



## The Social Economy - Key Element of Sustainable Environmental and Societal Development in Asia

**FABIAN THIEL**

*University of Applied Sciences, Frankfurt/Main, Germany*

*Email: bodenrecht@fabian-thiel.de*

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**Abstract** Cooperatives, associations, partnerships, non-profit organizations (NPOs) and non-governmental organizations (NGOs) are core elements of the Social Economy. Social Economy as an economic and societal development approach could support the sustainable rural and environmental management in South East Asian countries. Examples for Social Economy enterprises are microlending institutions, fishing and rice cooperatives in Vietnam and Thailand, pepper and pottery associations in Cambodia or rural and small scale industry commodities and service associations. The Social Economy needs just and equal distribution of property, but also innovative property tax collection models in order to guarantee sustainable financial support by the governments. The implementation faces several challenges. Existing private property or leasehold rights and large agricultural investment funds could lead to the exclusion of small and medium landowners, family-based farmers and to a lack of institutional support from higher political levels. A system combining different forms of public and private property and good land governance may be the means to bridge the gap between the private right to acquire natural resources and the needs of the Social Economy. The division of agricultural land, natural commodities and the means of production in a comprehensive and equal way between the people is of fundamental importance for the Asian states.

**Keywords** social economy, property policy, secure land use rights, resource distribution, Asia

### INTRODUCTION

The social economy serves as property policy, underlined by an interdisciplinary approach of good governance, law, economy, and land use planning. Asian societies should provide its citizens with opportunities to participate in community-oriented social economies. In developing and transformation of Asian countries, the social economy seeks to empower individuals in taking part of the general economic growth, poverty reduction, and social development particularly in the rural areas. Poverty reduction policies oriented towards sustainability and empowerment need a bottom-up approach where the people own and manage their businesses or communities and where they use the natural resources wisely. Hence, land and other non-renewable resources are essential and indispensable pillars of the social economy. But natural resources as the basic means for production and for any economic activities are limited and getting scarce. Many projects under the wide umbrella of the social economy, for instance the Federal Land Development Authority (FELDA) which initiated the pro-poor land reform, land distribution and cooperative projects in the Philippines, will have to contend with less suitable land for its cooperatives or infrastructure projects.

Challenges for community-based, socially well-balanced rural development and environmental management still remain in several Asian countries until today. The majority of agriculture producers are small and medium enterprises (SME). Respect for the vulnerable urban and rural poor or landless people calls for the bottom-up community organizing approach as an empowering instrument of the social economy. Experiences from the Philippines, Thailand, Vietnam and Cambodia showed that it takes approximately 10 years to organize people until they have built up a democratic, autonomous and self-reliant local community. In this given timeframe,

the social economy enables people to understand the reality of the nature as well as the created environment, to take steps towards effective changes for improving their livelihoods, and thus liberate people from dependency, especially from donor money or monopolistic market participants like agriculture product traders.

### **Theoretical regulatory framework for the social economy**

Cooperatives, associations and independent organizations will be discussed whether these sectors might be used for participatory community environmental and societal development. Thus, this paper provides theoretical discussions and selected case studies of social economy projects. The social economy requires a firm land use planning system, socially well-balanced distribution of property rights and a fair, transparent property taxation to redistribute the revenues to the population in equal shares, particularly in rural areas. In Cambodia, tax revenue from transfer, leasing and selling of land properties rose to 19.51 million USD in 2010. This increased revenue could be used as subsidies for social economy companies or to support social initiative financials. As an innovative land use modality, associations and producer cooperatives for common property resources like land, forests, water and energy are additional instruments for securing existing land tenure of the farmers and SMEs. Land use planning, public land management and property taxation tools may be much more efficient if they are embedded within communal land ownership, land leasehold systems and similar bottom-up approaches to allow grass-root communities to empower collective action in their societies. Hence, the social economy strengthens local communities where people are enabled to share their knowledge and experience, for instance in agricultural extension and marketing. Social economy enterprises should consist of steering committees that will facilitate the framework of business' concepts and their strategy. In the case of operating on the local level, community leaders/managers should call for meetings and moderate the general assemblies. They have the task to communicate with the political authorities and sign documents or issue certificates containing legal registration processes. Moreover, the advantage of co-operation must be evident for every stakeholder in such an enterprise (Ostrom, 1990).

### **DISCUSSION**

Collective action of vulnerable individuals has been of crucial importance for the social economy ever since (El-Ghonemy, 2010; Elsen, 2010). For instance, in the seventies, agriculture and producer cooperatives achieved impressive results in Asian countries like Japan, the Philippines, Sri Lanka, and Thailand, marking more than 400,000 cooperatives totalling 75 million members. At present, cooperatives work as a central element of the Thai and Vietnamese economies. Social economy sub-concepts and terminologies like social enterprises or social entrepreneurship are attracting an increasing interest in Asia, especially in South Korea, Japan, Taiwan, and recently Cambodia. Japan successfully adopted the cooperative idea and cooperative law from Germany in its efforts towards socially-balanced economic growth. In contrast, the historical experience of Cambodia during the Khmer Rouge period (1975-1979) makes it a special case indeed. Due to a private property-oriented, neoliberal land titling policy since 1995, attitudes towards the social economy are still limited. Links among NPOs, NGOs, cooperatives, associations and foundations engaging in rural development are weak in Cambodia. A significant amount of one billion USD as development money for Cambodia in key sectors like agriculture, trade, education, and governance was provided in 2010 by approximately 2,000 NGOs. Based on a lack of donor harmonization, cooperation amongst these NGOs or development aid agencies is still remarkably rare.

Future profits within the Social Economy should be made at organisational, at commune as well as individual levels. Cooperatives must be able to compete with other private market participants and state enterprises. Flexibility of each cooperative organization and adaptability to the changing market conditions as well as experienced, qualified leaders and/or managers are needed. Due to its agricultural potential, Southeast Asia (in compare with regions in southern Africa where numerous experiences with independent organizations exist) could serve as a role

model for the worldwide making of the social economy in order to resemble cooperatives and social movements (Defourny and Develtere, 2009).

### **Key principles of the social economy**

Social and health independent organizations, producer cooperatives, associations, and collective entrepreneurs create the “homo cooperativus”. They open a third way in using of land, commodities, and manpower resources beyond either private property or the planning economy. As an innovative land use alternative, (agricultural) associations and service/producer cooperatives or group rights on common property resources and collective entrepreneurship are additional and important instruments for secure land tenure (Olson, 1965). These entrepreneurs are part of social land policies on global scale in view of the social economy and the people-centred development context (Münkner, 1982; Elsen, 2010). Numerous social economy approaches like *économie populaire y solidaria*, community economy or the *économie solidaire* base on similar key principles as listed below;

- Strictly voluntary membership and exit options
- Autonomy and solidarity (independent organizations as elements of subsidiarity)
- Democracy amongst the stakeholders (principle of “one member, one vote”)
- Independence from the state
- Common public property for resources and other non-renewable means of production
- Equal distribution of profits and
- Self-organization

Public property or public enterprises which operate on state land are typical manifestations of the social economy since they are suitable for land, commodities, energy facilities, industries, service sectors such as banks or insurance companies. The transformation of private land property into public land property in favor of public enterprises and utilities is legally permitted by the majority of constitutions in Asian countries. Compensation for the loss of private property has to be provided to the previous owner(s) but the compensation does not necessarily have to be based on market value, money or on similar incentives. Public social or medical communities, trust arrangements, public funds, commons, public-private partnerships (PPPs) or cooperatives serve as social economy enterprises (see Figure 1 below).

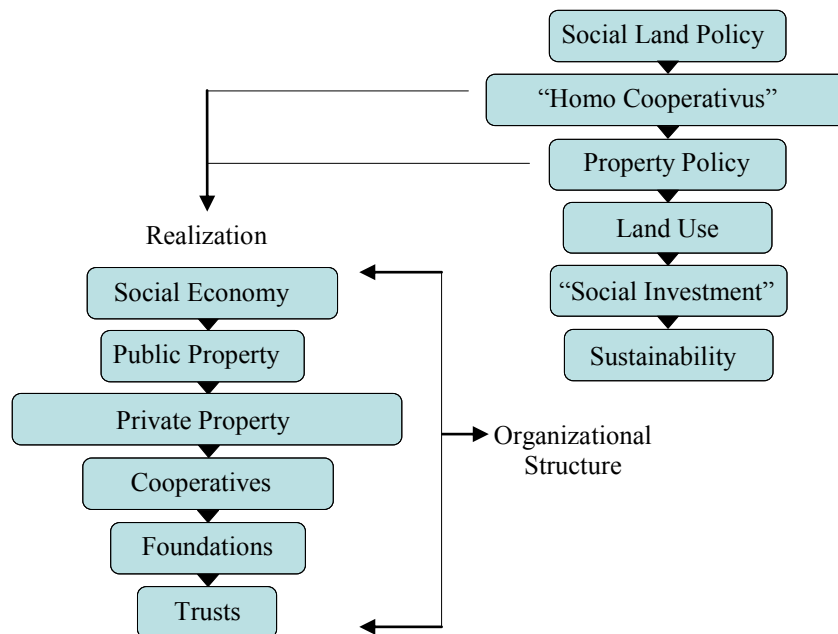
### **Redistribution of land ownership through the social economy**

Within the field of social economy, various definitions coexist like solidarity-based economy, *économie sociale* or social enterprises. Autonomous decisions about objectives, output, strategies, marketing, sales, and management are their common guidelines. Social economy is not equivalent to slow economy. *Économie sociale* is used due to the French understanding and should not be confused with *économie solidaire* which aims exclusively at small, local and regional companies working with a social performance (Jeantet, 2010). Cooperatives are widely distributed enterprises of the social economy and are very successful entrepreneurs. Cooperatives may be suitable for landless and land poor households for residential, rural and agricultural community empowerment. They encourage independent groups, house construction and business communities, income generation and agricultural extension including processing and marketing. Cooperatives and associations can provide access to micro-credit institutions. The Grameen Bank in Bangladesh serves as a highly influential business model. There are numerous cases and best practices of smaller and less known credit cooperatives in other developing countries in Asia, e.g. in Thailand. Cooperatives could build up mortgage communities including long-term value chain business strategies or micro-insurance services. In particular, independent cooperatives which are strongly supported and advised by the Food and Agriculture Organization (FAO) and the International Labour Organization (ILO) rely on institutional arrangements and an environment of political commitment, including financial support.

Land use models using the concept of common property resources (CPR) or community-based natural resource management (CBNRM) with regulations, participation and decentralization strategies for avoiding a land-free-for-all-mentality are still underdeveloped in some Southeast Asian countries like Cambodia and Lao P.D.R. Fair and transparent land distribution and socio-ecological land policies also need a firm land use planning system which is incomplete in Cambodia and other Asian countries like the Philippines (Thiel, 2010). Agricultural associations and service/producer cooperatives or group rights under control of women's groups on common property resources are additional instruments for secure, gender-equal land rights. They can be combined with value chain business approaches. Agricultural extension services are the basis for food security and poverty reduction in many Asian countries like Cambodia, Vietnam or Thailand since about 80% of the population in these countries live in rural remote areas. Moreover, cooperatives and associations can provide access to fair trade systems and mutual public health insurance as the cornerstone of a social safety net. Preconditions for cooperatives, associations, and independent organizations in Asia are;

- Constitutional laws and related sub-laws (rule of law, consisting of land laws, business and commercial enterprise laws, competition laws, cooperative laws etc)
- The creation of property rights, consisting of land as a primary public, local commodity but not as an open resource affected by unlimited and unregulated use

Innovative constitutional and sub-constitutional regulations arrangements for the social economy need laws by the federal government to be finally implemented. The establishment of public communal and collective private property and/or public enterprises for the building industry and real estate as well as for energy like coal, water or geothermal energy, industries and banking or insurance companies could be appropriate social economy strategies.



**Fig. 1 Policy structure and the organizations of the social economy**

### Challenges and perspectives for the social economy in Asia: The example of Cambodia

A viable formula for a socially equal distribution of land as of paramount importance for a just and sustainable planning and property system (pro-poor property policy) – the property basis of the social economy – has yet to emerge in many Asian states. Property policy does not only consist of property rights and the attempts of the legislators to balance private and public interests. A system combining different forms of property and governance may be the means to bridge the gap between the private right to acquire which is easily exercised by those who understand the system and can

bear the transaction costs that legal private ownership entails. The needs and actions of real government efficiency in order to divide land up in a comprehensive and equal way per capita is an everlasting task for the social economy legislator (El-Ghonemy, 2010). Globalization induces structural problems and negative effects mainly in remote rural regions in Asia as it does worldwide. This development causes poverty in broad segments of the population and could lead to migration into cities or urban bias, and may result in problems particularly for farmers and small enterprises, especially due to insufficient resources and lack of access to financial services, working equipment, sales, new technologies, and updated knowledge.

The importance of amending sub-constitutional regulations can be illustrated with the example of Cambodia. An amendment of the existing legal framework – a Royal-Decree for agricultural cooperatives – is currently projected towards the implementation of a modern Cooperative Law. This law on cooperatives should form the basis to introduce successful models (e.g., purchase of farm inputs, bulk buying, marketing, credit and saving systems) to small-scale family farmers and other target groups like SME. Additionally, the law should help to increase the number of officially registered agricultural cooperatives slowly and sustainably. As of July 2010, there were 175 producer cooperatives registered in Cambodia to provide strategic and technical assistance towards the formation of cooperative federations and marketing systems like worker's unions (v. Walther, 2010). However, the recently drafted Cambodian Law on Associations and Non-Governmental Organizations ("NGO-Law") established procedures for mandatory registration, operation and termination of domestic associations as well as international NGOs. In particular, the law sets minimum numbers of founders or initiators (21 founders for associations and 3 initiators for NGOs). Foreign NGOs will have to collaborate with Cambodian governmental institutions which can examine the financial status reports and properties of associations and NGOs at any time. Registration and reporting requirements are comprehensive and a lack of clarity on applications and postponements or dissolution can be observed. In light of the registration procedures, the administrative "NGO-Law" could be seen as a contradiction to the existing Civil Code of Cambodia which also sets rules and procedures for associations and communities.

The Kampong Cham experience of founding and running a pepper farmer cooperative also shows that Cambodian farmers are strongly interested in organizing their own producer units. Since November 2009, different meetings with local farmers' groups were held to prepare the guidelines and discuss the future cooperative's role and its function. Pepper fields were extended from 450 hectare to around 550 hectare in 2010, equivalent to 1.1 million poles. The first assembly in March 2010 established the "Dar-Memot Pepper Development Agricultural Cooperative". The farmers were trained on organic plantation; a cooperative shop supplies organic fertilizer and pesticides. The cooperative was registered at the end of May 2010. Credits for poor pepper farmers were given by the cooperative (Glatzel, 2010).

## CONCLUSION

Land property, land use planning mechanisms, and social property policy as basic elements for the social economy in Asia as well as around the globe should include;

- Just and equal distribution of property: different property forms and tenure securities for land beyond the private property rights solution for the use of non-renewable natural resources and any immovable properties
- Effective and efficient state land management with non-transferable public property
- Leasehold tenure contracts, combined with innovative property taxation collection models (redistribution of the ground rent for the benefit of the people as an 'add up')
- Property steering function of the spatial/land use planning policy (property policy)
- Reduced transaction costs for the access to fertile land, but avoiding the 'tragedy of the commons'

This review allows a number of final conclusions. How can better governance be achieved through the social economy in view of uncontrolled land consumption, urban migration and a

socially still unbalanced distribution of property rights, in particular of land use rights? Neutral land use planning – bare of private speculative interests – and property taxation can be achieved, as mentioned above. Due to globalization, the bilateral and multilateral donor organizations involved in the rule of law processes, those especially engaged in social economic reform activities in developing countries in Asia, are far more focused on the property rights reform than at any time in the last half century.

In the year 2000, neoliberal interpretations of property models dominated and were seen as a necessary foundation for development according to the Washington Consensus. The concept of the social economy was hardly discussed in scientific publications. However, times and property interpretations are changing rapidly nowadays because the private property rights orientation no longer holds everywhere in the world (Barrera-Hernández, 2010; Riddell, 2008). There is less agreement on how to resolve land and other natural resource allocation decisions and conflicts than it was at the end of the previous decade when that neoliberal model of private property rights had nearly universal acceptance (Riddell, 2008; Bromley, 2008). Today, social economy, pro-poor land policy, public/private land property management, and land use planning policy need framework arrangements guaranteed by the institutions responsible for rural and urban development.

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