

Policy meets practice - enabling the growth of social enterprises

RESULTS OF THE SOCIAL ENTREPRENEURSHIP
NETWORK – AN ESF LEARNING NETWORK 2013–14

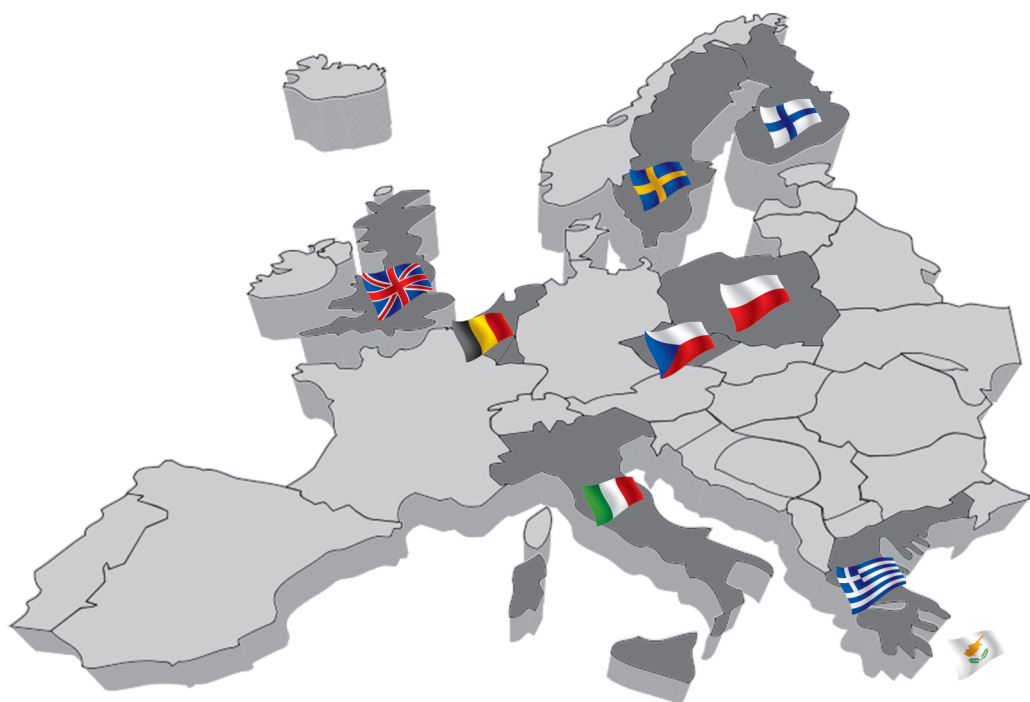




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1. SOCIAL ENTERPRISES – AN OPPORTUNITY FOR THE STRUCTURAL FUNDS IN 2014–20

1.1. WHAT ARE SOCIAL ENTERPRISES?

The concept of social enterprises has grown up in Europe from 19th-century roots in the social economy, which is usually defined as the legal forms of co-operatives, mutuals, associations and foundations. In the last 20 years a new strand of social enterprise has grown in stature, based on more conventionally-structured businesses which go beyond corporate social responsibility by entrenching in a company's constitution three principles:

- a primary **social objective** – the purpose of the business is to address social or environmental problems, and it trades in the market to do this
- **limited distribution of profits** – profits are primarily used to further the enterprise's social objective, and are reinvested rather than being paid out to financial investors
- **transparent and participative governance**, including involvement of key stakeholders such as users and workers.

These three principles have been adopted by the EU's **Social Business Initiative**. A large part of the social enterprise sector identifies as the social economy, which comprises enterprises which have fully democratic ownership and employ capital to serve the needs of members and the community.

Social enterprises employ some 14.5 million people, 6.5% of the workforce.¹ They are active in all parts of the economy, from farming and housing to manufacturing, banking and advanced services. They make a major contribution to providing social services for vulnerable people and to providing jobs for long-term unemployed, disabled and excluded people, thus aiding their inclusion in society. They play a major role in the development of communities and local economies.

1.2. THE STRUCTURAL FUND REGULATIONS

Social enterprises create jobs and economic activity, in a socially inclusive manner, and provide high-quality social welfare services. They are an effective tool for the work integration of disadvantaged groups at risk of social exclusion. Their ability to create decent employment, social inclusion and growth, and to promote an innovative an entrepreneurial and socially responsible Europe, is explicitly recognised by the inclusion of specific investment priorities in the Structural Funds. Under the common thematic objective of *promoting social inclusion and combating poverty* the regulations include an investment priority on *support for social enterprises* in the ERDF and one on *promoting the social economy and social enterprises* in the ESF.²

However support for social enterprises does not need to be restricted to these specific investment priorities. They can contribute to all the ESF's 18 investment priorities, as was shown in *A Better Future*, published by the BFSE network in 2012.³ They are particularly relevant to four thematic objectives:

- 3: promoting entrepreneurship and supporting the capacity of SMEs to grow and innovate
- 8: Promoting sustainable and quality employment
- 9: Promoting social inclusion, combating poverty and discrimination
- 10: Education, training and vocational training for skills and lifelong learning

The role of social enterprises is taken up within the *European Platform against Poverty and Social Exclusion* flagship initiative, one of whose actions is *Working in partnership to harness the potential of the social economy*. Social innovation is mainstreamed in the ESF, and social enterprises are one of the chief vehicles through which social innovation is achieved. This was made very evident during the launch of the Social Innovation Europe platform in March 2011 and in the Commission's preparatory research, which finds that:

One of the most rapid growth areas within the social economy over the last decade has been in the

¹ <http://www.eesc.europa.eu/resources/docs/qe-30-12-790-en-c.pdf>

² COM(2011) 607 final /2, 14 Mar 12, (ESF) & COM(2011) 614 final of 6 Oct 11 (ERDF)

³ <http://socialeconomy.pl/sites/default/files/files/BFSE%20Report.pdf>



growth of social enterprises which have developed from and within the social economy sector. Social enterprises often develop innovative solutions which increase productivity while delivering better services in social, health, and education services, the new growth markets for innovative companies.⁴

The provision for community-led local development (CLLD), tried and tested in rural areas although not implemented to any great extent in the ESF, is a methodology which is particularly suited to a social enterprise approach.

1.3. THE SOCIAL BUSINESS INITIATIVE

The European Commission has given wholehearted support to the development of social enterprises, and in 2011 launched the Social Business Initiative (SBI), which embodied several good design features:

- **integration:** a cross-policy helicopter view, which looked at the policy framework with social enterprises at the centre, rather than fragmenting it to fit in with policy silos;
- **dynamism:** the view of the social enterprises environment as an 'ecosystem', in which supportive and restrictive forces are in a constant battle for survival, can grow and change, and can be protected or destroyed by human action;
- **partnership:** a multi-stakeholder advisory committee (GECES) which promotes dialogue between governments, social enterprises, experts and researchers, and gives institutional status.

The SBI's 11 actions⁵ cover most if not all of the crucial levers for mainstreaming social enterprises: public investment through the European Structural and Investment Funds (ESIFs) and Progress, public procurement, private investment (the EuSEF regulation), research (a mapping study and Framework Programme projects), impact measurement, legal forms and visibility. The new Commission is currently considering how to follow this up, with the European Parliament and the Economic and Social Committee giving their full support.⁶

The mapping study⁷ carried out as part of the SBI has shown that despite the immense variety that social enterprises show across the EU, a process of convergence and growth is under way. The Structural Funds are an important component of the ecosystem within which social enterprises can make their full contribution to European prosperity and cohesion.

2. A COMPREHENSIVE ECOSYSTEM OF SUPPORT

One of the chief lessons of work with social enterprises carried out by EU Member States and regions over the last two decades is that social enterprises do not grow up as a mechanical response to market forces. Because they are not purely economic, but socially motivated organisations, they exist in a complex 'ecosystem' of social needs and motivations. They constitute a movement to improve society through practical action. Public policy to support them consequently needs to be multi-dimensional and integrated. It must achieve an overview by bringing different ministries together, and it must consider social enterprises as social phenomena and not simply as economic actors.

A comprehensive ecosystem of support for social enterprises must address:

- the whole life cycle of social enterprises, from the conception of the business idea through pre-start training, business launch to consolidation and expansion or replication
- the different types of social enterprise and their contributions to different social and economic policies

It thus includes the following aspects:

⁴ Empowering people, driving change – Social Innovation in the European Union, European Commission (BEPA), 2011

⁵ http://ec.europa.eu/internal_market/social_business/index_en.htm#maincontentSec4

⁶ <http://www.eesc.europa.eu/resources/docs/conclusions-en-5.pdf>

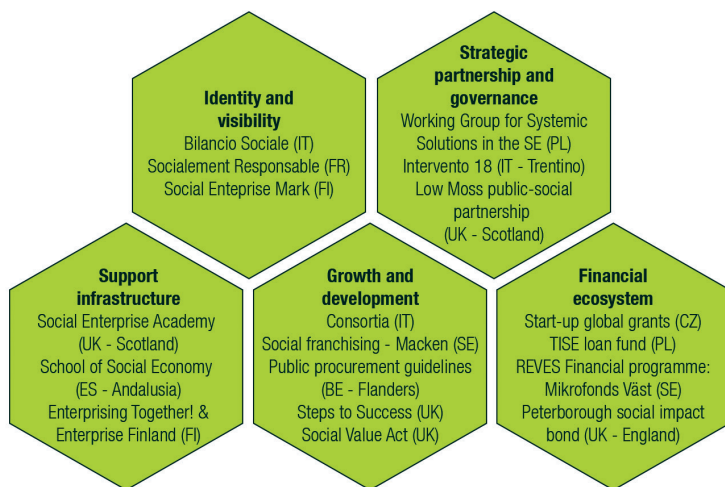
⁷ <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2149>



Building blocks of a comprehensive support environment for social enterprise development		
The user experience	Outreach & accessibility	<ul style="list-style-type: none"> Braided support: mainstream + specialist Physical accessibility (location, travel cost, timing, caring responsibilities) Cultural appropriateness (language, sub-contracting to specialist agencies, partnership with community groups) Welfare bridge (transitional benefit, capitalisation of benefit, specific legal structures (incubators, business & employment co-operatives))
	A coherent pathway	<ul style="list-style-type: none"> Recruitment (open door/selective) → Skills → Business planning → Start-up → Consolidation & growth
	A menu of appropriate services for each phase	<ul style="list-style-type: none"> Lifestyle-appropriate counselling Modular training & qualification (leadership, innovation) Coaching & mentoring Finance (start-up grant, loan, equity, guarantee) Access to larger markets (tender readiness) Premises & incubation Business co-operation – consortium formation Replication – social franchising
System functions	Governance	<ul style="list-style-type: none"> Interministerial co-ordination Stakeholder partnership
	Maintaining quality	<ul style="list-style-type: none"> Sourcing support from the best providers (one-stop shop, prime contractor, consortium, voucher, braided) A quality management structure for agencies Quality standards for advisers (values & purpose of SE, organisation & legal structures, finance & support, project work)
	Co ordination	<ul style="list-style-type: none"> Coherence: signposting, branding, one-stop shops, e-services, simplification Public procurement Adequate financing (national & EU funds, vouchers) Research Monitoring & evaluation

The 5 SEN clusters

The Social Entrepreneurship Network prioritised these building blocks and grouped them into five clusters for peer review.



Peer review?

To kick off its activities, SEN held a 'warm-up' seminar in Warsaw in April 2013. Participants made short 'elevator pitches' which introduced their organisations, what they wanted to learn from the network, and what they could contribute to it.

They then used visualisation techniques to analyse the common problems with and possible solutions to the network's task – to learn how to create a comprehensive support framework for social enterprises. They thus identified the gaps in social economy support environment to be dealt by the peer reviews. By popular demand, the subject of one of the five peer reviews was changed from 'outreach' to 'identity and visibility'.

There was also a session on peer review methodology, which introduced the group to some different peer review formats and included a role-play session.

The chosen peer review format is based on five cycles, each comprising seven steps:

1. Scoping document setting out the issues contained in each cluster
2. Members (Managing Authority + social enterprise teams) propose cases
3. 3 contrasting cases are chosen and written up
4. Comparative background paper by an external expert
5. Partner comment papers
6. 2-day seminar
7. Summary report

Participants greatly appreciated the peer review format, which proved to be a powerful transnational learning method.

The carefully thought-out format meant that participants arrived at the meeting well-prepared. Teams from each country had already studied the background paper on the issue, and worked together to prepare questions to discuss with the presenters. Small group discussion allowed everyone to take part, to investigate the issues which interested them, and to contribute new insights. Skilled facilitation enabled the group to achieve an overview of the issues in each cluster.



3. CLUSTER 1: PUBLIC SECTOR CAPACITY – STRATEGIC PARTNERSHIP, GOVERNANCE AND POLICY CO-ORDINATION

3.1. PARTNERSHIP – A WIN-WIN SOLUTION IN THE STRUCTURAL FUNDS

Partnership between public authorities and social economy organisations is an appropriate, productive and workable principle for developing social enterprise at all geographical levels – national, regional and local. It can be applied at all stages of policy development, whether to the initial conceptual stage as in Poland, to ongoing service delivery as in Trento or to an innovative project as in Scotland.

The three good practice cases reviewed are quite different in many ways, but they are all yielding good results:

- At national level, the Polish Working Group for Systemic Solutions in the field of Social Economy was set up to develop the €684 million National Programme for Social Economy Development (KPRES)
- At provincial level, Intervento 18 in the province of Trento in Italy is applying a businesslike model to the work of social co-operatives
- At local level, the Low Moss Public Social Partnership in Scotland is bringing a new approach to reducing reoffending among short-term prisoners

Compared with the more mechanistic relationship of a simple procurement contract, partnership working may seem to be an unnecessary complication for a public authority, and one whose results are difficult to assess. But this is not necessarily so. The success of Intervento 18 in Trento shows that partnerships can be designed in a businesslike way. The provincial government is committed to long-term partnership with

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