



# **Study on Practices and Policies in the Social Enterprise Sector in Europe**

## **Final Report**

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## Executive Summary

The basic idea of social enterprises has existed for a long time. Its' foundation, social economy, seems to be born with the industrial society, when new social needs had to be fulfilled. During the last one or two decades, the importance of the so-called social economy sector in general and the social enterprise sector in particular has significantly grown in Europe. The European social economy has become increasingly market driven due to restraints of the public social budget and to efficiency considerations in the public sector. In this new situation, **social enterprises, as actors between all three sectors of financial activity**, would be natural actors in implementing these new strategies. Moreover, the social and ethical awareness of the end-users of the products or services produced in social enterprises has evolved. Therefore, the demand for those products is increasing.

Recognising this increasing importance of social enterprises, being aware of the particular framework conditions and challenges of enterprises operating between the traditional economic sectors and aiming at obtaining knowledge on and raise visibility of the sector, the European Commission charged the Austrian Institute for SME Research in co-operation with TSE Entre, Turku School of Economics (Finland) with 'a Study on Practices and Policies in the Social Enterprise Sector in Europe'. **Aim of the research study** was to describe key features of the social enterprise sector and to identify and present relevant support measures for social enterprises in 31 European countries<sup>1</sup>, to select and present good practices in the promotion of social enterprises and to derive and discuss conclusions concerning the further promotion of the sector.

### METHODOLOGICAL APPROACH

The **methodological approach** was based on a co-operation involving the European Network for Social and Economic Research (ENSR) in the research process. These partners were responsible for the collection of the relevant information on the social enterprise sector as well as the identification and description of instruments supporting social enterprises in their country. To gather the information required, the **research partners** tapped various sources and applied different methods, such as internet research, analyses of literature and documents and expert interviews. In order to ensure a uniform procedure and comparable results across countries, the process of the collection has been carried out on the basis of **specific reporting templates** giving the definition of 'social enterprise' that has been elaborated in co-operation with the Commission for this research project and determining the kind of information to be obtained. The **selection process for the cases of good practice** was based on the application of selection and balance criteria and the national partners were asked to describe the cases along a reporting template. Finally, from the results of the study conclusions and lessons learned have been drawn. The working definition of the term social enterprise stemmed from the academic discussion and state of the art and should be of practical relevance, in order to arrive, as much as possible, at a clear and common (among those involved in the research mission) notion of the target group (i.e. social enterprises). Consequently, the **key features that characterise social enterprises** for the purpose of this study were defined as entrepreneurial spirit, social aim or purpose and not-for-profit distribution. Moreover, the study focused on social enterprises active in the fields of work-integration, personal services or local development.

### THE SOCIAL ENTERPRISE SECTOR

The examination of the social enterprise sector showed that present definitions of the term 'social enterprise' vary considerably and that **official definitions** are rare throughout Europe. Apart from the rather broad definition of social enterprises in the UK, social enterprises are often determined as work-integration enterprises. Despite the lack or variety of (official) definitions

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<sup>1</sup> 27 EU countries plus Iceland, Liechtenstein, Norway and Turkey



some features characterise the term 'social enterprise' in nearly all of the countries under investigation:

- fulfils social goals
- addresses a target population in need
- may operate under various legal forms
- deals with voluntary social work
- has a non-profit orientation or reinvests profits
- may receive public funding

The variety of what is understood by a social enterprise is reflected in the **different legal forms** social enterprises can be organised as. The range covers traditional forms such as co-operatives and associations as well as modern business models like private limited companies or joint stock companies. Whereas the latter forms, taken from the commercial economy, are quite important in the UK, Ireland and the Northern Countries, among the so called NGOs or NPOs (besides churches and religious organisations) associations, co-operatives and foundations still prevail in Central and Eastern Europe. So far, only in the UK a legal form specifically for social enterprises (the CIC) has been created.

Throughout Europe, social enterprises or sheltered workshops that (re-)integrate disadvantaged persons into the labour market or provide work places for people with special needs (disabled, long-term unemployed etc.) seem to be the type of social enterprise that receives most attention by policy makers. The **activities of this type of social enterprises** can be categorised as follows:

- giving income transfers in form of subsidised services targeted to the persons of low income or in bad labour market position
- providing sheltered work in various forms
- subsidising work in the open labour market (subsidies allocated either to the disabled or to the employers)

In general, social enterprises, apart from some internationally operating organisations (as the Red Cross, for example), seem to be of rather **small size** and most often **act at a local level** (often under regional or local competency). They **target a variety of different groups** with their services (disabled, unemployed, ex-prisoners, poor, disadvantaged persons etc.). Thus, the promotion and development of social enterprises also concerns several sectors, such as social policy, employment policy or industrial policy.

Social enterprises currently are a rather vague concept, as they can neither be defined by their legal form, nor by their industry / sector of activity / size class, etc. and, moreover, they can be 'social' in different terms: concerning the input they use (the kind of workers / working conditions) and / or concerning their output (e. g. by offering goods or services at non-commercial conditions to a target group in need). Therefore, it is almost impossible to obtain concise **statistical information** on the social enterprise sector. The statistical information that is available basically emanates from the legal form of an enterprise<sup>2</sup> and can then be combined with the information on enterprise size (class) and / or sector of activity (according to NACE). Social enterprises as a statistical category do not exist. Nevertheless, most of the countries that have already put forward a definition of social enterprises have also started to keep a register on them. Moreover, a first insight into the sector can also be obtained by looking at the information that is given by evaluation reports on support actions that have been implemented, usually by public authorities.

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<sup>2</sup> E.g., the UNO "Handbook on Non-Profit Institutions in the System of National Accounts" recommends statistical standards and guidelines for the development of data on non-profit institutions within the systems of national accounts.





From the **organisational and managerial point of view**, social enterprises have a participatory approach and limited distribution of surplus in common. In most of the countries, they occupy both, paid workforce and volunteers, with the jobs offered often depending on the abilities and skills of the persons involved. Many social enterprises depend on public funds. The development of social enterprises is influenced by **external and / or internal barriers and driving forces**. Legal and taxation frameworks as well as short planning periods of public policies (and budgets) are major external barriers whereas the problem to find qualified workforce willing to accept the usually low incomes offered by social enterprises is an important internal barrier. Demographic developments and high unemployment rates are external driving forces for the development of social enterprises, particularly because welfare provision is nowadays less considered as state duty.

### SUPPORT MEASURES FOR SOCIAL ENTERPRISES / CASES OF GOOD PRACTICE

The increasing relevance of social enterprises is recognised by national authorities and the European Commission as well as the need for further support of the sector facing various challenges. In many countries, a wide range of measures have been implemented in various fields targeting different aspects, although supporting measures address in most of the cases a wider group of organisations (e.g. NPOs) or special legal entities (e.g. associations) that are used by social enterprises but do not target explicitly at social enterprises. This project structured the support measures identified (82 in total across the 31 countries) around **five main types** that are used in promoting social enterprises in European countries:

- **Legal regulations** (21 measures analysed): Many countries know tax exemptions or tax privileges for NPOs or associations, which are common legal forms for social enterprises. There also exist legal regulations that constitute the preconditions for the further development of the social enterprise sector, often regarding the retreat of the public sector as social service provider.
- **Financial support** (26 measures analysed): Direct support in the form of subsidies or project grants can be found as well as indirect financial support mostly in form of wage subsidies for social enterprises active in the field of work-integration.
- **Business support** (13 measures analysed): The support ranges from the provision of business incubators to consultancy services and financial issues. Overall business support services and various training measures for (future) social entrepreneurs or managers in the social enterprise sector and services concerning the provision of information and knowledge also exist.
- **Measures fostering co-operation** (8 measures analysed): It can be distinguished between measures fostering co-operation at vertical level (co-operations between public authorities and the social enterprise sector) and at horizontal level (co-operation between social enterprises or umbrella organisations).
- **EQUAL** (8 measures analysed): An important impulse, with a view to the support for social enterprises, has been set in providing important funds for projects of social enterprises. The principle of partnership with the requirement of pooling relevant partners which resulted in co-operations between public authorities and social enterprises raised the importance and influence of the sector.

In some countries also **other types of support** (6 measures analysed) exist, e.g. a central government policy initiative or general programmes of active labour market policy or social inclusion policy with sub-measures dedicated to the promotion of the sector, mainly work-integration enterprises.

Out of these measures, some **cases of good practice** were chosen exemplarily and described in more detail to show possible starting points for further support of the sector. The case studies describe various forms of support for the social enterprise sector and show the positive impact public intervention can have in favour of the sector. The selected instruments can be judged as good practice only against the background of the national framework conditions and range from



the establishment of legal framework conditions, business support structures and innovative models of financial support to a central government policy initiative.

## CONCLUSIONS

The most common and widespread support instruments across European countries include **tax exemptions or privileges** and **subsidies**. As these current grant systems are often based on annual petition proceedings they do not allow for good strategic planning in enterprises. More stable and predictable funding instruments would better meet the requirements of social enterprises.

**Specific legal forms** that can often be found refer to sub-groups of social enterprises only. Nevertheless, in some countries legal forms have been developed and established which are designed more specifically towards the social enterprise concept. Such legal measures can be seen as main driver for the development of the sector as it regularly assumes a clear definition of social enterprises, which allows for statistical registration and contributes to the visibility of the sector. In this context, ways and feasibility of developing a comparable or harmonised definition of social enterprises at EU level, and subsequently gathering EU wide statistics, should also be explored.

The legal recognition also constitutes a precondition and first step in establishing a more **comprehensive and tailored promotion system** for the sector. Therefore, the different steps to a more advanced approach to support are the introduction of specific legal forms, the determination of appropriate legal framework conditions and the establishment of a corresponding business support structure, taking into account the particular challenges social enterprises (e.g. conditions of financing, characteristics of staff etc.) are facing. Such **social enterprise-related business support structures** which should be organised at a regional or local level include for example:

- Funds providing (risk) capital to social enterprises
- Consultancy agencies for social enterprises (for start-up and development, search for funds)
- Business and management training

**Institutionalised co-operation** among the social enterprises and/or between social enterprises and the public sector can fulfil similar support functions. The co-operation structures which have been implemented in some countries bring together state organisations and representatives of the social enterprise sector to encourage exchange of information, to provide training and technical assistance, and for lobbying and visibility purposes.

At the **trans-national level**, co-operation could focus on the improvement of EU level framework conditions, and a continuous monitoring of the 'landscape of support measures' and identification of good practices could contribute to enhance the effectiveness of support at the national level. Further research could broaden its focus and include in the analysis **support measures initiated and implemented by private organisations and networks**. These models of support could on the one hand provide important inputs for the further development and improvement of support measures for the social enterprise sector and on the other hand promote the co-operation between public and private initiatives.

The **Community Initiative EQUAL** showed that an external impulse clearly raised the importance and influence of the sector by providing important funds for projects of social enterprises and by promoting the principles of partnership that led to various projects promoting social enterprises particularly in the New Member States. The new ESF regulation 2007 – 2013 could further contribute to the development of the social enterprise sector. An important step has already been made with the key area for action 'promoting partnership for reform in the fields of employment and inclusion'.



# 1 Introduction

## 1.1 Starting point and aim of the study

During the last one or two decades, the importance of the so-called social economy sector in general and the social enterprise sector in particular has significantly grown in Europe. Economic and social developments, and a re-definition and new view on (the production of) public and social services has been giving scope for the increasing emergence of an economic sector “between” the traditional private and public economy. These new forms of organisations / enterprises allow to bring in entrepreneurial elements – and therefore more efficiency, innovation and client-orientation – in the provision of services as, for example, welfare, training or health.

Thus, social economy organisations and social enterprises have an important function as suppliers especially in those markets, which are not adequately served neither by private nor by public entities as well as in achieving social and public goals. They contribute to the re-allocation of resources and to a favourable transformation of the welfare system. Furthermore, social enterprises help combating social exclusion and can foster local development (as they are often locally based organisations and linked with local authorities). Moreover, the sector has also become a major provider of jobs in Europe, where employment in social enterprises is estimated at 3.5 million<sup>3</sup>. Job creation, firstly, results directly from the aim of work-integration many social enterprises pursue and, secondly, from social enterprises providing personal services with a high labour intensity.

At the same time, however, because of their different nature as compared to traditional private firms (e.g. no profit-orientation, not aiming at return on investments), social (economy) enterprises operate under different framework conditions and face particular challenges or barriers to survive and being successful, including limited possibilities to design their supply and prices, multiple and perhaps conflicting objectives, availability of finance, recruiting of personnel etc. Finally, also due to their diversity, social economy organisations are still poorly understood and there is a lack of visibility especially in the wider public sphere.

Indeed, due to the specific situation of the social economy and social enterprises respectively, the Member States have implemented various regulatory provisions and / or support instruments specifically applying to these sectors. At the European level, for example, statutes for specific legal forms relevant in the social economy (co-operative societies, mutual societies, and associations) have been adopted or proposed. The Community Initiative EQUAL has provided funds to foster social enterprises in the Member States. However, no Europe-wide systematic stock-taking of existing measures at the national level has been undertaken so far.

Considering the points raised above, the European Commission has taken action to: (i) analyse the conditions in the Member States for social enterprises and the provision of respective services and to develop recommendations and guidance to improve these conditions (e.g. support, legislation) as stated in the *Action Plan: The European Agenda for Entrepreneurship*<sup>4</sup> and the Communication *On the promotion of co-operative societies in Europe*<sup>5</sup>; (ii) more particularly, carry out a study collecting information on specific national, regional and local measures promoting social enterprises, including the selection of good practices. The results of

<sup>3</sup> Commission of the European Communities, Green Paper Entrepreneurship in Europe, COM (2003) 27 final, Brussels, 21.01.2003, p 22.

<sup>4</sup> Commission of the European Communities, Action Plan: The European Agenda for Entrepreneurship, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, COM(2004) 70 final, Brussels, 11.02.2004, p 19.

<sup>5</sup> Commission of the European Communities, On the Promotion of Co-operative Societies in Europe, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, COM(2004) 18 final, Brussels, 23.02.2004, p 10.



this research project shall contribute to improving the framework conditions for social enterprises with a view to better exploit the economic and societal potential of this sector. In particular, the **aims of the study** are put as follows:

- *To describe key features of the social enterprise sectors at national levels.*
- *To identify and present relevant national / regional / local measures promoting social enterprises in 31 European countries<sup>6</sup>.*
- *To select and present good practices in the regulation and promotion of social enterprises.*
- *To derive and discuss (general) conclusions concerning the promotion of social enterprises in Europe.*
- *To disseminate the knowledge obtained and to raise visibility of the sector.*

An important task of this research project was to collect most comprehensive information on the situation of the social enterprise sector in the countries under investigation, and to collect and describe measures that have been adopted in these countries to promote social enterprises. This information is displayed in the 31 **Country Fiches**.

Chapter 2 presents the results regarding the **key features of the social enterprise sector** in Europe. The focus of this chapter lies on an analysis and comparison of the social enterprise sector throughout Europe. The current definitions of social enterprises or related concepts in the analysed countries and the characterisation of the social enterprise sector are presented as well as legal and organisational characteristics. Moreover, the current framework conditions and future perspectives concerning the development of social enterprises are described.

Subsequently, Chapter 3 provides an overview of existing **measures and policies promoting social enterprises**, analysed by type of measure. Along with this analysis, **examples of good practice** in the promotion of social enterprises are presented as cases studies.

The results that have been obtained step by step in this research project are then reflected in Chapter 4. Different maturity stages of the social enterprise sector in the countries under investigation, varying actions to support social enterprises as well as the diverse historical backgrounds form the basis for the **conclusions** and lessons that have been learned in the course of this research project. This results in the formulation of proposals for action.

In the Annex to this report, the **guideline** (including the working definitions of the term 'social enterprise' as well as the criteria for the selection of 'support measures') and the **reporting template** for the description of good practices can be found. These were essential tools in the co-operation with the local research partners.

Furthermore, this report contains a CD with the 31 Country Fiches. Each Country Fiche begins with a sector report displaying the overall information on the social enterprise sector in the respective country, followed by detailed descriptions of selected schemes / measures / regulations.

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<sup>6</sup> 27 EU countries plus Iceland, Liechtenstein, Norway and Turkey



## 1.2 Working definition in the project

For the purpose of the study, a working definition of the term ‘social enterprise’ had to be found as there is no generally accepted, accurate definition, neither of the social economy nor for social enterprises. Also, terms like the ‘third sector’ or the ‘non-profit sector’, although covering some of the aspects which seem to be important in connection with social enterprises, do not satisfactorily describe the organisations in question. One of the reasons is that social enterprises are situated at the boundaries rather than in the heart of the third sector. They represent a new entrepreneurship as they supply new products, apply new methods of organisation, use new production factors and act under new market conditions. This new entrepreneurship is combined with ‘social’ aspects, i.e. a social and societal purpose and / or the reinvestment of surpluses for the benefit of a wider social goal (people other than those who control the organisation) and the development of the activity in particular. In addition, social enterprises are financed both by resources derived from the market and by non-commercial resources such as public funding and/or private contributions and also rely on non-monetary resources such as voluntary work. Finally, the decision-making process in social enterprises tends to be democratic as their members (paid workers, users, etc.) are involved in the management of the enterprise and the members’ power is independent of capital stake. In any case, however, social enterprises are not defined through their legal form as they in principle may operate under any legal structure.

Based on the two main aspects mentioned above, i.e. the entrepreneurial nature and the social orientation, and considering the realities identified in 15 countries of the European Union, a definition of social enterprises has been put forward in the course of a previous research project carried out by the EMES European Network. This definition is used as a reference and guideline for determining social enterprises in the frame of this study. The definition includes the following criteria characterising social enterprises, where the first four relate to the economic and entrepreneurial dimension and the following five encapsulate the social dimension<sup>7</sup>:

- A continuous activity producing goods and/or selling services  
In contrast to some non-profit organisations with advocacy activities or in charge of redistribution of money, the provision of goods and services is a main reason for the existence of the social enterprise.
- A high degree of autonomy  
Social enterprises are often (co-)financed, but never managed by public authorities. This autonomy is also apparent in the right of ‘voice’ and ‘exit’.
- A significant level of economic risk  
The founders of a social enterprise assume the major part of the economic risk, the financial viability depends on the efforts of the members and workers.
- A minimum amount of paid work  
Social enterprises can combine monetary and non-monetary resources, voluntary and paid workers, but they are not only operating with volunteers.
- An explicit aim to benefit the community  
Social enterprises have social aims. This aim to serve the community or a specific group of people constitutes an essential characteristic of the organisation.

<sup>7</sup> Defourny, J.: Introduction. From Third Sector to Social Enterprise, in: Borzaga, C., Defourny, J. (2004): The Emergence of Social Enterprises, London, Routledge



- An initiative launched by a group of citizens  
Social enterprises are the result of collective dynamics involving people that share certain needs or aims.
- A decision-making power not based on capital ownership  
In general, the principle 'one member, one vote' is applied in the decision-making process and the decision-making power is not linked to the invested capital.
- A participatory nature, which involves the persons affected by the activity  
Social enterprises are characterised by the participation of customers (users), workers and a stakeholder orientation.
- Limited profit distribution  
In contrast to traditional non-profit organisations, surpluses may be distributed to a limited extent, thus avoiding a profit-maximising behaviour.

However, although this definition may well serve as a starting point and initial guideline, it is still rather abstract and some of its items are relatively vague. So it covers a wide spectrum of enterprises active in different fields. For the actual research work it was important to develop a concrete, comparably simple, and practical definition, in order to arrive, as much as possible, at a clear and common (among those involved in the research mission) notion of the target group (i.e. social enterprises) the measures to be identified should pertain to. Consequently, the key features that characterise social enterprises for the purpose of this study were defined as:

- Entrepreneurial spirit  
A social enterprise is autonomous (is not a public unit), acts under economic risk and provides goods and/or services. It is market- und business-oriented.
- Social aim or purpose  
A social enterprise devotes its activities to social objectives. It is generating non-economic outcomes.
- Not-for-profit distribution  
Social enterprises are not distributing their profits to those who exercise control over them. Any surpluses generated must be retained in the organisation or community. They are reinvested to achieve the social aim and to serve the members' interest or a wider interest.

To further focus and clarify the target group the research concentrated on those social enterprises active in three specific fields, which have been identified to constitute their main areas of operation (while they often combine more than one field)<sup>8</sup>:

- training and re-integration into employment of persons excluded from the labour market
- various personal services (e.g. childcare services, aid for disadvantaged people, services for elderly people, home care services)
- local development of disadvantaged areas (urban/rural)

The so defined group of enterprises can be regarded as the 'core concept' for the study (see also reporting templates for the local partners in the Annex). However, empirical research work in the project showed that definitions used in the European countries vary and often do not exactly match this core concept. So, related (wider) concepts were also used (e.g. social economy, third sector, non-profit sector, social firm). This situation is reflected in the results of the study.

<sup>8</sup> See also [www.europa.eu.int/comm/enterprise/entrepreneurship/coop/social-cmaf\\_agenda/social-enterprises.htm](http://www.europa.eu.int/comm/enterprise/entrepreneurship/coop/social-cmaf_agenda/social-enterprises.htm)





### 1.3 Methodological approach and organisation of the work

In the framework of the research study different methodological tools have been adopted:

- At the beginning of the research mission key issues were clarified and a detailed work programme and time schedule had been elaborated in close co-operation with the Commission. This related, for example, to the elaboration of final working definitions, guidelines and selection criteria.
- For the description of the social enterprise sector as well as the identification and examination of relevant measures aiming at the promotion of social enterprises a decentralised approach was applied. Local partners (see below) were responsible for the field research in their respective country. To gather the information required, the research partners tapped various sources and applied different methods, such as internet research, analyses of literature and documents and expert interviews. In order to assure that the local research partners responsible for the collection of relevant information on their country applied a uniform procedure, and to achieve comparable results across countries, a specific guideline (see Annex) determining the kind of information to be obtained has been elaborated and employed. The information obtained has been checked by the Austrian Institute for SME Research and has been catalogued by country and type of measure.
- Out of the support measures identified in the different countries cases of good practice in the promotion of social enterprises were selected based on the list of criteria given below. These cases of good practice have by means of a reporting template (see Annex) been further analysed by the local research partners.

#### List of criteria that have been applied for the identification of good practices

##### minimum criteria:

##### **topicality**

The measure is still in place.

##### **general application**

The measure is of a general application targeting at and/or being able to be used by all social enterprises of a given sector of activity.

##### **documentation**

In support of the selection of the measure as good and successful any documentation or a written proof monitoring or evaluating such measure should be produced.

##### **success**

The measure is successful in terms of accessibility and/or meeting the needs and problems of the target group and/or achieving specific positive impacts (e.g. increased number of start-ups, increasing employment, etc.)

##### focus criteria:

##### **focus on start-ups, enterprise development or co-operation**

At least 50 % of the measures should focus on support services that promote and foster start-ups and development of social enterprise or that operate as a vehicle for social enterprises in undertaking joint activities.

##### **focus on specific sectors of activity**

The target group of the selected measures should be social enterprises in three sectors of activity: work integration, personal services or local development of disadvantaged areas.

##### **focus on new Member States**

There should be a focus on measures implemented in the new Member States. More specifically the objective is that up to 50 % of the good practices selected are from the new Member States.



*balance criteria* (to avoid a concentration of good practices in certain fields):

- a certain geographical balance of the countries covered by the study;
- a balance between regulatory and non-regulatory measures and different types of support respectively (legal forms, legislation, funding, special policy measures etc.);
- a balance between specific target groups (e.g. sector of activity).

- Subsequently, general conclusions and lessons learned with regard to the development of the social enterprise sector and measures promoting social enterprises were drawn and have been discussed with the Steering Committee. The in-sight that has been gained in the course of this research project also led to the formulation of proposals for action regarding the further promotion of social enterprises throughout Europe.

This research study has been carried out by a **consortium co-ordinated by the Austrian Institute for SME Research**. In order to assure an efficient methodology, a maximum exploitation of specific knowledge (in national and thematic terms) and outcomes of highest quality, the Institute co-operated with various research partners:

- The consortium partner, **TSE Entre at the Turku School of Economics, Finland**, brought in additional and specific research knowledge and experience on the intersection of entrepreneurship and the social economy. TSE Entre provided thematic advice and counselling and acted as external quality control, checking the basic methodological tools and main outcomes of the project. They also were strongly involved in the elaboration of good practices and in the drawing of conclusions.
- As several research steps (especially the analysis of the social enterprise sector, the identification of support measures and the description of good practices) required a good knowledge of national circumstances (e.g. institutions of the social economy, business support system, etc.) as well as language competence (e.g. literature, expert interviews) the co-ordinator relied on the partners of the **European Network for Social and Economic Research (ENSR) as national sub-contractors**. The ENSR represents a highly experienced, international team of experts and dedicated institutions in the area of enterprise-related research in almost all countries covered by this study. They have a long standing experience in working together and are familiar with the methods and procedures applied in the underlying study from previous joint research.





## 2 The social enterprise sector in Europe: An overview

### 2.1 Definition of the social enterprise sector

Official definitions of social enterprises are rare throughout Europe. There are only a few countries where the national legislation determines the characteristics of a social enterprise. For example, the UK Government's **official definition of social enterprise**, developed in partnership with the sector, is:

*'A social enterprise is a business with primarily social objectives whose surpluses are principally re-invested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.'*

This definition is rather general and includes both the input to this specific kind of enterprise (e.g. provision of employment for vulnerable persons) and the output (e.g. goods and services that fulfil a certain need) is seen as social target.

Apart from the UK, official definitions of social enterprises exist in Belgium (by the Federal Government Service for Social Integration), Finland (Finnish Act on Social Enterprises 2003, in force since 2004), Latvia (Social Enterprises Law) and Lithuania (Lithuania Law on Social Enterprises, in force since June 2004 and drafted by the Ministry of Social Security and Labour). On the one hand, the Belgian official definition emphasises that social enterprises answer a need for goods or services (made available at a certain price) and target a specific population of customers. On the other hand, the Finnish and Lithuanian official definitions both rather stress that social enterprises provide employment opportunities especially for the disabled and the long-term unemployed who produce goods and services according to commercial principles. The Latvian definition neither emphasises the input nor the output side but limits the possible legal forms social enterprises may take to associations, foundations or religious organisations/institutes. The opinion that is commonly shared in Norway is that the social enterprises identify under-used resources and use them to satisfy social needs whereby an important aspect is the creation of a different kind of value – creating and investing in social capital, the network of relationships and shared values on which economic activity depends. Practically, they help people take charge of their lives and help to create jobs.

Although there seem to be no official definitions, in Cyprus the Governmental Committee for Non-Profit Organisations applies the EMES-concept (as depicted in Chapter 1 of this report) to social enterprises, whereas in Denmark, organisations that are regarded as social enterprises, rather border the EMES definition.

A concise official definition of social enterprises does not seem to exist in the rest of the countries under investigation. Definitions commonly used to describe social enterprises are mostly taken from studies that have been undertaken in the respective countries in this field. In Hungary and Romania, for example, the definition used in the UK is applied to describe the social enterprise sector. Some countries (e.g. The Netherlands) implicitly rely on the definition that social enterprises basically aim at including disadvantaged persons into the labour market and produce goods for sale at market prices. To the contrary, in most other countries, the scope of activity for social enterprises seems to be rather broad.

Nevertheless, the following features come up in nearly all of the countries under investigation when talking about the term 'social enterprise':

- fulfils social goals
- has a trading income
- addresses a target population in need
- may operate under various legal forms
- deals with voluntary social work
- has a non-profit orientation or reinvests profits



- may receive public funding

Despite of the problem to quote a single and concise definition of social enterprises in various European countries, forms of social enterprises can be found in nearly all of the countries investigated. Only in Turkey, although associations and charity foundations do exist, social enterprises seem to be a completely new concept. In many of the former socialist countries, the concept of social enterprises bearing economic risk is rather new, as welfare has for a long time been regarded as subject to state provision.

## 2.2 Characterisation of the social enterprise sector

When looking back in **history**, social economy seems to be born with the industrial society, when new social needs had to be fulfilled. The establishment of co-operatives (both for consumer and productive purposes) in the 19th century represents a milestone. This approach for self-help was new compared to charities by the church or donations by the crown. Co-operatives have a long history in most European countries, such as Austria, Denmark, France, Greece, Portugal and the UK but also in many of the Central and Eastern European Countries.

In this latter group of countries, during the socialism era, the development of the voluntary sector has been stopped and private co-operatives substantially lost power. The former communist countries today see the establishment of social enterprises as a possibility to fill the vacuum that has been left after the state rapidly withdrew its responsibility of the social sector after 1989. After Latvia and Lithuania, Poland put forward an Act on Social Co-operatives on April 27th, 2006 that precisely defines the legal framework for the functioning of social employment initiatives, focusing on activation and inclusion of groups threatened by social exclusion.

In the so called social market economy of many Northern and Central European Countries especially consumer co-operatives could develop in the past decades and the concept of social enterprises there now rather stands for the process of outsourcing public responsibilities to the private sector and the so called 'third sector'. Through the past 20th century, a strong and centralised state became the model of social development in Scandinavia. The welfare state system appeared to be effective to provide, ensure and control social care and needs. Nevertheless, it seemed that the system coped with limitations in terms of adapting to overall global changes and to the demographic challenge; it does not suit everyone's individual needs. In Norway, social entrepreneurship and social enterprises now play an important part in contributing on closing the gap between basic social welfare services and more individualised demands and needs of modern society.

It is true that within the last decades, not only the opinion on who is responsible for the social sector (e. g. the church, the state or the market) in Europe has experienced changes, also the needs that are addressed by this social sector have shifted with the **(re-)integration of long-term unemployed or disadvantaged persons into the labour market currently being the main issue** as stressed by many countries.

Obviously, nowadays the UK has the most developed social enterprise sector among the countries investigated in this study. There, the importance of the social enterprise sector to the overall economy of the nation and the sustainable growth of the economy has been gaining acceptance for several years. With a concise definition of the term 'social enterprise' by the Government, a national strategy put forward by the government, the establishment of a Social Enterprise Unit within government and a Junior Minister with responsibility for social enterprises, a complete infrastructure has been built.



On the other hand, the concept of social enterprises seems to be very new to the Baltic States (Estonia just takes the UK as a model and Lithuania put forward the Law on Social Enterprises in 2004) and Turkey. There, similar activities to social enterprises are basically performed by associations and charity foundations. Nevertheless, some of these Turkish organisations are very powerful and act nationwide, whereas the majority of the associations are generally active in disadvantaged areas and founded by the local community. It is obvious that the external impulse coming from the EU led and still leads to structural changes in the social sector, especially in the Central and Eastern European Countries.

Apart from few international (e. g. Red Cross or Caritas) or national organisations (e. g. ASVL in Norway), social enterprises – or enterprises that work under a similar concept – in general seem to be of rather **small size** and most often act at a **local level** (often under regional or local competency). Having less than 50 persons working in a social enterprise insures that relations do not become anonymous and that organisational structures can be kept simple and in a partnership approach.

Nowadays, throughout Europe, enterprises or sheltered workshops that (re-)integrate disadvantaged persons into the labour market or provide work places for disabled people seem to be the **type of social enterprise** that receives most attention by policy makers. Labour market developments in the past years have made it necessary to put strong efforts into people's ability to cope with the pressure of this market. While some of these enterprises offer transitional occupation, others create permanent self-financed jobs. Often training on the job is offered.

Seen from the output side, social enterprises that currently gain growing attention (especially in the Southern and Eastern European Countries) are those that provide assistance to poor rural communities or ethnic groups or promote local development. Nevertheless, the most important type of social enterprise (and these are of continuing importance) are those that provide care for children or older persons. In many countries, so called non-governmental-organisations (NGOs) or non-profit-organisations (NPOs) act as prevailing providers of social services.

Work-integration enterprises can be found in various **sectors of activity**, e.g. administration/ office work, tourism, crafts, trade, restaurants etc. Usually, the persons to be integrated only have to fulfil the minimum requirements for occupation in their field of business. Sheltered workshops for disabled offer various products and services. Providers of social services, almost by definition, often operate in the health care or personal services sector.

Due to the lack of official definitions and due to the fact that, in nearly all of the countries under investigation, social enterprises may operate under various legal forms, **statistical data** – if available – usually only describes a fraction of the social enterprise sector in the respective country. Data from national statistical offices are often only available by legal form (e. g. for associations in general) or by sector according to NACE (where the category 'social enterprises' does not exist) or on the 'third sector' in general (these also include organisations without entrepreneurial spirit). Data that cover (fractions of) the social enterprise sector can in some countries be obtained from umbrella organisations or specialised research units (e. g. the Pan Cyprian Volunteerism Coordinate Council in Cyprus or the Civil Society Development Foundation in Romania). Only very few countries (e. g. the UK, Lithuania and Finland) have already implemented some register of social enterprises that supplies more complete and reliable data.

In the following some examples are quoted to describe the difficulty of obtaining statistical data on social enterprises:

- In Belgium, social economy falls under the competence of the regions, which apply each a different definition to it. Moreover, as social enterprises can take different legal forms, they are not registered as such.
- In Bulgaria there is a Register of Social Services Providers (at the Social Assistance Agency) that can serve as a first statistical reference, nevertheless, less than 10 % of the listed are commercial companies, the rest being NGOs.



- To estimate the number of social enterprises in France, data according to likely legal forms (co-operatives, mutual companies, associations and foundations) are usually consulted. Such a procedure is also applied in many other countries as Germany, Greece, Slovakia or Sweden.
- Estimates on the sector in Hungary and Italy stem from several resources, with the data base on NPOs of the national statistical unit as starting point.
- As there has been a Social Economy Programme run by the National Employment and Training Agency (FÁS) in Ireland, estimates on the sector basically rely on the data gathered by the FÁS.
- The Maltese National Statistics Office holds data on so called 'Social Welfare-Oriented NGOs' (SWNGOs).
- In Poland, a Register of Social Co-operatives that may also be useful for statistical purposes, has just been established in 2006.

### 2.3 Legal forms of social enterprises

As already mentioned above and throughout the countries under investigation, social enterprises do not define themselves by their legal status. Therefore they may, in almost all of the countries under investigation, **basically operate under any possible legal form or structure**. The range covers traditional forms such as co-operations and associations as well as modern business models like **private limited companies** or **joint stock companies**. Whereas the latter forms, taken from the commercial economy, are quite important in the UK, Ireland and the Northern Countries, **among the so called NGOs or NPOs** (besides churches and religious organisations)

- **associations;**
- **co-operatives** and
- **foundations**

still prevail in Central and Eastern Europe.

In those countries, where social enterprises are basically free to choose their legal form but **some kind of register** on them is kept, it can be seen that the **form of a company prevails**. For example, in Finland, social enterprises are since 2004 registered as such in the Trade register and 86 % of these registered social enterprises have adopted the legal form of a company. Also in Iceland, most of the social enterprises are private companies. Although there is no official register of social enterprises in Ireland, the evaluation of the Social Economy Programme that serves as an important source of financing for Irish social enterprises reveals that 87 % participating social enterprises had the form of company limited by guarantee. Most of the currently operating social enterprises in Lithuania are closed joint stock companies. In Sweden, there is a tendency that social enterprises develop from economic and non-profit associations into joint-stock corporations, which is expected to continue.

In a few countries the legal form a social enterprise may take is **predetermined by the law**. In Latvia, social enterprises can have the three main forms of association, foundation or religious organisation. In Poland, the Act on Social Co-operatives has been introduced to put forward the issue of social enterprises organised as co-operatives there. Although in the UK social enterprises may choose among various legal forms, the government has created a **new form of limited liability company (the Community Interest Company; CIC) specifically for social enterprises**.



## 2.4 Organisational and management characteristics of social enterprises

Also from the **organisational and managerial point of view**, social enterprises are extremely heterogeneous. Like all enterprises, social enterprises must use standard methods of management and control of their operations, but their strategic goals are different compared to for-profit companies. No matter which legal form they adopt, social enterprises, above all, have a participatory approach and limited profit distribution (rather profit re-investment) in common. Their focus lies on the achievement of social goals and not on profit maximisation and therefore their relations (to clients, community, public institutions and other social enterprises) are based on partnership rather than on market principles. It is not unusual that such social enterprises are founded by persons in need themselves or their relatives. Social enterprises have a multi-stakeholder structure and use regular employees as well as volunteers and co-operations with clients to achieve their results.

In Germany, specific characteristics of social enterprises are a high rate of part-time work and a hierarchic, state-oriented management structure, which is often in conflict with ideas of business effectiveness, but also with ideas of participation and an idealistic spirit. In Finland there are two organisational models for (work-integration) social enterprises: the work centre model and the business model. In the work centre model the 'normal' employees guide and instruct the disabled and long-term unemployed, whereas in the business model the roles are more mixed and equal. The trend is towards the business model. The majority of the small organisations active in the social enterprise sector in Hungary has a very flat organisational and management structure.

It is common practice that social enterprises try to maintain a limited **staff** due to financial constraints and therefore rely on volunteers. In most countries social enterprises – especially those that provide goods and services to a target population in need – could not be run without voluntary work or the work of civil servants. Countries where social enterprises heavily rely on the work of volunteers are, for example, Belgium, Bulgaria, Denmark, Estonia, Malta, but also the UK. In Denmark, the majority of the organisations for sick and handicapped people and drug abusers are run entirely by voluntary workers. Volunteers are also important for Italian social enterprises, but limited by law at 50 % of the workers. To the contrary, in Finland and Sweden only paid employees seem to work in social enterprises.

In Spain, a significant number of the so called 'non-lucrative-sector' enterprises are run on a non-professional basis (most often the persons that lead the enterprise lack managerial skills). Hungary also reports a lack of professional managers due to uncompetitive salary in the non-profit sector. For Latvian NGOs, e.g., it is hard to attract motivated workforce due to sometimes problematic process of salary payment and the perception of the workplace in an NGO as non-regular (young professionals use NGOs as the first working place to get the first job experience and then move further on to new, better paid workplace).

Generally, the **jobs** offered in social enterprises depend on the abilities and skills of the persons involved. While the management is usually paid, volunteers are often used in field-work. Some jobs, i.e. in work-integration social enterprises would not be commercially possible without subsidised wages.

In the **budget** of many social enterprises in several countries, public funds (often also in the form of wage subsidy) still play a major role. While local authorities and EU funds provide financing, the income gained via the sale of products and services is of increasing importance. In Austria, social enterprises currently gain 25 % to 40 % (depending on the type of enterprise) of their resources through market activity. In Ireland, for example, the provision of State supports to the social enterprise sector has been predominantly focused on the provision of community services while also addressing the problems of the long-term unemployment and labour market exclusion. The net impact of these policies has been that Irish social enterprises are largely dependent on active labour market programmes for their continued existence. The eligibility criteria for these active labour market programmes means that social enterprises must recruit their employees from specific groups e. g. the long-term unemployed, lone parents, etc.





In the UK, on the other hand, across all business sizes, social enterprises generate between 80 % and 86 % of turnover from earned income, while grants and other sources account for the balance.

## 2.5 Current framework conditions and future perspectives

There are barriers and driving forces that influence the development of social enterprises or similar organisations. A crucial aspect is the public or political position towards social enterprises in the respective countries. A stable and well structured environment that also accounts for the special features of social enterprises seems to qualify best for their promotion.

When looking at the existing constraints that hamper the development of social enterprises, external (i.e. arising from the overall conditions) and internal (i.e. arising within the respective social enterprise) barriers can be distinguished.

An example for **external barriers** is the legal and taxation framework of a country. Basically the Eastern European countries, but also Greece and the Netherlands report that their social enterprises suffer from legislation that is primarily made for commercial enterprises and does not account for the specific features of NPOs or social enterprises. The enactment of legislation that would legally recognise such organisations and that would enable them to tap EU funding would contribute positively in Malta; it would also help them to get more access to normal sources of funding such as bank loans. In Malta, presently banks do not provide any bank guarantees to social welfare NGOs (SWNGOs), which makes it impossible for them to participate in EU projects. Moreover, SWNGOs are also paying full VAT, which is not recoverable due to the fact that they are not legally recognised.

As the contractors of social enterprises in many cases are public authorities, social enterprises compete with each other for one important customer that leads to limited negotiation power on the side of the social enterprises. Another problem is that social entrepreneurs depend on current policy that may be subject to sudden changes and they therefore often have to rely on short-term contracts that hamper the strategic planning of the enterprise's development.

During the rapid shift from state to market economy in many Eastern European Countries, too little emphasis has been put on the options in between. Now, with rising insight in the shortages of pure market economy and with the state refusing sole responsibility of social welfare, these countries currently work on the amelioration of the framework conditions for a so called third sector. In the Czech Republic, e. g., currently the state is reconsidering its role in the whole range of social, community and cultural services and creates space for transferring them to NPOs. Also Lithuania may serve as an example of the restructuring process that the new EU Member States and some candidate countries currently undergo and of their **political position towards social enterprises**. In Lithuania, the state seems to have a rather narrow view of social enterprises, focusing on small businesses which employ people from the target groups, as reflected in the Law on Social Enterprises. In the case of NGOs, some of which are similar to social enterprises as they are defined in other EU countries, their relations with the government are rather weak. This causes a lack of favourable legislation regulating NGOs activities. Due to the weak links with the public, Lithuanian people lack awareness and understanding of the NGOs' role in dealing with social problems. Also in France it has been recognised that the 'credo' of pure and perfect competition at both European level and national level do not allow to build policies that take into account the specific social role played by these enterprises that should deserve some 'protection' from competition. In the UK, where the political interest in social enterprises has the longest tradition, the government has created a new form of limited liability companies specifically for social enterprises, the Community Interest Company (CIC) that complements existing legal forms.



A lack of visibility of the social enterprise sector is seen as major constraint to the development of social enterprises in Denmark. Also in Greece the public seems to have no clear idea on the functioning and purposes of social enterprises. In Sweden, there seems to be a lack of knowledge about the possibilities with social enterprises, as enthusiasts that engage in the social field often lack an entrepreneurial attitude. This leads to the more **internal barriers**. Here the most prominent constraint is managers that lack key qualifications or strategy (also because they may receive low or no salary), e. g. in the Czech Republic, France, Greece, the Netherlands, Portugal, Slovenia or the UK. The shortage of volunteers, e. g. in Cyprus or Ireland, or of various other resources, e.g. in Hungary, is another important problem. Also, the management of a variety of objectives and the conjunction of social aims and economic constraints requires specific management and development strategies and the organisational model of social enterprises often remains fragile. In addition, the involvement of different stakeholders in the decision-making process leads to high governance costs and can therefore become inefficient.

Throughout the countries, social enterprises seem to have one big common problem: their **financing**. Whereas this problem is interpreted as an internal barrier in Latvia, where a lack of finance is in the opinion of experts a consequence of problems in human resource, donation attraction, publicity and other areas, it can also be interpreted as an external barrier, as in France, where social enterprises suffer from a lack of finance, especially due to the fact that subsidies are decided on a yearly basis, which makes it very difficult to build mid-term programmes. It appears to be specific to the social enterprise sector that they in various fields of their business activity depend much more on state policies and programmes than commercial enterprises.

The major **driving forces** for the social enterprise sector are, besides social enthusiasts, growing demand for (privately organised) work-integration and/or social services (due to demographic reasons, high unemployment rates, but also because welfare is no longer considered as state duty) and the rise of new ethically consciousness markets. The evolution of a regulated 'quasi-market' equal for all actors (as it is currently discussed e.g. in Austria) could help to reduce bureaucracy, hierarchical dependencies and financial constraints. Many countries, and not only the new Member States, quote that they are eager to learn from the experience of other Member States to promote the development of social enterprises in their country and state good practices as an important tool to spread information.

In general, socially orientated NGOs tend to form networks in order to improve their capacity and sustainability and for lobbying purposes. Their main role is to facilitate communications with public administration, transfer best practices among their members, coordinate effort in accessing financial resources, and assist in public relations. Apart from Denmark and Hungary, such networks or **umbrella organisations** exist in all of the countries under investigation. In some countries these networks are very complex (on local, regional, sector and federal basis, e.g. in France), whereas in others, e.g. the UK, they basically consist of one umbrella organisation for social enterprises, operating throughout the sectors.

Regarding the **future perspectives** for social enterprises it is likely that additional employment opportunities will be offered in this sector, if policies strengthening the position of social enterprises and outsourcing of social objectives continue. The availability of money from EU Structural Funds also boosts social enterprises. Whereas the integration of long-term unemployed and disabled persons as well as the provision of social services seem to be of constant importance, fair-trade, environment and local development seem to be issues that gain importance in the near future.







## 3 Support measures for social enterprises

### 3.1 Introduction

As stated in Chapter 2, the increasing importance of social enterprises is undisputed, while they operate under different circumstances as compared to the traditional private sector. Social enterprises often act on behalf of and on account of public authorities and are therefore situated in a monopsony, as they compete with other social enterprises for just one customer. Therefore the negotiation power of these enterprises vis-à-vis the customer (sponsor) is limited, social entrepreneurs have to rely on short-term contracts, the management faces high personal financial risk and, consequently, the planning of the enterprise's development is hampered. In addition social enterprises have a weak institutional anchorage and act in a controversial legal situation, as a lack or inadequacy of legal forms suitable for social enterprises can be observed.

Moreover social enterprises show internal weaknesses. The management of a plurality of objectives and the conjunction of social aims and economic constraints requires specific management and development strategies and the organisational model remains fragile. In addition, the involvement of different stakeholders in the decision-making process leads to high governance costs and thus, can turn out to be an element of inefficiency. Thus, social enterprises must confront several challenges and support is required in the following fields:<sup>9</sup>

- a supportive legislative and regulatory environment
- assurance of the quality of products and services
- upgrading skills and jobs
- management expertise and support
- finance
- development of networks and co-operations
- establishment of adequate governance structures.

The Member States have initiated a broad variety of policies, measures and schemes specifically addressing and providing support to the social economy or social enterprises and meeting and addressing these crucial points. According to the different characteristics of the social enterprise sector in the European countries these measures vary, and due to the particular framework conditions of social enterprises policies differ strongly from the 'traditional' instruments to promote enterprises and SMEs in the first sector.

This chapter gives an overview on the landscape of existing support measures promoting social enterprises. The described support measures represent a selection, as it is not the aim of the project to develop an exhaustive list of all relevant support measures in Europe. When discussing policies for social enterprises one has to be aware of the fact that these measures often do not explicitly refer to the social enterprise sector in the strict sense. As it is highly unlikely that measures apply such a definition, or even use the term social enterprise – as it is stated in chapter 3.1 the term is unusual or unknown in many of the examined countries – to determine the target group, some measures refer to a comparably wider group and some measures only pertain to part of the sector. For the purpose of this study, therefore, the practical and actual relevance of instruments for social enterprises was more important than the formal definition of the target group. Put differently, relevant measures are those addressing a specific problem of social enterprises or are over-proportionally used by social enterprises.

<sup>9</sup> Borzaga, C., Solari, L.: Management Challenges for Social Enterprises: In: Borzaga, C., Defourny, J. (2004): The Emergence of Social Enterprises, London, Routledge



Finally, it shall be noted that only instruments that follow a ‘support’ – or ‘policy’-nature were examined in the course of this project. This is the case when the measure is initiated by the national administrations, or, in countries where the relevant administrations are decentralised, by a regional or local administration. The measure might also be initiated by private organisations when they are acting under authorisation or the supervision of the above-mentioned authorities.<sup>10</sup>

### 3.2 Overview

The examination of 31 European countries showed that various policies and measures in different fields have been implemented to support social enterprises either by their explicit aim or in consequence of their relevance for social enterprises. Against the different background and development of the sector throughout Europe these supporting structures diversify with view to their objectives, target groups and design. Nevertheless, five main types of support measures promoting social enterprises could be identified:

- legal regulations (21 measures analysed): special legal forms, tax privileges, other legal regulations,
- financial support (26 measures analysed): direct or indirect,
- business support (13 measures analysed),
- measures fostering co-operations (8 measures analysed),
- measures in the frame of EQUAL (8 measures analysed)

Although the 82 measures identified are grouped along these types, some measures combine different elements of support and a few measures do not fit in this classification (6 measures classified as ‘others’). Moreover, the Community Initiative EQUAL played an important role as key driver for the implementation of support measures for social enterprises. As these actions were dependent on the EQUAL funds and conceived temporary and their sustainable implementation is contingent, they will be described separately although they represent in most cases one of the other types identified.

Table 1 lists the measures identified and analysed per country. In the following section, an overview of the measures according to the different types is given.

**Table 1** Overview of the collected support measures for social enterprises per country

country	measure	type of measure
Austria	Sheltered workshops ltd. Master studies in social management Tax privileges for non-profit organisations Civilian service	legal regulation business support legal regulation others
Belgium	Advice fee Project grants Start centre Flemish Participation Fund for the Social Economy	financial support financial support business support financial support
Bulgaria	Bulgaria Community Fund and Social Enterprise Programme Measures under the Law on Integration of Disabled Social Services Against New Employment (SANE) Project	others financial support others

<sup>10</sup> The working definition for the identification of support measures promoting social enterprises is also reflected in the guideline elaborated for the collection of the support measures (see annex).



Cyprus	Programmes for Pre-School Children Centres for School-Age Children Programmes for Persons with special needs Programmes for the Elderly Programmes for various groups in need (other programmes)	financial support financial support financial support financial support financial support
Czech Republic	Programme to support social services provided by NPOs on regional level to seniors and disabled	financial support
Denmark	Co-operation with voluntary social organisations and associations' Grants for Voluntary Social Work	fostering co-operation financial support
Estonia	Entrepreneurship development Enabling the development of the municipality	fostering co-operation fostering co-operation
Finland	Act on Social Enterprises No. 1351/2003 National Support Structure for Social Enterprises Labour Political Project Support	legal regulation business support financial support
France	Job accompaniment contract Contract for the future National council for work integration by means of economic activity Public procurement regulation (articles 14 and 15)	financial support financial support fostering co-operation legal regulation
Germany	Berlin Development Agency for Social Enterprises and Neighbourhood Economy Public Utility (§ 52 AO) Master studies in social management	business support legal regulation business support
Greece	DYEKO (Network for supporting social economy enterprises) Non-Governmental Perspective Soc-Eco Social Amphictiony (School of Social Economy)	EQUAL EQUAL EQUAL EQUAL
Hungary	Law LXXXVIII/2005 on Private Voluntary Activity Civil Employment Workshop Law IV/2006 on Economic Companies	legal regulation fostering co-operation legal regulation
Iceland	Law on private and self-sufficient institutes which provide jobs	legal regulation
Ireland	Community Services Programme Community Employment Development Programme (CE)	financial support financial support
Italy	Support to social enterprises (Objective 2 Programme – Measure 1.4 – Action C) Regulation of the social enterprise	financial support legal regulation
Latvia	Tax relief on immovable property Result-driven and transparent development of NGOs	legal regulation business support
Liechtenstein	Exemption from tax on assets or on profit and income of social enterprises	legal regulation
Lithuania	Establishment of Social Enterprises Development of Social Employment Enterprises	EQUAL business support
Luxembourg	National Service of Social Action (SNAS)	business support
Malta	Income tax act VAT act	legal regulation legal regulation
Norway	Tax exemption The National Federation for Companies providing permanent Jobs adapted to the Individual (ASVL)	legal regulation fostering co-operation



Poland	Act on Social Co-operatives Programme 'Supporting the Development of Social Co-operatives'	legal regulation others
Portugal	Co-operation Agreements Development of the National Network of Facilities and Services for Social Promotion (Measure 5.6 of POEFDS) Support to social and community development (Measure 5.1. of POEFDS) Programmes of the Social Employment Market	financial support financial support financial support others
Romania	Romanian Social Development Fund  Protected Units Subsidies accorded to Romanian associations and foundations, with legal status, which establish and administrate social assistance units	financial support  business support financial support
Slovakia	Income tax assignation Transformation of some institutions financed from the state budget into NPOs providing publicly beneficial services Support for employment of disabled people	financial support legal regulation  financial support
Slovenia	Subsidy to salary for disabled persons Exemption from payment of tax on paid salary of companies for disabled persons	financial support legal regulation
Spain	State Council of Non-Governmental Organisations for Social Action (Royal Degree 235/2005 of March 4 <sup>th</sup> ) Orientation service for citizen entities in Madrid Website <a href="http://www.solucionesong.org">www.solucionesong.org</a>	fostering co-operation  business support business support
Sweden	Termination of the monopoly of Samhall Wage subsidy	legal regulation financial support
The Netherlands	Taste the meeting (name of a café) Masterclass Social Entrepreneurship Work corporations for young persons	EQUAL business support EQUAL
Turkey	Turkish Civil Law-Foundations Regulation Associations Act No. 5253	legal regulation legal regulation
UK	Social Enterprise Unit (SEU) Community Interest Company (CIC) Development Trusts Association (DTA) Co-Enterprise Birmingham Social Enterprise Partnership (SEP)	others legal regulation fostering co-operation business support EQUAL

### 3.3 Legal regulations

An obvious policy measure to underline the importance of social enterprises and to improve the framework conditions for these organisations is the introduction of **special legal forms** for these types of enterprises or **laws on social enterprises** often in combination with privileged regulations concerning tax etc. The Act on Social Enterprises in *Finland* defines social enterprises and specifies the support for the establishment of a social enterprise. The Regulation of the Social Enterprise which passed in 2006 and represents the first formal definition and regulation of social enterprises in *Italy* is composed of 18 sections regarding the definition of social enterprises, social utility and non-profit making and includes implications concerning the proprietary structure, the bookkeeping system, mergers, acquisitions, jobs, monitoring and research activities as well as financial dispositions. In the framework of the National Action Plan for Social Inclusion (2004 – 2006) in *Poland* an Act on Social Co-operatives has been



developed defining the functioning of social employment initiatives (for a detailed description of the measure see Box 1) and the *Austrian* law knows a special legal status for 'Sheltered Workshops Ltd'. Compared to these special legal forms for a specific social enterprise acting in the field of work integration for disadvantaged persons, in the *UK* the general model for a 'Community Interest Company (CIC)' has been implemented in 2005. CICs are limited companies with additional features created for the use of people who want to conduct a business for community benefit. The registration of a company as CIC assumes a community interest test and a statutory asset lock and a limit on the distribution of profits and includes continuing monitoring. *Iceland* gives in the 'Law on Private and Self-sufficient Institutes which Provide Jobs' a definition of the structure, objectives and obligations of such institutes. Also, with the regulation on not for profit companies (§ 4 of Law IV/2006) the first step towards an official social enterprise sector has been made in *Hungary*.

### Box 1 Good practice Poland

#### Poland: Act on Social Co-operatives

The Act on Social Co-operatives of April 27<sup>th</sup>, 2006 defines the legal framework for the social employment initiatives, focusing on the activation and inclusion of groups threatened with social exclusion. The Act defines the principles concerning the establishment and the management of a social co-operative.

Social co-operatives have been introduced in the Polish social policy by the law on promoting employment and labour market institutions which changed the law on co-operatives from 1982. The objectives of the Act on Social Co-operatives stem mainly from the priorities defined in the National Social Inclusion Strategy adopted in June 2004. The aims of this document derive mainly from the Priority 3 (activation and inclusion of groups threatened with social exclusion), activity 3.2 (social economy) which relates to social employment and social co-operatives. Activities mentioned in this field (activity 3.2) focus especially on greater social cohesion and solidarity. The criterion of profit plays a less important role, giving way to actions for social and occupational re-inclusion of vulnerable groups. Great importance is given to the implementation of active labour market programmes for the long term unemployed who have difficulties in returning to work.

The target groups of the Act on Social Cooperatives are people threatened with social exclusion. The social co-operatives carry their activity based on the Act as NPO and receive funding of the Labour Fund and local administration. They can be organized by the unemployed and other persons threatened with social exclusion (according to the law on social employment)<sup>11</sup> and by the disabled (as defined by the law on occupational and social rehabilitation and employment of the disabled). Social co-operatives may include from 5 to 50 people. The aim of such regulation is to simplify the employment opportunities for those who would have difficulties in finding jobs by themselves. This form of work allows people to create employment places and realizes important social issues such as developing solidarity relations between workers and social reintegration. That is why the number of members should not exceed 50 people as there is a danger that in a big social co-operative the relations become anonymous. Every social co-operative chooses its board of directors. The board of directors is not needed if the co-operative has less than 15 members thus every member has an opportunity to control the functioning of it.

The members resolve their statute and ought to register the co-operative in the National Court Register, certifying that they are either unemployed or disabled. Such certificate may be given by the centres of social integration, labour offices or family assistance centres. There is no registration fee, which is an innovative benefit for the participants.

<sup>11</sup> According to the law on social employment the most vulnerable groups are: mentally disabled, unemployed without work for longer than 24 months, released from penal institutions and who have difficulties in inclusion, refugees realizing individual integration programmes, addicted to alcohol and who have completed a psychotherapy programme in a rehabilitation centre, addicted to drugs and other psychotropic substances and who have completed a therapy programme, homeless realizing individual programmes of moving out of homelessness.



The Act relieves from income tax, the income of the co-operatives is granted on social and professional reintegration of its members.

The other advantages for social co-operatives based on the Act are:

- The possibility of taking part in open procedures within public procurement;
- The possibility to use the workforce from voluntary workers and persons released from penal institutions;
- The performance of its statutory activities, in the field of socio-vocational reintegration of its members and the provision of services to a local society can be realised on a commercial basis;
- Persons who establish a social co-operative can receive a reimbursement of the social security contribution for the period of 12 months.

An important element of this Act is the possibility for social co-operatives to realize tasks which are commissioned by public administration. However they will be treated as normal public organizations, to keep an accurate level of realized tasks.

According to Priority 3 of the National Social Inclusion Strategy it is foreseen that a support system for the newly created social co-operatives will be adopted. The Polish programme "Supporting Development of Social Co-operatives" is one of the first initiatives that offer direct support. It initiates activities aimed at the promotion of the concept of social co-operatives. The programme foresees the below listed activities:

- Regional centres supporting social co-operatives;
- promotion of the programme among unemployed;
- catalogue of social co-operatives profiles;
- monitoring of the performance of social co-operatives.

So far there has been launched the first component of the activities. In September 2006 the Ministry of Labour and Social Policy notified a call (addressed to self-government units, non-governmental organisations, and cooperative associations) for the development of regional centres supporting social co-operatives. It is planned to award 6 projects with grants up to 150,000 PLN (approx. 37,500 EUR) each, within the procedure. Moreover, the RCSSC, a non-governmental organization dealing with the problem of counteracting social exclusion and fostering development of social co-operatives, is providing consultancy and free of charge legal advisory as well as (according to available means) financial support in the form of grants, loans and guarantees to the social co-operatives. A catalogue of social co-operatives profiles and the first information/monitoring report is projected.

By October 2006, 55 social co-operatives have been registered. In 2005 the number amounted to 40. The Ministry will draw up a general report about the functioning of the Act on Social Co-operatives in the period of 27<sup>th</sup> April 2006 to 31<sup>st</sup> December 2007. The report will be introduced to the Polish Parliament on 30<sup>th</sup> June 2008 at the latest.

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**Sources:**

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[www.ekonomiaspoleczna.pl](http://www.ekonomiaspoleczna.pl)  
[www.pfsl.pl](http://www.pfsl.pl)  
[www.ngo.pl](http://www.ngo.pl)

Ustawa z dnia 27 kwietnia 2006 r. o spółdzielniach socjalnych, Dz.U. 2006 nr 94 poz. 651 (Act on Social Cooperatives from April 27<sup>th</sup>, 2006, Journal of Laws 2006 n<sup>o</sup> 94, item 651)





In *Turkey*, the 'Foundations Regulations' within the Turkish Civil Law, which sets the framework for the management of charitable foundations and the 'Associations' Act No. 5253' regulating and controlling the activities of associations, federations and NPOs and their branch offices active in Turkey build the legal framework for activities in the social enterprise sector.

Next to these special legal forms a variety of legal regulations privileging social enterprises or forms of organisations that are used by social enterprises exist. Many countries know **tax exemptions or privileges** for NPOs or associations. In *Malta*, e.g., NGOs with a social aim are exempted from paying income tax and in *Slovenia* companies for disabled persons do not pay tax on paid salaries. Tax privileges for NPOs with a "public utility" are implemented in *Austria* to support NPOs active in the fields of healthcare, child-, youth- and family welfare, care for old, ill and disabled persons, vocational training etc. Similar tax privileges linked to activities with a "public utility" which entail tax exemption or relief for social enterprises and its donators exist in *Germany*. The German concept of public utility determines a fiscal position and does not depend on the legal form of organisation: All corporate enterprises can attain the status of public utility. In Germany these are mostly registered associations, foundations under civil law, limited liability companies and more rarely stock corporations. In *Liechtenstein* corporations, institutions and associations that provide welfare to the poor and sick or that serve other charitable or social issues are exempted from tax on assets or tax on profit and income.

In some of the examined countries **other legal regulations** were found that have positive consequences for the social enterprise sector. A fundamental change concerning the provision of social services happened in *Slovakia* according to an Act of 2002 that regulates the transformation of state institutions providing social services into NGOs. In *Sweden*, the termination of the monopoly of Samhall, a public owned enterprise that employed disabled persons under privileged conditions, made it possible that social enterprises employing disabled persons get the same rights and compete on equal terms as Samhall, i.e. get wage and arrangement subsidies. The *Hungarian* "Law on Private Voluntary Activity" entailed a legal coverage of using voluntary work. An important instrument to raise the competitiveness of work-integration enterprises exists in *France* where the public procurement regulation designs that work-integration of disadvantaged persons can constitute an awarding criterion or that public contract award procedures can reserve the participation right to sheltered workshops.

### 3.4 Financial support

**Financial measures** represent the type of support which seems the most widespread way of promoting social enterprises. According to the research on the social enterprise sector and to the literature the provision of financial means to social enterprises whether direct or indirect is common mainly in the former EU-15. Directly targeted financial support exists in *Portugal*, e.g. the government subsidises IPSS (private institutions of social solidarity) according to unit **subsidies** established every year by negotiations between the government and the confederations and unions of the private social economy. These subsidies cover about 60 % of the running costs of social work carried out by the private social enterprise sector. Besides, grants for capital expenditures of facilities or special projects of social enterprises are provided (for a detailed description of the measure see Box 2). Through programmes for different target groups (pre-school children, school-age children, persons with special needs) important financial funds are transferred to social enterprises in *Cyprus* which then offer appropriate services to the persons in need. E.g., the social enterprises which run community day care centres for children receive annual subsidies in combination with technical assistance, monitoring and supervision.



## Box 2 Good practice Portugal

### Portugal: Co-operation Agreements

The co-operation agreements between the public social security system and IPSS (private institutions of social solidarity) aim at ensuring the basic social support to certain groups of the population (children and youths, elderly, disabled, disadvantaged families and communities). Acknowledging the importance of the private sector of social solidarity in providing support services which actually are of the primary responsibility of the state, the Ministry of Labour and Social Security enters into agreements with the private sector with the objective of providing to the latter financial grants, as well as technical and other material support, so as private institutions widen their intervention area and improve their services in order to satisfy the needs of the population in a personalised fashion. The co-operation agreements are in force in all regions of Portugal, including the mainland and the autonomous regions of the Azores and Madeira islands.

The government agency responsible for this measure is IGFSS, the Institute for the Financial Management of Social Security, acting in co-ordination with the about 20 regional centres of the social security system. These regional centres are responsible for the evaluation of the quality of services offered by the private institutions, provide technical support and collaborate in the preparation of regulations governing the execution of co-operation agreements and for the monthly payment of the grants. They are also responsible for periodic inspections and audits to the beneficiary institutions.

The co-operation agreements are negotiated yearly between the Ministry and IPSS representative organisations: CNIS (the National Confederation of Solidarity Institutions), União das Misericórdias Portuguesas (the Union of Portuguese Houses of Mercy) and União das Mutualidades Portuguesas (the Union of Portuguese Mutual Organisations). These agreements update the value of the grants and usually introduce some minor modifications on the rules that govern the co-operation. Grants are fixed in unit terms (per month, per user, per action, etc.) and are applicable to the following types of services offered by the private institutions:

- child care centres and kindergartens
- activity centres
- residential homes for children and youths
- special schools
- residential homes and day-care centres for the elderly
- occupational centres and supporting homes for disabled adults
- summer camps
- therapeutic communities, day-care centres for chemically dependent and insertion/inclusion homes
- social canteens
- community centres for socio-educational interventions.

The grants are provided according to specific regulations and have the purpose of covering the running costs incurred in the private solidarity institutions that cannot be met by the economically disadvantaged users.





In order to benefit from these grants the not-for-profit private institutions must be properly registered with the social security system, their facilities must comply with the licensing standards and the services they offer must respond to real needs of the population served. In addition, a preliminary diagnostic study has to be carried out for each institution by the relevant regional centre, in order to identify and evaluate the range of services offered and their compliance with the applicable standards. Furthermore, this diagnostic analysis has also the objective of verifying the financial possibilities of the institution, taking into account other sources of income, notably the income from the payment of services rendered to users (who pay in full or partially, in accordance to their income brackets) and subsidies received from third parties.

Based on these calculations, the regional centre calibrates the part of the institution capacity (e.g. number of beds) to be assigned to low income people, unable to pay in full for the services. In this way, they arrive to an average income per user calibrated in such way that covers in full the running costs of the social institution. The mix of users who pay in full or partially for the services, varies from institution to institution and, within an institution, according to the various types of services provided.

The measure is of very high importance in Portugal as it funds a significant part of the running costs of the private social enterprise sector, thus allowing this sector to extend its services to a wider part of the low income and disadvantaged population. In 2002 about 114,000 co-operation agreements with more than 3,000 IPSS were funded by the government, benefiting more than 480,000 individuals. The aggregate amount of public expenses with this funding exceeded Euro 750 mln. In 2004 this value was raised to about Euro 893 mln.

The current system of gauging the mix of the offer on a case by case basis to arrive to an average income per user in line with the estimated running costs of the private social services organisations, will be shortly replaced by a system of directly subsidising the beneficiaries in need according to their income. This provision is already foreseen in the co-operation agreement in force in 2006. The reasons for this change are, according to declarations of the Minister in charge that a new paradigm on the state-institutions-families relations has to be introduced to “ensure more equity in the accession to social services”.<sup>12</sup>

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Despacho Normativo nº 75/92 de 20 de Abril (Norma XXII, nº 2 e 3) Diário da República Série I-B, nº 116/92, Lisboa, 1992/05/20 [Regulatory Order no. 75/92 of April 23 (Regulation XXII, no. 2 and 3), Government Official Journal, Series I-B, no. 116/92, Lisbon, 1992/05/20]

As in many other countries, in *Belgium* social enterprises can apply for **project grants** in the fields of environment and work, recycling and reuse, entrepreneurship co-operation and social cohesion and in *Denmark* the Ministry for Social Affairs holds several funds for voluntary social work awarding project and basic grants. The “Labour Political Project Support” in *Finland* foresees specific subsidies to support the start up and consolidation of social enterprises and the promotion and development of the sector through project support. Grants for projects regarding the development, innovation and quality of social enterprises’ economic activities can be found in *Italy* within the Objective 2-Programme Action C “Support to Social Enterprises” under the precondition that a new legal subject is created.

<sup>12</sup> “Público” Newspaper, 26 July 2006



The Flemish “Participation Fund for the Social Economy” offers **risk capital** (venture capital, loans) to organisations in the social economy. In *Belgium*, social enterprises can apply for the refunding of costs for consultancy services (feasibility studies, specific audits, strengths and weaknesses analysis) from state-approved consultancy agencies for the social economy.

Direct financial support to social enterprises can also be found in the New Member States. An important financial source for NPOs in *Slovakia* is the income tax assignment stipulating that every person and company can declare assignment of 2 % of their paid taxes to specific NPOs listed in official registers (for a detailed description of the measure see Box 3). Subsidies for NPOs providing services to seniors and persons with disabilities exist in the *Czech Republic* and in *Bulgaria*, where the subsidies are dedicated to NGOs working in the field of social integration of disabled. *Romania* combines subsidies for NGOs and social assistance units providing social services to vulnerable groups (elderly, disabled, victims of family violence, drug addicts etc.) with support in the area of funding and financing and specific training measures.

### Box 3 Good practice Slovakia

#### Slovakia: Income Tax Assignment

The Income Tax Assignment represents a support measure to NPOs based on individual decisions of taxpayers including physical and legal persons. There have been two main reasons for the introduction of this measure. NPOs have been establishing and developing in larger scale from the beginning of the 1990s to complement some state functions and contributing to the development of the civic society. In that time they were massively supported by foreign donations. In the second half of the 1990s this support ceased. Therefore it was necessary to create measures that would help to finance NPOs’ activities that are beneficial for people and the society. The tax assignment includes mechanisms for appreciating the important contributions of NPOs to social cohesion.

Currently social services are provided mainly by state owned social institutions. This system is presently reformed to be financially sustainable and offer better services. The main strategy is decentralization and transfer of competences to regional and local governments. A very important goal is to increase the quality and availability on the one side and to restrict costs of these services especially from the viewpoint of public resources on the other side. Quality also means that social services should be individually tailored to recipients to better fulfil their needs. This requires an innovative approach that is inherent to the dynamism of private enterprises. Therefore the current reform counts also on initiatives of non-profit organizations (NPO). NPOs already have been starting to provide social services that are missing or better fit current changing needs. Hence the tax assignment is a supporting measure in the context of the reform of the social system.

Based on the Tax Act, in the tax declaration every person and company can declare assignment of 2 % of their paid taxes to selected NPOs listed in an official register. In 2002, this measure was launched with a maximal assignment of 1 % of paid taxes from individual persons. Every NPO fulfilling the legal requirements can register and can be included into the register of beneficiaries. This central register is administered by the Chamber of Notaries. Support can be provided for legal persons having the legal form of

- Civic association
- Foundation
- Non-investment fund
- NPO providing generally beneficial services
- Charities
- International NPO
- Slovak Red Cross



and are engaged in one of the following activities:

- Development and protection of intellectual values
- Protection of human rights
- Environmental protection
- Protection and support of health and education
- Support of sport activities of children, youth and handicapped persons
- Providing social help
- Protection of nature and cultural values.

The total assigned amount in 2005 represents 878,392,396 SKK (Euro 22.8 mln), out of that 66 % was assigned by corporate bodies and 34 % by individuals. 5,770 NPOs were registered as potential beneficiaries. Approximately 430,300 submissions of 2 % income tax assignment declarations have been registered by the Revenue Office Headquarters by July 31st, 2005. Out of that, 13,700 declarations were submitted by corporate bodies, 416,600 by individuals. As in 2004 the assignment was increased to 2 % and corporate bodies have been eligible for tax assignment the number of new NPOs boosted by about 20 % in the last two years.

The responsible institution for this measure is the Ministry of Finance. The ministry is in charge of designing the tax system and distributing collected resources through the public budget. Based on the general benefits provided by NPOs for the society development and specifically on the focus of the important contribution of NPOs to social services the ministry decided this tax assignment. This decision was supported by the governmental strategy to share some of its responsibilities for social services with NPOs. The Ministry's role is to monitor whether the tax money poured to NPOs and resulted benefits are balanced. This measure is implemented by the revenue offices.

The Ministry of Finance is now reconsidering some aspects of this measure. The amount of the raised money increased by about 10 times during four years. It has shown that some corporate donors assign their taxes to NGOs that were established by them. These activities do not fulfil the basic purpose of the measure and many times those resources are not used transparently. Therefore, the Ministry of finance proposed the novel of the Tax Act that would restrict the tax assignment of legal persons to 0.5 %. The tax assignment for individual persons will remain at the level of 2 %. In this case the relation of NGO activity and personal decision is direct and eliminates misusing.

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**Indirect financial support** to social enterprises is often linked to the concept of work integration enterprises and includes in most of the cases **wage subsidies**. In *Slovenia*, *Slovakia* and *Sweden*, the subsidy covers a part of the wage costs for disabled persons and is dependent on the degree of invalidism and the reduced capacity for work or is temporarily restricted. With the "Contract for the Future" ("Contrat d'avenir") and the "Contract for Job Accompaniment" ("Contrat d'accompagnement dans l'emploi – CAE") in *France* employers receive financial aid for each person employed. The extent of the subsidy is dependent on the minimum income and is dedicated to support the payment of persons with minimum income, former prisoners, unemployed persons with special difficulties etc. Although in principle all employers can apply



for the subsidy, due to the practical use by social work integration enterprises these subsidy schemes represent an important financial support to these organisations. In France, the social enterprise sector accounts for 54 % of the number of contracts for the future and for 43 % of the number of contracts for job accompaniment (for a detailed description of the measure see Box 4). In *Ireland* the wage subsidies for the employment of long-term-unemployed in the framework of the “Community Employment Scheme” presumes that these subsidised persons are employed in projects targeting at community and public benefit.

#### Box 4 Good practice France

##### France: Job Accompaniment Contract

The Job Accompaniment Contract (CAE) has been implemented in 2005 and is operational since the 1<sup>st</sup> of May 2005. The measure is part of the social cohesion programme. It aims at facilitating the integration on the labour market of persons facing specific social and professional difficulties by offering them a job contract together with actions allowing them to define and implement their professional project. Employers must belong to the non-profit sector i.e. associations, insertion enterprises, local authorities, private or semi-public organisations in charge of a public service. The job must aim at satisfying unfulfilled collective needs. Therefore, the measure pursues three objectives:

- Support to professional insertion of specific categories of unemployed;
- Support to job creation in the non-profit sector;
- Support to development of new ‘services’.

For social enterprises the CAE is an instrument to support them in fulfilling their social role of professional and social integration as well as supplying new services which meet unsatisfied collective needs.

CAE is a national measure; it is available on the entire French territory (including overseas territories since January 2006). At national level, the measure is under the authority of the Ministry in charge of employment, housing and social cohesion. It is regulated by the Labour Law (Labour code, articles L322-4-7 and R322-16 to R322-166-2); The Labour code defines the general frame of the CAE as well as general rules that must be respected such as the duration of agreement and contracts, maximum financial supports and social tax exemptions, etc.

The responsibility of its implementation is placed at a regional level (there are 26 regions in France) and should lead to better meeting the needs of both unemployed and employers, and in particular of social enterprises. The implementation is organised as follows:

- Each year the representative of the State in the region (Préfet de region) defines the categories of unemployed than can benefit of a CAE as well as the level of financial support of the State granted to employers. The definition of categories of unemployed is based on the recommendations of the so-called local actors of the public employment service (service public de l'emploi), in particular the local bureaux of the National Agency for Employment (ANPE) and CNASEA (national centre for the establishment of structures for rural exploitations) and of the ministry in charge of employment, according to the local situation of the labour market.
- ANPE is in charge of the occupational orientation of the unemployed, of advising the employers, as well as of the conclusion of the agreement with the employer (convention) that represents the precondition for the conclusion of the job contract.
- CNASEA is in charge of the payment of the financial supports to employers.

CAE is a fixed-term job contract, with a minimum duration of 6 months and a maximum duration of 24 months. In exceptional circumstances, when the employee is a prisoner who benefits from an authorisation to work outside the prison, it can be concluded for 3 months. CAE can be renewed twice but still in the total is limited to 24 months. CAE is a full time (35 hours per week) or part-time contract with at least 20 hours per weeks. The wage is at least equal to the minimum salary (SMIC). It must include training and tutoring actions in favour of the employee.



Prior to the recruitment of a person in the framework of a CAE, the employer must conclude an agreement (convention) with the State (represented by the local bureau of ANPE). This convention<sup>13</sup> has the same duration as the CAE. It contains information on the future employee (such as personal information and situation regarding unemployment and social aids), the type of job (duration of the contract, working hours, wage), training and tutoring actions in favour of the employee implemented by the employer and the amount of the financial support granted to the employer by the State.

The support granted by the State to the employer includes the following:

- A financial aid equal at maximum to 95 % of the amount of the gross minimum hourly wage per working hour which is paid each month in advance;
- Social security contribution: The social security contribution concerned is the contribution due by the employer (employer part) as regards social assurances, working accidents and family allowances.

As stated above, the amount of the financial aid is defined each year in each region. It can vary according to the legal status of the employer, the situation of the local labour market, the specific difficulties of the employee to access employment, the quality of training and tutoring actions offered by the employer.

The qualitative impact of the measure has not been assessed yet. Quantitative data nevertheless show that CAE meet existing needs. At the end of June 2006, 171,579 CAE were active. Their average (initial) duration is 9 months and the average working hours per week are 25.5. On average the financial support of the State is equal to 79 %. Slightly more than 40 % of employers can be considered as social enterprises. As regards the employees 67 % are female, 33.8 % are less than 26 years old and 16.7 % more than 50, 10.7 % are disabled and 24.7 % have a very low initial education level (no diploma at all).

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### 3.5 Business support

Special business support services for social enterprises do not seem to be as diffused as financial support in the examined countries. Nevertheless in more than 10 of the countries **supporting structures** were implemented **targeting directly at social enterprises**. According to the narrow definition of social enterprises in the respective countries, in *Finland* and *Belgium* these services address only enterprises active in the field of work integration for disadvantaged persons. In *Finland*, the “National Support Structure for Social Enterprises” provides consultancy concerning the start-up and development of such enterprises. Moreover, the service has an information function towards the Ministry of Labour concerning the obstacles emerging in the establishment and running of social enterprises and possible weaknesses of the recently implemented “Act on social enterprises” (for a detailed description of the measure see Box 5).

<sup>13</sup> see model on [www.travail.gouv.fr/IMG/pdf/12497-01.pdf](http://www.travail.gouv.fr/IMG/pdf/12497-01.pdf)





**Box 5 Good practice Finland****Finland: A National Support Structure for Social Enterprises**

The Finnish Act on Social Enterprises defines a social enterprise as a company entered in the Trade Register, producing goods and services on commercial principles and aiming at making profit. The company must offer employment to the disabled and long-term unemployed up to at least 30 % of its total workforce. At least one of the employees must be disabled. Basically, a company fulfilling these requirements qualifies for the Register for Social Enterprises.

Social enterprises are obliged to pay the disabled and long-term unemployed workers the wage agreed on in the collective agreement and intended for those fully able to work. When employing a disabled or a long-term unemployed person, the company is entitled to employment subsidies from the employment authorities. The purpose of the subsidies is to compensate the shortage of productivity of each of these individual employees compared to the 'normal' worker. The support for employing the disabled and long-term unemployed is equivalent in amount for all companies. However, the subsidies granted to social enterprises are for a longer period than those granted to other firms. These provisions for employment subsidy and combined subsidy granted to social enterprises are laid down in the Public Employment Services Act and the Unemployment Security Act.

As social enterprises have to deal with special challenges due to their specific employee groups, the expertise of the existing support organisations was seen inadequate. Therefore, a specific support structure was created to decrease the know-how gap. The National Support Structure for Social Enterprises (NSSSE) consults and supports the establishment and development of social enterprises in a twofold way – first and foremost, it offers guidance and networks to the existing and potential social enterprises and, secondly, it increases the awareness for social entrepreneurship in society. NSSSE is also obliged to inform the steering group for the Act on Social Enterprises about possible deficiencies in the Act and other problems in the field of social entrepreneurship.

NSSSE has operated since March 3<sup>rd</sup>, 2004. The private VATES-foundation has the responsibility of the coordination of this hybrid organisation. Local consultancy and support activities are carried out by 14 regional actors and various regional public guidance and support service organisations. Six out of these 14 regional actors are foundations for public good, five are social enterprises themselves and the rest (3) are publicly owned consultancy organisations. The Ministry of Labour is financing the activities, and has, thus, the ultimate responsibility for the functioning of the support structure.

There is a special labour market project subsidy available for social enterprises specified in the Act on Social Enterprises. Employment authorities may, within the limits of the national budget, provide support for the establishment of a social enterprise and the consolidation of its operations, if the specific aim of the trading is to employ persons in a poor labour market position. The subsidy may not be used to business operations. Support can also be provided for the promotion of social entrepreneurship specified in this Act.

NSSSE received EUR 395,000 from the Ministry of Labour for 2004–2005. In that time the network had 321 customers, of which 132 corporate customers, 54 private persons, 72 authorities and 63 third sector actors. NSSSE produced also brochures, web sites of their own and materials for the Ministry's information services. Direct consultations were mostly given by e-mail. In total, there were 1,314 e-mail consultations during that time. The support structure distributed information also on the phone, in personal meetings and in training occasions. During 2004–2005 over 400 events were organised.

In the end of 2005 a telemarketing campaign was launched, which was aimed at 'normal' companies. Altogether 14,775 companies were contacted. About 750 of them were interested in additional information. In 2006 the service has concentrated on these companies providing them more knowledge on social entrepreneurship. In 2006 EUR 178,000 has been granted to NSSSE.



According to the evaluation of the implementation and functioning of the Act on Social Enterprises over 30 % of the registered social enterprises are satisfied with the guidance they have received from VATES or the regional actors of the structure. On the other hand, about 20 % of those studied find the consultancy received 'very' or 'quite' weak. It is not clear whether this dispersion is due to diverse needs among social enterprises or regional differences in the quality of services provided. As a whole, the evaluation found the hybrid model of NSSSE functional, but also some critique was laid on the distribution of work and shortage of cooperation between NSSSE and the public financial planning services for businesses.

In spite of all these activities, social enterprises are not well-known to the public yet. According to the previously mentioned telemarketing campaign the term 'social enterprise' was known only to 14 % of the Finnish companies interviewed. Nevertheless, the number of social enterprises registered increased continuously. By the end of February 2007 there were 84 companies in the Register for Social Enterprises. Of those, 11 have been registered in 2004, 21 in 2005 and 69 in 2006. The Ministry of Labour has stated that the actions for promoting social entrepreneurship have not been sufficient yet. Therefore, Finnish Parliament has accepted some amendments to the Act on Social Enterprises in February 2007. These amendments expand the scope of the Act to new groups of persons in a poor labour market position, like persons on rehabilitation subsidy, persons rehabilitating after psychiatric problems, and pensioners who have suspended their pension. Also immigrants who have inadequate knowledge of either Finnish or Swedish could be included to the required 30 % of unemployable workforce in the social enterprise. Moreover, in the government bill the level of supplementary employment subsidy will be raised and the way it is calculated is redefined.

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**Sources:**

Harju, J. & Pukkinen, T. (2004) Uusien ja vähän aikaa toimineiden mikroyritysten neuvontapalvelut (Business Advisory Service for new and recently established micro firms, In Finnish with English abstract). Ministry of Trade and Industry. MTI Publications 23/ 24. Helsinki: Ministry of Trade and Industry.

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Saapunki, J., Leskinen, J. & Aarnio, M. (2004) Suomalaiset yrityspalvelujärjestelmät asiakasnäkökulmasta tarkasteltuna (Finnish Business Service Systems from the Client's Point of View, In Finnish with English abstract). Ministry of Trade and Industry. Publications 5/2006. Helsinki: Ministry of Trade and Industry.

[www.finlex.fi/fi/laki/kaannokset/2003/en20031351.pdf](http://www.finlex.fi/fi/laki/kaannokset/2003/en20031351.pdf) (read October 17th, 2006): Act on Social Enterprises (1351/2003) in Finlex, the database of translations of Finnish acts and decrees

[www.mol.fi/mol/fi/99\\_pdf/fi/06\\_tyoministerio/05\\_tiedotteet/Tyoeministerioen\\_selvitys\\_sosiaalista\\_yrityksista\\_ ja\\_laehetekirje\\_eduskunnalle.pdf](http://www.mol.fi/mol/fi/99_pdf/fi/06_tyoministerio/05_tiedotteet/Tyoeministerioen_selvitys_sosiaalista_yrityksista_ ja_laehetekirje_eduskunnalle.pdf) (in Finnish), (read October 17th, 2006):

Ministry of Labour (2006), Selvitys eduskunnan työelämä- ja tasa-arvovaliokunnalle sosiaalisten yritysten lain (1351/2003) toimeenpanosta ja toimivuudesta. (Liquidation to the Employment and Equality Committee of the Parliament of Finland about the functioning and implementation of the Act on Social Enterprises (1351/2003)).

[www.vates.fi/sofi/tukirakenne\\_aluetoimijat.htm](http://www.vates.fi/sofi/tukirakenne_aluetoimijat.htm) (in Finnish), (read October 17th, 2006): VATES Foundation, List of regional actors



13 regional incubators or start centres can be found in *Belgium* accompanying future social entrepreneurs in the process of setting up a social enterprise (for a detailed description of the measure see Box 6). The start-up phase of social enterprises is supported in *Germany* as well. The Berlin Development Agency for Social Enterprises and Neighbourhood Economy (BEST) is motivating and supporting citizens that are interested in founding social enterprises. It is basically a service for business start-ups (workshops, expert advice, procurement of credits etc.). The establishment of social care centres in *Romania* is supported financially and up to now more than 40 “Protected Units” that integrate disabled persons at work and more than 10 integration centres for occupational therapy have been created. The measure also includes tax exemptions for these centres.

### Box 6 Good practice Belgium

#### Belgium: Start Centres (Regional Incubation Centres)

In 2000, the Flemish Government launched the initiative to create, recognise and subsidise Start Centres or Regional Incubation Centres. The objective of these Start Centres is to stimulate business initiatives within the social economy. This means to assist future entrepreneurs within the social economy to shape and implement business ideas, to encourage them to employ underprivileged people and to guide them in the implementation of the principles of sustainable entrepreneurship. The target group of the Start Centres are entrepreneurs and future entrepreneurs in the social economy in Flanders.

In Belgium, social economy is a regional competence. The policy statement 2004-2009 of the Flemish Minister states the following double objective: ‘We create a framework that stimulates the further development of social enterprises and we simplify the organisation and support of the social economy.’ The recognition of Start Centres is a key element in the strategy to meet these objectives at the local level.

The responsible organisation is the Flemish Ministry for Work and Social Economy. It is a public administration and part of the Flemish public authorities. In order to be recognised, the candidate Start Centres must fulfil certain criteria. The organisation should:

- be a firm (in legal terms);
- provide its services within a Flemish sub-region that demonstrates social-economic cohesion and potential for social-economic business initiatives;
- include its objectives (to encourage social inclusion through social economy initiatives) in the articles of the company statutes;
- reflect public support in its ownership structure (a minimum of 50% of the ownership should originate from the private sector –the same proportions should be reflected in the governing board);
- offer services to both a general target group and individuals in business development and business assistance (Business development services include serving as contact point for future entrepreneurs and developing entrepreneurial ideas and projects in co-operation with partners. Business assistance services include serving as contact point for entrepreneurs, strengthening the social economy initiatives through networking and advising entrepreneurs.);
- assure regional embedment through structural co-operation with local authorities and social and private partners;
- demonstrate management expertise in terms of social, business management and networking capabilities;
- demonstrate the liability of the organisation in its business plan;
- provide an annual report (including the planning for the following year) to the Flemish administration;





The following should be included into the annual report: the number and nature of the Start Centre's activities, the number of companies created during the past year, the number of created employment, a detailed financial report and a substantiated budget for the next year.

The activities of the Start Centres cover a wide range of services to social enterprises. Start Centres:

- help candidate social entrepreneurs in developing their ideas and in drafting a business plan;
- support the social entrepreneur in the recognition procedure for 'social inclusion enterprise' (i.e. an enterprise employing people with a disadvantaged background);
- help social enterprises to find the target employees;
- assist social enterprises in the search for subsidies and financial support;
- assist the social entrepreneur in implementing the principles of sustainable development in the enterprise;
- offer facilities such as office space.

Applications should be submitted to the Flemish administration, who co-ordinates the evaluation procedure. Eventually the Minister makes the decision based upon three sources. First, the Regional Social-Economic Consultation Council formulates an advice towards the administration, and, second, an auditing team investigates the application on all criteria (as specified above). Third, these two reports are merged and assessed by the advice commission of the Flemish administration. The minister formulates his / her decision based upon the advice of the Regional Social-Economic Consultation Council, the report of the auditing team and the advice of the advice commission of the Flemish administration.

All application forms can be found on the website of the Flemish Ministry for Work and Social Economy.

All recognised Start Centres receive an annual subsidy of EUR 124,000 for employment and operational costs. Since 2006, this sum is linked with the index.

By subsidising the Start Centres, the Flemish public authority is providing an important measure to help the sector to develop within itself, opposed to the support of single enterprises for example. In this way the autonomy of the sector is respected.

Since the launch at the end of 2000, 13 Start Centres have been recognised. While 5 Start Centres have been established in the year 2001, in the following years the number of new Start Centres per year ranged from 0 to 3. For 2006, the recognition of 2 new Start Centres is estimated.

Since the launch of the Start Centres measure, a total of 119 social enterprises have been created with the support of Start Centres, creating 2285.25 full-time employee positions in the Flemish region. These social enterprises are active in a wide range of sectors, from construction over cleaning to call- and ICT-services. The activities of the Start Centres are monitored through the annual report.

An assessment of all policy measures for the social economy is foreseen by the Minister for 2007, including an impact assessment of the Start Centres.

The objective of the 2007 assessment is to improve the policy instrument. This may lead to changes in the procedure, recognition criteria or subsidies.

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**Sources:**

[www.vlaanderen.be/werk](http://www.vlaanderen.be/werk)



**Overall business support** for social enterprises active in different fields is provided by the “Co-Enterprise Birmingham” in the *UK* that is recognised as the expert for business support to community enterprises. The service includes business support in the research of new social enterprise ideas, direct help with business planning, marketing and financial reviews etc., professional business advice in all areas of daily business and tailor made business and management training for social entrepreneurs and managers. The training aspect concerning the management of social enterprises is answered by master studies for social management in *Germany* and *Austria* (for a detailed description of the measure see Box 7). Different providers (universities, training institutes) offer training courses for persons leading or managing social enterprises. As these courses are often organised as master studies and conclude with the master degree they make an important contribution to the professional up-grading and the acceptance of the sector. An example of such a master study with focus on local economy and development are the master studies in community development (Community Development, Neighbourhood Management and Local Economy) at the university of applied sciences in Munich. The “Masterclass Social Entrepreneurship” in *Netherlands* offers an intensive training in order to set the first steps towards social entrepreneurship. The participation in the masterclass is reserved to the winner of a competition where migrant organisations could present their projects.

### Box 7 Good practice Austria

#### Austria: Master Studies in Social Management

The master studies in social management are an academic qualification measure for social workers which impart the knowledge and competences that are necessary to carry out management functions in social organisations. These master studies try to answer the requirements of active social workers regarding an academic certification as well as to respond to the changing needs towards qualified personnel in social organisations in qualitative and quantitative terms. The graduates shall be able to cope with the growing business needs in social organisations without losing sight of the importance of the social work. They shall be able to fulfil management functions in all fields of social work and other related sectors like health care, education, culture and the public sector. A recent study in Germany confirms the success of such master studies. 40 % of former participants realised career advancement and 20 % have the prospect of occupational advancement.

One responsible organisation which offers master studies in the field of social management is the fh-campus wien (Vienna), a university of applied sciences. Before developing these master studies the fh-campus wien conducted a survey in social organisations and enterprises regarding further qualification measures. This approach assured that the master studies in social management meet the needs of social enterprises regarding the qualification of its personnel in terms of the business know-how of social workers. Next to the master studies of the fh-campus wien a variety of universities and training institutes carry out social management courses at local level. These include master studies and other further qualification measures in social management.

The target group of master studies in social management are social workers with a specific educational background and working experience. In the case of the course of the fh-campus wien the participants should have attended the academy of social work for 3 years and gained working experience in the social sector for more than 2 years.

The first master studies in social management in Austria were offered by fh-campus wien in September 2004. They receive funding of the European Social Fund (ESF) and the Federal Ministry for Education, Science and Culture. With regard to the implementation of this course the fh-campus wien co-operates with the university of applied sciences in Braunschweig (Germany). As the course is only accredited in Germany and not in Austria, the participants are registered at the German university of applied sciences, but are studying in Vienna. The lectures in the framework of the master studies in social management are held by teachers of the fh-campus wien and the FH Braunschweig. They implement a tandem-system of teaching aiming to describe the Austrian and the German perspectives.



However, the Austrian situation is especially considered in themes regarding the law or accounting. In the framework of the course, lectures are held by teachers of other universities or members of social organisations, too.

The social management course of the fh-campus Vienna is an in-service training including elements of distance learning. The distance learning is supported by various specifically prepared materials and E-Learning units. And it has strong relation to the social work in practice. The course requiring regular attendance usually takes place from Tuesday to Saturday once a month. The master studies regularly take 4 terms and the students' financial contribution is about EUR 6,500.

The master studies in social management try to consolidate and integrate the knowledge and competences of different fields with concentration on economic and managerial issues which are necessary to carry out management functions in social organisations. The course also aims to improve the scientific and methodological know-how of the participants as well as their personal reflexion competence. The master studies in social management include the following modules:

- Basic principles of social management
- Legal principles of social management
- Business studies of social management
- Management of organisational change
- Personnel, quality and resource management
- Information management

The participants have to take six exams in each master module which include three oral exams and three written papers with presentations. Additionally the students have to write a master thesis and attend a colloquium. The graduates are allowed to use the title "Master of Social Management" (MSM). The title MSM is an internationally accepted master degree which fulfils the criteria of the Bologna-declaration of the European Union.

25 students who have started the first master studies in social management in 2004 will have attended the master-colloquium in October 2006 or before the beginning of the summer term in 2007. Another 15 students participate in the master studies since 2005 with the possibility to receive their master degree in October 2007.

The master studies in social management have a positive effect towards social organisations because with these educational measures the social workers are able to improve their economic and managerial knowledge. Due to these courses they are able to improve the management of their social enterprises and make use of more economic principles at social work. The course also supports the exchange of experiences and the networking of different social enterprises because the participants are employed in a variety of social organisations.

The further development of the master studies in social management towards a European dimension gains in importance in the future. The fh-campus Wien is developing an innovative Masters Programme for social work and social economics in the framework of the SOCRATES Curriculum Development Project with seven European universities – together with the FH-Braunschweig and universities of central and eastern European countries (e.g. Lithuania, Hungary, Czech Republic and Slovak Republic). This project aims to develop a modular curriculum including joint teaching contents and distance learning materials on an e-learning basis. In 2008 the European master studies called "Social Work and Social Economics (SOWOSEC)" (working-title) shall be offered in Austria. So, the present type of master studies will be further developed at a European level. Social enterprises and organisations are involved in this development process. The demand and acceptance of such curriculum have been established in the participating countries.



This master's programme aims to provide students and teachers with an opportunity for further training at the European level through facilitating mobility and mutual crediting in line with the Bologna Declaration and with the further objective of strengthening the European idea in the field of education through a single academic degree.

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**Sources:**

Interviews with: Mrs. Thielen (secretary) and Dr. Gruber (leader of the master studies social management)

The **provision of information and knowledge** on and for the social enterprise sector is the aim of a website in *Spain*. The free-access website is dedicated to share knowledge on training, quality, funding, legal issues, taxation, human resources, project management etc. for the third sector and NGOs. In the framework of the measure "Result-driven and Transparent Development of NGOs" in *Latvia* specific publications and regular events are organised to raise the awareness of social enterprises amongst the society.

Support regarding human resources is offered in *Luxembourg* with the "National Service of Social Action (SNAS)". As all applicants of the guaranteed minimum income are registered at SNAS and many have to request professional insertion in the labour market social enterprises active in work integration can recruit their employees via SNAS.

### 3.6 Measures fostering co-operation

In various countries **public authorities** seek **co-operation with the social enterprise sector**. E.g. in *France* the "National Council for Work Integration by the Mean of Economic Activity (CNIAE)" represents an umbrella organisation of all stakeholders active in the field and follows a three year action programme at territorial, professional and European level. The Members of CNIAE are representatives of national networks of work integration enterprises, of ministries, elected representatives and representatives of trade-unions and employers organisations. A co-operation between the Ministry of Labour and NGOs in the elaboration of the social policy exists in *Spain* according to the "State Council of Non-Governmental Organisations for Social Action". Next to these examples of co-operation between public authorities and social enterprises at **national level** the European countries show initiatives at **local level** as well. The *Danish* social security law foresees the requirement for the municipal governments and counties to co-operate with voluntary social organisations. The costs for these co-operations are granted and the local government must set aside the grant for co-operation strategies with these organisations. The programme "Entrepreneurship Development" in *Estonia* fosters co-operation between public authorities, local companies and NGOs and targets at the establishment of a NGO-roundtable at local level (for a detailed description of the measure see Box 8). Another Estonian initiative that ended in 2006 stressed the collaboration of NGOs and local entrepreneurs in the field of training. NGOs provided the local enterprises with training facilities and know-how concerning re-integration of unemployed persons.



## Box 8 Good practice Estonia

### Estonia: Entrepreneurship Development

Despite the notably high share of SMEs in the enterprise population of the Estonian border city of Narva (99,8 % of all enterprises), the level of entrepreneurship in Narva has traditionally been very low in comparison with the rest of the country (on average 23 registered enterprises per 1000 inhabitants, compared to the country average of 53 per 1000 inhabitants). Among the primary strategic aims of the Entrepreneurship Development measure developed on the initiative of Narva City Council, are the creation of new employment opportunities, attracting investments in the region, and advancing co-operation between the companies, public authorities and the NGOs. Special attention is given to advancing the employment opportunities of the socially unprivileged groups. Besides potential entrepreneurs, the special target groups of the measure include disabled and elderly people, the young, representatives of ethnic minorities etc. By promoting the development of entrepreneurial activities with special emphasis on the aforementioned target groups, the expansion of the social enterprise group are supported in particular. As the existing number and role of the social enterprises remains low especially outside the metropolitan area (Tallinn), the development and consolidation of the social enterprise group is in focus of the current regional initiative.

Besides the municipal authorities (e.g. City Council, Department of Development and Economy, City Department of Social Services), the list of organisations responsible for carrying out the measure includes several business support organisations, such as the Narva Business Advisory Services (NBAS). The NBAS is the first advisory service of its kind established in the North-Eastern Estonia some 12 years ago. The primary aim of the NBAS is to provide assistance in (economic) development of SMEs and local and regional authorities. In addition, several educational organisations (e.g. Narva College, Narva Vocational School), and NGOs (e.g. Pro Narva, The Association of the Entrepreneurs of the Narva Region) are involved in carrying out the measure.

In the framework of the strategic objectives of the measure, a variety of specific modules are carried out. For each practical module, a supervising organisation is named, responsible for co-ordinating the measure. The modules include, among others:

- the organisation of a week of entrepreneurship
- municipal support and co-financing for youth associations
- municipal support for beginning entrepreneurs
- educational training of the young without basic education
- promoting entrepreneurial activities with social aims through the establishment of employment advancing centre for socially disadvantaged groups (the entrepreneurial initiatives targeted to advance the employment of e.g. unschooled young and disabled people are supported in particular)
- creating developing international cultural relations
- establishment of an entrepreneurship association for the well-educated young
- establishment of business incubators
- establishment of the NGO roundtable (designed as a public form of co-operation of non-profit and non-governmental organisations, to protect the interests and discuss the principal challenges and development of the non-profit sector)

The sources of funding of the measure include the city budget, national foundations, the EU framework projects and structural funds, international donations and foundations, and private sector funds and donations. The planned duration of the measure is five years, from 2004 to 2008.





The entrepreneurship development measure has a significant positive effect on developing the welfare of the city inhabitants being the first systematic measure to develop entrepreneurship culture in the region. In addition, by promoting entrepreneurship and employment opportunities among the less educated and socially disadvantaged population, the measure is to considerable societal effect. Targeting the younger population, the entrepreneurship development measure supports the creation of new, creative employment ideas. By establishing better conditions for the return of local, well-educated people who have left for e.g. work and studies abroad, the measure supports the import of better business practices in their various forms.

The measure offers new co-operation and funding opportunities for NGOs and social enterprises in the region, thus supporting the emergence of this relatively new enterprise group. As the social entrepreneurship is a relatively new phenomenon in the country, the existing social enterprise population is small and unorganised. Due to this, no systematic data on the social enterprise sector at the regional level is currently available. By introducing the modules encouraging the development and reorganisation of the existing entrepreneurial structures with social aims, the measure aims in the formation of an organised grouping of social enterprises and NGOs.

In 2006, Narva was named the best municipality in Estonia in promoting responsible business and social entrepreneurship by the Responsible Business Forum in Estonia. According to the current plans, the current measure will run until the end of 2008. Securing appropriate funding for the whole operational period remains the key issue in carrying out the planned modules. The yielding best practices are intended to be developed further and distributed elsewhere in the region (Northeast Estonia) with a number of municipal centres with similar problems and challenges.

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 ESTONIA

Policy measures also put emphasis on the promotion of **co-operation between social enterprises** or in the establishment of **umbrella organisations**. The “Development Trusts Association (DTA)” in the *UK* encourages the exchange of information and good practice by supporting nine regional networks and specialist forums and acts as lobbying organisation for the development trusts, organisations engaged in the economic, environmental and social regeneration of a defined area or community. Activities range from research, publishing a quarterly information bulletin and other publications to the support of the formation of new development trusts. In *Hungary*, seven umbrella organisations of social enterprises implemented the “Civil Employment Workshop (CFM)” with public funding. The CFM with currently about 300 NPOs as members provides an expert system concerning the start-up of social enterprises and the preparing of programmes, financial plans, grants applications etc. (for a detailed description of the measure see Box 9). “The National Federation for Companies providing permanent jobs adapted to the individual (ASVL)” in *Norway* is a nationwide organisation representing the interests of companies offering employment to disabled persons and offers general advice, assists the members in negotiations and contributes training measures for competence-building.



## Box 9 Good practice Hungary

### Hungary: Civil Employment Workshop

The Civil Employment Workshop has started its operation in July 2003. It is a successful co-operation model targeting at establishing the framework of a civil dialogue in the sector and widening and enriching the level of communication. Its activity is directed by the president who is delegated by the member organisations. It is open for every association, which fulfils the following criteria: Employment targeted non-profit organisation according to its foundation documents and active in vocational training or alternative labour market service or representation etc. and according to the registration of the National Civil Fund with their scope of activity approved as national.

The CFM is built on the strong co-operation of the 7 responsible organisations:

- Association of Non-profit Human Service of Hungary
- Association of Civil Employment Organisations
- Association of Working Again Programs
- Association of Civil Organisation for Helping Unemployed People
- Association of Welfare Service National Organisation
- Association of National Transit Employment
- Association of Hungarian Public Benefit Organisation for Helping Unemployed People

All of them have equal vote and rights in the workshops. They delegate representative experts together for several projects and programmes. Through their activity 300 organisations joined the network and started to disseminate their programmes and goals.

Hungarian networks are characterised by being established with the support of the Ministry, but it is exceptional that CFM became a strong and consistent negotiator partner. In 2003, the Ministry of Labour and Employment Policy (since 2006 Ministry of Social Affairs and Labour) invited the consortium for collaboration with the civil sector. During the application for subsidy the 6 umbrella organisations have found their common interest, and realised the advantage of mutual co-operation. With their common efforts they made important steps on many fields. The Ministry has recognised that with the help of the civil organisations it can much faster implement its goals. Co-operation with the umbrella organisations proved to be very successful.

The ministry has outsourced duties to the umbrella organisations, but is controlling it very strictly. On 1<sup>st</sup> of December 2005 the Civil Employment Workshop and the Ministry reached an agreement about the future rights and responsibilities. On 1<sup>st</sup> of March 2006 the two sided Consultation Council has started its operation (5 delegated members from the ministries and 5 delegated members from the civil representatives).

The whole CFM work is financed by the Ministry of Social Affairs and Labour, their annual budget is EUR 200,000 EUR. The first period was from 2004 to 2006, but it will be continued, because CFM has solved their financial difficulty with long term contracts (period 2007-2013).

CFM has delegated experts for all monitoring committees and strategy forming councils. They initiated new innovative employment programmes, and successfully lobbied for the participation right to take over government services, and renewal of the regulation on second employment market. Due to their pioneer work, the civil participation at local level increased. One of their successful campaigns was an open letter to highlight problems of the tender system and the obstacles of realization of operative programmes. In this letter they suggested several alternatives and started a fruitful negotiation process aiming at the revision of the system. Today CMF is a forum for opinion sharing and preparation of proposals. On the experiences of CFM members many management committees can build their programmes (like departments of Ministries, National Employment Service, National Adult Education Institute, and Director Committee of Equal and Human Resource Development Operational Program).





In the last 3 years CFM accomplished to set up a support expert system in establishing social enterprise targeting employment. CFM members gave information and advice on Employment Foundation (OFA) support programmes. They are maintaining a database of organisations and their programmes along with a well functioning national network. They train experts for programme management and regular consultancy, and maintain an interactive webpage ([www.hefopgordiusz.hu](http://www.hefopgordiusz.hu)) to help winner applicants to accomplish their projects. They offer help in preparing programmes and publishing sample financial plans. Recently they started to disseminate best practice among their members and partners. They were active in the organisation of two national conferences and organised an international roundtable on Lobby for Social Inclusion in Europe in 2005.

The Workshop is a forum for equal co-operation with the governmental sector improving social support for regulations made by the Ministry of Social Affairs and Labour. The members are involved in the departmental decision making process and preparatory work. The workshop is an active national network, building new partnerships and developing old ones, by fostering vertical and horizontal co-operation. The establishment of the network of civil employment targeted organisations makes it possible to reach an appropriate level of dialogue at national, regional and local level. CFM's most important task in the near future is to work out the Civil Action Strategy. Most of the laws which affect social enterprise and civil services need to be changed in the future to improve the third sector. With the help of CFM social enterprises will be further developed.

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**Sources:**

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### 3.7 Other support measures

Certain services could be identified which offer **overall support to social enterprise** or can be classified as **essential supporting structure** for the sector. Unique in Europe, the "Social Enterprise Unit" set up initially in the Department of Trade & Industry in the *UK* serves as a central government policy initiative that acts as a focal point and co-ordinator for policy making affecting social enterprises and is responsible for policy development for social enterprises across the government (for a detailed description of the measure see Box 10).

The Bulgarian "Community Fund and Social Enterprise Programme" is implemented to enhance the sustainability of social enterprises in *Bulgaria*. In the frame of the different sub-programmes training, access to finance, study tours, information exchange etc. is provided, and the social contract programme aims at the development of a social contracting process in municipalities and the introduction of a model for contracting social services delivery between local authorities and NGOs. In *Poland*, the programme "Supporting Development of Social Cooperatives" started in 2006 to promote the concept of social cooperatives, to develop a catalogue of social cooperative profiles and to monitor the activities of the newly established social cooperatives. Grants are also provided for the establishment of Regional Centres supporting Social Cooperatives (see Box 1).



**Box 10 Good practice United Kingdom****UK: Social Enterprise Unit**

In the United Kingdom, the government definition of Social Enterprise is: "A social enterprise is a business with primarily social objectives whose surpluses are principally re-invested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners." However, a social enterprise is not defined by its legal status, but by its nature – its social purpose, the way that its social mission is embedded into the business in its structure and governance, and the way it uses the profits it generates through its trading activities.

The full impact and significance of social enterprise was recognised by the government in 2001 and the Social Enterprise Unit (SEU) was launched in October of that year in the Department of Trade and Industry. The government's objective was to create a dynamic and sustainable social enterprise sector, as part of an inclusive and growing economy. The government was already working across a number of Departments to promote programmes and ideals that would be consistent with these objectives. However the government acknowledged that there would need to be a greater strategic focus and improved co-ordination, so as to maximise the benefits of individual initiatives and deliver a real step change in the government approach. Thus, as a central government policy initiative the SEU acts as a focal point and coordinator for policy making affecting social enterprise, as well as promoting and championing social enterprise.

The SEU implemented the "Social Enterprise: A strategy for success" which was launched in July 2002. The strategy was developed in partnership with stakeholders. It identified the barriers to growth of the sector and set out a programme to address these over the following three years. Key partners in the delivery of the strategy would include central government and its agencies, Government Offices, the devolved administrations, Regional Development Agencies, local authorities, the Co-operative movement, the Social Enterprise Coalition, practitioners and intermediaries, as well other key stakeholders in the social enterprise sector. The SEU would act as the focal point for this co-ordination and would assist the development and implementation of new policies and programmes for social enterprise.

The strategy for social enterprise committed government to publishing its first report by the end of October 2003, on progress made to implement the strategy, including a renewed action plan for the future. A "Progress Report on Social Enterprise: A strategy for success" was published on 28 October 2003, fulfilling this commitment.



The SEU, working with the other stakeholders identified above, undertook a number of actions to tackle the key issues. In February 2005, SEU commissioned a review of progress on delivering the desired outcomes. The key findings of the review were:

- The social enterprise sector is widely seen to have grown in recent years, but concrete evidence for this perception is limited and fragmented.
- Interviewees from a wide range of stakeholder groups thought that the environment has become more enabling for social enterprises in recent years, availability of appropriate business support has increased and there has been improvement in quality of business activity within the sector.
- It is impossible to judge how much of the broad change for the sector can be attributed directly to the effects of the SES. There is a consensus that the SES has reflected the policy interests in the sector, raised the social sector's profile among policy makers and provided a common "jumping off point" for them, and legitimised the sector resulting in leverage of additional finance and funding.
- The policy rationale for supporting social enterprise remains valid based on evidence of the sector's ability to contribute to enterprise, service delivery and social inclusion. However, there is variation among government departments in the extent of their engagement with social enterprises.

In recognition of the increasingly important role the third sector plays in both society and the economy, the Prime Minister announced a new Office of the Third Sector<sup>14</sup> in May 2006. A Minister for the Third Sector, based in the Cabinet Office was appointed. A working group was set up to advise the Minister on a new Social Enterprise Action Plan. Members of this group were drawn from a number of other government departments, social enterprise representative bodies and intermediaries and various other partners and stakeholders. The Action Plan was published in November 2006

**Contact details:**

Office of the Third Sector  
Cabinet Office  
35 Great Smith Street  
London SW1P 3BQ  
United Kingdom  
[www.cabinetoffice.gov.uk/the\\_third\\_sector](http://www.cabinetoffice.gov.uk/the_third_sector)

**Sources:**

Discussions and email exchanges with Ms Liz Liston-Jones, Ms Coral Mc Lean and Dr Andrew Lincoln, all from the newly formed Office of the Third Sector.

[www.cabinetoffice.gov.uk/third\\_sector/documents/social\\_enterprise/se\\_action\\_plan\\_2006.pdf](http://www.cabinetoffice.gov.uk/third_sector/documents/social_enterprise/se_action_plan_2006.pdf)

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<sup>14</sup> [www.cabinetoffice.gov.uk/third\\_sector/about\\_us/](http://www.cabinetoffice.gov.uk/third_sector/about_us/)



Moreover, in the framework of **general programmes** in the field of active labour market policy or social inclusion policy, in many countries specific sub-measures are dedicated to the promotion of social enterprises, mainly work-integration enterprises. In *Portugal*, the “Programme of the Social Employment Market” foresees support for the creation of integration enterprises such as free training, supplementary subsidies for trainees, grants to subsidise up to 50 % of capital expenditures, etc. The *Lithuanian* “Prevention of Social Exclusion and Social Integration” programme includes activities for the development of social enterprises providing financial support for initiatives for disadvantaged persons excluded from the labour market, amongst others institutions and NGOs active in this field. The “Social Development Fund” in *Romania* puts emphasis on the development of project financing and provides amongst others subsidies for small enterprises employing disadvantaged groups and initiated partnerships between poor rural communities, NGOs and local authorities. In *Bulgaria*, the “Social Services for New Employment (SANE)”, includes actions to prepare the NGO sector as a sustainable supplier of social services and to improve the partnership between central and local authorities and the private sector for the implementation and the management of the process of providing social services.

Support in the field of **human resources** exists in *Austria* through the “Civilian Service”. Persons carrying out civilian social services as an alternative to the military service are placed at the disposal of organisations that aim at serving the community such as emergency medical services but also at social enterprises offering childcare services or services for elderly people.

### 3.8 EQUAL

An important impulse with a view to the support of social enterprises was set by the Community Initiative **EQUAL**. First, it provided important funds for projects of social enterprises in areas where social enterprises are working in (e.g. re-integration in the labour market of disadvantaged groups). Second, the principle of partnership and the requirement of pooling relevant partners resulted in co-operations between public authorities and social enterprises as equal partners and raised the importance and the influence of social enterprises. Furthermore, within the theme “Strengthening the social economy (the third sector), in particular the services of interest to the community, with a focus on improving the quality of jobs” in most of the Member States development partnerships (DP) were formed to support the founding or development of social enterprises. Due to the required networking activities co-operation among social enterprises was fostered and resulted in the implementation of networks.<sup>15</sup> Particularly in the New Member States EQUAL has initiated various projects promoting social enterprises. In *Poland*, in the framework of theme D “Social Economy Centres (OGS)” have been set up and tested as institutional background for the establishment of social enterprises and a social enterprise aiming at the re-integration of discriminated persons in the labour market has been established. The expansion of activities of social enterprises was one of the measures in the framework of EQUAL *Lithuania*.

Also in the former EU-15 and even in countries with a longstanding tradition of social enterprises, the Community Initiative enabled further support. The “Social Enterprise Partnership” in the *UK* has implemented infrastructure and systems development, capacity building, research and development for the social enterprise sector and aimed at raising the awareness of social enterprises, improving the performance of social enterprises, increasing the effectiveness of the support system and mainstreaming best practices and innovation within the sector. A project in the *Netherlands* in the framework of EQUAL aimed at establishing a social enterprise run by persons with syndrome of Down. In *Greece*, many projects of the first round of EQUAL targeted at the promotion of social enterprises. In the second round, “DYEKO”, a network for supporting social economy enterprises was targeting at the establishment of social enterprises run by unemployed women. Another project was providing support and consultancy to pilot enterprises in the social economy sector and an initiative aimed at the upgrading of the skills of the workforce in the sector by creating a school of social economy.

<sup>15</sup> See [http://ec.europa.eu/employment\\_social/equal/about/index\\_en.cfm](http://ec.europa.eu/employment_social/equal/about/index_en.cfm)





## 4 Conclusions and lessons learned

### Background

The basic idea of social enterprises has existed for a long time. Its foundation, social economy, seems to be born with the industrial society, when new social needs had to be fulfilled. In the history of social enterprises the establishment of co-operatives in the 19<sup>th</sup> century represents a milestone. Co-operatives have a long history in most European countries, such as Austria, Denmark, France, Greece, Portugal and the UK but also in many of the Central and Eastern European Countries. Especially the former socialist countries today see the establishment of social enterprises as a possibility to fill the vacuum that has been left after the state rapidly withdrew its responsibility from the social sector.

In some countries, like in many Northern and Central European Countries, the welfare state system has appeared to be effective to provide, ensure and control social care and needs. However, it seemed that the system does not cope with everyone's individual needs. Thus, like in Norway, social entrepreneurship and social enterprises now play an important part in contributing on closing the gap between basic social welfare services and more individualised demands and needs.

There are indications that the 'demand' for social enterprises is increasing. The European social economy has become increasingly market driven due to restraints of the public social budget and to efficiency considerations in the public sector. In this new situation, social enterprises, as actors between all three sectors of financial activity, would be natural in implementing these new strategies. Moreover, the social and ethical awareness of the end-users of the products or services produced in social enterprises has evolved. Therefore the demand for these products is increasing.

### The social enterprise sector

The examination of the social enterprise sector in 31 European countries provides important details concerning the characterisation of the sector.

- Present definitions of the term "social enterprise" vary considerably. This impedes the general discussion about social enterprises at the national and also at the EU-level. Moreover, the lack of official definitions in many countries entails the impossibility of giving quantitative estimates on the importance of the social enterprise sector. Even in the cases of some Member States which are using legal definitions of social enterprises, these definitions vary notably and hamper comparisons regarding the quantitative importance of the sector in the European Union.
- Social enterprises operate at the crossroads of the private, public and so called 'third' sector. The historical and political background determines in most of the cases the role of social enterprises and their development as well as their characteristics primarily with a view to their position between the public and the private sector. Therefore, the distinction from the public sector is not clear in some cases.
- In the new Member States, the concept of social organisations as hybrid organisations following entrepreneurial principles combined with a social aim is new and in most cases initiated by and strongly dependent on an external impulse, i.e. the European Social Fund (ESF). The concept of social enterprises is new and the development of the sector can be characterised as being in an early phase. Therefore, conclusions on further evolution of the sector are difficult.



- Throughout Europe, social enterprises that (re-)integrate disadvantaged persons into the labour market or provide work places for people with special needs (disabled, long-term unemployed etc.) seem to be the type of social enterprise that receives most attention by policy makers. The measures under the activities of this type of social enterprises can be categorised as follows:
  - income transfers in form of subsidised services targeted to the persons of low income or bad labour market position
  - sheltered work in various forms
  - subsidising work in the open labour market (subsidies allocated either to the disabled or to the employers)
- Social enterprises seem to be of rather small size and most often act at a local level (often under regional or local competency). There is also variation between those groups to whom these measures are targeted (disabled, unemployed, ex-prisoners, poor, disadvantaged persons etc.). Thus, the promotion and development of social enterprises concerns both the sectors of social policy, employment policy and industrial policy.

### Support measures for social enterprises

There is a vague or non-existent general knowledge in societies of social enterprises as a form of enterprise, of their goals and of their ways of action. Social enterprises as well as social entrepreneurs face several external and internal barriers. External barriers consist of e.g. legal and taxation issues and political position towards social enterprises impeding their activities. Internal barriers are e.g. the lack of managerial capabilities and financing the business itself. In many countries, decisions about public financial aids are made on a yearly basis, which creates instability and makes the planning of the future more difficult to social enterprises.

The increase of relevance of social enterprises is recognised by national authorities and the European Commission as well as the need for further support of the sector facing various challenges. In many countries, a wide range of measures have been implemented in various fields targeting different aspects, although supporting measures address in most of the cases a wider group of organisations (e.g. NPOs) or special legal entities (e.g. associations) that are used by social enterprises but do not target explicitly at social enterprises. This project structured the support measures identified around five main types that are used in promoting social enterprises in European countries: legal regulations, financial support, business support, measures fostering co-operations and measures in the frame of EQUAL.

The most common and widespread support instruments across European countries include:

- **Tax exemptions or privileges**, e.g. exemptions from income tax or from payroll taxes.
- **Subsidies** at organisation or project level (project grants), wage subsidies as far as different types of disadvantaged employees are concerned, as well as a 'co-financing' of private donations through tax incentives. However, current grant systems often have a short-term nature based on annual petition proceedings and should be more stable and predictable over time to allow for good strategic planning in enterprises.

Also, **specific legal forms** are known in many European countries. However, they often refer to sub-groups of social enterprises only, e.g. 'sheltered workshops' or 'social employment initiatives'. It is only recently, that in some countries legal forms have been developed and established which are designed more specifically towards the social enterprise concept. Such legal measures can be seen to significantly strengthen the sector as it regularly implies a clear definition of social enterprises, their registration and consequently measurement in terms of statistics. This in turn contributes to their visibility in society. In this context, ways and feasibility of developing a comparable or harmonised definition of social enterprises at EU level, and subsequently gathering EU wide statistics, should also be explored.





However, a few cases (countries) show that a legal recognition of social enterprises only constitutes a precondition and first step in establishing a more **comprehensive and** at the same time **tailored promotion system** for the sector. The more advanced approaches to support combine, in a coherent way, the introduction of specific legal forms, the determination of appropriate legal framework conditions and the establishment of a corresponding business support structure, taking into account the particular features and needs of social enterprises (e.g. conditions of financing, characteristics of staff etc.).

Such **social enterprise-related business support structures** include for example:

- Funds providing (risk) capital to social enterprises
- Consultancy agencies for social enterprises (for start-up and development, search for funds)
- Business and management training

It seems recommendable to organise these tailored support structures at a regional or local level.

**Institutionalised co-operation** among the social enterprises and/or between social enterprises and the public sector can fulfil similar support functions. Some countries have implemented Councils, Roundtables or Workshops bringing together state organisations and representatives of the social enterprise sector to encourage exchange of information, to provide training and technical assistance (e.g. in grant applications), and for lobbying and visibility purposes.

At the **trans-national level**, co-operation could focus on the improvement of EU level framework conditions, and a continuous monitoring of the 'landscape of support measures' and identification of good practices could contribute to enhance the effectiveness of support at the national level.

In this research study, only measures initiated by public authorities or private organisations acting under authorisation or supervision of public authorities were taken into consideration. Nevertheless, there exist various **private initiatives** at national and international level that promote the development of social enterprises. Initiators of these activities are often social enterprises or NPOs themselves<sup>16</sup>. Further research could broaden its focus and include such measures initiated and implemented by private organisations and networks. These models of support could on the one hand provide important inputs for the further development and improvement of support measures for the social enterprise sector and on the other hand promote the co-operation between public and private initiatives.

Furthermore, the **Community Initiative EQUAL** showed that an external impulse clearly raised the importance and influence of the sector by providing important funds for projects of social enterprises and by promoting the principles of partnership with the requirement of pooling relevant partners which resulted in co-operations between public authorities and social enterprises. Particularly in the New Member States various projects promoting social enterprises were initiated due to this external impulse. But even in countries with a longstanding tradition of social enterprises EQUAL enabled further support and the establishment of supporting structures for the sector. Within the new ESF regulation 2007 – 2013 the ESF interventions could further contribute to the development of the social enterprise sector by implementing adequate structures and principles which stress the importance of the sector. An important step has already been made with the key area for action 'promoting partnership for reform in the fields of employment and inclusion'.

<sup>16</sup> E.g. NESsT (Nonprofit Enterprise and Self-sustainability Team), an international NPO, offers various services to social enterprises in Central and Eastern Europe such as NESsT Venture Fund.



Box 11 summarises recommended policy actions at Member State level to further support social enterprises:

**Box 11**                      **Proposals for action**

- Although financial support is the most widespread instrument to promote social enterprises, more stable and predictable funding instruments are required. The commonly used grant systems based on annual petition proceedings should be adapted to enable social enterprises for strategic planning.
- To contribute to the visibility of the social enterprise sector and allow for statistical registration, specific legal forms which follow the social enterprise concept should be created. In this context it is recommended to create an EU wide concise definition of social enterprises as basic concept for new legal forms to develop comparable EU wide statistics.
- Social enterprises are confronted with specific external and internal challenges. Therefore tailored business support structures should be provided. Such a comprehensive promotion system for social enterprises, organised preferably at regional or local level, should include funds, consultancy agencies for all phases of business development and management training.
- Institutional co-operation structures at horizontal (between social enterprises) and vertical (between social enterprises and public institutions) level should be fostered.
- At trans-national level, a continuous monitoring of the development of the sector and relevant support measures at national level should contribute to the improvement of assistance. Research on supporting measures should include private initiatives.
- Within the new ESF regulation 2007 – 2013 the ESF interventions should further contribute to the development of the social enterprise sector following the example of the Community Initiative EQUAL.



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## Annex











# **STUDY ON PRACTICES AND POLICIES IN THE SOCIAL ENTERPRISE SECTOR IN EUROPE**

Project on behalf of the European Commission, DG ENTR

## **Guideline**

**for the**

- **description of key features of the social enterprise sector**
- **collection of policies/measures addressing and promoting social enterprises**

22. February 2006

## Content

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3	Part B: Measures/Policies Promoting Social Enterprises.....	6



## Introduction & Aim of the Analysis

On behalf of the European Commission, DG ENTR, the Austrian Institute for SME Research is co-ordinating a Europe-wide study with a view to collect information on specific national, regional and local policies/measures promoting social enterprises. In the course of the study, the tasks of national partners are divided into two steps:

### Step 1:

- \* to describe key features of the social enterprise sector in their country
- \* to identify and present relevant national/regional/local measures promoting social enterprises in their country

### Step 2:

- \* to select and present good practices in the regulation and promotion of social enterprises

**The present reporting template refers to the two tasks of step 1, whereas step 2 is relevant for only a limited number of partners in a later phase of the project, and is therefore NOT subject of the present reporting template.**

According to the two tasks of step 1, the present reporting template is divided into two parts: **Part A** refers to the key features of the social enterprise sector, **Part B** refers to measures/policies promoting social enterprises.

Please fill in the templates taking into account the criteria and according to the instructions given in Parts A and B. We ask you to send back the completed reporting template

to Susanne Fröhlich ([s.froehlich@kmuforschung.ac.at](mailto:s.froehlich@kmuforschung.ac.at)) **by April 20, 2006 at the latest**

If you have any question, e.g. regarding the interpretation and meaning of the templates, the relevance of possible measures in your country etc., please do not hesitate to contact us.



## Part A: Key Features of the Social Enterprise Sector

### Purpose

In Part A you are asked to give a brief (approx. 2-3 pages) description/overview of the social enterprise sector in your country, addressing a number of aspects as indicated below (report\_template)

### Definition: What are social enterprises?

Research concerning social enterprises is hindered by a lack of standard and universally acceptable definitions of social enterprise. Nevertheless, there is a converging consensus on the meaning of social enterprise concerning the combination of entrepreneurial strategy and social purpose. These enterprises are social as they are generating non-economic outcomes, and entrepreneurial as they aim to be self-financing and independent and to bring new responses to unmet needs. Unlike private sector enterprises and in common with non-profit enterprises, they are prevented from distributing their profits to the owners. Therefore social enterprises blur the boundaries between for-profit enterprises and non-profit enterprises.

Summarizing these considerations for the purpose of this study, social enterprises (and the social enterprise sector respectively) are defined as enterprises characterised by:

- An entrepreneurial spirit

A social enterprise is autonomous (is not a public unit), acts under economic risk and provides goods and/or services. It is market- und business-oriented.

- A social aim or purpose

A social enterprise devotes its activities to social objectives. It is generating non-economic outcomes.

- A not-for-profit distribution

Social enterprises are not distributing their profits to those who exercise control over them. Any surpluses generated must be retained in the organisation or community. They are reinvested to achieve the social aim and to serve the members' interest or a wider interest.

We further focus on those social enterprises active in three specific fields:

- training and re-integration into employment of persons excluded from the labour market
- various personal services (e.g. childcare services, aid for disadvantaged people, services for elderly people, home care services)
- local development of disadvantaged areas (urban/rural)

However, we are aware of the fact that this is no rigorous definition used uniformly across countries. Some countries may have some kind of "official" or "usual" definition of the concept (or a closely related concept), others may not. In any event, when providing information on your country for Part A we ask you to refer to a concept/definition which is as close as possible to the above definition. (E.g. if the official definition of "social enterprise" in your country covers only a part of the working definition, we would appreciate additional information on the areas outside your official definition but in accordance to our working definition.) Related terms that could be of importance within the research are the "Social Economy" or the "Third Sector" as social enterprises are seen as a part of the so-called "Social Economy" sector. Whenever possible, please focus on the 3 activity areas mentioned above.

To illustrate the nature of social enterprises active in the above-mentioned sectors we are giving a few examples below:



In recent years particular interest was put on Work Integration Social Enterprises (WISEs). In France, **long-term work integration enterprises** offer unemployed workers a long-term job. Funding of the enterprises is mainly ensured by market resources deriving from the sale of the goods and services produced. The aim of the enterprise is to create stable and sustainable jobs for people disadvantaged in the labour market. In Sweden, Portugal or Austria sheltered workshops offer productive activities to physically or mentally disabled people. They target at people who will not be able to work in the open labour market and offer them stable jobs in a sheltered environment. As they are not competitive with their products these enterprises receive significant public subsidies.

In Austria, one can find an example of a social enterprise providing different **personal services**. The enterprise is a non-profit organisation with the aim to improve the quality of life by offering personal services in the different areas of life that range from home care services, mobile nursing to kindergartens and childminders. The activities are financed by market resources resulting from the sale of the services, public subsidies and private donations and non-monetary resources like volunteers.

Further information concerning the definition of social enterprises or the social enterprise sector in Europe (at least in the Old Member States) can be found on the webpage of the EMES Network (<http://www.emes.net>).

### **Possible information sources**

For gaining the required information you may rely on available literature and documents, on information provided through the internet, or on expert interviews (national authorities, researchers etc.). If relevant (in the case of statistics etc.) please quote the source in your text and provide us with the relevant links.

In particular, we recommend you to refer to results of activities in the frame of the Community Initiative EQUAL and to contact national associations, unions, or federations of social enterprises or in the third sector in general.

Some links that might be helpful:

<http://www.emes.net>

<http://www.cecop.com>

[http://europa.eu.int/comm/employment\\_social/equal/index\\_en.cfm](http://europa.eu.int/comm/employment_social/equal/index_en.cfm)

<http://www.cedag-eu.org>

<http://www.cefec.de>



*Please draft your report (as a free text) within this Box, addressing the following aspects/questions, which you may replace with your information. Please do not change font types etc.*

1. General information:

- The official definition of social enterprises (if there is any) or the definition of terms related to the concept of social enterprises.

2. Briefly characterise the social enterprise sector in your country:

- Quantitative (statistical) information on the economic size and development of the sector (number of enterprises, employment, turnover, production, percentage of GNP etc.; growth rates); or qualitative estimate. (Please indicate to what concept the data refer.)
- What kind of enterprises does it comprise? What are the most important types of social enterprises?
- In which sectors of activity do social enterprises operate in your country? With which (social) aims and which target groups?
- What is the role of social enterprises in the 3 activity areas mentioned above (training and re-integration, personal services, local development)?
- What is the size structure? Are there a few very large or many small ones?
- What is the historical development & background? Explanations for the development.

3. Organisational and management characteristics of social enterprises

- What kind of legal structure do these enterprises have?
- What kind of organisational and management structure do they have?
- What sources of funding do they use (public subsidies, donations, market resources etc.)? How relevant are these sources of funding? Is there information on annual subsidies to the social enterprise sector?
- What kind of workers do they use (volunteers, paid workers etc.)?
- What jobs do they offer (gender and quality aspects)?

4. Current framework conditions and future perspectives

- What are the main barriers for their development?
- What are important drivers for their development?
- Are there umbrella associations, unions, federations etc. representing the interests of social enterprises?
- Public/political position towards social enterprises?
- What are the future perspectives for the development of social enterprises?
- What are dynamic segments, newly developing forms?

Please indicate sources used:



## Part B: Measures/Policies Promoting Social Enterprises

### Purpose

In Part B you are asked to identify relevant national, regional or local policies/measures for the promotion of the social enterprise sector in your country, according to the below template.

### Definition: What are relevant measures?

For the purpose of this study, relevant measures/policies have to fulfil the following criteria:

#### provider based criteria

- The policy/measure is initiated by the *national administration*, or, in countries where the relevant administrations are de-centralised by *regional or local administration*. The measure may also be initiated by private organisations if they are acting under authorisation or supervision of the above-mentioned authorities. The provider is acting in line with public policies.

#### user based criteria:

- The policy/measure, or part of the policy/measure, is *directly targeted at social enterprises* by its explicit intention, or is *practically and actually relevant for social enterprises* (i.e. measures/policies addressing a specific problem of social enterprises or over-proportionally used by social enterprises). For the definition of social enterprises see Part A. However, this definition shall not be seen too strict, as measures/policies for somewhat wider groups (e.g. non-profit organisations, the third sector etc.) or only part of social enterprises are of relevance. Please note that the three specific fields of social enterprises' activity are of particular interest. Furthermore, we are looking for support measures targeting particularly at the development of smaller social enterprises or are of high relevance for rather small and medium-sized social enterprises.

#### content based criteria:

- The policy/measure may refer to the following, regulatory and non-regulatory, *types of support* aiming at the promotion of social enterprises (where this list is only indicative, not exhaustive):
  - Provisions in the area of taxation, social security law
  - (Legal) provisions in the area of recruiting, employment
  - Provisions in the area of auditing
  - Provisions in the area of public procurement
  - Special legal forms
  - Specific subsidies for social enterprises
  - Other support in the area of funding and finance
  - Specific business support services or supporting institutions
  - Support in founding/establishing social enterprises
  - Fostering co-operation among social enterprises
  - Networks, platforms or umbrella structures (with a policy component; not only private)
  - Specific training measures
  - Specific publications or regular events (with a supportive policy component)
  - Other provision of information and advice

*As a guide, you may arrive at 3-5 instruments described. Please note that different types of policies/measures are to be covered. Support in **founding/establishing social enterprises** and **fostering co-operation among social enterprises** should be particularly considered if possible. Prizes or awards, however, are to be excluded from the analysis.*





## Possible information sources

For gaining the required information you may rely on available literature and documents, on information provided through the internet, and on interviews with persons in charge of the policies. Again, you may have a look at EQUAL results and contact relevant associations, unions, and federations.

Please do not change the content of the left column and save each action/measure analysed in a separate fact sheet

Field	Explanation
1. country	the name of the country of origin
2. name of the scheme/measure/regulation (English)	the English translation of the original name
3. original name of the scheme/measure/regulation	name in the native language (in case of legal regulations: exact reference of the law)
4. principal organisation	the organisation being responsible for the measure or administrating the regulation
5. implementing organisation	organisation in charge of implementing the measure
6. contact details of implementing organisation	
title	
last name	
first name	
street name and number	
postal code	
town	
telephone no	
fax no	
e-mail	
web page address	
7. status of the implementing organisation/s	Public, semi-public, private
8. source of funding	Indicate national, regional or local authority
9. EU financial contribution	Yes or no
10. annual budget in Euro	Amount most recent year, if applicable
11. organisation of the contact points of the scheme/measure/regulation	centralised at national level, regional level or local level
12. duration of the action/measure	
start date	Year
end date	year
13. type of the scheme/measure/regulation	For examples see types of measures listed under "content based criteria"
14. objective of the scheme/measure/regulation	Brief description
15. brief description of the scheme/measure/regulation	Brief description: mechanisms, functioning, eligibility criteria, kind of exemption etc.
16. target population addressed	Definition of the addressees (Who are the recipients of the measure?)
17. geographical areas covered	National, or indicate the regions



18. evolution of the scheme/measure/regulation	By means of monitoring data, if available
19. relevance of the scheme/measure/regulation	please give an explanation why it is particularly relevant to promote social enterprises
20. evaluation	Is it being regularly evaluated? Results of evaluation?
21. future perspectives of the scheme/measure/regulation	Will it be terminated, continued, changed? Why?
22. additional relevant information	Any other useful information and additional links



# **STUDY ON PRACTICES AND POLICIES IN THE SOCIAL ENTERPRISE SECTOR IN EUROPE**

Project on behalf of the European Commission, DG ENTR

## **Reporting Template**

**for the**

**description of good practices in the promotion of social  
enterprises**

20 September 2006



## Introduction

In the context of the study on practices and policies in the social enterprise sector and on the basis of the information you have provided in the previous step, the following policies/measures have been selected as good practices and have to be described in more detail:

country	name of the action/measure (original name/English name)	type of the action/measure
Austria	Master studies	Business support
Belgium	Start Centre	Business support
Estonia	Entrepreneurship Development	Fostering co-operation
Finland	A National Support Structure for Social Enterprises (with integration of the Act on Social Enterprises)	Business Support (legal regulation)
France	Job accompaniment Contract	Financial support
Hungary	Civil Employment Workshop	Fostering co-operation
Poland	Act on Social Cooperatives	Legal regulation
Portugal	Co-operation Agreements	Financial support (fostering co-operation)
Slovakia	Income Tax Assignment	Financial support
UK	Social Enterprise Unit	General measure

We therefore kindly ask you to collect additional information on these measures and to draft a description of your country's case using the reporting template below (to ensure that each measure is presented in a similar way and to fulfil the requirements of the Commission with regard to the publication). Below you can find an example from Austria to illustrate the way in which you should present your case study. Please note that each case study should have between 600 and 1000 words.

To gather the required information you may – next to information from the existing fact sheet - rely on additional internet/literature research, reviewing policy documents or interviewing the responsible person of the action/measure.

The good practices will be presented in a publication.

Please send back the completed template to  
Susanne Fröhlich (s.froehlich@kmuforschung.ac.at)  
by **18 October 2006 at the latest**.

If you have any question regarding this step of the project, please, do not hesitate to contact us.



## Reporting template

Please draft your description (as free text) within the Box below, addressing the indicated aspects/questions, which you may replace with your information. Please do not change font types etc.

- 1) Aims of the measure  
objective of the measure; target group; target region; how do the objectives relate to the strategies of your country with regard to the promotion of social entrepreneurship;
- 2) Responsible organisation(s)  
what is the nature and role of these organisations?
- 3) Content: working method or legal content  
mechanisms, functioning, eligibility criteria, etc.; how is the policy/measure communicated; how is the policy/measure accessible for its potential addressees (e.g. where is it located, which communication channels are used, what administrative requirements need to be fulfilled, etc.); what (package of) services is/are offered by the policy/measure; please also indicate what is special or innovative to the policy/measure; how does the policy/measure respond to the practical needs of (potential) social enterprises (e.g. regarding the content and delivery mechanisms of measures) corresponding to identified problems and does it fill-in recognised gaps; source of funding and budget; duration of the measure
- 4) Performance and effects  
development in quantitative terms; which sustainable positive impacts does the policy/measure have (e.g. increased number of start-ups of social enterprises, increased co-operation agreements, sustainable financial support etc.); report monitoring or evaluation data that document the success and/or evolution of the policy/measure; are quality assurance mechanisms (e.g. general quality standards, trademarks, regular follow-up with customers, etc.) applied by the policy/measure
- 5) Future perspectives  
e.g. will it be changed? Why?

Contact details

