



Social Enterprises in Argentina

(country report)

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Abstract¹

The development of social enterprises in Argentina follows a unique interaction pattern related to the scheme of articulation of the State, civil society and the market. The model of State that has regulated these ties has also changed over the years, shifting from a liberal State, with little intervention in welfare dynamics, except in education (leading the first social venture experiences to focus on the areas where the State was not strongly present, with a number of legal formats, including cooperatives, mutual funds, civil associations, etc.), to a model of State that, in the mid-20th century, had a strong involvement in delivering other social services. Then, at the turn of the century, the State moved to a scheme with a lesser presence in those areas. In the early 21th century, the State became more engage in social dynamics, and this scheme currently seems to be changing once again. At the same time, economic dynamics have also suffered strong fluctuations, with severe social, economic and institutional crises.

This evolution has fueled the emergence of social organizations that, in the early 20th century, were closely associated with several religious groups, immigrant communities, or working classes, later emerging increasingly in several industries and focusing on several social services. Against this backdrop, social enterprises in the second half of the 20th century concentrated primarily on delivering a number of social services (largely in education and healthcare). Only in the late 20th century did these dynamics seem to give way to more dynamic corporate foundations, socially inclusive ventures, etc.

In the late 20th century, amidst a critical setting, many scarcely professionalized players emerged, building emergency social ventures (garbage collectors, failed business companies taken over by workers). At the same time, though with greater momentum in the past decade, a shift started to change the traditional dynamics of Argentine social enterprises, which only offered social services earlier and have begun to focus on several kinds of goods and services. Thus, social enterprises have started to show greater management professionalization and sophistication, while the public has become more interested in social issues, and a growing number of organizations have been created to work on this sector's research and training. In this environment, social venture accelerators and more complex social enterprises are emerging and concentrating on several issues. At the end of this period, discussions were underway to provide a specific legal framework for this sector considering recent changes in its dynamics as well as the cross-penetration of social enterprise, private, and social realms' rationales.

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1. INTRODUCTION

For the purpose of this report, social enterprises are considered as Civil Society Organizations (CSOs) that build market initiatives using several business schemes and models. Unlike its counterparts in other countries, this sector in Argentina displays little identity and homogeneity thus far, but it seems to be changing, as described below.

Traditionally, religious and social movements created production schemes that focused on the development of vulnerable groups. However, in an increasingly competitive market that breeds inequality, social enterprises are breaking new ground, proving that it is possible to yield profits while caring for the environment and contributing to solve latent social problems. Organizations such as cooperatives, production ventures stemming from social organizations, and recovered factories are but a few examples of this new trend, under the search of a more humane economics.

Social businesses or enterprises do not have a clearly-defined approach. Their advantage lies in their very high impact potential, as they try to combine the best of social organizations and private businesses. Still, in Argentina, a number of significant challenges associated with social enterprises' production, legislation, metrics, governance, and access to funding, among others, remain unsolved (Cardenau, 2012).

Thus, a social enterprise provides a self-sustainable initiative that pursues a social goal following market rules but does not seek dividend distribution. This means that all its profits are reinvested to improve its product or service. In other words, social enterprises are initiatives carried out by CSOs and created to use markets to solve environmental and social problems, with decisions focusing on the solutions to those problems and financial gain used as a means to that end.

Roughly, it may be safe to say that there are two kinds of social enterprises: those whose production processes create job or income-improvement opportunities for vulnerable groups, such as small farmers, handicapped people, and youths at risk, and those relying on a social business to provide benefits, making it possible for poor segments to access products and services that prove critical to improve their living conditions, such as healthcare, running water, or housing (Martin & Osberg, 2007). These initiatives are committed –and willing to pay for the costs– to adopting this new approach that crucially changes their entire enterprise operation, as it influences their governance scheme, their production chain, their ties to all stakeholders, and their pricing policies.

On the downside, social enterprises run the risk of losing their business focus, as their goal is not to push sales and income to rake in greater profits but to meet growing needs. As a result, having a clearly-defined business model, with a rational understanding of its limitations, proves instrumental. In this type of projects, sales rates are not as meaningful when it comes to showing a social enterprise's development; rather, the most important value created is providing a decent job to the largest possible number of people or mitigating a social issue that has been largely neglected (Moizer, 2009).

As the goal is to address needs that business organizations do not meet, a great challenge for social enterprises lies in raising the seed capital required to launch a social

impact initiative. To this end, it is necessary to build creative funding mechanisms that suit the specific requirements of this sort of ventures. In addition, social enterprises typically engage their business stakeholders –customers, partners, workers– in their governance scheme choices, and, while this does allow for interactive, horizontal decision-making processes, it may also make them slower and more complex.

In Argentina, an example of this type of enterprises comes in the form of labor cooperatives and companies salvaged by workers after widespread bankruptcies in the wake of the 2001 crisis.² In these cases, initiatives hinge on shared self-management, which translates into a collective engagement in all processes. For example, cooperatives' governance scheme features a Board that serves as the executive branch of the firm for decision-making. Everything is decided in general meetings, and a direct democracy system is used to discuss all topics –from raw material inputs to output scheduling and quantity, sales and profit sharing³.

As we shall see, the Argentine version of social enterprises shows several advantages and challenges. Among the first, we would see that they are making advancements on addressing social and environmental issues, while including in a sustainable fashion to social segments otherwise neglected or unobserved by the market or the state. The challenges they face, as we shall demonstrate, are several, but are grouped within two dimensions, one of them internal, regarding its weak professionalization (lack of metrics capturing its social impact, a typical structural design that usually don't facilitate the possibility of the SE to meet both its needs and its social goals), and the other one external (regarding the lack of specific legislation that enable, promote or safeguard them as SE).

2. HISTORY AND DEVELOPMENT OF SOCIAL ENTERPRISES IN ARGENTINA

2.1. Areas and Fields of Operations

Cooperatives and immigrant communities' initiatives started providing social services in the late XIX and early XX century. Their approach, which prioritized social service delivery, prevailed until the late 20th century. However, a new approach started to emerge gradually; the Third Sector began to grow steadily in the 1990s, favored by a broader change in the interactions among the national State, the market, and Argentina's civil society. At that time, the supply of some social goods and some economic activities that were managed by the State were transferred to players associated with Argentina's civil society. Thus, as noted by NESST (2008: 11), "In the 1990s, the number of nonprofit organizations increased significantly. In 1999, the CENOC (National Center for

²Para más información verFurther information at:

http://www.nodo50.org/derechosparatodos/EmpRecu/Home_empresas.htm. Accessed on: 06-13-2016.

³ For the purpose of this report, the analysis does not include: a) social businesses developed by CSO that are not focused on social inclusion, b) income generating activities developed by CSO but unrelated to their mission.

Community Organizations), which reported to the National Social Welfare Ministry, counted some 80,000 CSOs across the country; by 2005, the number rose to 105, 000.” Interactions between CSOs and social, private and public agents has improved (ibid), albeit in a more competitive setting for CSOs, as they need to vie for the decreasing funds provided by international cooperation agencies. Additionally, private players not only have a more professionalized approach to their ties with the Third Sector, but they primarily request aligning their interactions with CSOs to their business endeavors. After the State engaged strongly with social agents and got more involved in social dynamics for a decade, currently a new rationale seems to be emerging. Against this backdrop, compounded by lower economic growth, social enterprises in Argentina are increasingly betting on self-funding via product and service sales.

2.2. Relations to other sectors (market, state, civil society sector)

The ties linking these players to the State and other agents may be traced back to Argentina’s origins and even before the nation declared its independence from the Spanish crown (Di Stéfano et al 2002, Campetella and González Bombal 2000). This history may be divided into periods according to socio-economic development, political and social dynamics, and Argentina’s international standing. Indeed, the first period, spanning from the last quarter of the 18th century to the declaration of Argentina’s independence (1816), was marked by the Catholic Church’s strong influence and its social assistance organizations. Then, the country underwent a process, with the federal State failing to consolidate as a result of internal clashes, in which organizations of the now-called Third Sector were managed by high-society ladies, focusing on charity and depending strongly from the public administration.

Based on the periods described by Campetella and González Bombal (2000), after 1880, with Argentina’s National State consolidation, European immigration waves, the domestic agribusiness export scheme, and close ties between public and private realms, a gradual shift unfolded in the relationship of civil society with the State and in the public arena: while aid organizations continued to thrive, institutions associated with immigrants and the working class started to grow. In the 1920s, male political engagement started to open up, and Argentina’s civil society began to show a greater involvement of cooperatives, mutual funds associated with immigrant communities, labor unions, and grassroots political organizations (socialism, radicalism, etc.). Yet, as a result of the international crisis in the 1930s, the political impact in Argentina paved the way to a coup that curtailed involvement and thawed the vigor of the organizations that had grown in earlier years to return to a charity-based scheme, with the Catholic Church playing a significant role.

After World War II (WWII), Argentina experienced the rise and boom of Peronism, whose populist approach led to broader social and political rights. Interactions between the regulatory State and civil society grew stronger, and, in that setting, several large labor unions were created in several industries, with associated health services provision (see below), and neighborhood political organizations tied to Perón’s political

movement, while the “Sociedad de Beneficiencia” (an historical charity organization run by traditional women), associated to groups opposing Peronism, was officially dissolved. In mid-1955, Perón was ousted from government, marking the beginning of a new stage that lasted until 1983, with strong political instability and several military coups. In a polarized setting, social organizations did not escape the rule, and some were seized by the successive military regimes, while, with support from foreign foundations, a number of new organizations, primarily in the social sciences and human rights fields, emerged and provided shelter to political opponents while national universities were ravaged. Against this backdrop, labor unions, associated with Peronism, still continued to weigh heavily in Argentina’s political and economic dynamics.

The return to and consolidation of democracy starting in 1983 brought a more autonomous civil society, with the State gradually withdrawing from the economic and social arena, mostly since the 1990s, which led organized players in civil society to move to fill voids. The role of multilateral agencies to promote, fund and support Argentine CSOs’ greater social and economic involvement became a relevant feature in the 1990s. At the same time, organizations associated to business companies started to emerge.

As a result of the social, political and economic crisis that besieged Argentina in 2001 and 2002, the role of the State over the next decade changed, as the State became a key agent in the nation’s social and economic dynamics. As result, some civil society players, who favored this approach, developed strong ties with the State, while others, with differing approaches, were kept at arms’ length. In addition, civil and human rights became more widespread, largely supported by organizations in these areas.

In late 2015, a new government, with a different political stance, took office, and, while it is too soon to make an educated assessment, the new administration seems to view the State’s role as less directly involved in the country’s economic and social dynamics, with a closer approach to other international players and to multilateral agencies that was not seen in the previous period. In this setting, a number of official initiatives have pointed to the intention of building a consistent legal framework for social enterprises (legislation bills for triple-bottom-line companies, as discussed later, etc.) and to support this sector’s development.

2.3. Country-Specific SE Forms and Development Paths

There are several specific social enterprise formats, with cooperatives and mutual associations standing out as the oldest organizations, as they date back to the late 19th century, supported by immigration, working class growth, and economic expansion. While mutual funds were a typically urban phenomenon that helped workers and immigrants to access healthcare and social security services, cooperatives started out as a typically rural phenomenon, as settlers and farmers from different stocks organized their farming operations. Gradually, cooperatives expanded to other sectors in addition to farming. Thus, especially in hinterlands areas that held little appeal for business companies, cooperatives emerged to provide utilities, such as electricity and telecommunications. Loan, insurance, labor and housing cooperatives were also

created” (Roitter and González Bombal 2000: 21). In recent years, as a result of the economic crisis that plagued Argentina in 2001-2002, workers took over some organizations abandoned by their former owners, with these so-called “recovered companies” (Vieta 2013) largely adopting a Work Cooperative format.

Another type of organizations that have traditionally operated as social enterprises have adopted the Civil Association format –i.e., organizations that emerge when a group of people come together, sharing their ideas and efforts to accomplish a common end (such as nonprofit associations built by hospital and school users, ethnic community organizations, neighborhood associations, etc.). A third kind of nonprofits encompasses Foundations (for example, corporate, social aid, medical or educational foundations) –in a few cases, created with the financial support of one or more individuals (Roitter and González Bombal 2000), but largely dependent on donations and/or revenues from good or service sales.

More recently, new formats are starting to emerge, like Nonprofit Civil Associations created as Corporation (as described below with the Njambre case). The recent enactment of a new Civil and Commercial Code and the debate about a specific legal framework for triple-bottom-line companies clearly show this sector’s growing complexity and dynamism, with profit and social value combining and rendering traditional organizational formats (private companies, cooperatives, etc.) obsolete. To complement this analysis, see Section 3.3.

3. POLITICAL AND ECONOMIC ENVIRONMENT

3.1. Political environment

Section One in Argentina’s National Constitution establishes that the Argentine Republic has adopted a representative form of government (which means that the people rule the country via its representatives), republican (referring to the people’s sovereignty by means of free elections, their equal standing before the Law, the division of power –in the Executive, Legislative, Judiciary, and Public Ministry branches), presidential terms, etc.)– and federal (consisting of autonomous –though not sovereign– states called provinces in Argentina). Argentina consists of 23 provinces and the Autonomous City of Buenos Aires; they all have their own constitutions, collect some taxes, organize their branches of power, etc. In turn, every province is divided into departments that encompass a number of municipalities each.

Argentina’s political system features a strict separation of the branches of power; its national legislative power consists of two houses and includes minority representation, with a multiparty system in place –albeit showing a strong historical dominance of several fractions within the Peronist movement (PJ) and the radical party (UCR). In large urban hubs (Buenos Aires, Córdoba, Rosario, Mendoza, etc.), mostly located in the country’s central region, political dynamics differ from the pattern established in Argentina’s northern and southern regions. Thus, in major cities, representation forms seem to be more dynamic, with a strong influence of mass media, while northern and

southern provinces display local leadership schemes with deeper roots. The lower social and economic development found in these areas (especially in Argentina's northern region) makes this analysis more complex.

Argentina is part of Mercosur, a regional integration treaty initially forged by Argentina, Brazil, Paraguay, and Uruguay in 1991 (Venezuela and Bolivia later joined in, in 2006 and 2014, respectively). This bloc's influence –and particularly that of Brazil– is relevant in economic affairs (as a result of export quotas, etc.) rather in politics. Ever since it consolidated as a nation, Argentina typically –and to a greater or lesser extent– looked at Europe and, later, the United States as political, economic and cultural beacons. Also, in the late 1970s, 1980s, and mostly in the 1990s, multilateral agencies played a significant role in Argentina's political and economic dynamics, while, in the 2003-2015 period, the country strengthened its ties with Latin American nations and other non-traditional global partners. At present, Argentina seems to be refocusing its international relations, once again drawing closer to Europe, the United States, and multilateral agencies.

3.2. Economic Environment

When presenting official data, it should be noted that Argentina's National Statistics and Census Institute (INDEC, for its Spanish acronym) warns users that “the statistical series published between January 2007 and December 2015 should be regarded with reservations. INDEC, based on the faculties assigned to it by the Executive Order Nbr. 181, dated December 21, 2015, and Executive Order Nbr. 55, dated January 7, 2016, has decided to make the required probes to establish the adequacy of its data collection, data processing, metric elaboration, and dissemination procedures.”⁴

With this caveat, we point out that we have preferred to use World Bank data as much as possible, based on its apparently greater reliability.⁵ As of 2014, Argentina had a population of 43 million and a GDP of nearly USD 538 billion, which means a per-capita GDP of over USD 12,500 at current prices. In 2014, inflation stood at nearly 30%, while unemployment did not exceed 7% according to public institutions, the Gini index neared 0.367,⁶ and 10% of the population lived in poverty.⁷ Private estimates however put these figures into question. With no official data available, it is estimated that, after a local currency devaluation in late 2015 that affected prices, this year's economic indicators will point to a lower GDP, higher inflation and unemployment, as well as the impairment of other socio-economic metrics.

⁴ http://www.indec.mecon.ar/nivel2_default.asp?seccion=E&id_tema=3. Accessed on: 06-24-2016.

⁵ http://databank.bancomundial.org/data/reports.aspx?Code=ARG&id=556d8fa6&report_name=Popular_countries&populartype=country&ispopular=y#. Accessed on: 06-24-2016.

⁶ <http://www.telam.com.ar/notas/201506/110054-distribucion-del-ingreso-indec-coeficiente-de-gini.html>. Accessed on: 06-24-2016.

⁷ <http://www.telam.com.ar/notas/201507/112795-bid-banco-mundial-argentina-pobreza.html>. Accessed on: 06-24-2016.

Currently, Argentina continues to boast the highest human development rate in Latin America:⁸ according to UNDP's Human Development Report,⁹ the country ranked 40th in the world, despite significant regional disparities, as noted above. This is an agribusiness-centered economy, with agribusiness providing the largest income. Based on its GDP, Argentina ranks among the world's 25 largest economies. Also, its slow demographic growth (averaging 1% a year) and its population's consistent life expectancy rise (around 76 years) signal a prospect of population aging.

3.3. Legal framework

The traditional legal forms for social enterprises in Argentina are cooperatives, mutual associations, civil associations and foundations. Cooperatives are deemed as hybrid nonprofits (Roitter and González Bombal 2000:15) under the purview of INAES¹⁰ (National Institute for Associations and Social Economy), a currently decentralized agency –created in 2000– that reports to the National Ministry of Social Development. A specific legal and regulatory framework was initially sketched for this sector in the early 1970s (in 1973, primarily with Law Nbr. 20,337, also known as Cooperative Act, simultaneously with Law Nbr. 20,221, Mutual Fund Act). In 1986, Law Nbr. 23,427 created the Fund for Cooperatives' Promotion, and Law Nbr. 25,782 established Cooperative Loan Associations.

Over the past 40 years, this framework has been changing, as a result of (and trying to reflect the changes in) the sector's complex dynamics. Consequently, Argentine legislation has determined that civil associations and foundations should primarily follow the rules of the recently reformed Civil Code. As regards CSOs, it is said that this Code "accounts for a number of advancements as compared to the current legislation concerning CSOs, but, at the same time, it falls short, as it fails to provide a harmonious, systematic legislation that matches international standards." Its most significant strides forwards include the compilation in a single code of the most important guidelines ruling foundations and civil associations. Also incorporated in the Code are "simple associations", which, as in current regulations, only require a public or a private document certified by a public notary for their incorporation, with no need to register them in a public records office. However, despite these partial improvements, the Code continues to legitimize a number of faculties that far exceed the provisions of international standards. Section 168 of the new Code establishes that civil associations "must have a purpose that does not go against the general interest or the common good". While it does clarify that the general interest refers to the respect for plurality and diversity that characterizes democratic societies, the law affords some discretion to public officials to determine whether an association pursues or not "the common good"

⁸ http://www.clarin.com/sociedad/argentina-desarrollo_humano- onu-ranking_0_1486051443.html. Accessed on: 06-24-2016.

⁹ http://hdr.undp.org/sites/default/files/2015_human_development_report_overview_-_es.pdf. Accessed on: 06-24-2016.

¹⁰ http://www.inaes.gob.ar/?page_id=396. Accessed on: 06-29-2016.

in order to authorize or not its creation accordingly. Also, the new Code, in Section 172, establishes that CSO operation oversight should be carried out by non-affiliated individuals, which constraints association members' autonomy to make decisions about their organization."¹¹

The current legislation does not explicitly mention these organizations' ability or lack thereof to operate social businesses, but it does curtail their options, as it does establish that conducting business operations may cause a CSO to lose its income tax exemption. As the Civil Code has a broad view of the regulations referring to CSOs' legal format (foundations, cooperatives, mutual funds, union associations, etc.), in practical terms, the provisions referring to this issue are interpreted on a case-by-case basis by administrative and judicial judges. Typically, according to NesST (2009), "the rationale applied establishes that the for-profit or nonprofit status is not determined by the means used by CSOs to raise resources; rather their status is determined by the utilization or social purpose of their resources." Thus, it comes as no surprise that "there is a wide array of norms ruling CSOs –that is, no unified legal system is in place to rule these organizations, which may lead to confusions and contradictions in the legal system."¹²

Overall Regulatory Framework for Civil Associations and Foundations

As noted earlier, the Argentine Republic is a country with a federal State, as legally instituted by its National Constitution, the topmost framework for national laws and regulations. Argentine laws are organized in a number of codes with nationwide scope, such as the Criminal, Business and Civil Codes, among others. Argentine provinces also have their own constitutions, which abide by the principles, rights and guarantees established by the National Constitution and enact laws in their respective territories. Within this overall framework, the following legal norms apply to CSO operations:

- Overall norms stemming from the National Constitution (constitutional norms) and the Civil Code (civil legislation);
- Laws ruling, on a national level, different kinds of organizations and that may or may not be included in the Civil Code, as complementary laws –such is the case of the Foundations Act (embedded in this Code);
- Regulations and rules established by authorities controlling legal entities and by judicial case law, such as the resolutions established by the Corporate Records Office.

We shall analyze the more specific norms that rule civil society organizations. According to Argentina's civil Law, CSOs can adopt the Association or Foundation legal format. Their differences are explained below.

¹¹ <http://acij.org.ar/wp-content/uploads/2016/04/Las-OSC-en-Argentina-1.pdf>. Accessed on: 07-18-2016.

¹²Ibid.

Civil Associations

In broad terms, these CSOs emerge from a small group of people's willingness to pursue a common good¹³. Their governance structure includes a General Assembly and a Board of Directors. They are ruled by Civil Code provisions (Chapter 2, Section 1) and by the rules of the public agencies granting legal status in every district (a provincial faculty not delegated to the national state). In Buenos Aires City, this agency is the Corporate Records Office, while every province has its own Legal Corporations Department. There is no general law ruling civil associations. Its legal status determines that:

- The purpose of an association is fluid and can change per the decisions made by the majority of its members.
- An association can pursue philanthropic, cultural, scientific, research, or sporting purposes, and most of them can pertain to members' own interests.
- Section 168 of the Civil Code explicitly established that civil associations cannot seek profits as their core purpose and cannot seek profits for their members or other parties as their sole purpose.

Foundations

These legal entities emerge –in theory– because of the use of capital for a specific purpose. They are governed by a Board of Directors and ruled by Civil Code provisions and by a dedicated national law, the Foundations Act (Law Nbr. 19,836). In its Section 1, this law defines foundations as legal nonprofit entities created for a common-good purpose, demonstrating an initial capital of at least the sum of Argentinean \$ 80,000¹⁴ to pursue their goals. In practice, many foundations lack the initial capital required to pursue their goals and seek resources via fund-raising activities or service and product sales. To operate as foundations, these organizations also need the authorization required in the above-mentioned Code. Foundations' legal status establishes that:

- Their purpose is determined by founders' stipulations in their incorporation articles and by-laws;
- Their purpose must be immediate and useful for the general welfare –i.e., altruistic.

Rules for Control Agencies

The Corporate Records Office (IGJ, for its Spanish acronym) in Buenos Aires City and its equivalent agencies in every province, approve the legal status and oversight the legal compliance of CSOs. These organizations must apply for these agencies' permission to operate as nonprofit legal entities. The legal status granted in every province is

¹³ The minimum number of members to constitute a Civil Association is the sum of all the positions in the governing organs of the Civil Association plus one associate. Source: http://museosdesantafe.com.ar/?page_id=1079. Accessed on: 12-30-2016.

¹⁴ Source: <http://www.jus.gob.ar/igi/tramites/guia-de-tramites/asociaciones-civiles-y-fundaciones/autorizacion-para-funcionar-como-persona-juridica/fundaciones.aspx> (accessed on: 12-30-2016). Ar\$80.000 equals to US\$ 5.043 (Source: <http://themoneyconverter.com/ES/>, accessed on: 12-30-2016).

recognized across the country. These agencies control CSOs' operations and must receive their annual reports and balance sheets every year, including current information on their officials and updated addresses, so that these agencies validate their legality.

Argentina's Federal Administration of Public Revenues (AFIP, for its Spanish acronym, an equivalent to the U.S. IRS) is the state federal (not provincial) agency that handles tax revenues and control. After making the necessary assessments, AFIP grants them an Income Tax Exemption Certificate and their Tax ID Code (CUIT, for its Spanish acronym). It also controls the operations of CSOs with CUIT on ongoing basis, demanding the filing of affidavits and conducting overall audits (which, for years now, are rather similar – and, even, more thorough– than those performed at business companies). Regarding provincial and municipal taxes, schemes feature the following characteristics: “In Argentine provinces, taxes are collected and managed by the respective Provincial Tax Departments, which report to the provincial Ministries of Economy. Major provincial taxes include the Tax on Gross Revenues, Seal Tax, and Property Tax. Finally, municipalities' revenues come from fee and contribution collections.”¹⁵ The impact of this scheme on CSOs causes inequities, as “according to the federal scheme that characterizes Argentina's institutional design, while the core civil legislation is applicable in all provinces, every jurisdiction –except the Autonomous City of Buenos Aires, seat of the nation's capital– has its own specific agencies that perform equivalent tasks as those described for the Corporate Records' Office, while there are also local regulations ruling the specific procedures to be followed by organizations settling in the hinterlands. In fact, registering CSOs and their formal incorporation are carried out in the district where a specific CSO is based. In many cases, this contributes to increasing inequities among Argentine CSOs, as their development capability may depend on the area where they operate.”¹⁶

Regulations for Social Enterprises

This section explains the tax treatment afforded to business operations carried out by CSOs. Recently, was passed a new Civil and Commercial Code¹⁷. Regulations on the legal forms, structures and functioning adopted by the Third-sector organizations are defined and regulated in its First Book, Title II, and especially between its Articles 168 to 224. More specifically, the Code treats the Foundations in its Articles 193 to 224: it does not include business operations within the activities allowed for these organizations, but it does not ban them, either. This law views these organizations as charity recipients via donations. In a country with a poor philanthropic culture and reduced contributions

¹⁵ <http://inversiones.gob.ar/es/sistema-impositivo>, Accessed on: 07-18-2016.

¹⁶ <http://acij.org.ar/wp-content/uploads/2016/04/Las-OSC-en-Argentina-1.pdf>. Accessed on: 07-18-2016

¹⁷ <http://servicios.infoleg.gob.ar/infolegInternet/anexos/235000-239999/235975/norma.htm> (accessed on: 1-19-2017). The new Code was approved on October, 2014, and came into force one year later.

from international cooperation agencies,¹⁸ many organizations provide services or manufacture and market products.

In turn, based on the principle that anything that is not explicitly banned is allowed, it may be safe to say that the Income Tax Act's (Law Nbr. 20,628) Section 20 describes the organizations that can be exempted from Income Tax payments, establishing that their revenues can never be distributed among partners: "associations, foundations, and civil entities devoted to social aid, public health, charity, philanthropy, education or training, science, literature, the arts, labor unions, and physical or intellectual culture, provided that their profits and equity are used for the purposes intended when they were created and in no case are distributed, directly or indirectly, among their members." Then, it is possible, according to the spirit of the law, for a nonprofit to secure resources via business operations. However, in 1998 Law No. 25,063 was passed, sanctioning with the loss of the exemption specifically to foundations that "develop commercial and / or industrial activities." A sense of mistrust can be assumed in this sanction over the activities of these organizations. This mistrust is oriented to certain types of organizations that have managed to establish themselves as foundations given the wide legal definition of that figure, but that have used this legal form mainly to obtain their tax benefits without contributing to the public good.

This total exemption loss would also bring about several other issues, such as:

- Donors would not be able to deduce their donations from their taxes, as the law demands that donation beneficiaries be tax-exempt entities.
- If they lost their income tax exemption, these organizations would also lose their exemptions for the Value-Added Tax (VAT) on the services they provide, despite the fact that these services are closely linked to the organizations' purposes.

Nonetheless, this law has been interpreted –both by administrative and judiciary judges, based on the Civil Code– as granting CSOs the ability to acquire rights and obligations within the purposes or ends described in their scope. In other words, the means used by CSOs to obtain resources (or manage their net worth) does not determine their nature (for-profit or nonprofit); rather, the key issue lies in the utilization of those resources – that is, their social purpose.

It should be noted that "before and after the afore-mentioned legal reform, both administrative and judicial case law has peacefully understood that this principle must be interpreted with a broad criterion. Explicitly, the Corporate Records' Office has stated that 'a foundation can perform commercial acts without compromising its common-good purpose and its nonprofit status, as a means to secure the resources for the purposes established in its by-laws.'" (NesST, 2009: 22)

Typically, when consulted, the organizations that carry out this type of ventures, while they understand that, on a case-by-case basis, assessments can be resolved favorably, it implies a process that demands time, resources and energy that are drawn away from

¹⁸ Argentina ranks 108 over 145 countries at the CAF World Giving Index 2015. Source: http://www.cafamerica.org/wp-content/uploads/1755A_WGI2015_Report_WEB_V2_FINAL.pdf. Accessed on: 07-04-2016.

the efforts that organizations devote to their communities. While current legislation changes are appealed, some social entrepreneurs have tried to build private enterprises or groups of small, independent producers (operating with the social single-tax scheme)¹⁹ to be able to move forward, while they work in the process of scaling up their social businesses. These decisions lead to social businesses in the way of informality: entrepreneurship does not take a collective form, the situation of workers is precarious, and there is a weak accountability. Eventually, this leads to the loss of transparency and limitations to growth.

3.4. National Welfare System

In Argentina, the welfare scheme underwent a number of phases that reveal the State's changing complex ties with private and social actors amidst political, social and economic changes of varying magnitude.

Argentina's National State consolidated in 1860-1880 (Oszlak 1997). Since then and until 1945, a plural, non-planned social service scheme was in place (Arce 2013), with the State acting as planner and organizer only when faced with some specific healthcare crises, for example (several yellow fever epidemics between 1850 and 1879), except in the field of educational services. Social services were largely supplied by private providers or charity-related entities. After the 1920s, as large groups of European immigrants settled in Argentina, a number of mutual funds emerged to provide several kinds of services (healthcare, sports, etc.) to the members of their respective communities.

Only around 1945, when Peronism rose to power, some centralized state planning became apparent (Arce, 2013) in these areas. The State started to have a greater presence as healthcare service provider and planner; charity was drawn aside, and some workers' mutual organizations, organized per industry, and union social service providers (see below) emerged to provide healthcare, tourism, sports, and housing services, etc.

After 1955, with the fall of Peronism, social services began to grow somewhat decentralized, especially in the healthcare sector. In this setting, at the same time, union social service providers expanded and became mandatory for employees, with a compulsory contribution from wages established by law. In the early 1980s, the funding system for active and retired workers' healthcare was universalized (with the creation of INOS and PAMI, respectively), financed with separate mandatory contributions from registered workers' salaries.

In the mid-1970s, as the latest military coup unfolded, the State withdrew from social service delivery, which was taken over by private players and mutual funds. The return to democracy in 1983 brought a change in the State's role, as it sought to engage more in these areas, but, with inflation soaring and Argentina's sovereign debt straining national

¹⁹Simplified tax regime that allows access to the pension system, social health services and become providers of public, social or private actors. Source: <http://www.desarrollosocial.gob.ar/monotributosocial-> Accessed on: 07-04-2016.

accounts, these State attempts came to stop. In the early 1990s, private operations gathered a new momentum in this area, with public reform and privatization processes that encompassed, for example, social security contributions (capitalization system via “AFJPs”) and work hazard coverage (private labor insurance providers called “ARTs”). At the same time, a new decentralization dynamics expanded to several services that the central State used to provide (healthcare, education).

After 2002, the State started to play again a greater role in social service delivery, albeit with the specific traits noted earlier. Starting in late 2015, when a new administration came to power after 12 years under Nestor Kirchner and Fernandez de Kirchner leadership, a new scheme of public engagement –substantially different from the one in place over the past years– seems to be emerging.

3.5. Public social services system

The system in place to provide social services (healthcare, education, pensions) in Argentina is one of the largest in Latin America. By 2015, the resources used in this area were strongly concentrated “in Social Security services, which account for over two thirds of the total. The traditional social services –Education and Healthcare– have remained relatively stable over recent years.”²⁰ In Argentina, 28% of the country’s GDP is used for social services managed by the State –this is a high share in Latin America, and its effectiveness has been questioned by several actors,²¹ while others have claimed that this spending was adequately focused.²²

ANSES is in charge of social security, managing the public retirement and pension system. The retirement coverage exceeds 90%, the highest rate in Latin America, according to CEPAL²³, after the private pension fund system (created in mid 90s) was transferred to the State during President Néstor Kirchner’s administration (2003-2007). Argentina’s healthcare system is divided into three sub-sectors: the public health system, union social service providers (social security), and private medical insurance companies. According to the Third Survey of Healthcare Services’ Utilization and Spending, conducted in 2010 by the National Health Ministry,²⁴ “two thirds of respondents (66.6%) are affiliated to a healthcare system. Nearly 6 out of every 10 people are affiliated to a union social service provider, less than 1 has a medical insurance plan (directly or via a union social service provider), and 3 are not affiliated to any system. Among affiliated individuals, 9 out of every 10 rely on a union social service

²⁰ <http://www.asap.org.ar/wordpress/wp-content/uploads/2014/09/infoasagpps0115.pdf>. Accessed on: 06-27-2016.

²¹ <http://www.eleconomista.com.ar/2015-02-gasto-social-en-donde-estamos-y-hacia-donde-ir/>. Accessed on: 06-27-2016.

²² <http://www.telam.com.ar/notas/201405/63249-banco-mundial-argentina-gasto-social.html>. Accessed on: 06-27-2016.

²³ <http://www.cepal.org/es/publicaciones/6185-proteccion-social-la-argentina>. Accessed on: 06-29-2016.

²⁴ http://www.msal.gob.ar/fesp/images/stories/recursos-de-comunicacion/publicaciones/estudio_carga_enfermedad.pdf (p. 15). Accessed on: 07-18-2016.

provider.” Every one of these sub-sectors features its own characteristics, as noted by Acuña and Chudnovsky (2002):

Public System: Funded by taxes, this system provides free healthcare services via a network of public hospitals and clinics to the entire population. Currently, it serves 30% of the population –largely low-income social segments. The system is managed by national, provincial and municipal Health Ministries.

Union Social Service Providers: These organizations consolidated in Argentina in 1970. The key characteristic of this sub-system is its mandatory affiliation and industry-specific organization. It consists of institutions that provide healthcare services, tourism facilities, and social aid to full-time workers and retired workers in the national social security system via the Overall Medical Assistance Program (PAMI, for its Spanish acronym).

Private Sub-Sector: this sub-sector is funded by the voluntary contributions of their users, who usually have mid- to high-level income and often also have social security coverage (“double affiliation”-medical insurance plus union social service provider-). (Acuña and Chudnovsky 2002).

In the 24 health systems currently operating in Argentina (one in every province), public hospitals are besieged by severe problems. Only in Buenos Aires Autonomous City and Patagonian provinces, at least 7 out of every 10 people have healthcare coverage, while in all the other provinces, the population without healthcare coverage range between 30% and 40%. However, in early 2015, healthcare spending in Argentina accounted for 8.5% of its GDP, the highest rate in Latin American countries.²⁵

One of the most recent social programs is the Universal Child Allowance (AUH, for its Spanish acronym), managed by the National Social Security Administration (ANSES). This is a pension program for adults in charge of minors under 18 years of age in exchange for consistent school attendance and healthcare checkups.

Additionally, formal workers who had lost their employment without a just cause or for “force majeure” have access to unemployment insurance. This insurance has some benefits such as: a sum of money (who decrease every four months), medical assistance for the unemployed and its family, and retirement contributions. The extent of time of these benefits depends on the effective time with formal employment (ranging from 2 months to those workers who lost their job after 6 to 11 months of formal work, up until 12 months to those workers who lost their job after 36 months or more). The unemployed of over 45 years have an automatic extension of six months of this insurance.²⁶

4. DISCOURSE ON SOCIAL ENTERPRISE

²⁵ <http://www.lanacion.com.ar/1783941-salud-enferma-la-crisis-de-los-hospitales-publicos-argentinos>.

Accessed on: : 06-24-2016.

²⁶ <http://www.trabajo.gob.ar/segurodesempleo/>. Accessed on: 12-26-2016.

4.1. Existing Literature

Research groups, avenues and topics focus on a number of issues that reflect the current local situation and the available funding, primarily from international foundations or multilateral agencies. Except for some sporadic studies conducted in the late 1980s (by, for example, the Center for State and Society Studies, CEDES),²⁷ only in the early 1990s did research efforts focus more consistently on issues associated with social economy, cooperatives, social organizations' management professionalization, social responsibility, and collaboration schemes used by sector organizations. As a result of the severe crisis that hit Argentina's economy in 2001 and the organizational methods used by low-income population segments²⁸, research teams and groups studying nonprofits, cooperatives, social movements, social economics, or inclusive businesses became more dynamic. Later, starting in the mid-2000s, the local research agenda focused more on issues associated with sustainability, sustainable businesses, hybrid scheme development, private social investment, multi-stakeholder analyses, social entrepreneurship, nonprofit management professionalization, and collaboration strategies, among other topics.

The research teams found in universities or research centers combine –in varying amounts– research efforts, training for CSO and corporate agents, dissemination activities, and initiatives to influence current issues. In the early 2000s, these teams started to emerge in academic structures specializing in social sciences and management, but, over recent years, they have grown more autonomous, as their research focus has rallied more attention and relevance in the public, social, local (corporate or public) and international funding agenda. Thus, in the academic realm, the work carried out by Universidad de San Andrés' *Centro de Innovación Social* (CIS),²⁹ Universidad Torcuato Di Tella's *Espacio de Negocios Inclusivos* (ENI),³⁰ the above-mentioned CEDES' Civil Society, Culture and Development Area, and Universidad Nacional de General Sarmiento (UNGS)³¹ prove especially noteworthy. The civil society organizations that engage in training, dissemination and awareness efforts notably include AVINA Foundation (which focuses more on lobbying activities),³² Socialab,³³ and NJambre³⁴ (both devoted to the co-creation of triple-bottom-line business models), Sistema B (B Corporation accreditation),³⁵ in addition to other organizations targeted to the corporate sector and whose work is focused on promoting and disseminating

²⁷ <http://www.cedes.org/areas/sociedad-civil-cultura-y-desarrollo.php>. Accessed on: 06-27-2016.

²⁸ See above (2.3), to have a general overview of the organizational forms adopted in the context of the severe social crisis that hit Argentina in the wake of the new millennium. Organizational examples of how low-income sectors responded to this crisis were urban recyclers cooperatives (Berger and Blugerman 2006), recovered companies (Vieta 2013), etc.

²⁹ <http://live.v1.udesa.edu.ar/Unidades-Academicas/Centros/Centro-de-Innovacion-Social>. Accessed on: 06-27-2016.

³⁰ http://www.utdt.edu/ver_contenido.php?id_contenido=11120&id_item_menu=21522. Accessed on: 06-27-2016.

³¹ http://www.ungs.edu.ar/ms_ungs/?tag=economia-social. Accessed on: 09-29-2016.

³² <http://www.avina.net/avina/listado-paises/argentina/>. Accessed on: 06-25-2016.

³³ <http://socialab.com/ar/>. Accessed on: 06-23-2016.

³⁴ <http://www.njambre.org/>. Accessed on: 06-23-2016.

³⁵ <http://www.sistemab.org/>. Accessed on: 06-23-2016.

sustainable development. Additionally, two internationally renowned organizations have managed significant local impact. First is Ashoka, “a global organization that promotes entrepreneurship and social innovation, building bridges among society agents –individuals, social organizations, universities, companies, and public agencies– to encourage impact process that contribute to a more inclusive and sustainable world,”³⁶ which has been operating in Argentina since 1994 and currently boasts a network of 60 social entrepreneurs. Another one is NESsT, a catalyst for social enterprises in emerging markets, which has been operating locally since 1997. By 2013, “NESsT Argentina has assessed over 200 ideas for social enterprises... It has enhanced the business capabilities of 62 organizations and entrepreneurs to develop sustainable business plans... providing support for their launching and incubation... It manages a portfolio of ten social enterprises that are expanding their operations to enhance their impact.”³⁷

Against this backdrop, it should be noted that the most representative literature that analyzes and discusses this sector may be found in studies such as the ones cited, by Campetella and González Bombal in CEDES’ Roitter and González Bombal (2000), Danani, comp. (2004), Coraggio (2011) on Social Economics – both authors from Universidad Nacional de General Sarmiento – and the reports issued by CIVICUS (2006 y 2011), as well as the collective works by SEKN (Austin et al, 2005) on Social Partnerships, and by Márquez, Reficco and Berger. (2010) on Inclusive Businesses – based on the research work carried out by Universidad de San Andrés’ Social Innovation Center, etc. In addition, a number of teaching cases on social businesses were published by CIS (at San Andres), and a couple of directories of social businesses were produced either by IARSE and ENI (at Di Tella).

4.2 Data (and definition used in databases)

It should be noted that SE sector shows a severe shortage of nationwide aggregated data. However, according to the sources consulted, the following information proves available and relevant:

- The CIVICUS Index for Argentina’s Civil Society in 2008-2010 (CIVICUS 2011) points out, in Chapter III, Civil Society Analysis, Section 3, Organization Level, that product or service sales account for 14.1% of Argentine nonprofits’ revenues. It should be noted that 50% of the sample of organizations surveyed to elaborate this index consisted of nonprofits with yearly budgets of or below USD 10,000.
- NESsT Argentina (Portfolio País, 2013) points out that, up to 2013, it assessed some 200 ideas for social enterprises, eventually supporting 62 of them in sustainable business strengthening processes. According to the information provided by this organization, these social enterprises belong to nonprofits.

³⁶ <http://argentina.ashoka.org/%C2%BFqu%C3%A9-es-ashoka>. Accessed on: 07-18-2016.

³⁷ <http://www.nesst.org/wp-content/uploads/2013/07/2013-Country-Profile-Argentina-SPv2.pdf>. Accessed on: 07-18-2016.

- Banco Galicia (domestic leading bank) keeps an online “sustainable providers” directory,³⁸ whose latest version dates back to 2014. This directory includes social ventures, organizations and enterprises that offer products and services following social and environmental guidelines. This survey indicates that 133 providers have been included in the directory as a result of space constraints in its printed version, adding that the list has prioritized cooperatives, foundations, civil associations, companies and individuals from across the country, especially those with restricted access to markets as a result of one or several of the following reasons: output volume, location, and economic, social or cultural status. Taking into account the profile of providers listed in this directory, it may be said that 38% of them can be considered as social enterprises, according to the definition adopted in this report. Thus, 7% are social organizations; 13% are civil associations; 7% are foundations, and 11% are cooperatives. The other suppliers have been dubbed “enterprises with a positive social and/or environmental impact”, “social entrepreneurs”, and “B Corp.”³⁹

Additionally, other nonprofit organizations are providing healthcare and educational services that “... often compete with those offered by private companies – such is the case of many hospital and nonprofit schools – or employ funding rationales and mechanisms that virtually render them business organizations” (Roitter, 2010:20). If counting these players, including private schools, hospitals and healthcare (medical, psychological, etc.) centers incorporated as foundations or associations (normally not considered as part of the businesses conducted by CSOs) then this sector’s universe grows considerably.

In turn, the phenomenon of new social and environmental impact companies has become more dynamic lately. By June 2016, 42 Argentine companies were certified as B-System companies,⁴⁰ although the public interest garnered by this type of businesses far exceeds that number. A support ecosystem has started to mobilize around these organizations, coining its own narrative and fueling its own debates.

4.3. Political debate

Currently, Argentina seems to be looking for a more favorable scheme for social economy and social enterprises, bringing together private, public and social sectors.⁴¹ A promising initiative in this quest has been #101soluciones, which describes itself as “an

³⁸<http://www.galiciasustentable.com/banca/online/sustentable/web/BancoGaliciaSustentable/Proveedores/Proveedores/>. Accessed on: 07-04-2016.

³⁹ “B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency”. Source: <https://www.bcorporation.net/what-are-b-corps>. Accessed on: 12-30-2016. In several states of the US a B Corp is also a legal form.

⁴⁰ <http://www.lanacion.com.ar/1879091-la-economia-inclusiva-tras-un-marco-legal> Accessed on: 06-27-2016. According to <http://www.sistemab.org/espanol/comunidad-empresas-b/busqueda-de-empresas-b/argentina-2> the number was slightly bigger than 42 (Accessed on: 06-28-2016).

⁴¹ <http://www.lanacion.com.ar/1879092-usar-la-fuerza-del-mercado-para-contribuir-al-bien-comun> Accessed on: 06-27-2016.

open-collaboration initiative, with no political party affiliation, that seeks to take the social and/or environmental venture ecosystem ideas and proposal to the public sector in order to enhance the impact of projects promoting the development of a new economy... This initiative stems from the need to formulate public policies that both reduce the hurdles for social and/or environmental enterprises' growth and encourage the creation of a new economy that contributes to social and environmental wellbeing. It was carried out for the first time in Chile in 2014, amidst the presidential elections there, and the experience is currently replicated in Argentina,"⁴²

Signaling the current climate reflected by the proposals in the platform, promoted in 2015 by Socialab, Sistema B, Ashoka, Avina and *La Nación* newspaper, with the support of Universidad de San Andrés' Social Innovation Center, and its public impact, "125 ideas were collected, and some of them are already moving forward, possibly to become legislation bills".⁴³ These projects included the creation of an ethics bank, microfinance development, a new waste log, and, primarily, a legal framework for triple-bottom-line companies – a bill for a law for the so-called B Companies,⁴⁴ which intends to prompt the creation of a "legal scheme that can accommodate companies with a 'broadened' scope: using their core business to produce social and environmental benefits as well as financial gains".⁴⁵

Another way to influence the debate on and the formulation of sector-specific public policies has revolved around collaborative efforts, such as the National Civil Society Meeting. The goal of this event was "to promote Argentine Civil Society development via three core themes: a legal framework to foster this sector, access to public funding, and engagement in and influencing public policy making. This event is part of a Regional Civil Society Research and Strengthening Project sponsored by ICNL (International Center for Not-for-profit Law) and Open Society Foundations, with the support in Argentina of the Civil Society Confederation (CSC, for its Spanish acronym) – an organization that features the Group of Foundations and Companies as a founding member – and other federations, like the Social Sector Forum and the Food Bank Network."⁴⁶ Additionally, another promoter has been Promotion of Alternative Finances for a Social and Solidarity Economy (PROFAESS),⁴⁷ an organization determined to drive the transformation of Argentina's financial system to build a social and solidarity-oriented economy.

This effort to influence and work collectively to lobby for public policies that promote this sector's development is illustrated by the Argentine Foundation for Social

⁴² <http://101soluciones.org/noticias/ver/155>. Accessed on: 06-15-2016.

⁴³ <http://www.lanacion.com.ar/1879091-la-economia-inclusiva-tras-un-marco-legal>. Accessed on: 06-27-2016.

⁴⁴ <http://www.sistemab.org/sistema-b-avanza-en-la-formalizacion-legal-de-las-empresas-b-en-argentina>. Accessed on: 07-18-2016.

⁴⁵ <http://www.lanacion.com.ar/1879091-la-economia-inclusiva-tras-un-marco-legal>. Accessed on: 06-27-2016.

⁴⁶ <http://www.gdfe.org.ar/#!ENCUENTRO-NACIONAL-DE-LA-SOCIEDAD-CIVIL/cj19/560043ff0cf256c0bf95ea9f>. Accessed on: 06-25-2016.

⁴⁷ <http://profaess.com.ar/>. Accessed on: 06-27-2016.

Enterprises (FAES), which seeks to foster, develop⁴⁸ and “promote the development of social enterprises to contribute to the fight against poverty and to the improvement of living conditions for people in Latin America and around the world”.⁴⁹ Another is RedESA (Education and Healthcare Projects’ Network),⁵⁰ which organizes a number of events to create a collaborative network, especially in Latin America, based on research-actions and relying on several kinds of social agents, including public officials and agencies.

Finally, in Buenos Aires, the province with the largest population and the greatest economic and political clout in the country, as a result of “the engagement of several social economy players and cooperation groups, a process was fueled to drive the creation of a law that takes into account the management specificities of social enterprises.” After several initiatives emerged, the Law Nbr. 14650 was eventually passed, creating a system to promote and develop a social and solidarity economy in Buenos Aires Province.⁵¹ The law intends to foster “the associative spirit and institutional strengthening of workers’ economic organizations within strategic actions – also including the most vulnerable community groups – that are part of the local development scheme in this territory.”⁵²

Nonetheless, in general terms, CIVICUS’ (2011:70) observation remains valid, as it points out that, in Argentina, “CSO involvement in public policies is relatively high (e.g. in promotion of programs, laws), even when the results are variable and civil society has not a leading role in the definition of public policies”.

5. CURRENT TRENDS AND PERSPECTIVES

In conclusion, the Argentine version of social enterprises offers the following advantages:

1. Addressing social needs;
2. Providing business models that aspire to be economically and financially sustainable;
3. Reinvesting financial surpluses instead of distributing them to founders;
4. Raising environmental and social awareness;
5. Offering employees acceptable wages and good working conditions, and
6. Including neglected social segments.

In turn, Argentine social enterprise face the following challenges:

1. Creating new funding mechanisms that meet their needs;

⁴⁸ <http://blog.sabf.org.ar/2011/03/25/faes-las-empresas-sociales-llegan-a-latinoamerica/>. Accessed on: 07-18-2016.

⁴⁹ <http://es.idealists.org/view/org/ZNtW9c2kbKh4/>. Accessed on: 07-18-2016.

⁵⁰ <http://www.sociedadescomplejas.org.ar/redesa.php#quees>. Accessed on: 07-18-2016.

⁵¹ <http://www.gob.gba.gov.ar/legislacion/legislacion/l-14650.html>. Accessed on: 07-18-2016.

⁵² http://www.hechoenbsas.net/index.php?option=com_content&view=article&id=254&Itemid=173, Accessed on: 07-18-2016.

2. Building metrics that capture the impact of social businesses in the social transformations sought;
3. Formulating specific legislation to safeguard them as social enterprises, and
4. Designing governance and decision-making schemes that ensure a commitment to the enterprise's social impact goals and are suited to market conditions.

As noted in a recent article,⁵³ the current trend in Argentina looks positive regarding this sector's prospects, as the process involves many stakeholders (media, universities, state agencies, social entrepreneurs, etc.). The article also states that the media's role has proven relevant in this process, helping to make the phenomenon discussed here visible, as the media has contributed to "finding exemplary cases and mobilizing emerging entrepreneurs. At the same time, the introduction of these issues in universities raises awareness and encourages professionals in training or shows graduate students alternative paths to create value in society. Finally, the State has started to work on creating the necessary conditions to consolidate an ecosystem encompassing organizations, programs, institutions, and regulations to help turn this phenomenon into a movement and a more clearly defined sector in our economy."⁵⁴

Indeed, there are several paths that seem noteworthy and adequate to promote SE sector's development and sustainability in Argentina. The first one, already underway, involves the need to formulate a specific legislation for social enterprises. This would enable the adjustment of the legal framework that regulates corporate and nonprofit dynamics in Argentina, which would provide greater legal security and would accommodate a growing social demand. Then, the next task would be to discuss the role of public policy in regulating that legislation – for example, should it promote this sector's development, support less favored social economy players, etc.

At the same time, this legislative, public policy making process will lead to the potential creation of sector-specific funding mechanisms. In short, both paths seem to underscore the need to understand how necessary are these ecosystem changes (legislation, public policies, financial system, etc.) to promote SE sector.

The need to professionalize this sector's management and to research this phenomenon further also seems evident. In this process, the role played by universities, education and training centers, and CSOs mentioned earlier should be enhanced, though it is currently growing. Greater management professionalization in this sector proves instrumental for the development of decision-making and government schemes that preserve the delicate balance that every social enterprise must strike between the pursuit of its social mission and the operations required to produce a profit margin that ensure its sustainability. In addition, Argentine social enterprises need to elaborate "metrics that capture the impact of social businesses on the social transformation they pursue."⁵⁵

⁵³ <http://www.lanacion.com.ar/1879092-usar-la-fuerza-del-mercado-para-contribuir-al-bien-comun>. Accessed on: 06-27-2016.

⁵⁴ *Ibíd.*

⁵⁵ <http://www.lanacion.com.ar/1478168-empresas-sociales>. Accessed on: 06-28-2016.

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