Policy Brief on Social Entrepreneurship

Entrepreneurial Activities in Europe

European Commission

OECD
BETTER POLICIES FOR BETTER LIVES

Acknowledgements

This paper was drafted by Antonella Noya, Senior Policy Analyst, and Emma Clarence, Policy Analyst, from the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD), with input from Michela Meghnagi, statistician, LEED Programme, OECD and Professor Rebecca Orelly Levi, University of Bologna, Italy. This paper is part of a series of policy briefs on inclusive entrepreneurship produced by the OECD Local Economic and Employment Development Programme and the European Commission Directorate General for Employment, Social Affairs and Inclusion. This work is led by Jonathan Potter and David Halabisky of the OECD.

More information on the European Union is available on the internet (http://europa.eu).

More information on the OECD is available on the internet (http://www.oecd.org).

Cataloguing data as well as an abstract can be found at the end of this publication.

Luxembourg: Publications Office of the European Union, 2013

European Commission
ISBN 978-92-79-25428-4

Policy Brief on Social Entrepreneurship

Entrepreneurial Activities in Europe

CONTENTS

KEY MESSAGES

- In social enterprises (also known as social businesses), entrepreneurial behaviour is combined with a desire to use the market as a tool for meeting social needs, serving the general interest and common good for the benefit of the community.
- Working with social enterprises and promoting their development can result in short and long-term gains for public budgets through reduced public expenditures and increased tax revenues compared with other methods of addressing social needs. Social enterprises can also often be more effective in meeting public goals than either purely private or purely public sector actors because of their local roots and knowledge and their explicit social missions.
- Starting a social enterprise is accompanied not only by all of the challenges which any entrepreneur must face, but also those which stem from the social dimension. This can be compounded by unfavourable environments characterised by a lack of understanding of the dual economic and social foci of social enterprises.
- Putting in place policies that provide an enabling eco-system for social enterprises, not only at start-up stage but also beyond, is crucial if these businesses are to fulfil their potential. Policies should focus on promoting social entrepreneurship, building enabling legal, regulatory and fiscal frameworks, providing sustainable finance, offering business development services and support structures, supporting access to markets and supporting further research into the sector.

Social enterprises have gained importance in the policy debate in many European and non-European countries, as also demonstrated by the European Commission's recent "Social Business Initiative". This marks an important milestone for European policy makers and other stakeholders involved in promoting national and sub-national eco-systems for socially oriented business. Putting in place an enabling environment for social enterprises is critical if they are to fulfil their potential in contributing not only to the creation of jobs, but also to addressing wider social and economic needs, and to promoting more cohesive and inclusive societies.

WHAT ARE SOCIAL ENTERPRISES?

There is, as of yet, no uniform language and understanding around the idea of social enterprise. Many definitions exist and a wide variety of organisational forms are adopted by social enterprises around the world. This makes it difficult to establish international comparisons.

The Organisation for Economic Co-operation and Development (OECD) defines social enterprises as "any private activity conducted in the public interest, organised with an entrepreneurial strategy, but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has the capacity for bringing innovative solutions to the problems of social exclusion and unemployment" (OECD, 1999). Social exclusion is a multi-faceted phenomenon which not only refers to exclusion from the labour market, but also to the risk of exclusion arising from other challenges such as health, demographic change, mobility, food security, poverty and low levels of education.

More recently, the European Commission has defined a social enterprise as being "an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities" (Communication from the Commission, 2011/682 final).

The different definitions of social enterprise underline different aspects of the same reality. In Europe, social enterprises are closely linked to, and emanate from, the tradition of the social economy, which is characterised by principles and values such as solidarity, the primacy of people over capital, and democratic and participative governance. In Europe, the social economy gathers entities such as co-operatives, associations, mutuals and foundations.

Social enterprises take various legal forms in different countries across Europe. These forms include solidarity enterprises, co-operatives or limited liability social co-operatives, collective interest co-operatives, as have been adopted in Italy, France, Spain, Portugal and Greece, social purpose or collective interest companies in Belgium and community interest companies in the United Kingdom. A review of the legal structures and legislation in a number of European countries that have adopted national laws regulating social enterprises (i.e. Belgium, Finland, France, Italy, Poland, Portugal and the United Kingdom) reveals that these laws address common issues including the definition of social enterprise; asset allocation; stakeholder and governance systems; and, accountability and responsibility towards internal and external stakeholders. These national laws provide different legal solutions based on specific cultural contexts ([1]). Three different models can be identified according to the various organisational forms that social enterprise can take: the "co-operative", the "company" and the

([1]) This is also true for the fiscal aspects where different rules can be found in the different legislations in Europe For an overview of different tax treatments in Europe, see European Foundation Centre (2009).

"open form". In the latter, the legislation does not opt for any specific legal form but rather defines the criteria that need to be met to be considered a social enterprise (Cafaggi and Iamiceli, 2009).

Social enterprises, regardless of their legal form, can generally be identified and distinguished from voluntary organisations through a set of criteria or features, such as those identified by the EMES network. These criteria are: a continuous activity producing goods and/or selling services; a high degree of autonomy; a significant level of economic risk; a minimum amount of paid work; an initiative launched by a group of stakeholders; a decision making process not based on capital ownership; a participatory nature, which involves the persons affected by the activity; limited profit distribution; and, an explicit aim to benefit the community (www.emes.net). These criteria have to be seen and applied in an open and flexible way (OECD, 1999; MOUVES, 2012).

In Europe, social enterprises are active in a wide spectrum of activities and in many different fields, including social services, education, housing, the environment, culture and the arts, and tourism, through new activities such as renewable energies, fair trade and transport. For an example of their range of sectors, see Table 1.

Table 1: Social enterprises in Italy by industrial sector in 2008

	Absolute values	%
Manufacturing and construction	1020	7.8
Trade, hospitality and tourism	650	5.0
Transportation, logistics and storage	270	2.1
IT and advanced services to firms	550	4.2
Operational services to enterprises and individuals	1280	9.8
Private education and training institutions	2140	16.4
Health, social assistance and private healthcare services	6520	50.0
Other personal services activities	600	4.6
Total social enterprises	13030	100

Source: Unioncamere. Sistema Informativo EXCELSIOR, 2011.

In general, social enterprises have an entrepreneurial approach and pursue a social mission. They may have a limited profit orientation (or not-for-profit orientation) and may adopt a democratic and participative governance system. Juratri in France (see Policy example 1) is an example of a very successful social enterprise, which combines the mission of providing goods and services on the market whilst reintegrating vulnerable individuals into the labour market. A sound economic model, benefitting from a mixed stream of financial revenue, coupled with vision and dynamism, has shown itself to be a key ingredient of a striking development.

Policy example 1: Juratri, a French social enterprise

Founded in 1993 as a Limited Liability Company in Lons-le-Saunier (Jura's main city of 20 000 inhabitants), Juratri became a co-operative (SCOP, *société cooperative et participative*) in December 2006. Since its establishment, the focus has been on developing a process of social and professional integration for people excluded from the labour market, through an economic project related to waste sorting (household and industrial waste and waste electrical and electronic equipment).

Juratri's turnover was EUR 6 158 913 in 2011, a 15 % increase from 2010 and 190 % from 2006. The co-operative employs 135 people and has created 53 of these jobs in the past five years. 63 individuals are in an 'integration process', working under a fixed-term contract of integration and are provided with close supervision and mentoring. Such contracts are meant to facilitate the integration of unemployed people who confront difficulties entering the labour market. In 2011, Juratri aimed to support those with no formal qualifications, unstable housing situations, young people and those in receipt of social allowances.

The success of Juratri in creating jobs and supporting work integration activities is rooted not only in its expertise and engagement in a buoyant sector (i.e. waste electrical and electronic equipment), but also in the wider public policy measures which support elements of its activities.

In France, integration through economic activity is enshrined in the Labour Code and the 1998 law on combating exclusion provides a framework for social economy organisations. The 1998 law requires an agreement between enterprises involved in social economy activities and the State, which, among other things, indicates the number of integration positions likely to be supported by the public agency DIRECCTE (regional directorate for enterprises, competition, consumption, labour and employment). For each integration position, the enterprise receives up to EUR 9 681 per year from the State. Employees benefitting from such programmes must be registered at the employment office. They are then hired under a fixed-term contract of integration, which can be renewed twice for a period not exceeding 24 months. In 2012, 62 positions were funded.

Juratri receives some support from the Region for training employees engaged in the integration process (EUR 3 000 per 'integration position').

In 2012, Juratri invested over EUR 2 million to position itself as a leader in the field of recycling, with a highly innovative and performing infrastructure. Juratri financed this investment with its own funds (65 %) and subsidies (35 %) coming from the General Council, the Regional Council, ADEME (the French Environment and Energy Management Agency) and the European Regional Development Fund (ERDF), which were not specific to social economy organisations.

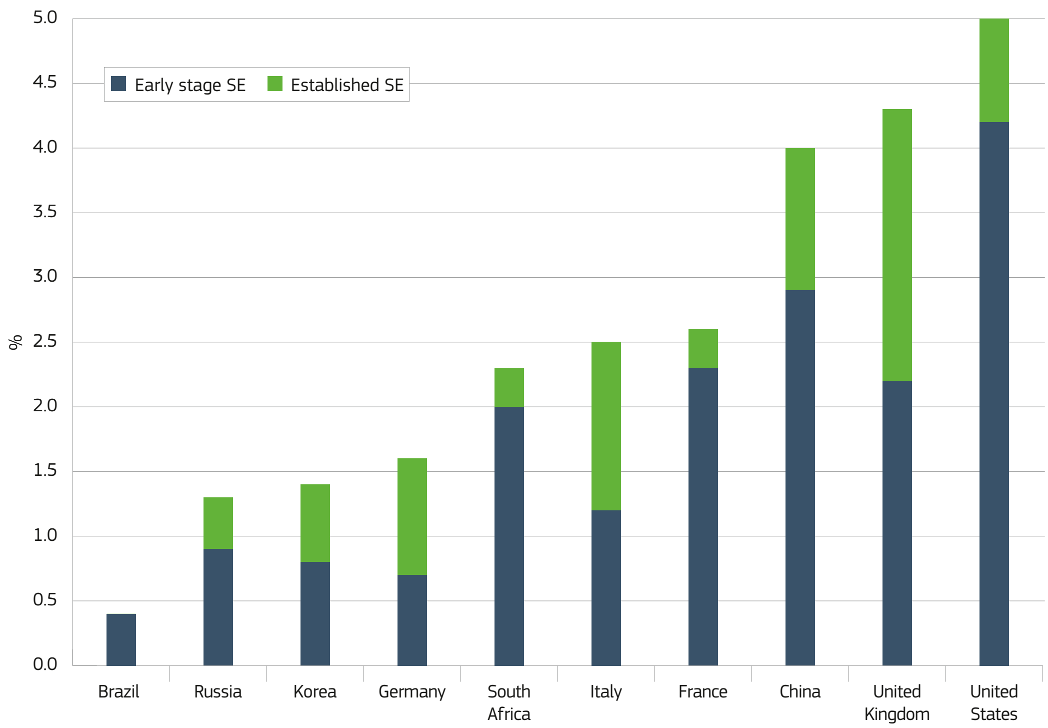
For more information see http://juratri.fr.

MEASURING SOCIAL ENTREPRENEURSHIP

The diversity of economic structures, cultural traditions and legal frameworks across the world makes measuring social entrepreneurship difficult, particularly for the purposes of making international comparisons (CIRIEC, 2012). In an attempt to overcome country-specific definitions and differences in legal status, the Global Entrepreneurship Monitor (GEM) constructed a dataset on social entrepreneurial activities in 49 countries in 2009 using a household survey that indirectly identified social enterprises through questions to entrepreneurs on the predominance of the social mission, their innovativeness and their revenue model. This allows for some cross-country comparisons and an assessment of the level and characteristics of social entrepreneurial activity.

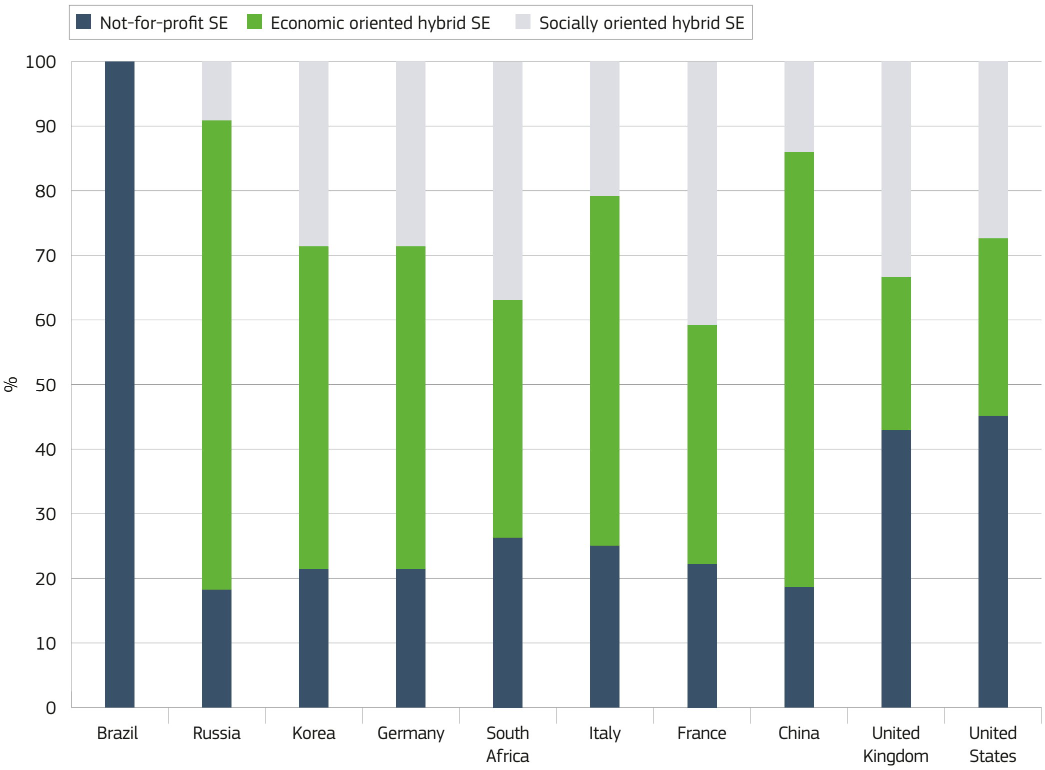
As shown in Figure 1, the rate of social entrepreneurship as a percentage of the working age population varies between 0.4 in Brazil and 5.0 in the United States. In most countries the majority of social enterprises are early stage (under 42 months). Germany and Italy are exceptions where the rates of young and established social enterprises are the same.

Figure 1: Social entrepreneurship prevalence rate as a percentage of the working age population by enterprise maturity in selected countries in 2009



Source: Terjesen, S., J. Lepoutre, R. Justo and N. Bosma (2011) *Global Entrepreneurship Monitor Report on Social Entrepreneurship.*

Figure 2: Strictly defined social enterprises by type in selected countries in 2009



Source: Terjesen, S., J. Lepoutre, R. Justo and N. Bosma (2011) *Global Entrepreneurship Monitor Report on Social Entrepreneurship.*

The GEM study proposes different classifications of social enterprises. Following the strict definition, social enterprises include only not-for-profit social enterprises, economic oriented hybrid social enterprises and socially oriented hybrid social enterprises ([2]). As shown in Figure 2, the prevalence of the different typologies varies significantly across countries.

Nearly half of the social enterprises in the United States and in the United Kingdom are composed of not-for-profit social enterprises. However, this proportion is around 20% in all other countries examined except Brazil, where all social enterprises belong to this category. Economic oriented hybrid social enterprises are very strong in Russia and China where they represent respectively 72.7% and 67.4% of the strictly defined social enterprises. By contrast, socially oriented hybrid social enterprises account for more than 40% of social enterprises in France, and are also relatively important in South Africa and the United Kingdom.

Another research project, SELUSI (Social Entrepreneurs as Lead Users for Service Innovation)([3]), has undertaken an assessment of social enterprise in five European countries (Hungary, Romania, Spain, Sweden and the United Kingdom). The SELUSI study defines social enterprises as ventures whose primary goal is to create social value, and which do so in a business entrepreneurial (market-oriented) way.

In the five countries analysed, approximately 75% of the social enterprises surveyed were concentrated in five sectors: social services; employment and training; environment; education; and, economic, social and community development. Some 15% of these social enterprises aimed to employ people from disadvantaged groups and increase social inclusion.

Overall, social enterprises appear to be more active in comparison to commercial enterprises in launching new services or products, albeit with innovation taking place mainly in the services sector (SELUSI, 2011). The SELUSI study also highlights that three-quarters of the social enterprises operates in areas relevant to the EU2020 growth strategy.

This project also illustrates that the national context plays an important role in shaping the characteristics of social enterprises in terms of sectoral specialisation, funding and employment. For example, enterprises in Romania and Hungary operate predominantly in the health and social work, and education sectors, whereas in the other three countries (Spain, Sweden and the United Kingdom) the sectoral specialisation was less pronounced. It is notable that Eastern European countries also have a higher share of women social entrepreneurs.

Evidence from a recent survey in the United Kingdom suggests that whilst social enterprises were not immune from the economic downturn, "social enterprises employed more

([2]) In the GEM classification, "Hybrid Social Enterprises" are organisations that self-identify as a social organisation, receive at least 5% of their revenues from the sales of services or products, or identify themselves as a regular business as well. Hybrid Social Enterprises can be divided in two subcategories based on the relative weight of their social and environmental objectives: 'Economically Oriented Hybrids' and 'Socially Oriented Hybrids'.

([3]) The project is a partnership between the London School of Economics, the IESE Business School in Barcelona, the Catholic University of Leuven, SITE at the Stockholm School of Economics, Harvard Business School, i-propeller, NESsT, The Hub, and the Global Institute. The project was funded by the European Commission FP7 programme.

people relative to turnover than mainstream small business" (Social Enterprise UK, 2011). At the same time, the survey found that social enterprises were highly concentrated in the most deprived communities in the United Kingdom. The concentration of social enterprises in these neighbourhoods was three times higher than that of the small and medium size enterprises (SMEs) stock in general, and the ratio was similar with respect to the concentration of social enterprise start-ups.

HOW ARE SOCIAL ENTERPRISES CREATED?

Social enterprises can be newly created start-ups, or entities created by the transformation of pre-existing private organisations (e.g. NGOs, associations, non-profit organisations) or government organisations. Transformation can take place through the introduction of an economic activity, a change in organisational form (e.g. into a worker owned co-operative), or as a spin-off from another organisation (e.g. from the private, non-governmental/charitable or public sectors).

There has been growing interest in the transformation of public services into social enterprises, although this process is by no means new. With a turnover of around GBP 80 million in 2011, over 700 members and operating more than one hundred public leisure centres across the United Kingdom, Greenwich Leisure Limited (GLL) is an example of how pre-existing services can be transformed into a social enterprise. In 1993, following a proposed cut of 30% in funding and a similar loss in the number of staff by Greenwich Council (in London, UK), a decision was taken for the remaining council-run leisure centres to be transformed into a mutual enterprise, owned and run by staff and users. Crucial to this transformation was the significant consultation with both staff and users prior to its establishment to ensure they were engaged with both the process and the organisational model to be adopted.

Social franchising is another route to the creation (replication) of social enterprises. It enables social enterprises to meet their economic and social goals through joint work and knowledge sharing and transfer. Social franchising is developing in Europe and platforms such as the European Social Franchising Network (http://www.socialfranchising.coop/) provide useful knowledge on how to set up a social franchise. A good example is Care and Share Associates (CASA). Utilising its sister company Sunderland Home Care Associates model as the basis for its franchise activities, CASA is a group of six such organisations working in the north of England. CASA works in close collaboration with the public sector while competing with the private sector for contracts to deliver care services.

CASA provides a wide range of support to its new franchises, including business plan preparation, finding appropriate premises, compliance with administrative requirements (e.g. registration with appropriate bodies, staff criminal records checks), human resource management and marketing. On-going support is also provided to franchises. A key document is the CASA business manual, which outlines how franchises should be established and managed, both for the recipients of its services and employee-owners. The franchise agreement provides CASA with a "blocking" shareholding which is designed to ensure that the franchise companies continue to be employee owned. CASA is also represented on the board and the remaining shares are held in Employee Benefit Trusts or (Employee) Share Incentive Plans. There are no external shareholders (http://www.casauk.org.uk).

WHAT ARE THE BARRIERS TO SOCIAL ENTERPRISE CREATION?

Creating a business requires an integrated set of resources and capabilities. A conducive business environment should enable the most effective use of those resources and capabilities. Creating a social enterprise can prove more difficult than creating a traditional business because of the skills needed to start and manage a venture whose social mission is as important as the economic one, and also because of the greater difficulty in accessing capital and funds which can arise from the limited understanding of social enterprise, and of the social value generated by it. An enabling environment which supports social enterprise creation is therefore even more important.

As social enterprises are shaped by the institutional and cultural contexts in which they are created, the barriers that they face are specific to those contexts. However, the barriers typically relate to: legal and regulatory frameworks, financial resources, access to markets, business support and development structures, and training.

Legal and regulatory frameworks

A solid foundation for the creation of social enterprises lies in the provision of an appropriate legal framework, adapted to capture their specificities and needs. Appropriate legal frameworks at national level will bring clarity to the definition of social enterprises, their mission and their activities. A clear set of rules can be useful for many reasons, including to open up opportunities for fiscal relief (which is intended to reward the social utility of social enterprises), to govern access to public procurement, and to define the beneficiaries of other forms of public support to social enterprises, according to their organisational form, target group and activity, etc. At the same time, provisions may be made for social enterprises to fulfil other requirements, such as reporting on social impact. Issues around profit distribution and asset locks may be incorporated into the legal framework. In countries where no specific legal framework is in place, social enterprises may struggle to have their dual social and economic activities recognised and find themselves subject to legal and regulatory frameworks that are inappropriate.

Tax incentives are an important element of the regulatory environment for social enterprises. Such incentives take many forms across Europe. They usually reward the social utility mission of the enterprises. In some cases they are aimed at compensating for the loss of productivity entailed by the choice of hiring less productive individuals who are in a re-integration process inside the enterprise. This is the case for social co-operatives in Poland, whilst in Belgium there are two main measures at the federal level for the social economy: a reduced VAT rate of 6% for some social economy initiatives and a tax exemption up to certain limits for integration enterprises. However, some countries do not provide fiscal support, and social enterprises may be taxed at the same rate as for profit business, which in the long run can hinder their sustainability.

Although an appropriate legal framework is needed, it is important to carefully evaluate whether new legislation is needed or the adaptation of the existing framework is a better solution. TUSEV, a Turkish advocacy organisation, consulted with the Ministry of Finance and the Ministry of Development and concluded that the best way to create an enabling legal environment for social enterprises was not by the passage of new laws, but by regulating the existing framework through circulars (guidance) and communications made by Ministries. The recognition of a specific form of social enterprise can also be important. For example, the United Kingdom has introduced a specific legal form of social enterprise called the "Community Interest Company", which benefits from improved tax treatment and other support.

An important contribution to improving the regulatory framework can be made by clarifying the rules governing social enterprises, both to social entrepreneurs and to government officials. In the United Kingdom, the Charity Commission provides a range of online guidance documents which clarify the guidelines used by officials in regulating charities, including those providing goods and services (http://www.charity-commission.gov.uk/Charity_requirements_guidance/Charity_essentials/default.aspx; Spear et al., 2012).

Policy example 2 presents the case of Motivation Romania, a Foundation undertaking a successful social enterprise activity, and highlights how a social enterprise can adapt to an underdeveloped regulatory environment given appropriate policy support. Motivation Romania Foundation undertakes significant activities with disabled people. It receives over half of its funding (as of 2010) from the European Social Fund and also receives support from charities, trusts and the private sector. The Foundation also initiated a social enterprise, Motivation SRL, which makes wheelchairs in order to support the long term sustainability of the organisation. The creation of Motivation SRL as a social enterprise is closely linked to the changes in the general framework of the Romanian market of disability medical equipment. In 2001, new laws were enacted to liberalise the market and the decision to allow a wide range of disability mobility equipment manufacturers to obtain accreditation from the National Health Insurance Company (NHIC). At the same time, the Romanian Government passed new laws allowing sheltered workshops to receive funds from NHIC, provided that they were accredited by NHIC and registered as separate, for profit companies. However, a common legal framework is applied to both civil society organisations and for profit commercial activities in Romania, and this penalises the commercial activities undertaken by the social enterprise. Thus Motivation SRL is not tax-exempt, and pays all taxes that apply to Romanian businesses, including VAT (rate of 19%); profit tax at a rate of 16%; dividend tax applied to net profits distributed to shareholders (the rate is 10% for legal entities and 16% for individual shareholders); and employment taxes, including income tax, social insurance, unemployment, etc.

Policy example 2: Motivation Romania Foundation and Motivation SRL

Motivation Romania Foundation is a non-governmental organisation established in 1995 and registered under Government Ordinance 37/2003, whilst Motivation SRL is a limited liability company owned by Motivation Romania, that was established in 2001 to generate revenue to support social services provided by its sole shareholder, Motivation Romania Foundation. 30% of the employees are people with disabilities. Motivation SRL therefore has a certificate as a sheltered unit provided by the National Authority for People with Disabilities. In 2012, the Foundation had 102 employees (12 disabled) and the SRL 27 (8 disabled). It supports people with disabilities through three programmes: 1) Peer Group Training and Wheelchairs: an intensive training programme for new wheelchair users; 2) Employment of People with Mobility Disabilities: promotes the employment of people with disabilities by providing them and their employers with training and support; and 3) Community care services for Children with Severe Disabilities: aims to develop community-based alternatives to the institutionalisation of children with physical disabilities.

Motivation SRL obtained the following economic results:

- sales growth of close to 600% from 2002 to 2006;
- profit for the year 2011 (EUR 123 000) which is double the profit of the previous year.

Moreover, it obtained ISO 9001 certification and included business and non-profit partners in the financing of its activity.

For more information see: www.motivation.ro.

Financial resources

Access to capital is vital to the creation of social enterprises, as it is to the creation of most new businesses. Social enterprises are typically financed by a combination of market resources, (e.g. the sale of goods and services), non-market resources (e.g. government subsidies and private donations), and non-monetary resources (e.g. volunteer work).

Financing from governments may be required at an early stage of development and can be reduced as social enterprises build scale and market capacity. However, in some cases, secure long-term funds are needed for those sectors which cannot be expected to be self-financing but whose activities provide public benefits and reduce public costs.

In order to obtain additional financing from non-governmental sources, a diversity of financial products is required in the private market that corresponds with the life-cycle of social enterprises (from start up or even pre-start up, to consolidation and growth). One of the key financial products used by most mainstream enterprises is bank loans. However, in most OECD countries, social enterprises have difficulty obtaining access to credit. Traditional financial institutions generally refuse to lend to social enterprises because they do not meet their established client criteria and are not seen as offering sufficient guarantees. Consequently, social enterprises must seek new financial partners or reduce their development ambitions.

A number of new financial instruments have therefore been emerging in OECD countries to support social enterprises, together with broader investment criteria for existing financial actors and behavioural shifts among actors already engaged in supporting civil society initiatives (Mendell and Nogales, 2009).

In addition to the more recent financial innovations (e.g. social investment), the role of other sources of finance in this landscape is shifting (e.g. community based investment ([4]), programme related investment ([5]) and venture philanthropy, and traditional financial providers such as philanthropy, financial institutions and public financing). Such an evolving landscape is defined by a general approach to proactive investment choices, aimed at supporting business which can have a strong social impact while ensuring financial returns on investments. Indeed, this approach, commonly known as "impact investment", intends to generate measurable social and environmental impact alongside a financial return. From the many products and strategies that correspond to this proactive investment attitude, seven hold particular promise as sources of financing for social enterprises: solidarity finance; venture philanthropy; institutional investment; individual investment; quasi-equity and equity instruments ethical or social capital markets (Mendell and Nogales, 2009) and crowdfunding.

Solidarity finance

Solidarity finance, as defined by the network of solidarity finance organisations in Europe (FINEUROSOL), supported by the European Commission, is "the art of managing money in different forms – savings, investment, credit, account management – in the public interest, thereby encouraging individuals through their actions as savers and investors, to assist others" (Mendell and Nogales, 2009). Solidarity finance is characterised by the central role of citizens and the availability of financial tools similar to mainstream financing and the variety of socially oriented projects that are supported. The growing field of solidarity and/or ethical finance represents an important supply of capital for social enterprises and also meets the criteria sought by socially responsible investors (whether through placements or through pro-active investments), opening this activity to a broader social investment market. In France, a dedicated regulation was set up in order to boost solidarity finance. Since January 2010, it is mandatory for each French company with more than 50 employees to provide a socially-oriented pension scheme to its employees. These pension schemes (FCPES – *Fonds Commun de Placement d'Entreprise Solidaire*) invest 5 to 10% of their outstanding in social enterprises or social funds. As of end 2011, socially-oriented pension schemes accounted for more than EUR 1.7 billion from which more than EUR 110 million were invested in social funds or social enterprises ([6]). As pension funds managers frequently do not have any experience in financing and investing in social enterprises, most of the EUR 110 million goes to social funds, such as *Comptoir de l'Innovation* (CDI) for investment.

Venture philanthropy

Venture philanthropy is the application of the venture capital model into a social investment strategy to include blended returns (i.e. financial revenues and social benefits). Through the implementation of new investment strategies that combine the provision of finance, business advice and monitoring, social venture philanthropists are creating new methods to redirect what used to be considered as maximum-risk, no-return charitable funds. In selecting investment opportunities, venture philanthropists prioritise the innovative entrepreneurial aspect of the initiatives they will support. Venture philanthropists have contributed to the work on evaluation and performance measurement by developing new tools or adapting existing ones to systematically calculate the blended returns they expect. In Europe, the EVPA (European Venture Philanthropy Association) represents the different types of venture philanthropists involved in financing social enterprises. Usually, venture philanthropists invest on a

([4]) Community investing allows for investment directly into community based organisations. Community investing institutions use investor capital to finance or guarantee loans to individuals and organizations that have historically been denied access to capital by traditional financial institutions. The community investing institution typically provides training and other types of support and expertise to ensure the success of the loan and its returns for investors.

([5]) Programme related investments are investments made by charities, grant making trusts and foundations which invest in organisations that share their primary purpose.

([6]) To be eligible to receive the 'solidaire' certification, a company must comply with the following criteria: be an unlisted company; be registered in France; employ at least 30% of people who are being integrated into the labour market; or to have legal status of the social and solidarity economy (such as a non-profit company, co-operative company, foundation, etc.) in which salary scale is limited.

long-term basis (from 6 to 10 years). This type of investment, which is very similar to private equity, is called “patient capital”.

Institutional investment

Institutional investors such as pension or mutual funds, insurance companies, or traditional banks which manage large portfolios of capital remain a largely untapped source of finance for social enterprises. In some countries, including France, the United States and Canada, institutional investors are already addressing the needs of social enterprises, although there are constraints in terms of legal forms and adherence to fiduciary responsibility. They usually invest from a few hundred thousand to several million Euro. However, in many cases institutional investors do not directly invest in social enterprises but invest in intermediaries such as dedicated investment funds. Indeed, they lack the expertise in identifying, selecting and financing social enterprises. Those investment funds can be debt- or equity-oriented and are subject to the regulation of the country they belong to. The new regulations on European Social Entrepreneurship funds (EuSEF) and European Venture Capital Funds have recently been approved by the European Parliament and adopted by the Council. They will fully be in place in July 2013.

Individual investment

Individual investors are also a source of finance for social enterprises although their presence is uneven across countries. Two groups of individuals can be included in this category. The first refers mostly to socially motivated high-net-worth investors whose money is managed by powerful financial advisors, with investments ranging from EUR 100 000 to a few million euro on a long term basis. The second is represented by individual, small scale investors, sometimes known as “citizen investors”, who support local initiatives through local circles of investors. Their financing can range from very small amounts to EUR 10 000.

Quasi-equity and equity instruments

Quasi-equity finance is a hybrid type of finance that is based on debt but nevertheless shares some characteristics with equity capital in that the debt is subordinated when it comes to investors taking losses. It meets the needs of social enterprises for long-term investment capital (5 to 10 years), financing growth and investing in capital equipment and real estate (passive assets), which short term debt does not permit without roll over. In France, equity and quasi-equity investments range from EUR 10 000 to EUR 1 000 000 per social enterprise.

Ethical or social capital markets

Ethical or social capital markets are markets in which socially responsible investing occurs. Although not a new concept, these markets are emerging to increase capital pools to finance social enterprises. Despite the numerous criticisms and examples of failed attempts to launch such a system, the idea of a social finance exchange continues to interest many social investors (Mendell and Nogales, 2009).

Crowdfunding

It is also worth mentioning an emerging web based financial source which is developing at a fast pace in many OECD countries: crowdfunding. More than 500 platforms now exist and the potential of financing stemming from these platforms is estimated at one trillion USD in 2020 (Drake, 2012). Europe seems to lag behind due to fragmented and untailored regulations. Crowdfunding has also addressed, since its inception, social and humanitarian projects. For instance, in 2012 crowdfunding or microcredit platforms dedicated to social projects (such as Kiva, Just Giving and Babyloan), raised 10 % of the total funds raised by existing crowdfunding platforms (estimated at three billion euro). Crowdfunding can contribute to meeting the needs of social enterprises in terms of equity and therefore might represent a true alternative to traditional investors.

Table 2: Synthetic overview of evolving sources of finance

Source	Examples
Solidarity finance	• Solidarity finance network (Quebec) • Finansol (France, 30 000 solidarity subscribers in 2001; 200 000 in 2005), INAISE, FEBEA, *Réseau financement alternatif* (Belgium, 1987), Fineurosol (2005) ;
Venture philanthropy	• Programme-related investment and social venture philanthropists (SVP) acting as investors in social enterprises (*Venture Experiment Program* by the Rockefeller Foundation, the *Acumen Fund*, etc.)
Institutional investors	• Pension and insurance funds (shareholder activism) • Donor-advised funds (DAFs): Pioneered by *Fidelity's Nonprofit Charitable Gift Fund* (donor activism) • *Calvert Community Investment Notes* (1995, partnership between the Calvert Group and the Ford, MacArthur and Mott foundations)
Individual investors	• Angel investors • High Net Worth Investors • 'Diaspora' financing • Individual savers and investors
Social capital market	• Patient capital/quasi-equity: *Fiducie* • Blue Orchard's *Private Equity in Microfinance* and *NESsT* • ETHEX
Crowdfunding	• *Kiva; Just giving*

Source: based on Mendell and Nogales (2009).

Access to markets

Access to markets is essential for social enterprises to develop, consolidate and become more self-sustaining. A number of barriers can hinder the capacity of social enterprises to access the market. One of the barriers is a lack of, or limited, managerial capacity within social economy organisations and enterprises to build effective strategies to enter the market, although there are some examples of social enterprises that have successfully created web portals or other platforms to sell products. Training social enterprise managers is important and something that governments should support.

Another barrier is linked to the fact that social enterprises do not always benefit from measures applicable to SMEs and this creates a situation in which they struggle to compete on the market. Creating a level playing field for SMEs and social economy organisations would be an appropriate option and this would be possible and not difficult to realise by making available to social enterprises the policy measures and programmes that exist for SMEs.

A third barrier, and by no means the least important one, is that represented by public procurement policy. Public procurement represents approximately 16 % of GDP within Europe and therefore can be an important source of revenue for enterprises. Because generally the design of public procurement is based on achieving the lowest cost for the purchase of goods and services, social enterprises sometimes cannot compete with private sector providers, for example where the social enterprise employs lower productivity workers, such as the disabled, with the aim of integrating them into the labour market.

Business support and development services

Social enterprises have specific features which create complex needs demanding diversified solutions. While it is desirable that business support agencies for conventional business deal with social enterprises and support them, there is also a need for specialised support agencies (Daniele et al., 2009). Some of these support strategies and structures promote quality improvement strategies for the goods and services produced by social enterprises (e.g. services charters and quality certification). These services are often provided by organisations targeting the upgrading of networks of social enterprise and systems at national and local levels. Thus membership organisations for social enterprises can be seen as support structures which are emerging along with the rise of social enterprise (Leś and Kolin, 2012; Nyssens, 2012).

An example of this is the system of social co-operatives consortia, which are the most common support structure for social enterprise in Italy and provide training and consultancy support to their members. Another example is the business and employment co-operatives in France, which utilise peer support to assist new entrepreneurs.

Similarly, Coompanion involves 25 Swedish Co-operative Development Agencies covering every county in the country. Coompanion provides wide-ranging business support, advice and training from the 'idea stage' through to a successful business for activities including, social enterprises, co-operatives, and spin-offs and take-overs. The agencies have around 100 advisers who support the development of co-operatives that address public needs. It also acts as an advocate for the sector and promotes the development of networks and collaboration between co-operatives and other local stakeholders. Coompanion's services are free, and it receives around half of its funding from the state, with local and regional stakeholders contributing the remaining funds.

In the United Kingdom, several umbrella organisations for social enterprises have been established and play an important role in offering support, guidance and advice, as well as acting as an advocate for the sector. Such umbrella organisations are emerging across Europe. Their role can be wide-ranging, including negotiating contracts, exchanging good practices, and interacting with public bodies for the construction of specific public programmes.

Training and research

The path to social entrepreneurship starts long before a business idea is discussed. Nurturing a culture of inclusive entrepreneurship, including social entrepreneurship, by encouraging diverse role models of successful business is a preliminary step to attracting potential social entrepreneurs, and including social entrepreneurship in school and university curricula is another important element of strengthening this culture and training future managers (Noya and Clarence, 2007; OECD, 2010).

A wide range of skills is required to create and develop a social enterprise and these skills range from those for promoting social inclusion (these are needed when working with individuals on their employability and integration into the labour market and include life skills, social skills and work skills to support entry in the labour market), skills for entrepreneurship and management (e.g. marketing and finance, business planning and development, skills for growth and scaling), and skills for workforce development, essential to achieve sustainability and growth (Spear et al. 2012). Such skills reflect the complexity of the 'missions' undertaken by social enterprises, and highlight the need for training which recognises that complexity. Putting in place the educational and training programmes to meet the needs of various types of participants: community leaders, administrators, and managers of social enterprises, is crucial to social enterprise development.

WHY SHOULD PUBLIC POLICIES SUPPORT SOCIAL ENTERPRISE DEVELOPMENT?

Social enterprises play an important role in addressing social, economic and environmental challenges, in fostering inclusive growth and in increasing social inclusion because they aim to pursue the general interest and to benefit communities. The role of social enterprises and social economy organisations in creating employment is already widely acknowledged (OECD, 1999; Noya and Clarence, 2007), and has recently been confirmed by an international analysis which has shown that the number of jobs in the social economy sector increased from 11 million in 2002-03 to more than 14 million in 2009-10, corresponding respectively to 6 % and 6.5 % of the total paid workforce in the EU-27 (CIRIEC, 2012). The jobs created in the social economy present important features: they usually stay in the local community, as social enterprises rarely delocalise; they support vulnerable individuals – for those social enterprises which pursue this statutory mission (e.g. social co-operatives in Italy or in Poland); and they contribute to local economic development, such as by creating opportunities in distressed urban areas or in remote rural areas where there is usually little creation of wealth (OECD, 1999).

Social enterprises are also important not only for their capacity to create jobs but as central players in fighting social exclusion, enhancing local social capital and supporting democratic participation, delivering good quality welfare services and furthering more inclusive economic development.

Furthermore, supporting social enterprise creation and development may allow public policies to meet employment and other social and economic challenges in a more efficient and effective way than if they rely on the public or private sectors alone, therefore improving the spending of public money. This is most likely to happen if public policies for the social economy are co-constructed by governments and the social economy itself, including social enterprises (Mendell, 2010).

However, the benefits of social enterprises are increased when they are adequately supported by public policies as a number of analyses demonstrate. For example, a study by Askoha/McKinsey & Company (2012) analysed the economic and the social impact of ten social French enterprises operating in a range of sectors with various objectives, including job creation for the most excluded, social housing development, and elderly care. The study demonstrated that public money spent to support job creation or the provision of goods and services by social enterprises represented a more efficient way of utilising resources than alternative methods. Furthermore, it is important to consider the social and economic return on investment, in the short, medium and long-term. The study estimates the returns for governments from public resources committed to social entrepreneurship projects based on both direct savings stemming from reduced social benefits and direct spending and future revenues generated by social enterprises (e.g. taxes and direct revenues). The study finds that the support of social entrepreneurs was systematically a cost-effective policy as well as a policy that meets demands unanswered by traditional market channels.

WHAT CAN PUBLIC POLICIES DO TO SUPPORT SOCIAL ENTERPRISE DEVELOPMENT?

Recognising that, across Europe, social enterprises face a number of important barriers, the European Commission adopted the "Social Business Initiative" in 2011, with the aim of creating an eco-system conducive to developing social businesses and to facilitating access to funding. The Social Business Initiative proposes ways to improve social businesses' access to funding, including EU funding through Structural Funds, and the future establishment of a financial instrument to provide social investment funds and financial intermediaries with equity, debt, and risk-sharing instruments. It also envisages activities to measure social business activity and improve the visibility and recognition of social businesses and to create a simplified regulatory environment, including a future proposal for a European Foundation Statute, as well as a forthcoming revision of public procurement rules and state aid measures for social and local services.

These efforts at European Union level need to be complemented and exploited at national and local levels by further measures to address the barriers to social enterprise development. The OECD work in several member countries to analyse the conditions and pre-conditions needed to set up social economy and social enterprise organisations has highlighted the following key areas for national and local policy action.

Promote social entrepreneurship

Promoting positive attitudes towards social entrepreneurship can be a preliminary step towards social enterprise creation. One of the ways to achieve this, and to attract young talent into the sector, is through inserting social entrepreneurship within entrepreneurship education activities in schools, vocational education and training colleges and universities. This can be a key element in broader strategies for promoting social entrepreneurship amongst young people.

An example of the broad approach that can be taken is the *Jeun'ESS* initiative, launched in France in June 2011 as a public-private partnership between a number of ministries and six enterprises and foundations from the social economy sector. It is based on three pillars: 1) the promotion of the social economy amongst young people, particularly through the education system; 2) initiatives for young people in the social economy; and 3) the integration of young people in the enterprises of the social economy. A budget of EUR 1.3 million was allocated for the years 2010 and 2011. Another EUR 600 000 has been engaged until the end of 2013.

Another way to promote social entrepreneurship is to embed it as a key element in local or regional economic development strategies. This is what has been done in the PACA (the Provence-Alpes-Côte d'Azur) region in France, which has instituted a regional policy for the social economy recognising the important role of the social economy in the economic development of the region. One of the key pillars of the strategy is the PROGRESS Programme, targeted specifically at social economy development. It involves the creation of an observatory of the social economy and a permanent committee for monitoring the social economy. The regional strategy also supports the development of local clusters of enterprises through annual agreements for the public funding of co-operative projects among the firms if they have job creation and economic development. These clusters are called regional poles for innovation and socio-economic development ('*PRIDES*'). Of the existing 26 *PRIDES*, some are specific to the social economy, such as the cluster of services enterprises and the cluster on social tourism.

Build enabling legal, regulatory and fiscal frameworks

A priority for policy in the field of social enterprise development is to establish clear legal definitions of social enterprises in order to govern issues such as their tax treatment, access to markets and access to public business development support. Social enterprise development is very context specific, shaped by wider cultural and historical development patterns. The development of appropriate legal, regulatory and fiscal frameworks must therefore emerge from the national and local environments in which social enterprises operate. At the same time, such frameworks must be adapted to the organisational form, or forms, that social enterprises may take.

The associated regulatory frameworks, such as reporting requirements, should not be too onerous in what they require of social enterprises. They also need to recognise the dual focus of social enterprises: the economic and social dimensions. Regulatory measures should be designed to allow social enterprises to meet their social and economic goals and develop medium and long-term sustainability on the market.

An enabling fiscal framework is also required that takes into account the social mission of social enterprises. Whilst many other social economy organisations, such as charities, may enjoy fiscal relief, social enterprises frequently find themselves excluded from such benefits. Fiscal incentives can contribute to overcoming some of the difficulties confronted by social enterprises when working with disadvantaged people (such as low skills, requirement for intensive support, etc.) and also recognise their positive social benefits. Indirect fiscal measures can also be utilised to help support investment in social enterprise development. For example, in the UK, social enterprises can access Community Investment Tax Relief (CITR), which, although not specifically designed for social enterprises, was created to encourage investment in disadvantaged areas. It gives those who invest in accredited Community Development Finance Institutions, which focus on disadvantaged spatial areas and social groups, a tax relief of 5% of the amount invested per year, for up to 5 years.

Provide sustainable finance

Another key role of public policy is to stimulate the emergence of a strong financial marketplace for social enterprises. One of the tasks to achieve this is to increase understanding of social enterprise within the traditional finance sector. For example, the public sector may provide loan guarantees to banks for their lending to social enterprises in order to offset the perceived risk and increase the familiarity of banks with the opportunities and demands of the social enterprise sector.

In parallel, more innovative institutional arrangements between governments and financial institutions may be encouraged, for example through policy measures that co-invest with the private sector and that seek social returns as well as financial ones. This may take different forms in different countries, including fiscal incentives for investors in social enterprises and direct injection of public funds into financial vehicles. Governments can for instance foster public-private community partnerships between civil society, government and financial institutions, of which examples already exist (Mendell and Nogales, 2009).

Seed funding is also critical in the early phases of a social enterprise start-up. Ensuring that such funding is made available is crucial to supporting social entrepreneurs and could be provided through small loans or grants.

In Poland, EU funds have played a key role in developing social enterprises and since the 2007-13 programming period, ESF programmes have included social entrepreneurship in their funding priorities. The Human Capital Operational Programme includes start-up grants for entrepreneurs setting up social co-operatives and other non-financial support specifically aimed at social economy initiatives. The Operational Programme Fund for Civic Initiatives also specifically refers to social enterprises among its beneficiaries. All the funds for this initiative come from the national budget.

In Australia, the federal government announced the establishment of the Social Enterprise Development and Investment Fund in 2010, with AUD 20 million capitalisation. The funds are monitored by the federal government, but managed by three external fund holders, who were required to find matching funding (on a one to one basis). The fund not only provides finance (through loans rather than grants), but also capacity development for financial sustainability, a start-up and incubator fund, and capacity development for new social enterprises. Mentoring is also available.

In Belgium, there are government schemes that support social enterprises in each of the country's three regions. The Walloon Region has a budget of EUR 11 million for the allocation of subsidies, start-up assistance and grants for the employment of disadvantaged jobseekers. The Brussels Capital Region also makes grants available to social integration enterprises. Every business or non-profit organisation in the Brussels Capital Region that wishes to help the integration of certain categories of jobseeker in accordance with the principles of the social economy can apply for funding. In addition, BRUSOC, a subsidiary of the Brussels Regional Investment Agency, provides funding and support to the self-employed, small enterprises and social economy projects with loans at preferential rates. A private individual or an organisation with a viable idea can apply for microcredit, seed capital and cash credit from BRUSOC.

In the Flanders Region, two of the main financial tools to support social entrepreneurship are the Social Investment Fund (SIFO) and Trividend. SIFO is a co-financing fund which provides straight loans for investment and working capital, and subordinated loans in collaboration with authorised institutions. Trividend provides venture capital or subordinated debt to social enterprises without the need for any guarantees, and responds to the increasing demand for venture capital in the social economy sector. Trividend is supported by the Flemish government and its lending power is increased each year to match the needs of the sector. Trividend invests a maximum EUR 100 000 per client.

In the United Kingdom, Big Society Capital, launched in 2012, is an independent financial institution authorised and regulated by the Financial Services Authority. Funds have come from dormant (for more than 15 years) bank accounts and from four major UK banks (Barclays, HSBC and two part-nationalised banks, Lloyds Banking Group and RBS, which have each invested GBP 50 million). Big Society Capital does not invest directly in social enterprises but rather into social investment finance intermediaries and seeks both a social and a financial return on its investment. It has already invested in intermediaries who are working in areas such as renewable energy provision in deprived areas and a payment by results scheme tackling youth unemployment in the north-west of England.

Offer business development services and support structures

Social enterprises require business support. However, a one size fits all approach to business support that expects social enterprises to require the same services as entirely commercial enterprises is likely to be sub-optimal if the offer of information, advice, consultancy and so on fails to acknowledge the social dimensions which are central to the creation of social enterprises. In contrast, 'braided support', which incorporates both general business support and support specifically tailored to meet the needs of social enterprise, can be more effective for the start-up and development of social enterprises (Daniele et al., 2009). Engaging with social enterprises and other social economy organisations involved in the provision of such support, can also be beneficial in encouraging social enterprise start-up and development.

Policy example 3: The Social Innovation Park in Bilbao, Spain

In Bilbao, Spain, a Social Innovation Park has been established with the desire to be a 'social Silicon Valley'. Managed by the Basque Centre for Social and Corporate Innovation, Denokinn, which is owned by local authorities around the Bilbao area, the Park was established with the aim of creating employment opportunities in an area of decline. The Park provides a place where individuals, social economy organisations, charities, NGOs, the private sector and institutions can meet to seek to create new products and services leading to new job creation. The Park hosts a range of facilities including a 'Social Innovation Laboratory', for the generation of new social enterprises, which can then receive support from the incubator services (training, mentoring, etc.) provided, and a 'Social Innovation Academy' which provides training for social economy.

Policy example 4: The NESsT incubators

NESsT supports social enterprises at all stages of development and operates in 10 countries around the world, including Croatia, Czech Republic, Hungary, Romania and Slovakia. It provides financial support, alongside training and mentoring services, for social enterprises at pre-start-up and start-up stages, as well as on-going support, including for expansion. NESsT was founded in 1997 as a non-profit organisation in order to promote social entrepreneurship. It has developed a multi-step 'portfolio process' where each step builds upon the previous one, and progression is based on the achievement of certain goals. The portfolio process covers planning, incubation and scaling up.

Through competitions, NESsT identifies potential social enterprises and provides support, including training and mentoring for around 9 to 12 months in which the organisation or individual can develop their business idea. Following this is a 2-4 year incubation phase which provides financial support (through grants and/or loans) and access to a Business Advisory Network. At the same time, appropriate metrics are developed which enable the social enterprise to measure its impact – both financially and socially.

The process is rigorous and focuses on developing successful social enterprises. In the 2009-2010 Social Enterprise Competitions, 50 applicants received initial training, of which 22 went onto complete business plans and 11 moved into the incubation phase. The 2010 impact report following all NESsT social enterprises noted that the enterprises, on average, had increased their income by 39 %, employed 24 people permanently, and, where the focus was on jobs, had increased their employment by 23 %.

For more information: http://www.nesst.org

As part of an offer of braided support, specific business development support structures may be established such as innovation parks and incubators. Hubs (e.g. the social innovation park in Bilbao, Policy example 3) and incubators (e.g. the NESsT incubators, Policy example 4) are important structures to support social enterprise creation and development.

Without such support structures there is a risk that social enterprises will only thrive in given territorial niches or sectors of activity. However, the existing support structures for the social enterprise sector are not evenly distributed, but tend to be concentrated in those locations and sectors where social enterprises have already established their presence and have a strong integration capacity. Therefore, to avoid the perverse effect that support structures actually aggravate the uneven development of social enterprises, efforts should be made to transfer and disseminate examples of best practice to other areas. This will be facilitated by top-down initiatives by the public administration and by initiatives supported by the most important networks of support structures at national and European levels.

Support access to markets

One of the key ways in which public policy can promote the access of social enterprises to markets is through making public procurement more open to the social enterprise sector. European procurement law allows local government authorities to insert certain social clauses in their procurement procedures and terms of reference, such as to encourage the employment of the long-term unemployed. However, the use of these conditions to promote social enterprises remains limited. It appears that public officials are often unsure as to how to incorporate social clauses in their procurement, and are often not well acquainted with the benefits that social enterprise can bring to their local communities. At the same time, some small social enterprises lack the skills, time and resources necessary to enable them to successfully compete in public bids. Building understanding and capacity both amongst local officials and social enterprises is therefore important if public procurement is to be effectively utilised in supporting the development of social enterprises.

The European Commission's *Buying Social: A Guide to Taking Account of Social Considerations in Public Procurement* highlights the way in which public procurement can be used to achieve social goals. Whilst it is not possible to 'reserve' public procurement contracts for specific organisational forms, except in some circumstances for 'sheltered workshops' employing disabled people, measures can be put in place to remove hindrances (e.g. capital requirements) in contract procurement processes. In Sweden, for example, the Swedish Social Insurance Agency has involved social economy organisations, voluntary organisations and SMEs in reviews of procurement practices to identify challenges faced in the preparation of bid documents.

In Wales, the Welsh Assembly Government has placed a strong focus on using public procurement processes to meet economic, social and environmental goals. The European Social Fund is being used to support the improvement of procurement skills and capability across public services through a four to five year programme involving awareness raising, skills development, a trainee procurement executive programme and a programme designed to facilitate new approaches to improve procurement, such as involving the social economy. This complements specific guidance issued in 2008 on how public procurement processes could be made more accessible to the social economy.

Support further research

Research in the field of social entrepreneurship could be supported by governments and public research institutes. This would enable an ongoing assessment of the different needs of social enterprises, in their various organisational forms, and how they could be more effectively integrated into national and sub national social and economic policy. Issues such as monitoring, measuring social impact, the establishment of mutual learning platforms for all actors and sound ex ante evaluation of support strategies might be part of the researches to be undertaken.

In the UK, the Third Sector Research Centre was established by the Economic and Social Research Council, the Office for Civil Society (Cabinet Office) and the Barrow Cadbury Trust. The Centre seeks to develop an understanding of the third sector as well as how its contribution can be maximised. Alongside research, the Centre also works with both policymakers and practitioners to build capacity through the creation of capacity building clusters and knowledge exchange processes.

In Canada, the Community-University Research Alliance (CURA) was established in 2004 and was supported with public funding specifically for the social economy. CURA partnerships increased the capacity for strategic interventions in the many areas from microsectoral issues to cross-cutting policy negotiations. The research clusters of the social economy (thematic and territorial) provide important documentation for analysis of the social economy, both conceptual and empirical. Although based on competitive grants, they transformed the nature of research and embedded new processes of learning and teaching, as both practitioners and researchers have much to learn from and to teach each other. Researchers and practitioners collaborated on timely, urgent questions as well as on the development of tools. CURA also provided important opportunities for debate and reflection.

Support for such activities, and ensuring that there are strong links between researchers, policymakers and practitioners, can have a very positive impact on social enterprise and its development. At the sub-national level it can also contribute to the identification of specific needs of both social enterprises and the communities in which they are based.

CONCLUSIONS

Social entrepreneurship is increasingly challenging the traditional idea of doing business just for the sake of profit, and social enterprises are developing around the world, even if in statistical terms they are still a niche form of business. Social enterprises contribute to helping keep those people at risk of social exclusion attached to the labour market through the provision of training and work integration activities. They also address the social needs of groups which government agencies find hard to reach.

Social enterprises are not immune from the impact of the economic crisis which Europe confronts and policymakers should not believe that social enterprise can fill all the gaps in service provision which austerity has brought, or create all the jobs needed to overcome the jobs crisis. Social enterprise is not a panacea for the social and economic challenges which are in evidence. However, social enterprise is an important contributor to meeting those challenges.

Their contribution can be increased by policies that favour growth in the scale and efficiency of the sector. The focus of these policies should be on providing enabling environments in which social enterprises can thrive, including actions to promote social entrepreneurship and improve legal and regulatory frameworks, financing, access to markets, business development services and support structures, and training and research. What is important is that governments work across policy boundaries and adopt a systemic approach to increase the capacity of social enterprises to contribute more effectively to social inclusion and inclusive growth.

BIBLIOGRAPHY

Askoha/McKinsey & Company (2012), *Etude d'évaluation de l'impact de l'entreprenariat social* (unpublished).

Cafaggi, F. and P. Iamiceli (2009), "New Frontiers in the Legal Structure and Legislation of Social Enterprises in Europe: A Comparative Analysis", in A. Noya (ed.), *The Changing Boundaries of Social Enterprises*, OECD, Paris.

CIRIEC (2012), *The Social economy in the European Union*, N°. CESE/contract CES 18.106 – 2012, The European Economic and Social Committee (EESC).

Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and The Committee of the Regions (2011), *Social Business Initiative Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation Brussels*, 25.10.2011 COM(2011) 682 final.

Daniele, D., T. Johnson and F. Zandonai (2009), "Networks as Support structures for Social Enterprises" in A. Noya (ed.), *The Changing Boundaries of Social Enterprises*, OECD, Paris.

Drake, D. (2012) "2013: What's in store for crowdfunding and angel investors", *Forbes*, December 12, 2012.

Leś, E. and M. Kolin (2012), "East-Central Europe", in J. A. Kerlin (ed.), *Social Enterprise: A Global Comparison*, Tufts University Press, London.

MOUVES (Mouvement des entrepreneurs sociaux) (2012) Le livre blanc des entrepreneurs sociaux. *L'efficacité économique au service de l'intérêt général*, Editions Rue de l'échiquier.

Mendell, M. and R. Nogales (2009), "Social Enterprises in OECD Member Countries: What are the Financial Streams?", in A. Noya (ed.), *The Changing Boundaries of Social Enterprises*, OECD, Paris.

Mendell, M. (2010), *Improving social inclusion at the local level through the social economy: designing an enabling policy framework*, OECD CFE/LEED (2010)13.

Noya, A. and E. Clarence (eds.) (2007), *The Social Economy: Building Inclusive Economies*, OECD, Paris.

Nyssens, M. (2012), "Western Europe", in J.A. Kerlin (ed.), *Social Enterprise: A Global Comparison*, Tufts University Press, Hanover/London.

OECD (1999), *Social Enterprises*, OECD, Paris.

OECD (2010), *Entrepreneurship, SMEs and Innovation*, OECD, Paris.

SELUSI (2011), *Social Entrepreneurs as Lead Users for Service Innovation,* March.

Social Enterprise UK (2011) *Fightback Britain,* Social Enterprise UK, London.

Spear, R. et al. (2012) (unpublished) *Boosting social entrepreneurship and social enterprise creation in the Republic of Serbia*, OECD, Paris.

Terjesen, S., J. Lepoutre, R. Justo and N. Bosma (2011), *Global Entrepreneurship Monitor Report on Social Entrepreneurship.*

OECD/European Commission

Policy Brief on Social Entrepreneurship - Entrepreneurial Activities in Europe

Luxembourg: Publications Office of the European Union

2013 — 17 pp. — 21 × 29.7 cm

European Commission
ISBN 978-92-79-25428-4

This paper considers the impact of social entrepreneurship in European communities, finding that working with such enterprises and helping them develop can result in widespread gains for public budgets. Starting and running such a business can pose a number of problems though, as it must not only overcome entrepreneurial challenges, but also those that arise from the social dimension. The report concludes that promoting policies that create a favourable environment for such entrepreneurs, is crucial for them to fulfil their potential.

This brochure is available online in English, German and French.

KE-BE-12-003-EN-N

This Policy Brief was prepared by the LEED (Local Economic and Employment Development) Programme of the OECD (Organisation for Economic Co-operation and Development) with the financial support of the European Commission, Directorate-General for Employment, Social Affairs and Inclusion.

BUILDING MORE & BETTER JOBS

Publications Office

ISBN 978-92-79-25428-4