the 2030 Agenda.

### S Local social development initiatives

The division of responsibility for the provision of social security and welfare services varies across countries. In many developed countries personal social services may be delivered at the local level by either the local government, as in Sweden for example, or by non-profit voluntary agencies, as in the Netherlands for example (Kramer 1985). Social assistance, home health care, elder care and childcare are some examples of the types of services provided.

The role of non-profit voluntary agencies funded by grants, subsidies or payments for service provided has continuously increased, both in cases where the welfare state has been growing and where it been retrenched. During the 1960s and 1970s, voluntary agencies, including various forms of SSEOs, maintained their number and importance in social service delivery in many welfare states in the global North. From the 1980s onwards, when neoliberal contraction of the welfare state began, the number of voluntary agencies providing social service delivery grew and they become a partial substitute for reductions in the scope of the welfare state, or a complementary mechanism (Kramer 1985).

Various justifications have been used to legitimize the use of voluntary agencies as tools of social service provision. In the United Kingdom, inadequate services provided by local government social service departments and insufficient resources were put forward as major reasons for the change. In the Netherlands, voluntary agencies were considered the providers of choice by users. In countries such as the United States and Israel, the government promoted voluntary social service providers arguing that they could provide more economical, flexible services than the government (Kramer 1985).

In this context, SSEOs in the social service delivery sector have increased in number. For instance, according to a study of the activities of European social enterprises between 2009 and 2010, the most common areas of activity were education, health and social work, and community and social services (see Table II.2). In Europe, these SSEOs are either groups of citizens or social entrepreneur-led social enterprises set up to address new social needs and societal challenges; traditional non-profit organizations embarking on marketization and commercialization of their services; or public sector spin-outs (that is, groups that leave the public sector to set up as independent service providers) (European Commission 2015).

**Table II.1. Local development initiatives and the SDGs**

<p><b>S</b> Social development initiatives</p> <p><b>E</b> Environmental initiatives</p> <p><b>\$</b> Economic development initiatives</p> <p><b>G</b> Governance</p> <p><b>F</b> Financing</p>	Corresponding areas of SDGs	People	Corresponding SDGs	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION
		Planet		7 AFFORDABLE AND CLEAN ENERGY	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND
		Prosperity		7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES		
		Peace			16 PEACE, JUSTICE AND STRONG INSTITUTIONS				
		Partnership			17 PARTNERSHIPS FOR THE GOALS				

**Table II.2. Social enterprises in five EU countries by the reported products and services**

	Industrial Sectors	Business Activities	Education	Community Social Services	Wholesale and Retail Trade	Health and Social Work	Personal Service Activities	Financial Intermediation	Construction	Agriculture, Hunting, Forestry, and Fishing
Hungary	26	23	11	8	32	0	0	0	0	
Romania	0	34	13	0	39	14	0	0	0	
Spain	33	24	21	7	8	0	7	0	0	
Sweden	0	16	17	0	15	0	0	18	34	
UK	20	17	30	13	10	0	0	0	10	
<b>Total</b>	<b>79</b>	<b>114</b>	<b>92</b>	<b>28</b>	<b>104</b>	<b>14</b>	<b>7</b>	<b>18</b>	<b>44</b>	

Source: European Commission 2015

SSEOs provide social services by establishing and strengthening proximity networks to reinforce solidarity within the community and foster peer support among residents (Oosterlyncx et al. 2015, Evers, Ewert, and Brandsen 2014). SSEOs guided by core values of cooperation, democracy, inclusion, solidarity and sustainability provide these services in a way that can also serve to empower local people while responding to their service needs.

While the majority of SSEOE activities are related to education, social work and services, and health care, the full range of innovative local SSEOE services integrated with publicly provided welfare services is quite wide: support for urban agriculture on public land, support for housing self-renovation, early language development of children, public works programmes, urban agriculture, peer mentoring, reflective listening and counselling, prevention visits and inspections to identify risks and hazards, and spatial and urban planning integrated with sectoral social policy (Evers, Ewert, and Brandsen 2014).

However, when SSE delivers local social services as a substitute for reduced services from public agencies in retrenched welfare states, the hoped-for improvements in people’s well-being may fall short. This occurs particularly when the introduction of SSE social service provision is part of the following trends: moving towards targeted social services (that is, selectively provided only to those deemed worthy of support) and a residual approach (that is, when the state intervenes only temporarily when family and private markets cannot meet welfare needs); national social policy shifting welfare responsibilities

to lower levels of government without providing corresponding finance; placing greater responsibility on civil society; greater reliance on market forces; and local governments lowering taxes and social benefits to make themselves more attractive to businesses and affluent households (Mendell 2014, Banting and Costa-Font 2010). In contrast, there are also cases, such as Seoul, where SSE’s increasing role in delivering local personal services was closely linked with welfare state expansion (see Chapter III).

SSEOs involved in the delivery of social services, however, also have the potential to contribute to reversing the policy trend of welfare state retrenchment, particularly in the local context, by engaging with broader policy discourse and practice. A good example of this was in Quebec in the 1990s when federal transfers were being reduced and the provincial government was cutting back on welfare spending. SSE organizations allied with the women’s movement not only actively participated in the new regional stakeholder institutions for health and social services, but also those working on regional economic and social development. As a result of these pressures, the government increased its spending on social infrastructure and expanded policies for proximity services, engaging social economy organizations as service providers (Graefe 2006, Mendell 2003, Banting 2005).

**💰 Local economic development initiatives**

The local economy entails the economic activities taking place in a specific geographically defined area. As a sub-unit of the national economy, it has several features. First, local governments do not have the same control over macroeconomic issues—such as overseas trade and exchange rates—as national government and policy makers. Second, local economies often tend to be more specialized than national economies, as for example in the case of a city relying heavily on the defence industry, or the steel industry. Third, factors of production flow more easily between local economies than they do between national economies due to nearly zero trade barriers, relatively low costs of transportation, easy mobility of labour and capital, fewer national security or political considerations, and (generally) fewer differences associated with language or culture (Clark 2010). Because of these features, it is important for local economic policies to retain local resources by reducing the outflow of capital and labour, to diversify industries, and to align the local economy with macroeconomic policies.

Fully realizing the potential of local resources, both physical and human, has often been considered a key means of local economic development which can counteract, or even take advantage of, the impact of globalization (Valler and Wood 2010, Rodriguez-Pose 2008, ILO 2006, Leigh and Blakely 2017). Policy initiatives with a focus on the local economy and its potential to generate jobs in OECD countries began as early as the 1970s when the global recession hit (Greffe 2007). Local economic development initiatives have also been widespread as a development strategy in developing countries over the last four decades. The weak capacity of many national governments to address locally specific economic and social problems has provided some legitimacy to local economic development strategies. Unable to control exogenous factors like the debt crisis, structural adjustment and massive currency devaluation, and political shocks, many development stakeholders shifted their focus from national to local development strategies (Ruggiero, Duncombe, and Miner 1995).

While national development strategy tends to be top-down, involving a rigid, sectoral approach and large-scale industrial projects or infrastructure investments, local economic development strategy is based on a bottom-up, flexible, territorial-based approach. Local economic development projects that are locally owned and managed and participatory, therefore, respond better to rapidly changing local needs and better utilize local comparative advantages (Rodriguez-Pose and Tijnstra 2005, Canzanelli 2001).

However, locally based economic agents such as small and medium sized enterprises trading mainly within the locality may be more vulnerable to financial and legal problems and corruption than large enterprises. This is due to investment, trade, credit and other macroeconomic policies designed with large-scale multinational corporations in mind (Khanna and Palepu 2000, Rajan and Zingales 1998, Beck, Demirguc-kunt, and Maksimovic 2005)

Providing enabling institutions and policies tailored to specific forms of local economic activity which retain surpluses and profits for reinvestment in the local area is key to the success of local economic development (Bateman 2015, Bateman, Ortiz, and Maclean 2011). In such an enabling institutional environment, SSE plays a significant role in creating a locally based sustainable production, consumption and reinvestment system.

Good examples of SSE contributing to the local economy include local complementary currency schemes, community development initiatives, and local food chains. As such, SSEs generate positive externalities and foster more self-reliant local economies while reducing long-distance trade and its negative externalities. SSEs may also create regional brands with wide recognition. These economic tools can contribute to creating and producing collective symbolic capital (that is, branding which conveys the authenticity and uniqueness of specific local areas, or labelling locally specific goods and services) in a solidaristic manner as in the cases of tourist attractions and local products with global brand names, such as wine growers' cooperatives in Medoc in the Bordeaux region of France (Curtis 2003, Harvey 2012, Barham 2003, Ulin 1996, 2002).

Another important local economic development policy is geographical clustering, or the concentration of interconnected enterprises in close proximity to one another. Clustering allows small- and medium-sized enterprises to enjoy efficiency and flexibility gains from economies of scale which usually benefit only large companies. Successful examples vary, ranging from agriculture to high-tech industries. They can function either within a local jurisdiction or across borders. This has been a popular strategy for local economic development, particularly since the industrial revolution, because of its capacity to foster cooperation and create synergies between enterprises (Porter 1998, Greffe 2007).

A variety forms of SSE such as social enterprises and cooperatives also play a leading role in clustering economic activities. Examples include: wine clusters in California (USA), a woollen textile cluster in Prato, Tuscany (Italy) and Dutch floral industry clusters (Pinney 2005, Cavendish 2002, Gebhardt 2014). Industrial clustering is also significant in developing countries, albeit with varying degrees of success. Successful examples which have attracted the attention of policy makers and academics include: the cotton knitwear industry in Tiruppur, South India; the stainless steel surgical instrument cluster in Sialkot, Pakistan; and wine, fruit and fish clusters in several Asian and Latin American countries (Cawthorne 1995, Nadvi 2007, Galvez-Nogales 2010).

Local economic growth, be it through creating new industries, geographical clustering of enterprises, or recruitment of large manufacturers or retailers, does not always create additional jobs. It may simply move

jobs from one region to another rather than creating new ones. Carefully designed institutions and policies need to be implemented to make local economic development genuinely sustainable and inclusive for all citizens. Rules of thumb are:

- maximize the utilization of existing locally distinctive assets for growth and innovation, such as natural beauty and outdoor recreation, a historic downtown area, local skills and human capital ecosystems, and arts and cultural institutions;
- do not import what can be produced locally; and
- prevent the outflow of resources and surpluses generated by local populations by productively reinvesting them in the local area (Wallimann 2014).

The importance of strategies for import substitution at the local level is key here. In cooperation with local government, SSE can significantly contribute to the practice of this import substitution model sustainably at the local level. Local governments support infrastructure, regulate land use and physical development permissions, and deliver skills training programmes (Oduro-Ofori 2016). These are all connected with localized circuits of production, exchange and consumption. In these areas as well, SSE takes more local-friendly strategies than those of for-profit enterprises which have weak socio-economic ties with, and feel less responsibility for, the local environment and its residents (Wallimann 2014). In the context of a local import substitution process, SSE contributes to retaining a greater share of income and generating tax revenues for the local area by increasing value-added, stimulating demand by local consumers for locally produced goods and services, and creating a virtuous local production, consumption and reinvestment cycle (Greffé 2007). Examples include but are not limited to: community corporations and banks, housing cooperatives, mutual aid societies, car sharing schemes, agricultural cooperatives for community-supported farming, food coops, and local currency systems (Curtis 2003, Douthwaite 1996).

Many SSE organizations and enterprises, including successful cases, however, are under increasing pressure to be more competitive and to expand domestically and internationally. As tensions grow between the need to perform in a competitive market, and cooperative values like economic democracy and solidarity, new ways must be found to mitigate them. Mixed cooperative models, and the corporate

management model used by the Mondragon Corporation of worker cooperatives, are examples of attempts to retain core values while expanding through the creation and acquisition of companies (Flecha and Ngai 2014). Mixed cooperatives retain the organizational structure of a worker-owned company but distribute voting rights to other shareholders depending on the amount of capital the investors, mainly parent cooperatives, have provided. The corporate management model can help overcome certain contradictions inherent in cooperatives' domestic and international expansion when non-cooperative business models are used at subsidiaries. This corporate model provides general guidelines according to which each cooperative establishes a system of self-management at its subsidiaries. The guidelines generally exclude subsidiaries from the decision making of strategic lines of the parent cooperatives (Bateman 2015, Flecha and Ngai 2014, Mondragon 2016).

The design and implementation of supportive public policies by central and local governments, with the active participation of citizens, need to play a significant role in providing local SSE with capital, enhancing technology and managerial capacity, and facilitating better access to markets (Bateman, Ortiz, and Maclean 2011, Bateman 2015).

### **E Local environmental initiatives**

The scale of ecological challenges and disaster risks in cities and human settlements has increased with the historically unprecedented speed and magnitude of urbanization. National (or supra-national, in the case of the EU) environment and climate change policies, however, often suffer from a deficit of information on local diversity. They tend to be less sensitive to the specific environmental and climate conditions of local areas which entail complex economic, social and political relationships as well (Blake 1999).

Local governments and bottom-up grassroots environmental movements, or a combination of both, frequently take initiatives to protect local ecosystems. They include a wide range of programmes, for example to reduce greenhouse gases from vehicles and power plants, building regulations, local energy conservation incentives, renewable energy facilities and a host of other initiatives that may not have climate or environment in their names but affect the ways environmental risks are created, managed and distributed. However, limited financial resources, technical expertise and capacity

to raise the awareness of citizens and mobilize public support often impede the implementation of local environmental initiatives. Meaningful implementation of environmental measures also requires institutions and policies to solve collective action problems (Hardin 1982, Lubell 2002).

Implementation is also impeded when coordination between multiple levels of government is not effective. For instance, local governments sometimes lack the human and financial resources and/or the know-how to fully implement EU policies and regulation (European Commission 2017, Jordan and Liefferink 2004). Supra-local agencies may neither be interested in local environmental issues beyond their authority nor finance locally important environmental issues for which they have no designated budgets. Sometimes innovative local environmental initiatives which demand coordination with other localities or national governments may not be incorporated in the cross-boundary infrastructure projects which are beyond the control of a specific local government (Measham et al. 2011, John 2006).

SSEOs, either independently or in partnership with other local actors, have the potential to address some of these challenges. In particular, SSE can contribute to raising the awareness of citizens and can mobilize public support by using its strong local networks. Innovative financing models adopted by many energy cooperatives demonstrate how SSE can help overcome financial constraints. Renewable energy cooperatives in the global North, such as wind power cooperatives and self-build groups in Belgium, Denmark, Germany, the Netherlands and the United Kingdom, and bio-energy villages organized as cooperatives in Germany, are all good examples (Schreuer and Weismeier-Sammer 2010, Bauwens, Gotchev, and Holstenkamp 2016).

Local environmental management also aims to prevent and reduce the impact of natural disasters by generating widespread systemic changes in local practices and engaging with vulnerable and marginalized people (GNCSODR 2009). Soundly managed ecosystems such as vegetation slopes of dense, deep-rooted trees and shrubs, mangrove forests, wetlands, floodplains and coastal deltas can act as natural protection systems against natural hazards such as floods, hurricanes, tsunami and avalanches. As well as actively participating in the strengthening and management of ecosystems,

SSE, particularly when it is community-based, also plays a significant role in reducing disaster risks. In particular, its contributions to poverty alleviation, food security, environmental protection, group savings schemes, asset redistribution, and provision of basic services such as education and health care, can help prevent disasters and their impacts by reducing people's vulnerability and increasing their coping capacities (Victoria 2002, Shaw 2016). A good example is an SSE organization for waste management led by women in Mumbai, India, which significantly reduced flood damage through maintaining good drainage (Surjan, Redkar, and Shaw 2009).

Local actors, particularly local governments, aim to make sound ecosystems, reduce unsafe living conditions and minimize disaster risk. Proactive participation of residents, particularly those relying on subsistence farming and those whose activities might potentially damage key ecosystems, is a crucial element of this policy effort. One model that aims to support and promote the role of residents in managing sound ecosystems is payments for ecosystem services (PES) (Wunder 2005).

Notwithstanding the criticisms of PES—whether related to their technical implementation or moral objections against the economic pricing of nature—many local schemes, mainly focusing on biodiversity conservation, watershed services, carbon sequestration and landscape beauty, have yielded positive impacts (Grima et al. 2016). Moreover, Grima et al.'s recent study of 40 cases in Latin America (about 90 percent of which are local schemes) found greater success of PES initiatives when SSE entities, such as community-based associations, are the sellers of ecosystem services. They do well not only in meeting mandated goals, but also in improving environmental, social and economic well-being beyond those stated goals. For instance, PES initiatives often involve marketing biodiversity—for example, linking bird conservation with coffee production through certification processes, or developing ecotourism activities connected with wildlife conservation (Kosoy, Corbera, and Brown 2008). SSE organizations involved in environmentally friendly economic activities, such as fair trade and community forestry, were found to be managed democratically and foster high levels of trust with partners, all of which are also key to the success of PES initiatives (Grima et al. 2016).

## **G** Local governance

Local governance is characterized by institutional, organizational and spatial proximity. It is the channel closest to citizens when they access basic social services, participate in public decisions, and exercise their rights and fulfil obligations. Local actors are more likely to experience confrontation and resolution of confrontation between themselves, as they come face to face in a locally constructed space. In comparison with national actors, they can utilize more common collective reference points when creating or enforcing rules and regulations, and they can establish organizations linking actors within a relatively homogeneous cognitive framework. They are more likely to have shorter coordination distances for transport or communication infrastructures than national, regional and global level actors (Gilly and Wallet 2001). These factors provide a favourable environment for making durable compromises of diverse interests in the local context. These local features, however, may also become a source of instability and discoordination, rather than stability and coordination, when the locality is severely divided along such lines as ethnicity and political partisanship (Gilly and Wallet 2001). Establishing democratic local governance systems which can enable coordination of policies, and adaptation of policies to local conditions and participation of diverse groups, is imperative (Giguere 2003).

Since the 1990s, in the context of decentralization in developing countries pushed by major international donors (World Bank 1997, 1999, 2004, United Nations 2009), local governance has become one of the major concerns in international development discourse and practices. In the process of decentralization few countries, particularly in the developing world, created spaces for democratic political competition to enable representative democracy at the local level. Appropriate resource transfers did not occur either. Decentralization in many developing countries has also failed to adequately address the uneven and unequal development of infrastructural and institutional capacities between regions and communities. This asymmetric decentralization has furthered such inequalities, particularly in developing countries, for example in Africa (Olowu 2001). Decentralization without democratic political competition is often accompanied by weak accountability mechanisms or poor governance.

Democratic decentralization which allows competition between political parties, and representative democracy and responsive government at the local level, are

prerequisites for a effective governance at the local level. Representative democracy needs to be balanced with participatory democracy which guarantees open and informed dialogue between various stakeholders with different views within and beyond local contexts. Representative democracy has the potential to reconcile different views and actions, but it can also be a source of fragmentation. It needs to be equipped with the capacity to forge democratic consensus. Participatory democracy can both decrease the possibility of political turmoil caused by unilateral or top-down decisions on sensitive issues, and reveal people's differing preferences (Bucek and Smith 1999, Walsh 1996). Participation should be as open to the public as possible to include large and diverse groups of people at the grassroots level regardless of their political, social, economic and cultural identities. However, without strong solidarity, democratic attitudes and effective design of the participatory mechanism, expanding direct citizen participation in policy-making processes may run the risk of creating tyranny or chaos (Zakaria 2007, Goldfrank 2011). SSE, with its democratic self-management and solidarity within and beyond its organizations, can play a key role in nurturing strong solidarity and democratic attitudes. The positive impact of SSE organizations on their workers' commitment to democracy and solidarity was demonstrable in Seoul (see Chapter V).

Local government is an important actor in multi-level governance. For instance, for most citizens, particularly in economically advanced countries, the first encounter with their national welfare systems and public service provision occurs in the local context. Local governments are often an important point of reference for the quality and quantity of social services (Rose 1999). In fact, local government in both developed and developing countries plays a significant role in the provision, maintenance and where needed, expansion of a wide range of infrastructure and services (see Table II.3).

SSE interacts with local governments in this wide range of areas. For instance, when the fundamental infrastructure of public services is in place, but the market and the state fail to meet increasingly diverse needs and demands, SSE might seek to provide remedies in local areas by establishing new services and goods. In cases where the basic public service infrastructure is not available, or access to available services is limited, SSE may provide services relatively independently from public services (Fekete 2011). When SSE organizations find themselves unable to

**Table II.3. Roles and functions of local governments**

Services	Functions	Role of local and regional governments
Water supply	Piped water supplies and water distribution and treatment; provision or supervision of other water sources	In many countries, local governments are the provider of these. In some, they supervise private provision.
Sanitation and waste water treatment	Provision of sewers and other services relating to sanitation or liquid waste disposal	In most countries, local governments are responsible for this, regardless of whether the service is delivered by state-owned or private companies.
Drainage	Provision of storm and surface drains	In most countries, local governments are responsible for this.
Roads, bridges, pavements	Managing and supervising contracts, construction and maintenance	Usually divided between local and supranational authorities (often according to a hierarchy of roads).
Ports and airports	Managing and supervising contracts, construction and maintenance	Often shared responsibility between subnational and national governments.
Solid waste disposal facilities	Managing and supervising facilities such as landfills, incinerators and dumps	In most countries, local governments are responsible for this.
Electricity supply	Managing connections	Usually private sector provision or a national agency. Local governments may have a role in extending connections.
Public open spaces such as parks, squares, plazas	Provision, management and supervision	In most countries, local governments are responsible for this.
Fire protection services	Provision, management and supervision	In most countries, local governments are responsible for this.
Public order / police / delivery of early warning for disasters	Management	In most countries, the national government is responsible although often responsibility is shared with local governments.
Health care / public health	Provision, management and supervision	In most countries, the national government is responsible although often responsibility is shared with local governments (for example, primary health care).
Education	Provision, management and supervision	Often shared responsibility between different levels of government.
Environmental protection (pollution control and management of toxic/hazardous waste)	Management and supervision (for example, licensing of certain enterprises and markets)	In most countries, national government sets the minimum standards, and local governments enforce them.
Public toilets	Provision, management and supervision	In most countries, local governments are responsible for this.
Social welfare and care	Provision, management and supervision	In most countries, the national government is responsible for this, although local government offices play key roles in many welfare services including care.
Registration of births and deaths	Management and supervision	In most countries, local governments are responsible for this.
Building regulations	Management and supervision	Local government responsibility for enforcement, often some role in defining or adjusting national legislation.
Public provision and maintenance of housing	Provision, management and supervision	In some countries local governments are responsible, or responsibility is shared between different levels of government.
Urban / territorial planning	Provision, management and supervision	Local governments are responsible for this.
Land use controls	Management and supervision	In most countries, local governments are responsible for this.
Local economic development	Provision, management and supervision	More and more shared between national and subnational governments

Source: Author's modification of UCLG 2012, Table 1

avoid contracted-out public service delivery, this is still preferable to the outright privatization of services led by for-profit enterprises. The way public services were contracted out to SE organizations and enterprises in the Republic of Korea during and after the Asian financial crisis is a good example (see Chapter III).

Public-private partnerships between SSE and local government in their various forms create a new mode of governance. SSE organizations and enterprises can have a range of statuses, from consultative status to advocates for causes or the interests of users, or they

may be delivery agents. Because SSE is guided by fundamental values and principles such as cooperation, solidarity and democratic self-management, it can potentially deepen local democracy and strengthen accountability mechanisms, particularly in countries in the process of democratization. Partnering with SSEOs in the delivery of social services can help enhance the legitimacy of local government in contexts of civil conflict or lack of trust in state institutions. Partnership with local government can further empower people within and beyond SSEOs through enhancing participatory and democratic

practices such as interest articulation, protest and alliances with other similar groups within and beyond their localities. Partnership with local or central governments can also provide SSE with an opportunity to increase its policy skills and gain the expertise needed to co-construct policies, as we can see in the case of Seoul (see Chapters IV and V). SSE delivery of public services tends to create an environment which enables better user involvement in the management of services, particularly the participation of hitherto excluded social groups (Bucek and Smith 1999).

Partnerships between SSE and local government focused on basic community services provide a good opportunity for women’s empowerment and can lay the ground for more women’s participation in formal local politics, particularly when there are legal and constitutional innovations to promote and facilitate it. They include quota systems for women and other measures to bring women into local office (UNRISD 2005). Barriers to women’s entry into politics—such as the need to travel and spend time away from home, a reasonable level of education, experience of political competition, and social connections—are lower at the local level than the national level. Research on Kudumbashree in Kerala, India, a state which has a women-friendly government with measures like a women’s quota for village councils, shows that women-led SSE organizations significantly increase positive development impacts in the economic, social and political dimensions (Varier 2016, Kudumbashree 2017).

Depending on the underlying ideologies through which they operate, and the availability of resources, national and local governments have different attitudes and responses to local SSE organizations and enterprises. They range from proactive accommodation as in the cases of Quebec and Seoul, to restraining or persecuting the SSE movement as in the cases of many community-

centered organizations of the 1970s and 1980s in some Eastern European countries (Mendell 2003, Fonteneau and Develtere 2009, Mendell 2014). Even where governments practice proactive accommodation, SSE faces many barriers to deepening local democracy and strengthening local governance. If SSE activities are driven by programmes or projects that local governments initiate or select but which do not have adequate participatory mechanisms, SSE tends to lose autonomy and be dependent on the local government. Such activities can undermine the values of SSE itself such as democracy, solidarity and social inclusion (Mendell 2014, Fonteneau and Develtere 2009). Resource dependence of SSE on the state, be it local or central government, may be linked with submissiveness to authority or the avoidance of confrontation with government bodies, which are detrimental to the emergence of active civil society (Bucek and Smith 1999). Too much dependence on funding from government, and/or specific political parties, can also contribute to a high level of politicization of SSE activities and relations, as well as political factionalism. This may consequently undermine the political sustainability of SSE, which is a rising concern of SE actors in Seoul.

**F Local systems of development financing**

There are multiple sources of local development financing. They include but are not limited to: local government revenues (composed of transfers from higher levels of government, local taxes, and charges and fees), loans and investments from local financial institutions (such as micro-finance and local development banks), municipal borrowing and bond issuance, and ODA dedicated to local governments. Among these sources, local taxes (including charges and fees) and loans and investments from local financial institutions are a particularly significant source of local development financing and thus have an impact on the size and local development impact of SSE (GIZ 2012).<sup>1</sup>

**Table II.4. Attribution of tax revenues as percentage of total tax revenue in OECD countries (unweighted average 2014)**

	Supranational	Central government	Local governments		Social security funds
			State or regional government	Sub-state or -regional government	
Federal countries*	0.5	53.4	16.7	7.6	22.2
Regional country**	0.4	42.3	13.6	10.0	33.6
Unitary countries***	0.4	63.5	-	11.7	24.5

\*Federal countries: Australia, Austria, Belgium, Canada, Germany, Mexico, Switzerland, United States. \*\* Regional country: Spain (constitutionally a non-federal country with a highly decentralized political structure). \*\*\* Unitary countries: Chile, Czech Republic, Denmark, Estonia, Finland, France, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Sweden, Turkey, United Kingdom (a state governed as a single power in which the central government is ultimately supreme and any administrative divisions (subnational units) exercise only the powers that the central government chooses to delegate). Source: Table 2 in OECD 2016 (modified by author).

Local governments' fiscal systems vary according to their responsibilities as well as tax sharing and spending arrangements between central and local governments. Recent statistics (OECD 2016) show that in OECD countries, sub-national levels of government receive 24.3 percent of the total tax revenues in federal countries and 11.7 percent in unitary countries (see Table II.4). The range within these groups is considerable. Of the federal countries, in Austria, for example, only 5 percent of revenues goes to the subnational level compared with 40 percent in Switzerland. In unitary countries, it is only 1 percent in the Czech Republic and Estonia compared with 37 percent in Sweden. Low-income countries with tax revenues amounting to 10–20 percent of GDP (in comparison with around 40 percent in high-income countries) have a very low level of local tax revenues. For example, it was less than 1 percent of GDP in sub-Saharan Africa in 2007 (IMF 2011).

In both developed and developing countries, sound fiscal sustainability is crucial to attaining the SDGs at both national and local levels since a stable tax structure is a major means to consistently improve the level of public services and investment in infrastructure. Challenges come mainly from two fronts: revenue decrease and the mismatch between costs and revenues. A decreased tax base caused by a global or nation-wide economic recession which is beyond the control of local actors leaves local governments with few options to address fiscal problems arising from it. However, if the per capita revenue decrease is due to job losses in a specific economic sector in the local area—such as the decrease in price of a specific natural resource, fewer tourists or the relocation of a major industry, local governments can prepare themselves or come up with solutions. Local governments can save budget stabilization funds during boom times to cover the costs of local structural adjustment such as paying for education and training of laid-off workers. They can also diversify the local economic base to make the economy more sustainable (Greenwood and Holt 2010).

SSE is well-placed to contribute to diversifying the local economy. With its variety of goods and services that meet local needs, it halts the “march towards uniformity in forms of production or monoculture economy” and this can mitigate fiscal pressure due to revenue dependency on a single industry (Corragio 2015).

Legal recognition of the SSE sector, and legal recognition of SSE organizations and entities, also strengthens and increases the local tax base (Corragio 2015). In a context where the informal economy is increasing in size in both developed and developing countries, legitimizing SSE is particularly important. An appropriately designed local tax system, such as a simple and nominal licence fee, can give a formal status to various forms of economic organizations and workers, ranging from street vendors to workers in the gig economy. It helps them to participate in the political process, organize themselves and eventually graduate to the standard tax system (IMF 2011). Some such entities may share SSE values, thereby growing this sector of economic activity. Local government spending can also promote SSE's contribution to social and environmental goals (Akhtar, Haha, and Mikic 2017). The ordinance to promote public procurement of services and goods provided by SSE in Seoul (see Chapter IV) is a good example.

A sound and sustainable tax structure is one that prevents mismatch between revenues and expenditures. One step in this direction is to make economic actors pay for externalized costs (Greenwood and Holt 2010). For instance, land use for residential or commercial development by the private sector often generates spill-over costs which are not incorporated into taxes on that use. These include costs for new roads, transportation, the electricity grid, piped water and sewage systems, schools and hospitals, and potential costs to address environmental problems. These spill-over costs are mostly shifted away from the users of that land and imposed on third parties who gain less benefit than the developers. Typically, the taxes paid by private commercial or residential developers do not cover all the (externalized) costs generated (Theobald 2001).

SSE, which internalizes environmental and social costs while contributing to community wealth, helps to reduce the likelihood of this kind of mismatch between revenues and costs (Millstone 2015). Some ways to avoid the mismatch include but are not limited to: co-production of services; promotion of multi-stakeholder dynamics; the hybridization of commercial, non-commercial and voluntary resources and outputs; environmental protection; enhancement of social and community equity; and participation in and renewal of local governance. These all have a significant impact on reducing social and environmental costs (Fraisie 2013). The usual criteria for determining tax mechanisms,

however, tend not to take into account the potential contribution of SSE in reducing negative externalities. Another important institution of local development financing is financial markets. In many developed countries, local or community banks provide more loans to small and medium-sized companies and start-ups than do large, multimarket, non-local institutions. Although the functions and roles of local banks in supporting the local economy are shrinking, for example when community banks are acquired by large banks, or due to changes in lending technologies and the deregulation of the banking industry, local banks, credit unions and cooperative banks serve the local economy better than megabanks during times of financial crisis (Ash, Koch, and Siems 2015, Manitiu and Pedrini 2016). German credit cooperatives and Italian cooperative banks located in rural areas are good examples (Choulet 2016, Green 2013, Manitiu and Pedrini 2016).

In developing countries, it is the banking sector that dominates financial markets before the capital market develops. However, a combination of factors bars the banking sector from making long-term loans to local businesses and governments. They include: underdeveloped and unstable financial markets, low savings rates, high inflation rates; little competition between banks; lack of legal framework for subsovereign lending; and lack of institutional knowledge and capacity to plan and manage long-term loans for local governments (GIZ 2012).

Various forms of community-based solidarity finance institutions, often called solidarity finance, can help address these problems. They include local credit cards, credit for urban and/or organic agriculture, solidarity exchange clubs, social currencies for local circulation (also known as complementary currencies) and local savings. The vast range of solidarity finance institutions in Brazil provides a good example of how they contribute to retaining resources in local areas and democratizing the financial system through community resource management. Revolving Solidarity Funds and Community Development Banks are particularly influential at the local level across Brazil (de Franca Filho and Rigo 2015).

## Conclusion

Local actors, including governments, businesses, civil society organizations and SSEOs, are well placed to implement the SDGs through their integrated and balanced approach to local development initiatives

with the potential to change the local structures and conditions generating injustice and ensure that no one is left behind. They have a strong sense of ownership of local development and the potential to mobilize resources for the implementation of the SDGs at the local level.

These advantages, however, can be realized only under certain conditions. Local representative democracy should be strengthened and balanced with participatory democracy. The coordination of policies and institutions between different levels of government, an important element of policy coherence, is also necessary.

Social service provision, which is crucial to achieving SDGs 1, 2, 3, 4, 5 and 6, needs to be developed and expanded in a way that strengthens the welfare state rather than replacing it. Policies and institutions to support local economic development need to be established to facilitate the creation of new jobs by local economic actors and the retention of surpluses and profits for reinvestment in the local area. Such policies and institutions can contribute to developing local infrastructure, providing decent jobs and consequently reducing the regional disparities which are associated with SDGs 8, 9, and 10.

National-level environment and climate change policies need to be more attuned to the specific environmental and climate conditions of local areas, which involve complex economic, social and political relationships. While multilevel governance of environment and climate change is the key to success, if there is not a strong local implementation structure, it is less likely to succeed. Active participation of people on the ground is a crucial element of a strong local implementation structure. All environment and climate change related SDGs (7, 11, 12, 13, 14, and 15) emphasize the importance of a strong local implementation structure as well as the need to change consumption and production patterns.

Decentralization has been a major governance reform agenda in many developing and emerging economies, but it involves both challenges and opportunities for governments implementing the SDGs. It has the potential to change public services so that they better meet diverse needs in ethnically or socially diverse settings, and can help to exploit the relative informational advantage of local policy makers. The level of decentralization, however, is still low in developing countries, especially related to tax and expenditure, and local governments end up with a

double burden of resource scarcity and increased responsibility. Fiscal austerity, particularly since the global economic recession of 2008, has further constrained the capacity of local governments to provide adequate social services to their residents (Ortiz et al. 2015). Mechanisms to ensure that local authorities receive sufficient transfers to finance their added responsibilities and establish a sound fiscal structure need to be established.

SSE has a particularly strong potential as a means of implementation of many SDGs at the local level because of its principles and characteristic practices: socioeconomic ties and proximity to a specific locality and its residents, cooperation, solidarity, and democratic self-management. It needs to be enabled by a range of supportive public policies at different levels, mechanisms for effective participation, and innovative forms of financing. In terms of the social, economic, environmental dimensions, and in terms of governance and financing, SSE in many countries has demonstrated the role it can play in either filling gaps left by government or by markets, or transforming unjust structures and institutions.

Like other means of implementation of the SDGs, however, SSE organizations and enterprises also face challenges from within and without, and suffer from conflicting principles, values and practices. More than anything else, neoliberal policy frameworks and governance at the local level draw in many third sector organizations as partners to deliver public services. SSEOs, which may be dependent on subsidies from the government, run the risk of following narrowly defined policy objectives, rather than promoting core SSE values. While government support is helpful for scaling up SSE, it can also dilute its transformative potential and sometimes prevent it from fulfilling its potential to enhance sustainability. Careful institutional and policy design are necessary to promote SSE such that it does not lose its transformative, democratic and solidarity visions, principles and norms.

#### ENDNOTES

<sup>1</sup> The local tax structure—that is, the combination of fees and income, property, sales, excise and other taxes—shapes patterns of development through various incentive (or disincentive) mechanisms for land use, infrastructure planning, social service production and consumption, and investment in particular sectors or industries.

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