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# Social Enterprise, Capabilities and Development: Lessons from Ecuador

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*ABSTRACT* The paper analyses how the theoretical framework of social enterprise proposed in the academic debate could be operationalised in the specific socioeconomic context of Ecuador. Recently, this country designed a new economic paradigm based on the solidarity economy model to reconcile an ambitious developmental state platform with the vision of a participatory strategy that pursues democracy, human rights and poverty reduction. This paradigm was enshrined in the constitution and elaborated through the Plan Nacional para el Buen Vivir 2009-2013. The paper explores the peculiar features of the solidarity model in Ecuador and draws more general insights related to development policy.

**KEY WORDS:** Social enterprise, human development, social protection, development policy, Ecuador

EconLit: O150, O200, O540, L310

## **I. Introduction**

The last twenty years have witnessed a sudden surge of civil society organisations, a phenomenon which has taken on an international dimension. In advanced countries, this evolution has been a bottom-up response to the financial crisis of the welfare state, the need to meet a growing demand for social services and to reduce the excesses of statism (Borzaga and Defourny, 2001; Nicholls, 2006; Amin, 2009). In several emerging economies, such as in Eastern European and Latin American countries, on the other hand, civil society organisations were created in opposition to authoritarian regimes and exploded with the advent of democratic governments (Salomon and Anheier, 1998; Koslinski and Reis, 2008; Lee, 2010). For these reasons, nonprofit organisations are often viewed as a critical contributor to the strengthening of civil society on a global scale and as a means to enhance democratic values. Moreover, in fragile states that emerge after a prolonged conflict, NGOs and other nonprofit organisations implement humanitarian interventions and supply public goods when service provision by government is inadequate (Batley and McLoughlin, 2010).

From the perspectives of development policies, the view of civic engagement as a special form of social capital, though controversial (Hickey and Bracking, 2005), has increasingly influenced the policy-making process in development co-operation. The World Bank, the United Nations as well as the European Union have implemented a substantial number of community-based development projects aimed at reinforcing civic

engagement, particularly at the local level, recognising that agency of citizens is an important ingredient in ensuring sustainable poverty reduction (Bräutigam and Segarra, 2007; Green, 2010, Hickey, 2010; Schmitt, 2010). This strategy, called Community Driven Development (CDD), catalyses collective action, bolsters local co-ordination and enhances the inclusion, by requiring members of marginalised groups to participate in the design and the implementation of public policies (Gugerty and Kremer, 2008; Tabbush, 2010; Casey *et al.*, 2011). The orientation towards community participation assumed by international assistance, has spurred the activities of NGOs and nonprofit firms working on development projects. Hence, participation has been coupled with the wider notions of subsidiarity, decentralisation and democratisation (Mitlin *et al.*, 2007; Funder, 2011).

At the same time, a consolidated literature shows the special role played by the social economy in less developing and emerging countries. For example, Birchall (2004) focuses on the contribution that co-operatives make in the fight against poverty and the expansion of capabilities by reducing unemployment, getting workers out of the informal economy and improving working conditions. More recently, the EMES-UNDP Report on the third sector in economies in transition offered a useful summary of issues concerning the positive impact of the social economy on creating new jobs through empowerment of the unemployed and reintegration of workers with low qualifications (EMES, 2008). Meanwhile, considering an international comparative perspective, a number of studies draw interesting analyses on a panel of advanced and developing countries examining how a variety of factors shape third sector (Salomon *et al.*, 2000) (Kerlin, 2009) across different regions of the world. This body of research emphasises the distinctive features of the nonprofit sector in developing and emerging countries due to marked differences with respect to advanced countries in relation to the socio-economic context (market mechanisms poorly working, low state capacity, different religious and cultural traditions, the pervasive role of the international agencies, impressive problems connected to poverty and inequality).

This paper is grounded in the literature on social economy and development with a focus on the role of social enterprise. Social enterprises are entrepreneurial activity sustainable in terms of organisation and revenues for social benefits. They pursue the general interest of the community by providing advocacy and social services for the disadvantaged (social, health and educational services) or by integrating disadvantaged people into the labour market (Defourny and Nyssen, 2006). Besides these consolidated activities, throughout the world large space for the growth of social enterprise is opening up in new fields of interest for local development (environmental protection, social tourism, alternative agriculture, urban regeneration, and so forth) (Borzaga and Galera, 2009). From a theoretically point of view, social enterprises represent an economic paradigm different and complementary with respect to the market and the state: they are based on the principle of reciprocity (Offer, 1997; Bruni and Zamagni, 2007; Bruni, 2009) and geared to producing goods and services of collective interest. Furthermore, they are driven by ideals and values rather than profit (Borzaga and Defourny, 2001; Defourny and Nyssen, 2006).

This definition encompasses a wide variety of organisations of the third sector that goes from the consolidated experiences of social co-operatives to voluntary associations, foundations with charitable status, NGOs, including the more fluid concepts of community organisations and other semi-institutionalised initiatives that undertake advocacy and other general interest purposes. This large conceptualisation allows to overcome problems that usually one faces considering social enterprise in emerging

countries, where definition of nonprofit sector exists in a peculiar way, embracing a complex universe of different entities (Salomon and Anheier, 1998).

The paper tries to highlight the salient traits of the social economy in Ecuador comparing the consolidated theoretical framework with the features that we observe both in the reality, and in the solidarity economy model that the Republic of Ecuador enshrined in the new constitution and endorsed through the *Plan Nacional para el Buen Vivir 2009-2013*. In this respect, this work provides a contribution to comparative analyses of the relations between variations in socioeconomic landscape and different characters (purpose, activity, legal structure, organisation) and pattern of evolution for nonprofit organisations around the world (Salomon *et al.*, 2000; Salomon and Sokolowski, 2004; Kerlin, 2009, 2010).

The paper is organised as follows. The next section presents the country background and the key features of the *Plan Nacional para el Buen Vivir 2009-2013*, the Ecuadorian government plan which states the pillars of the new economic paradigm. The third section introduces the theoretical approach of the analysis which links two strands of literature: Sen's capability approach (Sen, 1999) and Kerlin's comparative analysis of social enterprise (Kerlin, 2009, 2010). Next the paper explores the role that the solidarity economy plays in the Ecuadorian socioeconomic system, the explanatory factors which shape its emergence and evolution and the potential contribution of social enterprises in Ecuador to improve the impact of a specific social policy, the *Bono the Desarrollo Humano*. The last section concludes by providing some theoretical insights and policy implications.

## **II. Sustainable Development Strategy in Ecuador**

### *Background information*

Ecuador is a lower-middle income economy based on oil extraction, agricultural production and commerce. According to the data from CEPAL (2011), the economy grew 5.4 per cent in 2009 and decreased only -1.4 per cent in 2009, placing the country among the group moderately affected by the international crisis. However, CEPAL's employment data are less encouraging: between 2008 and 2009, Ecuador's unemployment rate rose from 6.9 to 8.6 per cent, placing Ecuador above the regional average (Seligson, 2011).

With regard the position in terms of achievement of Millennium Development Goals (MDGs), the country is characterised by high levels of poverty and inequality. At 2011, the income Gini coefficient is 0.49 (UNDP, 2011) and poverty is widespread: around 5 per cent of the population lives under the extreme poverty line, and around 36 per cent lives under the poverty line. That is, around 36 per cent of the population lives with less than two dollars per person per day (Canelas, 2010). Poverty, considered in three dimensions (incidence, inequality among the poor and intensity) has decreased during the last decade but the level of inequality does not present significant changes: from 2000 to 2009 the richest 20 per cent of the population concentrates more than 50 per cent of the total income, while the poorest 20 per cent shares at most 4 per cent of it (Canelas, 2010).

In addition, poverty and inequality are more persistent for certain geographical regions (rural areas) and specific groups (indigenous people, women). In particular, many indigenous people who live in rural areas in the Andean region are suffering from

inequality and poverty<sup>1</sup>. The reason is that indigenous people, who are an important presence in the population of Ecuador (the estimate is 10 to 20 per cent), have been marginalised for many years, even if recently their participation in politics at the national level has become prominent (UNDP, 2008)<sup>2</sup>. As for women is concerned, women's access to education has improved, approaching that of men. However, this does not lead to equal participation in the labour market: 53 per cent of the female population does not generate income and income gaps between men and women with the same education levels oscillate between 20 and 30 per cent (UNDP, 2008).

The evidence of social, geographical and economic fragmentation of the country is reflected by Ecuador's score on the Human Development Index<sup>3</sup>, where it is ranked 83rd in the world, but it is important to stress that Ecuador's index has improved by 36 per cent over the last 21 years (UNDP, 2011). Moreover, adult literacy rate is still very low (84%)<sup>4</sup> and infant mortality rate<sup>5</sup> is 24. Last, vulnerable employment is 42 per cent of total employment (51% for female)<sup>6</sup> (World Bank, 2012).

Despite the high incidence of poverty and inequality, in 2005 Ecuador ranked 20 out of 21 countries in Latin America in social expenditure, with a per capita social expenditure of US\$76 compared with the regional average of US\$610. Ecuador occupied the same position in social expenditure as a percentage of GDP (5.7 %) (UNDP, 2008).

Furthermore, to shed light on the focus of this paper - social economy and development policy – it is interesting to take into account three relevant aspects of the Ecuadorian socioeconomic system. The first one is the great wave of migratory flows, a phenomenon that accelerated after the country's financial collapse in the late 1990s. With a number of migrants estimated to be at about 2 million, remittances from overseas in the Ecuador account for 6-7 per cent of GDP and constitute the second most important source of external funding after oil revenues, far exceeding development assistance (Boccagni, 2011).

Transnational investigations emphasise the impact of migration on development, included collective remittances to benefit communities with which migrants are affiliated, the role of social and migratory networks with the emergence of a migrant civil society and the political activities of migrants with respect to their communities of origin (Cortés Maisonave, 2011). Boccagni (2011) instead analyses transnational care giving practices and grassroots collective initiatives undertaken by migrants as a means of social protection for those left behind in their home countries. The negative impact that migratory movements provoke in the origin country are explored as well: serious socioeconomic effects in some rural areas, small cities or sectors of large cities, as well family disruption and school dropout brought about especially by female migration (Rudel, 2006; Margheritis, 2011).

The second distinctive feature of the country is its environmental context: Ecuador is rich in renewable and non-renewable natural resources and, according to the World Wildlife Fund, it is one of the 17 countries in the world with the highest levels of biodiversity. However, Ecuador's economy has traditionally relied on the exploitation of natural resources without sustainability considerations. This reliance has contributed both directly and indirectly, to accelerate the processes of environmental degradation (Mena *et al.*, 2006; UNDP, 2008). In recent years, the oil boom has promoted unplanned migrations to Amazon lowland areas, soil and water contamination, deforestation and heightened social conflict between settlers and indigenous communities (Bebbington and Humphreys Bebbington, 2011). As a consequence, there is a need to incorporate biodiversity protection as a crucial objective in the development strategy (UNDP, 2005).

The third element which is interesting to stress is that at the local level Ecuador is characterised by significant movement activity, notably by indigenous and environmentalist groups that have a tradition of mass mobilisation around demands against neoliberal policies. These forms of collective action originated in anthropological characteristics and historical legacy of Ecuador. Schmitt (2010), for example, identifies typical solidarity networks in Ecuadorian rural communities such as special issues assemblies where people discuss on environment, education, health, or *mingas*<sup>7</sup>, which are community projects to construct or maintain public spaces which engage the whole society and are enforced by the principle of reciprocity<sup>8</sup>. In a similar way, co-operation is deeply anchored in the indigenous tradition, rooted in social organisations around extended kinship groups.

This attitude was consolidated by the struggle for collective rights that the indigenous movements have pursued since the late 1980s with the support of grassroots organisations (Bebbington, 2007; Ospina Peralta *et al.*, 2008; Erazo, 2010). At 2006, in Ecuador there were about 2,500 grassroots indigenous organisations (communes, centres and co-operatives) at the community level (Uquillas and Larreamendy, 2006). These movements developed the demand for the recognition of the wide diversity of ethnic groups in Ecuador and, as a result of their collective action, the concept of plurinationalism was incorporated into the constitution in 2008.

As Bebbington *et al.* (2008) note, ethnic and grassroots politics have become central in the debate over rural development throughout Latin America and, in the same fashion, environmental question has become crucial also in discussion on national development. These two issues are strictly intertwined because in Ecuador indigenous collective organisations have emerged to secure property rights and improve access to land and other natural resources. This strategy has been used to increase incomes, to reduce the risks caused by climate and disease and to deal with other shocks faced commonly by the rural poor. As a consequence, over time community-based, market-oriented projects aimed at natural resource management have become widespread in the Ecuadorian Amazon. The local leaders see participation in these activities as politically empowering, even though typically they are not concerned with the profitability of the projects (Bebbington *et al.*, 2008; Erazo, 2010). An example is the co-operative movements, which emerged as a collective organisation to defend access and legal title to indigenous land during the mid-twentieth century, when colonists from the highlands were increasingly moving into the Amazon region.

In addition, during the 1990s, there was a convergence between indigenous leaders, interested in promoting collective endeavours, and NGOs carrying out community-based development projects, oriented to promote income-generating activities. These experiences are weakened by a tension between the prevailing interest of indigenous leaders in building a sense of community and the interest of NGOs in generating substantial profits. Nonetheless, they often perform a wide array of projects of collective interest – from obtaining bilingual schools to more recent campaigns against oil driller. Illustrative of this type of governance, is the Indigenous Network of Upper Napo Communities for Intercultural Living and Ecotourism (RICANCIE, *Red Indígena de Comunidades del Alto Napo para la Convivencia Intercultural y el Ecoturismo*) (Erazo, 2010).

Similarly, Ospina Peralta *et al.* (2008) report that since indigenous authorities entered the municipal government of Cotacachi and the provincial government in Cotopaxi, efficient policies for promoting territorial development by building synergies

between the local state and the social organisations have been applied. For instance, the 'community tourism' plan combines job creation, the promotion of agro-biodiversity and the engagement of women and youth in the project. However, this question is nuanced. In the Ecuadorian rural areas, social movements contribute to forms of territorial governance and political inclusion but these institutional changes rarely translate into forms of productive innovation and do not lead to a significant reduction of poverty and inequality.

Considering a range of similar experiences of territorially-based rural development in Latin America, Bebbington *et al.* (2008) concludes that, with few exceptions, the negative effects of the wider economic landscape remain beyond the control of local governments and social organisations and thus of any participatory mechanisms that they may foster. In the same way, Araujo *et al.* (2006) analyse the outcomes of Social Fund projects granted in Ecuador between 1993-1996 to rural areas which lack basic infrastructure and find high elite capture in more unequal communities. Hence, they argue that the outcomes of decentralised and participatory decision-making process are contingent on the empowerment of poor people and the reduction of inequality in local communities.

### *The Plan Nacional para el Buen Vivir 2009-2013*

The distinguishing socioeconomic features of the country show that policy priorities should focus on creating a distinctive new model of development that combines several goals: indigenous strength, environment sustainability and pro-poor growth (Kelsall, 2011). These quests are highlighted in the *Plan Nacional para el Buen Vivir 2009-2013*, which tries to combine an ambitious developmental state platform with the vision of a participated strategy that pursues democracy, human rights and poverty reduction. This *Plan* follows a long period of successive changes of government. Since the late 1980s, social tensions surrounding failed neoliberal policies and persistent poverty increased. After recurrent periods of political instability during the past decade, on 30 September 2007, Ecuador elected a new President (Rafael Correa) and a constituent assembly in charge of rewriting the constitution of the country (UNDP, 2008). The political process was accompanied by the new administration efforts to strengthen the role and capacity of state planning and the central government in general to correct historical inequality and social exclusion.

This trend points to a movement towards what has been called twenty-first-century socialism, which claims to build on the mistakes of both neoliberalism and twentieth-century socialism, seeking to increase state regulation and power but in a democratic way that does not hinder innovation or personal choice (Kennemore and Weeks, 2011). In other words, the new model does not dismiss capitalism but seeks to incorporate it within a humanitarian framework. Following this view, new alternatives to market can be developed, market policies imposed by foreign source are rejected, and the state assumes control over natural resources and redistributes the revenues.

The most comprehensive policy statement for this period is the 2007-2010 National Development Plan, the first in 10 years. In particular, the Plan introduced an environmental policy framework stating as a policy objective 'a healthy and sustainable environment with guaranteed access to safe water, air and soil'. The current administration has confirmed the commitment to environmental issues, proposing the Yasuni-ITT (Ishpingo Tambococha Tiputini) area, which contains some of the country's most important oil deposits in the midst of unique biodiversity, as a Nature Reserve with support from the international community to compensate half lost oil revenues (UNDP,

2008). The proposal preserves close to 5 million hectares of biodiversity in the Ecuadorian rainforest in exchange for compensatory contributions to an international trust fund, overseen by UNDP, that could be used for broader development purposes (Kennemore and Weeks, 2011). However, in other regions, extractive production will probably increase because in 2009 a controversial Mining Law was approved, allowing foreign companies to continue exploration and extractive practices in other parts of the Amazon. The trend towards an expansion of extractive industry in Ecuador, as in the whole Andean-Amazonian region, is caused by the need to generate resources to finance social policy. This ambivalent attitude casts doubts on the internal consistency of the political platform (Bebbington *et al.*, 2011).

The tension between contrasting targets is apparent considering that for the second presidential term of Rafael Correa, the *Plan Nacional para el Buen Vivir 2009-2013* was launched to promote a new development paradigm centred on economic and social transformation and conceived as an alternative to the neoliberal economic model and paradigm. The cornerstone of this strategy is the concept of *Buen Vivir*, which means a new way of living based on social equality, justice, sustainable and democratic development. In short, the *Plan* is inspired by the human development vision which emphasises quality of life and human opportunities as the focus of policy. In pursuing these principles, a number of goals are proposed: to guarantee universal rights and citizen power, enlarge human capabilities, boost education and social protection, preserve natural heritage.

On the other key idea is that the new strategy should not focus exclusively on the market or the state, but should also promote the citizen' capacity to co-operate in individual or collective action. Simultaneously, the *Plan* affirms the concept of solidarity, deep rooted in the Andean culture, as opposed to the neoliberal logic of market competition. In addition, it recognises the importance of civil society organisations to encourage citizen participation in the decision-making process. This aim is sustained through the principle of 'plurinational and intercultural state', enshrined in the constitution, that takes into account the cultural diversity of the country and should ensure equality of rights and opportunities between different ethnic groups.

At present, the implementation of the *Plan* faces significant challenges related to growing social demands and problems in achieving redistributive agreements, generating much controversy among civic society. As far as social programmes are concerned, the government has expanded the budget for social spending since 2007, after raising taxes on foreign oil companies, with an increase in the royalty tax on profits from 50 to 90 per cent (Kennemore and Weeks, 2011). However, as CEPAL (2011) records, in 2008-2009 the macroeconomic priority attached to social spending (in fields such as education, health, social security and welfare) in Ecuador was still below the average, with social spending less than 10 per cent of GDP while Argentina, Brazil, Costa Rica, Cuba and Uruguay spent twice as much. In 2009, in an effort to counter the international financial crisis, the government stepped up public spending by 9.8 per cent (CEPAL, 2011). Despite the rise in fiscal spending, there are many concerns regarding equity due to the financial sustainability of social interventions, persisting in environmental issues, discriminations on women and indigenous populations and last, the poverty trap and the inequality trends which are embedded in the economic and social structure of Ecuador (Kennemore and Weeks, 2011).

The Ecuadorian state in the last few years has also led a very active transnational policy to reach out emigrant community and migrants' association (Margheritis, 2011)<sup>9</sup>.



The new Ecuadorian constitution claims a closer matching between migrants' rights and the state's duties towards them and introduces the possibility of migrants to register themselves in the national social insurance fund to provide a greater security to migrants who return home (Boccagni, 2011)<sup>10</sup>. This incentive to return migration is weak because of the low rate of Ecuadorian social spending, but the growing interest in migrant social protection has increased the support of internal social policies and the promotion of public programs targeted to migrant associations, for example, providing opportunities for new microenterprises as a channel for migrants' savings.

Last, with regard to the democratic process in Ecuador, while there has been a sudden change in its status of democratic consolidation, since 2007, the country's political system is classified as 'partially free' or a 'hybrid regime' by Freedom House and The Economist Intelligence Unit, respectively. However, the 2010 Americas Barometer survey, which measures democratic values and behaviours in the Americas, records a rise in trust and confidence in Ecuadorian institutions and, similarly, over time there is an increasing trend in levels of support and satisfaction with democracy (Seligson, 2011).

In summary, the evolution of economic policy in Ecuador displays a hybrid economic model which is not completely coherent with the ambitious reforms declared in the development plans. Therefore, the realisation of an alternative conception of development linked to the expansion of human capabilities remains an ongoing process. But notwithstanding the contradictory political and domestic scene, it is encouraging that overall the country experienced an improvement under different socioeconomic dimensions compared to the previous governments' performance reported in the past 10 years.

### **III. Social Enterprise and Development in Ecuador Through the Lens of Human Rights and Capabilities**

#### *Theoretical Framework*

Social enterprises can be regarded both as an institution that supplies social services and as a tool of development policy. The connection between these two functions can be clarified by means of Sen's approach, which interprets the development process as an expansion of capabilities (Sen, 1999). Social enterprises do in fact contribute to development in terms of an expansion of capabilities because they supply services and merit goods related to basic functionings (education, health care and social assistance, environment protection), are geared to the needs of the most vulnerable segments of society and pursue also not strictly tangible goals (such as social inclusion and trust embedded in the collective and participatory dimensions of social enterprises) (Defourny and Nyssen, 2006; Borzaga and Galera, 2009; Santos, 2009). Hence, Ziegler (2010) proposes that the 'social' mission of social entrepreneurs could be evaluated in terms of capabilities, and 'social' innovation could be regarded as the implementation of new combinations of (tangible and intangible) capabilities.

One more aspect is crucial in linking social enterprise and development: social enterprises offer a collective area shared by those who have capabilities and those who do not. By connecting individuals via a network of daily interaction, social enterprises act as a form of 'collective agency' that can sustain and help to express individual action, especially of people in vulnerable social groups, within political processes that define the development goals as well as during concrete implementation of these objectives

(Scarlatto, 2012). This approach emphasises the concept of collective capabilities, which is capabilities that are based on social interaction with others and manifest the enhancement, extension and full development of individual capabilities (Evans, 2002; Ibrahim, 2006). The underlying idea is that the option of enjoying the same freedom to act for individuals in a marginalised state is often an unknown and therefore, inaccessible capability that can only be awakened by encouraging participation in groups, associations and organisations that support individual choice and action. In this sense, social enterprise can be conceived as an actor who enhances a strategic capability: the capability to act (that is to exercise livelihood choices, to participate in collective action, to influence other actors' agency choice, to take part in political processes, and so forth) (Mwangi and Markelova, 2009).

This aspect concerns the constructive function that collective action plays in the development process by increasing the awareness and the empowerment of citizens and spreading values of solidarity (Varda 2011). This means that social enterprises are able to transform potential opportunities into a set of functionings that are actually available. Moreover, the empowerment that social enterprises promote increases the effectiveness of development policies, especially those implemented by local government because it supports citizens to take part in the decision-making process, gives a 'voice' to disadvantaged members of society and transfers local information to higher levels of governance (Paxton, 2002; Ibrahim and Alkire, 2007).

To place the case of Ecuador in the international context, it is also useful to introduce Kerlin's framework to explain synthetically the different characteristics of social enterprise around the world (Kerlin, 2009). This approach states that in a given society, the influential socioeconomic factors in shaping social enterprise are: (1) civil society, (2) state capacity, (3) market functioning, and (4) international aid.

In light of this framework, we may identify a number of circumstances, which are favourable to the spreading of the nonprofit sector: a deeply-rooted tradition of social networks and civic activism, a low state capacity to deliver essential services and providing social protection and a large influence of international donors. The level of social welfare spending, however, is a complex variable. On the one side, we would expect that, with high population heterogeneity and low government social provision, nonprofit organisations emerge to deliver public goods required by the population. On the other side, the relationship could be positive because the state and the nonprofit sector provide complementary solutions, enforcing each other's sphere. This is the case of the partnership model in which both the state and the nonprofit sector are actively engaged in collective problem-solving, often in co-operation (Salomon and Anheier, 1998).

As regards as the role of the market, in advanced countries it is related to the use of commercial activities in support of the nonprofits mission and to the capacity to introduce quasi-market mechanisms to increase efficiency in service provision (Defourny and Nyssen, 2010; Nicholls, 2006). Social enterprises may be more or less market oriented depending on the relevance and the extension of state intervention, as we pointed out above. However, it is not striking that the role of the market is quite ambivalent too. Particularly, in developing countries, we can argue that with a poor market functioning NGOs and nonprofit sector arise to provide essential services that both the state, and the market do not guarantee to the population. Nevertheless, a plausible hypothesis can also be that new social actors, such as social entrepreneurs, play a major role in provision of public goods when the market forces are sufficiently strong and an integration is viable between public sector, nonprofit sector and for-profit sector. On balance, it seems also

reasonable to think that in developing countries, there is plenty of unmet demand for basic services, thus there are limited risks of crowding out effects between the nonprofit sector, the state and the market (Hulme, 2008).

Against these hypotheses, Kerlin (2010) stresses that scholars attribute the beginning of the social enterprise movement in the US to government cuts in funding supporting nonprofits during the 1980s and the 1990s. Similarly, in Western Europe, the social enterprise movement was the civil society response to the retrenchment of the welfare state starting from the 1980s. Besides these common features, US and Western Europe experiences also show marked differences. For example, in the US social enterprise is oriented towards commercial revenue generation and is primarily conceived as an innovative business model while in Western Europe, the state promotes the growth of social enterprise through both direct support as well as the creation of a conducive institutional environment (Poon, 2011).

Conversely, in transitional countries, we can envisage a quite different pattern. In East-Central Europe, social enterprise was spurred on after the fall of communism. In this case, however, the civil society was weak. Instead, the role of foreign aid was the driver in the growth of nonprofits and NGOs, which borrowed organisational models consolidated in Western Europe (Kerlin, 2010).

Last, in emerging and developing countries other peculiar features seem to be relevant. Generally speaking, in several countries legal form for social enterprise are absent but the *reality* of the nonprofit sector is a significant presence. For example, Roitter and Vivas (2009) discuss the case of Argentina during the adoption of the Washington Consensus structural adjustment programs in the mid-eighties and nineties. Social enterprise emerged in the aftermath of the crisis in association with the boost in civil society, co-operatives and mutual benefits to cope with unemployment problem and chronic poverty that the state failed to address. By contrast, in Zimbabwe and Zambia, at the onset of the structural adjustment programs and the explosion of unemployment, a large amount of international aid was directed to non-state actors. In this case, social enterprise developed through NGOs, with a focus on microcredit for small business (Kerlin, 2010). Moreover, in the African context, social enterprise trajectory is peculiar for at least two cultural features: the experience of extended family (clan), based on solidarity reciprocities, and the belief that power and authorities are legitimised on religious ground (Kelsall, 2011). For these reasons, African people tend to be much more willing to trust and support religious organisations than secular NGOs or the state, which are often linked to an external agenda. Thus, many of the most successful community-based organisations take a religious inspiration.

These examples outline that, in developing and emerging countries, grassroots nonprofit organisations or international aid, coupled with a weak government response to social crises, are at the basis of the blossoming of social enterprise, even if they determine different patterns in the extent and scope of the nonprofit sector. As far as concerns the role of the market, in developing settings Salomon and Sokolowski (2004) find that the dominance of commercial revenues for charitable activities is most prevalent among transitional and developing countries where the civil society sectors are small, state social funding is weak and international donors proliferate. In short, nonprofit movements require commercial revenue generation as a way to replace government funds. This result is consistent with other Kerlin's findings. In the case of strong civil society, social enterprise pursues most social benefit with innovative forms, giving an emphasis on employment and the reduction of social exclusion. On the other side, when social

enterprise origin is associated with international aid and NGOs, it is prevalent the focus on self-sustainability and the role of market activities (Kerlin, 2010). In addition, a number of studies show that NGOs display mixed results regarding their capacity to enhance development interventions alternative to the dominant neoliberal paradigm (Mitlin *et al.*, 2007). For instance, some papers provide evidence supporting the view that more encompassing collaborations between NGOs and foreign organisations coincide with more intense domestic integration (Grant and Keohane, 2005; Stark *et al.*, 2006; Koslinski and Reis, 2008). Differently, other works argue that the dependence of NGOs on foreign funds may reduce accountability and responsiveness to local communities, weakening horizontal ties with grassroots movements and target population (Anheier and Themudo, 2002; Sorj, 2005).

### *Some Reflections on the Role of the Solidarity Economy in Ecuador*

Social enterprises could be conceived as a way for operationalising the principles of human development, solidarity and collective action, which are the pillars of the *Plan Nacional para el Buen Vivir*. In this paper, we do not try to gather quantitative information on Ecuadorian nonprofit organisations, which are similar to social enterprises. Rather, our aim is limited to exploring potential dimensions of the solidarity economy in Ecuador using the above discussion on the variety of contemporary experiences relevant for the debate around social enterprise and development. Hence this work may be conceived as a preliminary step to be followed by further evidence-based investigations.

The starting point of our reflection is that we can identify three fields of activity related to social enterprise that are crucial for the Ecuadorian context and the political platform of *Buen Vivir*: (i) to bolster initiatives in support of migrant citizens status facilitating connections between migrant associations and their communities at home; (ii) to improve the management of natural resources involving indigenous communities participation; (iii) to extend social protection measures and capabilities through essential services and work integration co-operatives.

From a theoretical perspective, the cases of migrant organisations and indigenous groups for rural development and management of natural resources present as a distinctive feature that they are embedded in international relationships with solidarity groups and activists in other countries. For this reason, the paper argues that the Ecuadorian experience, common to other Latin American countries, does not fit Kerlin's scheme to summarise the most relevant socioeconomic factors at the origin of the nonprofit sector. Together with state, civil society, market and international aid, for Ecuador it is important to consider also the institutional arena which encompasses the pattern of migrants and indigenous organisations. Thus, we envisage a new explanatory factor of social enterprise origin: social mobilisation for human rights and environmental issues on a global scale. Overall, these organisations deal with justice, human rights, recognition of identity-based groups, agency. Even if their emergence is place-based, their evolution is embedded in transnational linkages because the issues they promote are not locally bound. In addition, they are crucial for the solution of collective action problems and the promotion of collective capabilities.

The new category may enrich our understanding of the functions of social enterprise because in this case, the process of social mobilisation goes far beyond the emergence of formal nonprofit organisations and deals directly with the framing of an alternative global development strategy (Bebbington *et al.*, 2010). Following the

arguments pointed out by Bebbington *et al.* (2010), we frame this type of social enterprise as the product of social movements that challenge global trajectory of capital accumulation through dispossession of land, water, natural resources, or structured unequal relationships based on identity (gender, ethnicity, citizenship, and so forth). Meanwhile, the limitation of this form of organisation is that it addresses the problem of social exclusion but does not tackle poverty issues *per se* nor uneven informal relations dominant in the lives of the poor. As a consequence, this approach often fails to translate political gains into material poverty reduction. Likewise, as we have seen, a number of participatory development programs have succeeded in increasing political representation of marginalised groups but often have failed to reach the poorest or to catalyse genuine economic opportunities for the most disadvantages and socially excluded segments of the population.

Taking in mind these shortcomings, this paper argues that in Ecuador, there are unexploited potentials for social organisations that address more closely the issue of poverty. We recall from the previous discussion the role of social enterprise as an actor that contributes to expand individual capabilities. This type of social enterprise includes social co-operatives that provide essential services and support work integration for vulnerable groups such as women and young people with low qualification, disabled people, rural workers, and indigenous people. These forms of social enterprise have reached remarkable outcomes in Western European countries in terms of employment generation, basic services delivery and poverty reduction (Defourny and Nyssens, 2008, 2010). However, traditional social enterprises lack the international dimension and the close connection with the development policy debate that is inherent to the stream of formal organisations related to international social movements and struggles for human rights. They usually invoke alternative ways of delivering essential services and are conceived as sources of alternative ways of intervening to ensure greater participation and people-centeredness, but they do not challenge the dominant economic paradigm (Mitlin *et al.*, 2007) nor are influential in the international political debate around poverty and the MDGs agenda (Sumner and Tiwari, 2009).

This paper suggests that a contamination between the two models of social enterprise, the first one focused on transnational networks, collective capabilities and human rights and the second one locally-based and focused on poverty, could be extremely useful to shift social economy literature towards a critical engagement with development visions and a more effective incidence on dominant ideas rather than simply on projects. Looking to the future, international migrations, inter-connectedness of risk and vulnerability between North and South and global environmental concerns are expected to increase (Sumner and Tiwari, 2009). Hence, a global perspective should be undertaken by social enterprises also to deal with local issues about social policy.

In the next section, we shall expand the analysis of the potential spaces for social enterprise centred on poverty concerns with reference to a significant social policy currently active in Ecuador and in many other emerging and developing countries: Conditional Cash Transfer (CCT) programs. This example outlines that, in practice, the boundaries between different domains of social enterprise are blurred: social protection interventions are necessary for the fulfilment of the rights and, in the same way, the enhancement of agency to defend rights is necessary to cope with not strictly economic causes of poverty and exclusion.

*The Bono de Desarrollo Humano: From a Technocratic to an Agency Building Approach*

Throughout Latin America, since the 1990s Conditional Cash Transfer programs have been playing an important role in social and development policies. These programs aim, during the long run, to increase the accumulation of human capital and in the short run, to reduce poverty. The idea is simple: the program provides cash transfers to poor households that meet verifiable behavioural requirements related to children's health care and education (Adato and Hoddinott, 2010; Fiszbein and Schady, 2009; Gaarder *et al.*, 2010; de Braw and Hoddinott, 2011).

These programs may have a considerable impact on effective social service utilisations, because they address demand-side constraints (both income and cultural constraints), making more likely the achievement of the Millennium Development Goals (Lay, 2012). Moreover, CCTs focus on targeting funding to children and take in account complementarities between different MDGs targets: they promote investments in health, education and nutrition, according to the view that the different aspects of well-being are interdependent.

In Ecuador, education is an area of policy that is considered critical to Ecuador's development<sup>11</sup>. Broadly, two types of demand-side interventions have been implemented so far: CCTs and school vouchers. As far as the former is concerned, a cash transfer program named *Bono de Desarrollo Humano* (BDH) was established in 2003<sup>12</sup>. The program has been operating as part of the government's effort to meet MDGs: it provides cash transfers to the poorest families (the poorest two quintiles of the population) and is targeted at mothers, especially women-heads of households, the disabled and the elderly<sup>13</sup> (Molyneux and Thomson, 2011).

The priorities of the programs are: lowering levels of chronic malnutrition and illnesses in children under five years; ensuring children go to school; protecting the elderly and disabled. The education component requires children from the ages of 6 to 15 to enrol in school and to attend at least 90 per cent of the school days in a month. The health component requires children under the age of 6 to attend health centres for bimonthly medical checkups where their growth is monitored and they receive nutritional supplements and immunisation (Ponce and Bedi, 2010; Samaniego and Tejerina, 2010). More precisely, up until 2006 the program had no mechanisms to verify attendance in school and in health care centres. Consequently, in the first years the program worked as an unconditional cash transfer program.

We present a brief review of the CCT impact studies that report the contribution to the achievement of MDGs and educational outcomes in Ecuador. At the same time, we try to highlight the shortcomings of this approach and the potential role for civil society and social enterprise in strengthening the effectiveness of the program.

Molyneux and Thomson (2011) explore the impact of the CCT on women's empowerment (making informed choices, acquire new skills, and so forth) and find that, even if it is not related to equality of opportunities issues, it does promote gender equity. The reason is that CCTs give the transfer directly to mothers, along with the responsibility for complying with the conditions. However, they also stress that it would be necessary to promote alternative childcare arrangements and involve women in the program's design to better address gender equality<sup>14</sup>. Moreover, from a comparison with other Andean countries emerges that, unlike CCT programs in Peru and Bolivia<sup>15</sup>, the BDH program in Ecuador has no training components and there is no activity involving community participation. Rather it consists only in distributing cash transfers through a network of banks and co-operatives, and promoting the conditionalities for health and

education. In fact, the BDH is linked with other social programs targeted to training, the *Crédito de Desarrollo Humano* (CDH), a microcredit program which offers beneficiaries training courses<sup>16</sup>, but the engagement of women participants, especially of indigenous women, to the BDH is still very shallow. The authors conclude that women's rights organisations, NGOs and civil society organisations would be valuable partners in improving the design and delivery of the CCT program in Ecuador and in supporting women's empowerment.

With regard to the impact of the *Bono* on the accumulation of human capital, Schady and Araujo (2006) find that the program increased school enrolment for children in the age 6 to 17 by about 10 per cent and reduced child works by about 17 percentage points. Oosterbeek *et al.* (2008) verify that the cash transfers in itself lead to more food expenditures and school expenditures, but the cash transfer without conditionality does not increase school attendance. Ponce (2008) estimates that with the introduction of the CCT, households beneficiaries experience a 25 per cent increase in food expenditure. León and Younger (2006) analyse the effects on children's nutritional status as measured by their height and weight and find that the *Bono* had a positive impact, even if quite modest, on child health outcomes. These studies confirm that the program is associated with an increase in school enrolment, improvements in nutritional status and an increase in food expenditure.

However such outcomes didn't translate into higher levels of learning. As Ponce and Bedi (2010) report, the CCT is followed by a sharp increase in enrolment but there is no impact of the program on test scores of students, suggesting that to improve cognitive achievement require additional and alternative interventions. Conversely, Llerena Pinto (2009) provides evidence of positive impact on the educational variable, higher for families inhabiting the rural areas than for those in urban areas. To summarise, it is clear that overall the CCT program has a significant positive impact on education and health of poor families but programs should also improve supply-side factors, for example investing in the quality of school and health infrastructure.

Additionally, Gonzalez-Rosada and Llerena Pinto (2011) study the impact of the BDH over unemployed workers to assess if they reduce incentives to change the occupational status - to get a job in the formal or informal sector - and increase the duration of unemployment because of liquidity provision. The evidence suggests that beneficiaries mothers experience a longer duration of unemployment than mothers with similar characteristics, but not receiving BDH benefits. The program also increases the probability that a mother receiving cash transfers separates from a formal job. In other words, the program could have negatively influenced women's labour search and should be accompanied by complementary measures to address unemployment problems.

Overall, the evidence provided from Ecuador is mixed and several aspects of CCTs remain controversial. These results are in line with analyses produced by impact evaluation and case studies regarding other countries that implemented these programs. Findings on the first generation of CCT programs (mostly in Latin American middle-income countries) and on the second generation (more consolidated programs and new initiatives in low-income countries, especially in Africa) show, on the one side, good outcomes with respect to target and impact evaluation (for instance, increased food consumption, school enrolment, school attendance, clinic visits) (Meghir, 2011; Shady, 2011; Fiszbein and Schady, 2009). On the other side, considering qualitative results that matter (learning outcomes, health outcomes), evidence is often disappointing (Fiszbein and Schady, 2009). Moreover, these programs are administratively demanding, the

targeting and monitoring compliances are data intensive and very costly, co-responsibilities are time-consuming for the households (Fiszbein and Shady, 2009). Last, their impact depends on the supply of accessible and quality health and education services (Silva, 2011; Maluccio, Murphy and Regali, 2010).

From the abundant empirical literature on CCTs, we have also learned that these programs are facing a number of problems as they evolve, from reaching vulnerable groups to fostering transparency and accountability, especially at the community level (de la Brière and Rawlings, 2006). Centralised programs have been criticised for limiting the engagement of local governments and civil society, and it has been underlined that in limited administrative capacity context, a greater reliance on communities is warranted.

Considering these policy-relevant questions, we suggest that a number of challenges could be faced strengthening the role played by social enterprises in implementing CCT programs together with local and central government. First, social enterprises provide social services, integrating the public provision and so increasing the supply side component of CCT program. Furthermore, social enterprise could support CCTs as instruments for dealing with the current economic crises because they involve the participation of beneficiaries in productive activities (for example, job related activities targeted to vulnerable groups), addressing the source of shocks (Fiszbein *et al.*, 2011). A related argument is that in the developing world, there is a large informal sector that provides jobs and a source of income for poor people who lack personal characteristics required to find work in the formal economy (Andres and Romlogan-Dobson, 2011). In this context, nonprofit organisations, and co-operatives in particular, could help the poor acquire skills and job opportunities in the formal sector.

Second, social enterprises could perform additional functions, which are critical to enforce conditionality. They could use their informational advantages of local knowledge to contribute in monitoring and data collection on beneficiary profiles, improving the verification process for conditionality. Furthermore, social enterprises could help people benefiting from the transfers in their compliance of the conditions (for example, school enrolment and attendance). As a number of studies suggest, is neither cash nor conditions that drive results but behaviour will depend on the way the message of the conditionality is framed and internalised by the households (Olke *et al.*, 2011; Jens *et al.*, 2011; Baird *et al.*, 2011). Hence, the success of interventions requires that the program seeks to help empower beneficiaries (Duflo, 2012) linking transfers to other complementary measures that enhance agency and collective action.

From a conceptual point of view, we can identify two essential functions that an institution plays in collective action building: the role of mediator between state, market and communities and the triggering of neighbourhood effects. With regard to the first function, social enterprises could explain to people the gains from the programs and the importance of the culture of the school, increase the awareness of education, motivate households to pursue unfamiliar activities, reduce the distrust of the community. Thus, playing the role as an institution that mediates social interactions, social enterprise could improve collective action for poverty reduction (Ostrom, 2005; Di Gregorio *et al.* 2008; Mwangi and Markelova, 2009) and significantly increase co-operation between the eligible beneficiaries, communities, service providers and other relevant authorities.

As far as neighbourhood effects are concerned, services delivery by social enterprise embedded in the local network of stakeholders could boost the spreading of values and information with positive impacts not only on CCT beneficiaries but also on the whole community. As Bowles *et al.* (2006) underlines, neighbourhood effects



contribute to cause the existence of a poverty trap: if in the economic context, socially bad behaviours are widespread, they crowd out co-operative behaviour and trust, hindering investments and development. Conversely, social interactions inspired by reciprocity may foster co-operative equilibria, breaking the poverty trap (Bowles and Gintis, 2005). In this perspective, social enterprise enhances the solutions of some typical co-ordination failures at the root of underdevelopment (Hoff and Stiglitz, 2001; Ray, 2000).

In conclusion, government role is of paramount importance to the provision of high quality local public infrastructure and in sponsoring education, health and skills training. This paper suggests that, at the same time, emphasising social networks and the role of nonprofit organisations in the decentralised implementation of social policies, could improve MDGs achievement and help in shaping social attitudes in the direction of a more inclusive development. An additional spillover effect is that with poor people more powerful, the likelihood of elite capture in community programs decreases because participatory spaces are constructed on a more egalitarian base.

#### **IV. Conclusions**

This article explores the potential role of social enterprise in the development process. The paper focuses on Ecuador's experience. This country is an interesting case in point because it is characterised by a culturally diverse population, the need to respond to emerging international standards of sustainable development and the ongoing effort of redefinition of a representative democracy (Uquillas and Larreamendy, 2006). What is more, the policy perspective of the country is currently focusing on the social and environmental dimensions of development as well as on local culture and participation, adopting a development paradigm that assigns a key role to the social economy.

From this analysis we can distil a few tentative lessons. First, national strategies for the promotion of social enterprise in Ecuador can pay off considering the potential impact on capabilities expansion, MDGs achievement and productive opportunities. The paper suggests that the kind of activities appropriate for social enterprise to undertake are, in particular, initiatives that facilitate connections between migrant associations and their communities at home, the management of natural resources involving indigenous community participation and the extension of social protection measures.

Second, the Conditional Cash Transfer program is a critical instrument to support vulnerable households in Ecuador. However, more needs to be done to better improve child welfare and to enhance women's empowerment through education and employment. In broad terms, social enterprises may mitigate the technocratic approach to human capital accumulation inherent to the CCT approach. The reason is that these organisations contribute to complement demand and supply side of a policy that protects multiple dimensions of poor households, including women empowerment, training and support for work integration of the poor.

Third, the theoretical framework to analyse social enterprise must be reinterpreted somewhat to accommodate the distinctive sources of nonprofit entrepreneurship viable in Ecuador. The Ecuadorian case may require a broader notion of state-society relations that embodies on the one side local tradition and context-specific dynamics and, on the other, the overwhelming external dimension of civic engagement: transnational NGOs and international organisations' orientations, global environmental and human rights concerns, emigration trends. All these factors linked to international social movements

deeply shape the nature and evolution of nonprofit organisations and civil society in Ecuador. Therefore, they represent peculiar features that influence the scope and the functions of the nonprofit sector in the country as well as in many other emerging and developing economies. As a consequence, the political relevance of measures in support of social enterprises in these circumstances is affected not only by national policy but also by the co-ordinated efforts of international financial institutions and governments, which are bilateral partners in development assistance projects. Hence, promoting substantive participation and inclusion of local nonprofit organisations together with transnational NGOs should be a commitment in a local, national and international agenda. Such a task requires a pro-active stance in multilateral co-operation to help in framing national legislations encompassing various sorts of nonprofit and community organisations in developing countries.

Fourth, an inherent risk brought by social movements and organisations is that they could pursue corporatist interests with adverse effects on the whole community and most socially excluded people. The case of Ecuador partially confirms this concern but also shows that social movements that feed nonprofit organisations, even if fractured, have pushed in the direction of rethinking the dominant paradigm of development. In this sense, the experience of Ecuador is illuminating under several theoretical issues regarding more general development policy implications. On the one side, social movements contribute to embrace the vision of a development policy aimed at reducing inequality as well as poverty by improving environmental sustainability, increasing education and health services as fundamental rights and assigning a crucial role to publicly financed social policy (Hulme, 2008; Bebbington *et al.*, 2008). On the other side, the companion lesson that we can draw is that social movements cannot influence radically the process of development in a socioeconomic context constrained by inequality and poverty related to long-standing exclusion systems, which are both economic and social (Mosse, 2010).

As a consequence, the last point is that our study remarks that strengthening the capacity of the state to implement public policies is of primary importance in Ecuador. Although several contradictions and controversies are emerging in the concrete implementation of the new development paradigm, the case of Ecuador also shows clearly the key role of the state in a country characterised by weak institutions, fragmentations and social unrest: the state brings the responsibility to amalgamate heterogeneous groups around a unifying political platform and mobilise social involvement in national policies. The future challenge will be to reconcile in a more coherent framework, the developmental state and the solidarity economy, two models that coexist among a number of contradictions. The unifying target should be to pursue the reversal of the long-term dynamics of uneven development through policies that address more inclusive, pro-poor participation strategy and enhance directly crucial factors inherent in the current evolving economic paradigm of *Buen Vivir*.

## Notes

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<sup>1</sup> According to the latest census, the percentage of the indigenous population living in extreme poverty is almost five times that of whites (UNDP, 2008).

<sup>2</sup> Pachakutik Pluricultural Movement was created in 1996 as the political arm of CONAIE (*Confederación de Nacionalidades Indígenas del Ecuador*), the most influential organisation representing indigenous interests. Over time, the Pachakutik party has failed to achieve the high expectations placed upon it by indigenous people (Jones West, 2011). By the time of the political crisis in 2005, the movement's

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credibility was damaged because of his market oriented policies and corruption charges (Kennemore and Weeks, 2011).

<sup>3</sup> The index combines economic prosperity with education levels and life expectancy of the population (UNDP, 2011).

<sup>4</sup> Percentage of the population ages 15 and older who can both read and write a short simple statement on every day life (UNDP, 2011).

<sup>5</sup> Probability of dying between birth and age 5, expressed per 1,000 live births (UNDP, 2011).

<sup>6</sup> Vulnerable employment is unpaid family workers and own-account workers as a percentage of total employment (World Bank, 2012).

<sup>7</sup> In some international development projects, *mingas* as a form of collective labor is still accepted as the counterpart contribution of the communities for financing rural investments (Uquillas and Larreamendy, 2006).

<sup>8</sup> The pre-Hispanic civilisations of the Andes adopted an organisation system based on a principle known as 'Andean reciprocity'. This system was able to articulate the production and distribution of goods using existing kinship ties and the obligations that different groups had to turn over their excess production to the community to be redistributed among the neediest people. Much of this type of social capital today is manifest through informal networks of reciprocity (Salomon and Sokolowski, 1999).

<sup>9</sup> The initiative that has attracted most attention, is the National Secretariat of the Migrants (SENAMI, *Secretaría Nacional del Migrante*), a new office created in 2007 within the organisational structure of the presidency with the scope to promote a redefinition of migration problem in terms of human rights (Margheritis, 2011).

<sup>10</sup> As Margheritis (2011) points out, this approach emphasises four rights of migrants: free circulation, the right to choose not to migrate, fair social and labour conditions, the right to preserve cultural identity.

<sup>11</sup> Compulsory schooling in Ecuador starts at the age of 5 and ends at 14. It includes one year of pre-school, six years of primary school and three years of basic secondary school (Ponce and Bedi, 2010).

<sup>12</sup> In 1998, in order to boost school enrolment amongst the poorer segments of the population and to raise achievements, the Ecuadorian government launched a Conditional Cash Transfer program (*Beca Escolar*), a school-meal program (*Programa de Alimentación Escolar*) and a program of unconditional transfers to poor families (*Bono Solidario*). In 2003 *Bono Solidario* was reformed and became a CCT. It was renamed *Bono de Desarrollo Humano* and incorporated the other two social policies. Beneficiaries received a cash transfer of US\$15 per month that increased over time up to 35 dollars in 2009. On average, the share of the *Bono* in beneficiary household monthly expenditures is 15 per cent. As for December 2010 there were 1.76 million people getting the subsidy (47.6% of households within first and second quintiles of households living conditions), and 67 per cent of the beneficiaries were mothers. Considering that Ecuador has a population of 14 million, the program reaches a significant proportion of the country's families (Ponce and Bedi, 2010; Gonzalez-Rosada and Llerena Pinto, 2011).

<sup>13</sup> There are no conditionalities for elderly and disabled.

<sup>14</sup> As Tabbush (2010) remarks, CCT policies are principally designed to support children and households rather than addressing women's needs. This means that, in the absence of measures to support commitments to gender equality, the *Bono* could be a disincentive to some women to look for a work in the labour market. At the same time, it does not encourage men's involvement in child care.

<sup>15</sup> The *Juntos* CCT program has operated in Peru since 2005 and it works with the participation of civil society and the church in the management structure and in the monitoring of the outcomes. The *Bono Juana Azurduy* (BJA) has been operating in Bolivia since 2009. It requires the participations of women's organisations and engages women in educational activities.

<sup>16</sup> CCT future transfers are allowed to be used as collateral for obtaining microcredit. From January to November 2010, the CDH provided credit to 432 thousand beneficiaries for a total of US\$337 million (Samaniego and Tejerina, 2010).

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