CORDAID, SOCIAL ENTREPRENEURSHIP AND CATHOLIC SOCIAL THOUGHT

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Cordaid BUILDING FLOURISHING COMMUNITIES

EXECUTIVE SUMMARY

Cordaid's commitment to flourishing communities and societies is situated in the context of a constantly changing social and economic reality. One of the new developments is the emergence of social enterprises. These enterprises are not driven by individual profit for their owners or shareholders but aim to contribute to a more just and sustainable world. In its domestic and international programs, Cordaid is exploring the social enterprise model as a new way of achieving its objectives. This paper analyzes to what extent the social enterprise model is compatible with the principles and values of Catholic social thought.

Catholic social thought is based on four pillars:

1. Human dignity: created after the image of God, every human has an intrinsic dignity that should be respected in and by society.
2. Common good: the flourishing of the human family as a whole should be the aim of our actions in society.
3. Subsidiarity: create the freedom for people and communities to contribute to the flourishing of the human family.
4. Solidarity: share our means with those who suffer from poverty, oppression, and lack of freedom.

Based on the message of the gospel, CST has been the source of inspiration for many people and organizations in the Catholic community to take action to promote justice and dignity.

CST: responding to the challenges of our time

CST is evolving in response to new political and socio-economic challenges facing society. Built on the moral teachings of the Catholic Church, papal encyclicals provide answers that guide Catholic individuals, entrepreneurs and organizations in their policies and actions.

CST: does not favor a single economic discourse

CST has never taken sides in the ongoing debate about what is the best economic or political system. It has been critical of communism and capitalism, of socialism and liberalism. The principles of CST have always been presented as a reference for political and economic systems. As long as human dignity, solidarity, subsidiarity and the common good are served and observed, different kinds of political and economic systems will be able to co-exist. CST has always tried to persuade politicians, employers and entrepreneurs of the importance of that notion.

CST and the market

CST has always defended the right to private property and the need for entrepreneurship. Markets and entrepreneurship are manifestations of people's freedom and agency: taking initiative and responsibility are important values that should be upheld in an economic system. Entrepreneurship is important in terms of the value of subsidiarity: it gives people the freedom to contribute to the economy based on their own ideas and creativity.

CST and neo-liberalism

Globalization has pervaded every aspect of life and affected every human being. Small farmers in Mali, slum dwellers in Manila, and factory workers in Mexico are all part of an increasingly integrated global economy. In this process, making a profit for owners and shareholders has become the driver of the economy, reducing people and nature to instruments of production used to maximize profits. The consequence is the exploitation of people and nature. By promoting its moral principles, CST is clearly advocating an economy that puts humans and nature in the center and respects human dignity and creation, rather than manipulating workers around the globe.

CST and different economic models

The values and principles of CST are a yardstick for assessing different economic models.

- Mainstream economy: presents the economy as a separate entity in society, one that follows its own laws and has profit as its main objective, and externalizes the social and environmental impact during the process. Other objectives (living wage, decent work, rights of workers, and environmental concerns) have to be forced on the mainstream economy by external forces. There is not much CST in this economic model.
- CSR economy: accepts social and environmental requirements as part of the economy, but it is still driven by the profit motive. By integrating values into the model, CSR adopts part of the CST framework, even though profit making remains its guiding principle.
- Social entrepreneurship economy: makes a fundamental shift towards having social objectives as the economy's main driver (instead of profit) and therefore views social and environmental concerns as the basis of the economy. Financial sustainability is the condition, not the aim. As with CST, the social impact and values are the principle drivers of this economic model.

Cordaid and social entrepreneurship

As a civil society organization Cordaid is increasingly adopting entrepreneurial models in its programs to respond to new challenges. It has to develop new business models because of changes in the funding of its work. Moreover, Cordaid wants to bridge the gap between civil society and the private sector and believes that entrepreneurial models make programs more sustainable and resilient. In adopting entrepreneurial models it exclusively supports enterprises that act according to the principles of corporate social responsibility or social entrepreneurship. Cordaid prefers social enterprises because through their work they aim to have a positive social and environmental impact and because they promote a holistic socio-economic perspective.

FOUR EXAMPLES OF CORDAID'S IMPACT

Results-based financing in education
Results-based financing in the school system of the Central African Republic (one of the poorest countries in the world) has created performance incentives for the management and boards of schools: more girls are attending school, there is less teacher absenteeism, and new educational materials are improving the quality of the education.
An example of how social entrepreneurship can enhance human dignity.

Neighborhood cooperatives in the Netherlands
People in poor neighborhoods in the Netherlands, depending on their welfare entitlements, are forming cooperatives where they are improving their skills and gaining the necessary expertise to set up their own small businesses, thereby becoming socially and economically more integrated into society. It strengthens their self-esteem and self-confidence and makes them less dependent on the welfare system.
An example of how social entrepreneurship can enhance human dignity and subsidiarity.

Microfinance: together we are strong
Poor people generally need small amounts of money to improve their situation
and build resilience against the shocks of life. US$100 for a sewing machine to make and sell cloths, for example, or US$200 for cows to sell milk at the market. Individually they have no access to credit and are vulnerable. Often groups of people become guarantors for each other's loans. These small amounts go a long way.
An example of how social entrepreneurship can enhance solidarity.

Innovation to respond to flooding.
Together with a Dutch company Cordaid developed the 'Brinker', a biodegradable sack filled with earth and seeds. Used as a dyke against flooding the seeds will germinate and create a strong, natural defense for villages in flood-prone areas.
It is environmentally friendly and uses local natural resources.
An example of how social entrepreneurship can enhance the common good.

CONTENTS

INTRODUCTION

Catholic social thought is one of the cornerstones of Cordaid's identity and its policies. CST is the expression of the spirituality of the gospel applied to social and economic policies. Indeed, CST is one of the founding principles of the CIDSE and Caritas Internationalis Catholic networks, of which Cordaid is a long-standing member.[1] CST is a constantly evolving body of knowledge about the role, position and behavior of Catholics and Catholic organizations in society. It has four main principles that regulate the different circumstances of social life:

1. Human dignity: created after the image of God, every human has an intrinsic dignity that should be respected in social life; respect for human beings equates respect for our creator.
2. Common good: human actions in society should be oriented towards the common good. We are one human family and the flourishing of that human family, more than the flourishing of its individual parts, should be the aim of our actions in society.
3. Subsidiarity: as a person created by God, every human needs to have the opportunity to contribute to the flourishing of the human family. The essence of subsidiarity is creating freedom and an enabling environment for people and communities to contribute to this aim.
4. Solidarity: living as one human family we should take responsibility for one another by sharing our means with those who are suffering from poverty, oppression, and lack of freedom.

These are principles, not recipes. Catholic agencies active in social, economic and political life should apply these principles to their policies and actions taking into account the context and circumstances. This approach did not prevent the Catholic Church from addressing very concrete issues from a CST perspective. *The Compendium of the Social Doctrine of the Church*, published in 2004 by the Pontifical Council for Justice and Peace, addressed a broad field of social issues from this CST perspective.[2]

CST is often described as "the best-kept secret"[3] of the Catholic Church: though not very well known, it had a profound impact on the building of the European model of the social welfare state.

This paper investigates the social enterprise model within the framework of CST: how does the social enterprise model promote the values of CST in the today's context and in the reality of development cooperation and what the history of CST tells us about (social) entrepreneurship?

1. LANDMARKS IN THE HISTORY OF CATHOLIC SOCIAL THOUGHT

There is no doubt about the origin of Catholic social thought:[4] the encyclical *Rerum Novarum* of Pope Leo XIII is widely acknowledged as the starting point of this part of the Catholic tradition. Although this encyclical is based on the important work of Catholic thinkers and bishops in the decades preceding its publication,[5] it was the first time a Pope made explicit his position on the challenges of modern industrialized society. There was growing concern in the Catholic Church at the time about rapid industrialization and the consequences for society: rapid urbanization, poor housing and sanitary conditions, exploitation of children in factories and dire poverty. The antagonistic strife between liberalism and socialism/communism in the 19th century about this process of industrialization was the backdrop of this encyclical.

In that encyclical and ever since the Catholic Church has never taken sides in this debate between liberalism and socialism/communism in all their guises in the 20th century, even though different wings in the church tried to push the church in one or the other direction. Neither did the church present CST as a "third way" between the two.[6] It believed that the answer to the socio-economic challenges and tensions in the late 19th century was to uphold the principles of CST (human dignity, common good, subsidiarity and solidarity).

Forty years later, in 1931, Pope Pius XI published his encyclical *Quadragesimo Anno* ("In the fortieth year") to commemorate the encyclical of Leo XIII. And again the backdrop of that era was a decisive factor in the encyclical. Faced with the totalitarian regimes of communism in Russia and fascism and Nazism in Italy and Germany Pius XI stressed the importance of subsidiarity: man as an individual and as a social being should have the freedom to determine his actions and to make his own choices in social, political and economic issues.

With his encyclical **Pacem in Terris** Pope John XXIII highlighted the theme of peace as the challenge of the time. With the nuclear arms race and the threat of mutual destruction, peace became a central issue in world politics. He embraced human rights as a corner stone of CST, concretizing the principle of human dignity, which was the basis of the 1948 Universal Declaration of Human Rights.[7]

In 1967 Pope Paul VI published Populorum Progressio in which he, building on his predecessor's *Pacem in Terris*, adopted the new language of development that became dominant in the post-colonial era. Development, so stated Paul VI, was the new word for peace. He stressed the need for a new integral humanism, arguing that human beings were inherently spiritual, cultural, economic and social. He also warned against allowing reductionism to find its way onto the development agenda.

Pope John Paul II, who lived in Poland during the Nazi atrocities and communist oppression, stressed the aspect of human dignity and the autonomous position of people in society in his encyclicals *Laborem Excerens* and *Centesimus Annus*: man is an independently acting subject in society that deserves the freedom to take initiative and make his own decisions.

Benedict XVI added to the CST his encyclicals *Deus Caritas Est* and *Caritas in Veritate*, in which he stressed the need to take caritas as the cornerstone of society: even the most just society needs love. Human relations cannot do without it. He criticized an economy driven by money and profit and made a plea for the economy of the gift as a counterbalance to the increasing financialization of society.

This very short overview should teach us that CST is always contextual and therefore it is a body of knowledge and thought that develops in response to developments in society. The above-mentioned encyclicals, which span more than 120 years, have to be understood against the backdrop of the times in which they were written and the accompanying social, economic and political challenges. CST has taken an independent positon during all these socio-economic and political debates, avoiding taking sides in ideological battles. That is why the Catholic Church has been critical about some streams of liberation theology, which lean too much towards Marxism and why the Catholic Church is critical towards that part of the Chinese Catholic Church that operates under the patronage of the Chinese regime.

Indeed, it is Catholic social thought's policy not to take sides in political, socio-economic ideological battles, which explains why the church does not respond directly to new trends in development NGOs, such as the social enterprise model.

This overview of the conceptual and intellectual history of CST as expressed in encyclicals and documents should not conceal the fact that CST is above all something practiced by women and men, both religious and non-religious, who commit themselves to social justice and solidarity.
Catholic social teaching is derived from the spirituality of the gospel. The message of Christ that to love your neighbor is to love God is the highest commandment. The message in Matthew 25 ("I was hungry and you gave me something to eat, I was thirsty and you gave me something to drink") in the context of the last judgment, leaves no doubt that the practice of care and solidarity are essential for Christians. Jesus has put himself in the tradition of the prophets of Israel (Luke 4: 16-22), who had a long tradition of denouncing injustice and defending the poor, widows and orphans. Social engagement has long been embedded in the Judeo-Christian tradition in the deep conviction that God himself is love and justice.

The commandment to love thy neighbor has to be put in practice, and time and again Jesus teaches his followers that practice prevails. This priority of practice can be traced back to the beginning of the Christian community. Saint James in his letter expresses that when he says: "Suppose a brother or a sister is without clothes and daily food. If one of you says to them, 'Go in peace; keep warm and well fed,' but does nothing about their physical needs, what good is it? In the same way, faith by itself, if it is not accompanied by action, is dead."
In CST this long history of commitment to social justice finds new expression in the practice of those who organized the first Catholic labor unions, organized campaigns against poverty and exploitation, and raised the dignity of the marginalized. This commitment to social justice is universal to all Catholic communities and organizations. Yet most of these concrete actions by unknown saints and prophets remain unacknowledged. And sometimes people paid the highest price – their lives – to defend other people's dignity.

2. CST AND CHRISTIAN ANTHROPOLOGY

Before addressing the issue of CST and economic policies, it is important to look at Christian anthropology, for the position of CST on socio-economic and political issues is based on the answer to the question: "who is the human person?"[8] In Catholic theology the human person is first and foremost created after the image of God. The divine is thus present in the human person. That makes human dignity an unalienable aspect of every human person,[9] in whatever condition of poverty, oppression of disability he may find himself in. Even perpetrators have human dignity.

Another point is that the human person is rational. The creator has gifted him with reason so that he may act according to this reason. He has the obligation to reflect and ponder on different perspectives. That is why faith and reason are always linked in Catholic theology. Created in the image of God and therefore open to his creator, man is also a rational being: his reason is also a gift of God and therefore part of his capacity to understand and love God.

The human person is also an individual and a social being. The uniqueness of every human person makes him someone who has to be respected for this uniqueness. The human person can never be reduced to just a copy of the human species, interchangeable with other copies. But the human person is also a social being: from creation (the story of Adam and Eve) he is open to his fellow humans to live together and to take responsibility for one another. Individual and social are forever in balance, even if the balance is never fixed but has to be regained in every socio-economic and political context. Man can never turn his back on his social responsibility by referring to his individual needs or ambitions, neither can he do away with his individual responsibility by hiding behind his social position.

This understanding of the individual and social aspects of the human person explains why CST is critical of liberalism and socialism, the former stressing the individual at the expense of the social, the latter the reverse.

CST wants to foster human flourishing in both aspects.

3. ECONOMY, MARKETS, ENTREPRENEURSHIP AND CST

a. The economy

The Catholic Church has always taken a restrained position in economic debates, arguing that it has limited competency and knowledge of economics. Instead of taking sides in the battle over economic policies, the Catholic Church has always put the flourishing of the human person and the flourishing of the community at center stage in the debate on the economy. Criticizing liberalism for looking at the human person as a mere resource for production and consumption and criticizing socialism/communism for letting the human person vanish into the collectivity of the state, CST has always defended the human person as the center of the economy. With this in mind we have to be cautious not to try to make CST partisan to a specific economic policy. It upholds its own principles and leaves it to the politicians and economists to determine the best socio-economic policies. Because CST is based on a spiritual perspective of man (created in the image of God and finding his destiny in God) all human activity, including economics, has to be seen in this spiritual perspective.

CST is not something outside the economy: "The Church's social doctrine holds that authentically human social relationships of friendship, solidarity and reciprocity can also be conducted within economic activity, and not only outside it or 'after' it. The economic sphere is neither ethically neutral, nor inherently inhuman and opposed to society. It is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner."[10] All those who try to shield the economy from interference by CST should realize that for the Catholic Church the economy is not a sphere in itself, governed by its own laws and rules: as a human activity the economy has to live up to the principles of CST.

The other side of the coin is that economists and politicians of very diverse opinions have tried to connect their policies to CST. Neo-liberal and Marxist economists have argued that they are upholding the principles of CST in their economic recommendations. Neo-liberal economists argue that their focus on growth is justified because it lifts people out of poverty and therefore respects human dignity. From that perspective prosperity becomes a part of the common good. These economists see growth as a form of solidarity: together we are making society as a whole more prosperous, even if wealth is not distributed entirely equally. For Marxist economists the fact that they are guaranteeing social services (free education and health care) is proof that they are respecting human dignity. Solidarity and common good are almost automatically taken into account in their perspective, and subsidiarity is even part of their analysis: full employment offers everyone the opportunity to contribute. These efforts to make CST partisan to an economic system or theory have always been declined by the Church.

Pope John Paul II phrased the position of CST vis-a-vis the economy as follows: "The Church has no models to present; models that are real and truly effective can only arise within the framework of different historical situations, through the efforts of all those who responsibly confront concrete problems in all their social, economic, political and cultural aspects, as these interact with one another. For such a task the Church offers her social thought as an indispensable and ideal orientation, a thought which, as already mentioned, recognizes the positive value of the market and of enterprise, but which at the same time points out that these need to be oriented towards the common good."[11]

CST has urged economists to think beyond standard economic theory and take fully into account the human issue. It has stressed the subjective value of work: work is not only a means of achieving an objective, i.e. market value, it must also create subjective value, i.e. it must make the human person more human, and enable him to flourish more as a human person. CST has also stressed the importance of non-paid, reproductive work: the work that sustains the family and the community. Indeed, work by women in care and nurturing should be valued and seen as an integral and indispensable part of the economy.[12]

b. The market

The encyclicals of the popes since 1891 have always defended private property as a natural and socially necessary right. Leo XIII went so far as to say that "the right of private property must be regarded as sacred."[13] But private property should never be seen as something merely individual. All possession, by being part of God's creation, is universal.[14] Property should, by serving individuals or families, also serve the human community as a whole.

While CST has accepted the market as a system for economic relations, it has been consistently critical about how the market functions and what the consequences of that are. "It would appear that, on the level of individual nations and of international relations, the free market is the most efficient instrument for utilizing resources and effectively responding to needs. But this is true only for those needs which are 'solvent', insofar as they are endowed with purchasing power, and for those resources which are 'marketable', insofar as they are capable of obtaining a satisfactory price. But there are many human needs which find no place on the market."[15] From a CST perspective, which puts great store in integral human dignity, markets merely address material needs. The problem of an economy that does not satisfy integral human needs is CST's first critique of the market. The second critique focuses on unchecked markets. As Paul VI stated, an unchecked market "considers profit as the key motive for economic progress, competition as the supreme law of economics and private ownership of the means of production as an absolute right that has no limits and carries no corresponding social obligation."[16] Further on, the pope adds that "without abolishing the competitive market it should be kept within the limits which make it just and moral and therefore human."[17]

There is a place for the market, but it should never occupy the highest place because the common good must take precedence; it will not happen spontaneously because market forces still have free play in the market.[18] Adam Smith's invisible hand is not part of CST, which holds that the ultimate goal of the economy is common good, and therefore the market has to be restructured to achieve this goal. Governments and civil society need to provide for checks and balances to make sure that the human needs are met and that the market does not spin out of control.

c. Entrepreneurship

CST's ideas regarding entrepreneurship rest on two pillars. The first is the principle of subsidiarity, the second the right to private property. Subsidiarity is the principle that offers the individual or the community the freedom to act on its own and take the initiative without people 'higher up' in society intervening. By applying these two principles in the economic domain, CST has supported entrepreneurship to provide people with the freedom to act in the economic domain. Pius XII was the first to use the word entrepreneurship. In an address to the Italian National Congress for Small Industry he said: "Among the motives that justified the holding of your convention, you have given the first place to a vindication of the indispensable functions of the private entrepreneur. The latter exhibits in an eminent degree the spirit of free enterprise to which we owe the remarkable progress that has been made especially during the past fifty years, and notably in the field of industry." This idea of creating space for entrepreneurship has been argued more convincingly in *Centesimus Annus*: "In this way, the role of disciplined and creative *human work* and, as an essential part of that work, *initiative and entrepreneurial ability* becomes increasingly evident and decisive."[19]

But entrepreneurship is never unconditional either: it should be seen in the moral framework of CST, which promotes human dignity, subsidiarity and solidarity, and common good. The Pontifical Council for Justice and Peace published a document in 2011 entitled "The vocation of the business leader,"[20] which put the notion of entrepreneurship under pressure to respond to the moral framework of CST: entrepreneurs are part of Gods plan to make this world flourish as well. Instead of adding something from the Christian doctrine into the world of business, the pontifical council reversed it, putting the economy and entrepreneurship into the context of the world of creation and redemption.

d. The problem of the neo-liberal economy

CST has a long and consistent position when it comes to the economy and economic theories and systems. What has changed is economic theory and practice. What is now called "neo-liberal economics", in combination with globalization, has profoundly changed the economy. And yet CST has warned about the dangers of allowing markets to go unchecked. That is exactly what happened in recent decades. Deregulation, liberalization and privatization have strongly diminished the capacity of society to keep an eye on its markets. The neo-liberal business culture's axiom "greed is good" is in deep contrast to CST and its focus on the human person as the center and the ultimate reference point for every economic theory and how it is practiced. For CST the neo-liberal economy is a hyperbole for the market economy and therefore a perverse representation of it. CST has never been opposed to progress or welfare, not economically speaking either. It is clearly opposed to an economy that has a narrow-minded perspective of profit and material success, and forgets that life is about the human person and the human community. That is why John Paul II, Benedict XVI and Francis have repeatedly criticized economic development in the neo-liberal era.

"A disconcerting conclusion about the most recent period should serve to enlighten us: alongside the misery that people suffer as a result of under-development, which is in itself unacceptable, we also find ourselves up against a form of equally inadmissible super-development, because like under-development it opposes what is good and what leads to true happiness. Super-development promotes the excessive possession of every kind of conceivable material good (and only for the benefit of certain social groups). It easily enslaves people into believing that "possession" and immediate gratification, with no other prospect than increasing or continually replacing things that they already own with even better things, is the cure to all their ailments."[21]

"As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems or, for that matter, to any problems. Inequality is the root of social ills."[22]

The rather dominant presence of the neo-liberal economy has two dire consequences for this discourse. First, it equates all economic activity and all entrepreneurs with this neo-liberal discourse, whereas the vast majority of entrepreneurs in small and medium-sized enterprises do not see themselves in this way at all, even if they are sometimes forced to work according to these rules. And second, it perceives CST and economic wealth as irreconcilably incompatible. Both of these consequences are good reasons to do away with this perverse representation of the market.

e. Conclusion

In conclusion, there is a long and consistent tradition in CST of looking at all economic systems and theories from the perspective of the human person as created in the image of God, from which it derives its principles. This tradition accepts and defends the market economy and entrepreneurship as long as it is compatible with the human perspective and principles of CST in terms of both its economic theory and practice.

4. SOCIAL ENTREPRENEURSHIP, CORPORATE SOCIAL RESPONSIBILITY, CATHOLIC SOCIAL THOUGHT

Having positioned CST in the broader context of the economy, market and entrepreneurship, it is necessary to look in more detail at new trends in the economy that are heavily influencing development cooperation: corporate social responsibility and social entrepreneurship. Do these new trends overlap or partly overlap with Catholic social thought?

a. Corporate social responsibility

The concept of CSR, even though it had already existed for several decades, started to break through about fifteen years ago, when it became part and parcel of public debates and mainstream discourse about the economy. It is more of a practical concept than a theoretical one, which focuses on the policies and practices of private enterprise.

The CSR concept attempts to integrate social and environmental issues into the business model. In practice, CSR focuses on three main issue, what we refer to as the "triple bottom line":

- People: how do we ensure the well-being of people as workers in a company and as consumers of the company? The admirable objectives of the International Labour Organization is often seen as a framework for the human perspective of CSR, which advocates banning child labor, decent wages, the right of trade unions to organize, and healthy and safe working conditions.
- Planet: does the company's operations take environmental concerns into account, such as issues related to raw materials, pollution, CO_2 emissions/climate change, and preserving biodiversity.
- Profit: the need of companies to make a profit in order to remain stable and attractive for investors and maintain long-term financial prospects.

CSR distinguishes between three layers:

- Corporate philanthropy: contributions by companies to social and environmental projects, mostly in regions where the companies operate in.
- Risk mitigation: adapting the company's primary processes in order to reduce the risk and liability to governments and other regulators and to public opinion.
- Value creation: adapting the company's primary processes in order to add social and environmental value to society.

CSR can be seen as an additional tool that a company can use in its business environment. The European Union sees CSR as part of the 2000 Lisbon Agenda, which aims to make Europe the most competitive economy by 2020. CSR accepts that a company's primary focus is to make profit and create value for shareholders, but adds to that the primary focus a responsibility towards other stakeholders: employees, consumers, civil society organizations, and the media. CSR promotes a sound business strategy because that will accelerate innovation, strengthen a company's position in the market through positive media messages and supportive customers, and save raw materials and energy. And it will simultaneously guarantee the sustainability of the company because it has begun to be pro-active in a changing environment.[23]

b. Social enterprise

The social enterprise model (SE) is the latest innovation in the search for new ways of doing business. SE's characteristics can be described as follows:

- it must be driven by a social mission (i.e. abstain from distributing profit to shareholders);
- it must generate positive externalities (spillovers) for society;
- it must recognize the centrality of the entrepreneurial function;
- it must achieve market competitiveness through effective planning and management.[24]

The Dutch SE network defines a social enterprise as an enterprise where the social benefits are a higher priority than making money. It is much more radical than CSR: whereas CSR tries to reconcile profit making with a concern for people and planet, SE sees the enterprise first and foremost as an instrument to add value to society. It is the more radical translation of the third layer (value creation) of the CSR framework. Financial sustainability is a condition for running a business, not a goal. Being an enterprise means depending on dealing with either the investors or clients who are financing your business. SE is not philanthropy, it is serious business. It necessitates being clever and anticipating what it takes to safeguard the financial sustainability of a business and manage risk well. But the ultimate goal remains to add value to society.

Most of the social enterprises are fairly recent and operate in the more innovative sectors (new sources of energy, information technology, internet and graphic design) and are small or medium-sized enterprises. Large chains, such as those found in the food or textile sectors, are uncommon, though not entirely absent (Tony Chocolony). In their financial strategies, social enterprises seek social impact investors or choose the crowd-funding path. Cooperative ownership is more dominant than the shareholder model.

Social enterprises are aware of the limitations of our planet's resources and explicitly take these limitations into account. However, they are optimistic and believe that our world is perfectly capable of providing everyone living it in a dignified existence. In the view of social enterprises, there is, as Mahatma Gandhi said, "enough for everyone's need, but not for everyone's greed". Social enterprises aim to develop that which is needed to lead a dignified life, accepting the limitations of our planet.

c. CSR, SE and CST

From the perspective of CST, as explained in the first part of this paper, one could compare to what extent CSR and SE are compatible with CST.

CSR is promotes social and environmental issues within the business strategy. Just like CST, it is willing to accept that ethical and moral issues are an integral part of the economy and the decisions a company takes. Human dignity and the

notion of the common good are (partially) served. By accepting the basic principle of business to make money and by balancing the triple bottom line of people, planet and profit, CSR makes the social and the environmental ultimately depend on profit making. It is the assumption that including social justice and sustainability into the business case is sound business (so called 'win-win' strategy) that which drives the CSR model. When TNT faced financial problems, it ended its cooperation with the World Food Programme.

By turning the traditional business model upside down, SE comes is much more in line with the principles of CST. By making the added value for society its primary goal, it is thinking along the same lines as CST, which sees the human person and the human community as the ultimate goal of the economy. SE breaks out of the traditional way of thinking about the economy as an autonomous and isolated field of theory and practice. SE is interested in how the initiative, the creativity, and the risk-taking behavior of entrepreneurs can contribute to the flourishing of people and communities.

Essentially, CST has no problem with business or the market, nor does it judge specific economic models. It focuses exclusively on the goals of any given economic or market activity and asks whether it focuses on the flourishing of the human person and of the human community. CST is deeply concerned about how we share our economic resources, about inequality, about the harm we cause to God's creation, about the exploitation of people for financial gains. To a large extent, SE shares the same concerns and is aims to protect the same values as CST. The two are very similar in terms what they believe an economy's main focus should be, as well as how markets and entrepreneurship should operate.

CST claims to be broader and to look further: Catholic anthropology, and therefore the relation between the human person and God, is at the center. And CST is adamant about integrating reproductive, non-paid work into our view of society: the gift is an important pillar of our social and economic life.

5. CORDAID, SOCIAL ENTERPRISE AND CATHOLIC SOCIAL THOUGHT

Cordaid's history goes back to the start of World War I, when Belgian refugees fled to the Netherlands in 1914 to take refuge and seek shelter. Catholics in the Netherlands set up an organization to cater to the needs of these refugees. It started as a civil society organization and has remained so ever since.

Taking care of the needs of poor and vulnerable people has always been the organization's mission. It was part of the broader commitment of Catholics at that time to take care of social needs through hospitals, schools, labor unions and welfare organizations that were fighting poverty and addiction to alcohol. It was not exceptional, but rather it was understood that this is what it meant to be Catholic at the time.

It was a challenge for the organization to constantly respond to the changing needs and opportunities in society, and the social and political environment. It transformed its area of operation (from domestic to international), its mode of operation (from the reception of undernourished children after World War I to international development work and relief in disasters) and its funding strategies (from individual donors to government subsidies).

Cordaid remained a civil society organization through all the changes and transformations that occurred during its 100-year existence. And Cordaid is still a foundation according to Dutch law, not an enterprise. The Netherlands, unlike the United States and the United Kingdom, has no specific legal form for a social enterprise. Was the strategic decision to transform the organization into a social enterprise a response to a changing reality, like other transformations in the past century?

a. The market as reality in NGOs' development work.

NGOs, although part of civil society, operate in more way than one and behave like a market actor:

- there is a competitive market for funding by governments and multilateral agencies like World Bank, the European Union, UN agencies and by private donors such as the Gates Foundation, the Open Society Institute, and the Rockefeller Foundation. Limited resources and a countless number of civil society organizations are bidding for funds from these organizations via tender procedures.
- There is a competitive market in fundraising amongst the general public: fundraising campaigns are well designed, strategically timed and communicated in order to be visible in a market that is overcrowded with NGOs competing for the public's attention and purse strings.
- There is a competitive market in developing countries for good projects, good domestic partners, and good staff. Snatching away well-qualified staff is perhaps not a nice practice among NGOs, but it is common practice in a scarce market.

In all these markets NGOs behave like market actors, analyzing opportunities and risks, competitors and allies, and they are protective about their position in the market. The fact that we are discussing Cordaid's social enterprise model (as well as that of other NGOs) is not to say that NGOs are entering a whole new domain.

This is part of a broader process of hybridity that is affecting the traditional division of society into the three spheres of state, market, and civil society. The privatization of government services, the subcontracting of basic social services to NGOs, the fact that NGOs are becoming more entrepreneurial: the blurring of these lines has been going on for more than two decades.

b. The appeal and necessity of the entrepreneurship model.

In the development sector the transformation of civil society organizations into social enterprises is partly a move forced by the decrease of government funds. Governmental subsidies to Cordaid decreased from €110 million in 2010 to €60 million in 2015 and will further decrease to less than €25 million in 2016. In Cordaid's case, it was necessary to find a new business model for it to remain a relevant mid-sized development organization, for it to keep its knowledge, experience, and network available, and for it to keep operating at the same standard.

But the entrepreneurial model is more than a forced move. It is also an increasingly attractive model. It puts Cordaid on the path to being more innovative[25] and more flexible. Long-term governmental funding brings with it stability, but the government itself is not innovative, and the rules and regulations associated with governmental funding can be limiting. The transition that is happening in the development sector will require development agencies to adopt a more innovative culture and respond more creatively to the changing context they are working in, especially in light of the fact that there are new players on the block in the development sector (companies, philanthropists, and new emerging countries).

In addition, the social sciences have revealed an interesting split in people's perception of society. In the dichotomy of a 'system–world' and a 'real-life world', the system–world stands for bureaucratic, difficult to access, rigid, large scale, and problem-oriented; while the 'real-life world' stands for activist, open, flexible, small scale, and solution-oriented.[26] In recent decades, development organizations have been perceived as part of the system–world, partly because they depend on government funding. It is not a world people like to belong to or partner with. They could be seen as necessary, effective, and well organized, but that is all on a rational level. On the emotional level the connection is weak. Development organizations have a problematic image in society. If they want to be seen as part of the solution to social problems, then they have to step out of the system–world and become part of the real-life world. The social enterprise model puts organizations in a different, more socially dynamic mental framework.

There is a third reason for the appeal and necessity of the entrepreneurial model, namely the limited capacity of governments to respond to society's diversity. Governments are by nature forced to create uniform rules, rights, and entitlements and are therefore limited in their flexibility to respond to the challenges of increasing diversity.

Finally, the entrepreneurship model is necessary to create a basis for development that is sustainable and scalable. Development organizations that depend on government funding always face the difficulty that programs and projects are temporary and that they will have to confine themselves to a limited number of beneficiaries: subsidies are never enough. New forms of social enterprises do have the potential to be sustainable over time and their models are scalable. The social enterprise model would not make governmental (international or domestic) subsidies obsolete for those that lack purchasing power, but it offers a sustainable basis for goods and services for the bottom of the pyramid.

c. Social enterprise as the bridge.

Development organizations want a more just and sustainable world. They promote inclusion and participation, and social and economic equality. As a separate entity in society, NGOs are limited in their capacity to achieve their aim of making the world just and sustainable. Governments and the private sector are indispensable partners in this endeavor. It is a fact of life that NGOs have limited resources, and as a result the scale of their operations are also limited. NGOs are catalysts of development, because they challenge governments and the private sector. Indeed, without a committed private sector it is a mission impossible.

In the process of creating this sense of partnership, the social enterprise model is also a strategic necessity for overcoming a growing divide in society. In the neo-liberal model the market legitimizes itself as an autonomous economic entity, driven by the laws of the market, by competition and profit. On the other side of the divide are civil society organizations, who inhabit the moral high ground, where they can claim to be promoting the values and principles of human dignity. When these positions get entrenched, we face a highly unproductive debate marked by attack and defense.

We need to bridge this gap and find a space in between where economic and moral values can converge. CST has always maintained the position that this split is not a necessary one, that economics and social–moral values are inherently at odds. According to CST, it is possible for an economic actor to simultaneously serve society's social and moral needs. CST challenges all those engaged in society to prove that economy and morality are reconcilable. Agencies that have built themselves on the pillars of CST should not restrict themselves to criticizing mainstream economics as narrowed-minded (and therefore asocial and immoral), they also should work to build a bridge. Corporate social responsibility (from the perspective of the market and profit-making companies) and social enterprise (from the perspective of value-driven civil society) are necessary to bridge the gap and to build a new discourse. Civil society has to take up the challenge of actively working on new models that integrate social values and economics.

d. Social enterprise in projects and programs.

The social enterprise model has been part of Cordaid's program strategy for quite some time now. Support for enterprises has been a mainstay of its program funding.

1. Microfinance and investment

Microfinance projects are the best known but not the only social enterprises that Cordaid supports. Since the mid-1990s, the Dutch Ministry of Development cooperation allowed Cordaid to build a portfolio of financial investment products in enterprises that contributed to development. Over the years the portfolio grew to almost €60 million, consisting of loans, equity, and other forms of financial assets that are invested in enterprises. Obviously these programs are measured against standards of social justice and ecological sustainability. Microfinance programs, especially those that focus on women, have a major impact on women's social position. By strengthening their position as participants in the economy, microfinance is also strengthening women's position in the family and in the public sphere.

Microfinance.

The story of microfinance dates back to the late 1970s when Muhammad Yunus (winner of the Nobel Peace Prize in 2006) experimented with small loans to poor people without collateral in Bangladesh, based solely on the belief that they would work with this investment to improve their lives and therefore would be able to repay their loans. Nowadays microfinance is part of the ordinary toolbox of development. Cordaid has provided capital for monetary financial institutions (MFIs as part of its investment fund.

In Vietnam, Cordaid was the first international agency to establish a relationship with a national MFI, part of the women's movement. Most of these women rely on fisheries or agricultural production for their income. Small loans from the MFI create the opportunity to invest in enlarging or improving their economic activities and therefore earn a better income. And a better income enables them to improve the family's diet, invest in education for children, and create a buffer so they can cope better with financial problems.

The story of microfinance is well known and became even more so when the United Nations declared 2005 the International Year of Microcredit and the role that Queen Maxima of the Netherlands took upon herself as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development.

Microfinance is a business model – it is not a subsidy, nor is it a charity. Poor people need to repay their loans and thus learn how to be entrepreneurial and use the money in a way that is productive and creates added value so they can pay back the interest: buying a sewing machine and selling clothes, buying chickens and selling eggs, buying a rickshaw to transport persons and goods are just a few of the activities people undertake with a loan.

And people do repay. The repayment rate of most of the MFIs is between 95% and 98%. The poor have no difficulty understanding the business model behind microfinance.

Investing in small and medium enterprises
SMEs are vital for economic development and job creation. It is a worldwide reality that this sector provides the majority of the jobs. It is one level up from microfinance. It is the level that requires investment in hardware (technology and machinery) in order to create a stable business that provides stable jobs for people.

The West Africa Venture Fund offers capital to SMEs in West Africa. The post-conflict country of Sierra Leone is benefitting from this fund. This fund supported 28 SMEs, which together created more than 1,000 stable jobs. It enabled the poultry sector to restart, having collapsed during the civil war. Instead of importing chicken and eggs, more than 400 poultry farmers are now providing domestically raised products. A tea factory received a loan for a drying and packaging machine and now supplies herbal tea to shops and markets.

The spin-off of these investments is more than just creating jobs. In a post-conflict country economic stability and progress is much needed to overcome conflict and leave a situation of fragility behind. Jobs mean the possibility of investing in children's education and covering health-care expenses.

Like the MFIs, these SME funds are completely business driven: loans need to be repaid and business plans are scrutinized before loans are granted to make sure the investment has sufficient potential.

Cordaid's track record shows the viability of these SME funds: only 9% of the investments are at risk (meaning that repayments are made over time).

Cooperatives in Afghanistan and Haiti: integrating farmers in local markets.
Cordaid supports people who organize themselves to become stronger socio-economically. Cooperatives are one of the models of collectively organization. Cooperatives create access to markets.

In the Balkh province of Afghanistan women have organized themselves carpet weaving and agriculture cooperatives. They buy their raw materials collectively and sell their products to the market collectively. This has increased their revenue and enhanced their social position. Their status in the family has risen and they have more freedom than previously to participate in the public sphere.

2. Social Enterprise in social services
Traditionally, basic social services are seen as subsidy-based programs in developing countries: health care and education are made available for free to poor people who have no access to these services. Input financing was the traditional model to finance these services: a regular financial flow to health-care and education institutions to finance schools and clinics. Over the last ten years new models of financing have been developed based on elements of social entrepreneurship, creating incentives for innovation and an entrepreneurial approach.

Performance-based financing in education
Cordaid was one of the innovators in this area by developing the performance-based financing model. The model has two innovative elements:

- it creates incentives through its 'pay-for-performance' approach, substituting input financing partly by output financing. The social service institute is paid based on their performance: the better the performance, the higher the reimbursement for the school or the clinic.
- It creates a role for communities to assess the performance as a basis for reimbursement, giving communities power in the process and changing their role from mere clients to part of the decision making process.

It appears to be one of the most effective innovation models in service delivery. It challenges the management of social service institutions to come up with new ideas for better and new services, ensuring that the services are actually delivered and that the services meet the community's demands.

This model has yielded good results in health care and education. In terms of education, in the Shabunda district of Southern Kivu in the Democratic Republic of Congo the percentage of girls attending school rose to 50%, while teacher absenteeism dropped from 21% to 4% and the drop-out rate of pupils dropped from 15% to 3%.

Health entrepreneurs in Burundi.
In Burundi Cordaid started a franchise network for health care. With an extensive involvement and knowledge of the health care sector, Cordaid was looking for new and innovative approaches to address health-care issues and to reach out to communities. In the franchise model young entrepreneurs get a stock of reliable health-care products to sell in the community. They earn a living through these activities but they are also responding to demand in the communities and providing quality education about health issues, such as HIV/Aids, sexual and reproductive health, nutrition, and malaria prevention. They are mobile vendors, which makes it possible to provide health care outside of clinics: it reaches out to people instead of waiting for them to come to the clinic or the hospital. By guaranteeing reliable and effective products and care products Cordaid provides an alternative to the market where a great deal of ineffective counterfeit drugs are sold.

This program taps into the reality of the country where there is a huge unmet demand for health services and where people are accustomed to out-of-pocket expenditures for health care.

Baby viewer
Reducing maternal mortality was one of the Millennium Development Goals. Training midwives in safe delivery was and still is therefore one of the main priorities of Cordaid's health program. This experience revealed that midwives lack the necessary equipment to monitor pregnancies and make the right decisions about referrals to hospitals. Cordaid decided to take up the challenge of developing a mobile baby viewer: a device fit for mobile use in remote areas to monitor the development of the fetus during pregnancy. This technological innovation was developed in partnership with Delft Instruments, Radboud University Nijmegen and the University

of Newcastle, bringing together social business, scientific research, and social development. It taps into the rapid spread and uptake of mobile technology and connectivity in African countries.

3. Social enterprise in Cordaid's program in the Netherlands

The social enterprise model has been promoted in Cordaid's domestic program in the Netherlands since 2012. As a response to the increasing demand of marginalized, poverty-affected groups, Cordaid developed new activities for these groups based on a cooperative model. The aim was to set up a sustainable social business that offers people the opportunity to empower themselves, enhance their social participation, and their earning capacity. It is also a model for tapping human and social resources that have been invisible and therefore remained untapped. Like in the international programs, entrepreneurship functions as a leverage to strengthen the position of people in society and reinforce their human dignity.

Neighborhood Cooperative Amsterdam

In a neighborhood populated mainly migrant families, this cooperative uses women's cooking skills to build a catering business that offers them the opportunity to earn a living and participate in socio-economic life. Young migrants support these women in marketing and administration.
Similar projects are developing in other Dutch cities and always use people's capacities – what they have learned – as the basis. Agreements with municipalities create the possibility to blend welfare and people's earning capacity in a new way, making them less dependent and offering them the opportunity to gradually become self-employed in a cooperative.

e. Cordaid as a social enterprise?

Cordaid's development in the last decade reflects a more general trend towards hybridity in organizations. The traditional triangular model of state, market, and civil society, in which each of the three have their distinct spheres and modes of operation, is becoming more blurred. Public services are being outsourced to the private sector or NGOs or becoming part of public–private partnerships. NGOs are developing new, more business-like models and private companies are integrating social and environmental issues into their business models.

Cordaid has started a process of change to integrate more entrepreneurial skills and business models into its organization and operations. It is becoming a hybrid organization occupying that space between a typical NGO and a private company. The changing reality of the fight against poverty requires the flexibility to find the best ways to address poverty, its causes and consequences. Mixed models are especially important in addressing problems in fragile states:

- social enterprises in development does not exclude the money of donor governments or multilateral institutions. All over the world basic social services like health and education are provided via a form of collective financing (for example, taxes and insurances). In these social domains the SE model promotes innovation, challenges existing models (like the UN Peacebuilding Fund did), and strengthens the position of citizens in the process of decision making about these social services.
- The reality in developing countries is that many of the payments made for social services are out-of-pocket. In Afghanistan, a country in the lower ranks of the Human Development Index, 75% of health expenditures are out-of-pocket and provided by people. The rest is from international donors and the Afghan government. A good deal of these private expenditures are not well spent because the services are of poor quality or because of outright fraud (counterfeit drugs). The value-driven social enterprise model offers a much better alternative to that reality.

In that mixed model, the dynamics of entrepreneurship drive the organization: focus on innovation, willingness to take risks, developing new partnership models with actors in the private sector, building shared-risk models with partner organizations, and shifting the partner focus to a client focus.

f. Cordaid, SE, flourishing communities and CST.

Cordaid's mission is 'To build flourishing communities'. It is an impact-driven mission that goes beyond the output and outcome levels of development interventions. It captures the integral human development in the sense advocated by Pope Paul VI in his encyclical Populorum Progressio (paragraph 13): "The world situation requires the concerted effort of everyone, a thorough examination of every facet of the problem – social, economic, cultural and spiritual" and (paragraph 14): "The development we speak of here cannot be restricted to economic growth alone. To be authentic, it must be well rounded; it must foster the development of each man and of the whole man." The flourishing communities framework prevents the predominance of an economic approach over all other aspects of human development. The flourishing communities mission fulfills the first requirement of a social enterprise (driven by a social mission – see p. 11) and the requirement of CST to create a perspective of the human in his individual and communal identity as the ultimate goal of the organization.

6. SOCIAL ENTERPRISE, CST IN THE NETWORKS OF CORDAID

a. CIDSE and Caritas Internationalis

Cordaid is member of the global Caritas network (160+ members) and of the CIDSE network (17 members in Europe and North America). Catholic social thought is the cornerstone of the policies and practices of both networks and their members. Engaged in social and political issues and debates, they all take a clear stance regarding economic policies and their objectives, calling on politicians and economists to make the economy the servant of the people and the community, not their master. The leadership of former Caritas Internationalis president Cardinal Rodríguez Maradiaga (Honduras) and current president Cardinal Luis Antonio Tagle (Philippines) is well recognized in the international arena.

As part of the research for this paper a questionnaire was sent to all European Caritas agencies and to the CIDSE agencies. The limited response (11 out of 60) makes it difficult to make any binding conclusions about the position of social entrepreneurship within these agencies. However, it possible to make a few observations about the policies and practices regarding social entrepreneurship.

- Social entrepreneurship is part of the policy and practice of some of the Caritas and CIDSE agencies, although the limited response could be an indication that only a few of them are actively engaged in it. The agencies that are actively engaged are sometimes a member of the board of the social enterprise or majority shareholder. They get engaged because they believe social entrepreneurship makes an organization more sustainable and because it creates jobs for marginalized people.
- Two features of social entrepreneurship stand out among respondents with regard to their own organizations: they fully agree that their organizations are driven by a social mission and they partly agree that the entrepreneurial function drives their organization. The entrepreneurial spirit is necessary in the fundraising market and when it comes to competing for funding from governments and other donors. The environment in which an organization operates is an important factor in challenging the entrepreneurial attitude.
- As far as the compatibility of social entrepreneurship and catholic social thought is concerned, none of the respondents find the two completely incompatible, but some were hesitant about fully embracing social entrepreneurship from the perspective of Catholic social thought. All of the values of CST (human dignity, solidarity, common good, and subsidiarity) could be at risk in a social enterprise.
- Even though there are hesitations, and even though Catholic social organizations should present CST as an alternative for the current economic model, they should develop relationships with social enterprises to foster social values in the economy.

The limited response makes it difficult to draw broad conclusions, but there seems to be an incipient positive attitude towards social entrepreneurship.

Caritas Wien in Austria and Caritas Switzerland are developing social enterprises that offer marginalized people (marginalized in relation to the mainstream labor market) the opportunity to work, gain an income and participate in economic activity, and enhance their dignity in society. Caritas-Wien is positioning this social enterprise as a separate entity, of which Caritas holds the stocks and therefore the ultimate -making power. In both cases the development of a social enterprise is a response to problems in the welfare system: the reduction of entitlements is affecting the poor and marginalized, and the welfare system cannot guarantee participation for everyone, nor that the human person will flourish. New ways have to be found to address these limitations of the European welfare state model.

Caritas Banja Luka, for example, set up an agricultural cooperative with a farm, a dairy production unit, a biogas plant, and a horticulture project. It is an answer to the lack of decent jobs in the region, and it promotes good environmental practice in agriculture in the region. The cooperative appears to be a separate entity to the outside world, but Caritas Banja Luka owns, like the example of Caritas Wien, the cooperative.

By making social entrepreneurship more important in the organization's policies and practices, Cordaid is taking a new step in the organizational development of a Catholic social/aid agency. There are a few other Caritas and CIDSE agencies that are developing similar initiatives. The further exchange of experiences and ideas will be useful, and should focus primarily on the compatibility of CST and social entrepreneurship in order to find out whether the pillars of Catholic social organizations can harmonize with social entrepreneurship.

b. Other networks.

Working towards flourishing communities and a more just and sustainable world requires an openness from all those who share that mission. *Populorum Progressio* (Pope Paul VI) addressed all people of good will and Pope Francis in *Laudato Si* called all people and governments to act for a more sustainable and just world: the mission of justice is not an exclusive one, and Cordaid and all Catholic agencies, inspired by CST, are constantly looking for alliances to realize these goals. Cultural, religious and linguistic barriers become irrelevant for those who share the same commitment. Over the years Cordaid realized that engagement with all stakeholders is important to build flourishing communities. These alliances are formed partly through the CIDSE and Caritas Internationalis networks. They mobilize civil society at the global level. In the climate change campaign, in the finance for development agenda, and in building pressure for the Sustainable Development Goals, CIDSE and Caritas Internationalis form partnerships with other (non-religious and other religious) networks.

Cordaid builds these networks in the program countries and in the Netherlands. Cordaid is well aware that it has limited capacity and outreach when acting in isolation. Organizing networks and alliances could create synergy so that more can ultimately be achieved.

Cordaid's Women's Program has built strong alliances all over the world to get women connected to each other and to let their voices be heard in the international arena. Together with women's organizations in Afghanistan, Cordaid regularly monitors the security of ordinary women in Afghanistan and tells policymakers the outcome. Cordaid creates space in its extractives program for dialogue and debate between local communities, mining companies, and politicians so they can create a basis for shared understanding and actions that benefit communities and the environment. The social enterprise program in the Netherlands was developed in cooperation with community organizations in the neighborhoods that mobilize people without jobs and without prospects of actively participating in society.

7. CONCLUSIONS

Development cooperation is in a state of major transition. The traditional divides of North–South, rich–poor, and developed–developing have become obsolete. The world order has changed and Western Europe's position has weakened. The amount of official development assistance making it into the financial flows to developing countries has decreased sharply, from more than 70% in the mid-1970s to 13% in 2010. The role of civil society organizations in development, their relevance, efficacy and efficiency, is being questioned.

At the same time the distinctions between state, market and civil societies are becoming blurred. The CSR process is trying to bridge the gap between economic and financial interests, on the one hand, and social and environmental concerns, on the other hand. As a result, organizations like Cordaid are developing more hybrid approaches to achieve their missions.

Both developments fall together with Cordaid's decision to emphasize the social entrepreneurial approach more in its programs and its organizational culture. That process did not happen overnight: Cordaid has become more and more involved in market processes in the last two decades and has been forced to apply an entrepreneurial spirit to respond to new challenges in funding and programming.

That transformation to an SE should also be measured against Catholic social thought, one of Cordaid's core principles throughout its existence of more than 100 years.
Two important conclusions stand out:

- CST assesses economic systems from the perspective of Catholic anthropology: is the welfare of the human person as an individual and as a member of the community the ultimate goal of the economy? CST has no fundamental objection to markets or entrepreneurship. It accepts the market economy as a means of contributing to people's welfare and well-being.
- Social enterprises, which have as their ultimate goal social and environmental benefits instead of profits, are highly compatible with CST.

The previous paragraphs opened up the perspective of a gradual order of economic systems:

- Mainstream economy: presents the economy as a separate entity in society, which follows its own laws, with profit as the main objective, and externalizes its social and environmental impact. Other objectives (living wage, decent work, the rights of workers, and environmental concerns) have to be forced onto the economy by external forces.
- CSR economy: accepts social and environmental requirements as part of the economy, but the profit motive remains its primary objective.
- SE economy: makes a fundamental shift in that social issues become the primary objective of the economy (instead of profit). It therefore makes social and environmental requirements the basis of the economy.

Catholic social thought has never presented itself as an economic or organizational system. It is a set of values for any socio-economic system in society. It is a source of inspiration that can be used to make choices in the social and economic reality of the currently globalized world and to set goals that are based on Christian spirituality. Cordaid's flourishing communities mission, if implemented in a more social entrepreneurial spirit, maintains the right order of values in line with CST. It upholds a broad perspective of the human person.
Needless to say, it will require active monitoring and constant reflection to maintain this order and this perspective. There are no guarantees in the rapidly changing world of development cooperation. It is easy to fail and make mistakes on this new path of organizational development. CST's consistent body of knowledge and experience CST will prove to be a stable pillar in that process of trial and error.

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ABOUT CORDAID

Cordaid is based in the Netherlands and has country offices in 11 countries. It has been fighting poverty and exclusion in the world's most fragile societies and conflict-stricken areas for a century. It delivers innovative solutions to complex problems by emphasizing sustainability and performance in projects that tackle security and justice, health and economic opportunities. Cordaid is deeply rooted in the Dutch society with more than 300,000 private donors. Cordaid is a founding member of Caritas Internationalis and CIDSE.

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