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Andrea Bassi, *University of Bologna*

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Andrea Bassi

Abstract

In Italy, the third sector includes six main sets of civil society organizations: Voluntary organizations, social cooperatives, NGO, associations of social advancement, foundations, and social enterprises. Typical of the Italian third sector is recognition of the dual nature of its organizations: those performing a redistributive function and those performing a productive function.

KEYWORDS: Italy, third sector, nonprofit organizations, public policy, policy process

Interview with Stefano Zamagni by Andrea Bassi

The interview was held October 6, 2011 in the office of Professor Zamagni at the Department of Economics, Bologna University.

Stefano Zamagni is Professor of Political Economics in the Faculty of Economics, Bologna University and is President of the Italian National Agency for the Third Sector.

Andrea Bassi is Research Professor of Sociology in the faculty of Economics, Bologna University – Forlì Campus and is Director of The European Summer School on Social Economy (ESSE), Bologna University.

Andrea Bassi: Could you give us a sense of the Italian nonprofit sector and how Italy defines its third sector; the kinds of organizations in that definition; and, how the Italian nonprofit sector compares to other countries?

Stefano Zamagni: In Italy, the third sector includes six main sets of civil society organizations: (1) voluntary organizations (legally defined in the 1991 law), (2) social cooperatives (as defined in the 1991 law), (3) NGOs, (4) associations of social advancement; (5) foundations, and (6) social enterprises (as defined in the 2006 law). Within Europe, Italy is the only country (so-far) to pass a specific law to deal with and regulate social cooperatives – not to be confused with ordinary cooperatives – and social enterprises.

To avoid any misunderstanding, a social enterprise is *not* a cooperative. It is an enterprise whose final goal is the achievement of socially relevant ends, not profit maximization. To clarify this point, let's ask: "who is the entrepreneur?" This term was coined for the first time in 1730 by the Irish economist Richard Cantillon to denote an entity characterized by three elements: a propensity to risk; a capacity to innovate; and *ars combinatoria* (the art of combining things together). These three attributes are present in various ways to varying degrees in the entrepreneurs of the real world. Another key question is about the goals that inspire the entrepreneur. The goal can be profit maximization, which defines a capitalistic or for-profit enterprise, or social utility maximization that applies to social enterprises and social cooperatives. In substance, the enterprise is the *genus* that includes several *species* within itself. It is not the goal that is pursued that defines entrepreneurial activity, but the three attributes outlined above. The recognition of the dual nature of its organizations is typical of the Italian third sector: those performing a redistributive function such as voluntary bodies,

associations, and NGOs; and, those performing a productive function such as social cooperatives, social enterprises, and foundations.

Andrea Bassi: What are the basic functions of third sector organizations in Italy? How is the sector's role defined in public policy, and how does public policy now support or inhibit its functions?

Stefano Zamagni: The mission of Italy's third sector organizations (TSOs) can be reduced to three main areas: (1) the expansion of charity or gift giving within the community; (2) to increase dissemination of relational goods among the citizenship; and (3) to work toward a solution of the unemployment problems. To discuss these areas, consider the first goal. The idea that a viable social order can be sustained only by contract and law – i.e. by an efficiently organized market and by an effective legal set-up – is naïve and denied by clear evidence. The state and market can function properly over a period of time only if a third pillar is present in the society, the principle of reciprocity. TSOs – especially voluntary organizations and NGOs – are supposed to perform such a task.

The literature on relational goods (goods that cannot be enjoyed alone, such as group volunteer activity) is so abundant there is no need to further clarify the concept. It might be of interest to mention that the expression “relational goods” was first introduced in 1989 in the USA by Carole Uhlaner and in Italy by Benedetto Gui). The area where an absence of relationality is mainly felt today is in welfare services, such as health, care services, and education. TSOs are expected to fill such gaps.

We turn to the problem of unemployment and labor. The increasing scarcity of employment opportunities, especially among the youngest generations, jeopardizes all efforts to lift the present “moral morass” from society. In this regard, the fundamental role of TSOs is to sustain in practice the meaning of “decent work” in the International Labour Organization (ILO)'s sense. Jobs cannot only be open to the most fit and qualified of the labor force. The less fit have a right to work. We should never forget that discrimination on the grounds of efficiency is no less inhumane than discrimination based on gender, religion, or ethnicity.

Andrea Bassi: Would you give us a sense of the basic legal and policy issues that require resolution to make the third sector more effective in Italy? How do these issues compare to those in other European countries or elsewhere?

Stefano Zamagni: Without hesitation I can indicate three specific responsibilities of the Italian Parliament and Government. First, the norms of Book I of our Civil Code need to be changed, (the norms dealing with CSOs). These norms – that

were passed as long ago as 1942– are absolutely obsolete and based upon a cultural scaffolding that recognizes neither full autonomy nor the strength of the principle of subsidiarity (the idea that a central authority should have a subsidiary function, performing only those tasks which cannot be performed effectively at a more immediate or local level). Second, we urgently need a set of rules granting TSOs the right to sit next to public entities in the design of public policies in the area of welfare. (So far, TSOs are allowed to intervene only in the implementation of those policies). Third is the financing problem. Organizations such as social cooperatives or social enterprises cannot be expected to flourish and do what we expect them to do unless we untie the knot giving access to credit. The Italian third sector is trying to move in decisive steps toward the institution of a “social stock exchange”. Fund-raising activities and philanthropy are necessary, but not at all sufficient to give wings to TSOs. Financial instruments such as “social impact bonds” and “social responsible investments” move in this direction.

Andrea Bassi: How did the Agency for Third Sector Organizations address these issues and what were its recommendations?

Stefano Zamagni: The Agency for the Third Sector, instituted in 2001 and located in Milan, is a governmental entity operating under the control of the prime minister’s office. It is not an authority endowed with the power to impose rules of behavior or to sanction defecting organizations. Its primary strength includes the use of moral suasion in the resolution of emerging conflicts involving the third sector, submission of suggestions to Parliament on third sector legislation issues, and the advancement of third sector culture through research, seminars, and conferences. In the past few years, the Agency has produced an impressive number of guide-lines for third sector organizations in areas of strategic importance. These include rules for compiling balance sheets, drafting social reports, regulating fund-raising activities, preparing international protocols for NGOs, and so on. By using its moral suasion capacity, the Agency has achieved a significant reputation. The Agency has helped solve many day-by-day disputes between TSOs and public entities.

Andrea Bassi: What is the particular role of the third sector in Italy in achieving social change and social innovation? What new strategies and policies are designed to foster this role?

Stefano Zamagni: To answer this question, let me start from the following consideration. In observing the relationship between the economy and society it is clear the more mature civil societies expect their enterprises to produce wealth, make quality products at low cost, pay their taxes and respect the law. Today, it is

expected they will also assume tasks that until recently were considered the responsibility of the state, the Church, or of the family. At the same time, our expectations of civil society organizations have also changed. TSOs are now required to operate efficiently in ways the public of the past did not demand. The process of bringing social relationships together with efficiency and production, whether from a capitalistic or social enterprise perspective, began in the early 1950s. Only recently, due in large part to the efforts of TSOs, it has surpassed a critical mass and now profoundly influences general public and political institutions in general. This phenomenon is now highly diversified and complex, more than one might think. On one side, under pressure from consumer groups, enterprises that were founded within a liberal capitalistic system have begun to take social factors into account. On the other, various associations with clear social goals now experience the need to become enterprises - that is, the need to deal with the dynamics of the market. This phenomenon is operating within two distinctly different traditions: the capitalistic business that expands beyond its previous limitations into the social dimension; and the world of social value that takes on an enterprising face. Today, no one would deny that the Italian Third Sector has been essential to such a result.

Andrea Bassi: What lessons does the Italian experience contain for the development of the third sector in the other countries of Europe and elsewhere?

Stefano Zamagni: To continue the great strides forward made in the past quarter century, the third sector must face some fundamental questions regarding its direction. In this regard, two dominant positions have emerged as more significant than others in recent times. One, there are those who see nonprofit organizations as exceptions to the rules established by for-profit organizations. For instance, nonprofits are called into action and pampered with *ad hoc* public support during downturns in the economic cycle. Or, they are created when perverse market processes threaten to push social cost over the brink of political sustainability. Two, some accuse the third sector of disguising real problems, such as inequality between social groups, with cosmetic social interventions. They are seen as offering band-aids to stop hemorrhaging caused by the job market's precarious position. The fear is that if the interventions of civil society organizations were to become too broad, they might delegitimize political action and delay full realization of active democratic citizenship. Democratic citizenship is the only way to ensure respect for the person as citizen and not merely as neighbor.

Perhaps the main lesson the Italian experience can offer to other European countries is to show that the third sector is not forced to choose between those two positions. The civil economy perspective – an Italian tradition of thought that

began in the 15th Century at the time of Civic Humanism – offers a credible alternative to both the neoliberal and the neostatist approaches. (For an elaboration, see L. Bruni, S. Zamagni, *Civil Economy*, Oxford, P. Lang, 2007).

Andrea Bassi: On behalf of Nonprofit Policy Forum and our readers I thank you for your thoughtful and inspiring comments.