# Definitions and explanations of terms

Trag Foundation uses the terms "solidarity economy" and "solidarity entrepreneurship" (instead of "social economy" or "social entrepreneurship"), emphasizing reciprocity and mutual support as core values and principles. Within the Coalition for the Development of the Solidarity Economy, the Trag Foundation promotes the adapted use of language to bring new concepts for addressing social issues closer to citizens.

## What is a Solidarity Economy?

A solidarity economy is an original economy[1] based on values created by citizens, for citizens, and for the planet. The core values of the solidarity economy are self-help, self-responsibility, democracy, equality, and solidarity. It responds to the community's needs and relies on a business model to achieve social goals. Its foundation lies in adopting successful business practices, utilizing technology and knowledge, and adapting them to foster community well-being based on shared values and objectives.

## Who is a Solidarity Entrepreneur?

There are five key characteristics of an ideal solidarity entrepreneur:

### 1. The driving force behind economic activity is a social mission that contributes to the revitalization, protection, or fairer use of public or common goods, often in social innovation.

This means that the motivation for coming together and establishing a venture is to improve the fair and equal use of public goods—resources provided by the state through the public sector (such as healthcare, education, legal protection, roads, parks, streets, squares, and security) or to ensure the responsible use and preservation of common goods (such as water, land, air, solar energy, forests, rivers, lakes, cultural heritage, and the internet).

Actors within the solidarity economy do not exist for their own sake; their purpose extends beyond personal benefits for founders, members, families, and friends. The same level cannot be placed on the social mission and profit generation, nor can they oppose each other. The core purpose of solidarity economy actors is their social mission. At the same time, business techniques and profit-making are tools for achieving that mission.

Commitment to the social mission must be visible and embedded in the business model itself. This could involve a continuous hiring process and supplier engagement through reinvesting planned profits, successively opening branches in different parts of the community to address local needs, or maintaining a structured plan for revitalizing public or social goods, as reflected in planned expenditures.

[1] The word "economy" is a compound derived from the Greek phrase nomos (νόμος) – meaning custom or law, and oikos (οἶκος) – meaning house or household. Initially, it referred to the principles of managing a household.

Solidarity entrepreneurs express their social mission through time-bound expected outcomes—clearly defined and measurable qualitative and/or quantitative social changes they continuously achieve through their work.

**2. Actors within the solidarity economy generate income by selling goods or services in the market.**

It is essential that they maintain continuous activity in the production and sale of goods or services. Additional income may come from voluntary contributions, gifts, premiums, donations, subsidies, or bequests. They must be organized to employ or engage paid workers. Production and sales cannot rely solely on volunteer labor.

**3. Actors in the solidarity economy reinvest profits to achieve their social mission.**

They must maintain a non-profit character regardless of their legal form (association, cooperative, foundation, endowment, LLC, joint-stock company, etc.). Compensation for work should be fair and follow agreements made by the managers, while the profit is reinvested into further developing production or sales capacities and fulfilling the social mission.

**4. The organizational structure and ownership reflect the social mission. They are based on democratic management and/or participatory principles and/or are focused on achieving social justice.**

This means that solidarity economy actors include:

- Formally organized groups of citizens in the private and civil sectors;
- Those who ensure that workers and collaborators are informed participants in the management process or are fully organized based on the principles of workers' self-management (which also includes collective ownership);
- Those who involve interested groups in the community, especially customers/users of services, in management;
- Those who are independent in management (they cannot merely be a revenue-generating activity of another actor and should have diverse sources of income in addition to business activities).

**5. Actors within the solidarity economy follow and promote the ten universal principles of the Global Compact in Serbia[2].**

The Global Compact is a framework through which companies commit to aligning their activities with ten universal human rights, labor, environmental protection, and anti-corruption principles. As the most significant global civil initiative, the Global Compact primarily focuses on building socially responsible business practices and markets.

[2] http://www.ungc.rs/srb

Our definition of solidarity economy and solidarity entrepreneurship represents the ideal state we strive for, and we use it as a vision for implementing our support programs for solidarity entrepreneurship. We have chosen this form of motivating definition as a reminder that a necessary minimum is not enough for social change and to provide us and our beneficiaries with a constant source of inspiration.

**Solidarity entrepreneurship is a way of working, not a legal entity.** An association, foundation, endowment, cooperative, or business entity can be established or transformed into a solidarity entrepreneur during its operation or can establish a solidarity enterprise. It is essential that the organization is intentionally structured from the outset to achieve the previously mentioned characteristics of solidarity economy actors.

**Solidarity entrepreneurship is not the same as corporate social responsibility (CSR).** CSR is a concept where companies voluntarily integrate social and environmental issues into their business operations and stakeholder relationships. In simpler terms, it is the responsibility of companies for their impact on the environment. The essential difference lies in the purpose: a solidarity enterprise exists for its social mission and operates within the civil sector using business techniques, whereas a socially responsible company exists to generate profit, operates within the business sector, and does so transparently and sustainably.

**Solidarity entrepreneurship is not corporate philanthropy. Corporate philanthropy is a part of corporate social responsibility (CSR).** It involves giving in the form of money, products, or services. Unlike charity or humanitarian aid, corporate philanthropy refers to providing for broader and developmental needs, such as supporting culture, science, environmental protection, and the development of democracy.

**Solidarity entrepreneurship develops based on the principles of sustainable development — it meets present needs without compromising the ability of future generations to meet their own needs.** These principles stem from three aspects of sustainable development: economic sustainability, environmental sustainability, and social sustainability. The first aspect involves economic growth and development; the second encompasses the integrity of ecosystems and concern for their capacity and biodiversity. At the same time, the third includes values such as equality, empowerment, accessibility, and individual participation in social life.

[3] Definicija Brundtlendove komisije (1987).