



Enabling the Flourishing and  
Evolution of Social Entrepreneurship  
for Innovative and Inclusive Societies



FP7 – EFESEIIS Focus Group with Stakeholders  
Warsaw, Tuesday 17<sup>th</sup> February

Focus Group 2

**“Multilevel Policy advices  
to support the development of social entrepreneurship”**

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## Index

<b>EXECUTIVE SUMMARY</b> .....	<b>2</b>
<b>Banks and financial organizations</b> .....	<b>4</b>
<b>Academia and Research</b> .....	<b>6</b>
<b>Ministries, Local Authorities and International Organizations</b> .....	<b>10</b>
<b>Social Entrepreneurs</b> .....	<b>11</b>
<b>Appendix</b> .....	<b>14</b>

## EXECUTIVE SUMMARY

This executive summary shows the results of four distinct Focus Groups held in Warsaw on the 17<sup>th</sup> of February 2015, which have been attended by national experts and stakeholders.

The Focus Groups represented an important opportunity to gather relevant information on the features of an enabling environment for social entrepreneurship. The attendees were divided into four groups according to their professions and competences. Thanks to the different points of view and a lively debate, it was possible to investigate the existing relations and interactions between social enterprises and their eco-system.

The results have been analysed and re-organized by the researchers to provide an easy-to-read table on Multilevel Policy advices to support the development of social entrepreneurship.

Local Level	National Level	European Level
Strengthening the governance of Social Enterprises in order to ensure the sustainability of the organisation	Guidelines on the main features of social enterprises and, in particular, highlight the existing differences between them and the traditional enterprises concerning their financial needs	Map of existing programs, specifying the condition of use, in order to be easily implemented by member states
Developing different programs based on analysis of the specific contexts	Guaranteeing tax reliefs and incentives for social entrepreneurs and investors	Recognizing the country-specific conditions without researching an all-encompassing framework
Implementation of funding at the regional level	Developing infrastructures to permit direct relationship between social entrepreneurs and the government	Specific funding to sustainable SEs.
	Improvement of advocacy and lobbying activities in favour of social enterprises	European-wide social investment policy.
	Transparent tax system	
	Providing investment programs and funding	
	A national enabling ecosystem should be based on three key elements: networks, resources and strategic support	
	Broadening the procurement rules to be more inclusive for social enterprises	
	Public subsidy or tax rebate based upon the fiscal value of the social impact that a SE delivers to society	
	Sustaining bottom-up initiatives	

## Banks and financial organizations

### Participants:

**Mayhul Gondhea** (Big Issue Invest) // England

**Lena Gansterer** (IRP) // Austria

**Ugo Biggeri** (Ethical Bank) // Italy

**Alzina Bulmer** (Charity Bank) // England

### Focus group's summary: barriers and enabling factors

<u>Main constraints</u>
Difficulties in finding investable organisations
Barriers in providing loans
Unfair competition with traditional enterprises
Difficulties in buying SEs' shares
Strict regulation for investments and credit: banks have to cover a percentage of their loans, making investments in SEs more risky

<u>Facilitating Factors</u>
Evaluation of the involved actors
Tax reliefs and incentives for investors and entrepreneurs
A clear regulatory framework
Increasing the engagement of local authorities
Support the creation of networks and groups of social enterprises, in order for them to share the risk in the network/group.

### Multilevel policy advises

One of the problems that have been arisen during the discussion concerns the **nature of the organisations**, which most of the time are early-staged social enterprises and banks unwilling to commit money to them due to the fact that it would be a high-risk investment. The establishment of these kinds of organisations is a long-term process that needs stronger governance being able to assure the repayments and to improve the sustainability of the enterprises.

The participants highlighted the **lack of a broader awareness about the financial needs of SEs** and on how they differ from the traditional enterprises; it would be useful to define a **clearer framework which describes the different organisations' needs**, in order to understand where the allocation of funds would be more efficient.

Most of the barriers are related to the overly restrictive regulation, which still compares social entrepreneurship with the traditional market, creating competitive distortions.

To support the social enterprises' market, it is necessary to analyse how it operates, **developing different programs after evaluating the organisational features and the involved actors**. It is also important to reach more collaborative interactions between social entrepreneurs as well as between them and the banks/finance organisations, creating supporting platforms, not only for direct ventures but also for intermediaries.

## Academia and Research

### Attendees:

**Filippo Buccarelli**, University of Florence // Italy

**Damjan Zdravev** Research in Action // Macedonia

**Daniele Demoustier** Institute of Political Studies of Grenoble // France

**Ute Stephan** Aston University // Belgium

**Alexandra Iloska** Association for research, communication and development // Macedonia

**Elio Borgonovi** Bocconi Univeristy // Italy

### Focus group's summary: barriers and enabling factors

<u>Main constraints</u>
Lack of national infrastructure to support SEs
Not clear taxation system
Lack of investment programs
Lack of suitable legal framework
Need of information about how social entrepreneurs can get in contact with the government, in order to give feedbacks on existing programs
Need to reduce bureaucratic effort

<u>Facilitating Factors</u>
Support infrastructure for SEs at the local level
Regional funding, investment programs, tax incentives (especially for early-stage social entrepreneurs)
Specific programs for small SEs
Creation of specific legal forms in countries where these are not yet available
Local authorities have to be connected and communicate with key partners
School programs on social entrepreneurship

### Multilevel policy advises

During the Focus Group a clear distinction between the **three policy levels** has been made.



The **local level** has been described as already offering important support to social entrepreneurs. The programmes on supporting the development of social entrepreneurship should include the creation of specific legal forms and regional funding, building up role models and enabling visibility of social entrepreneurs, according to them some privileges. It could be useful to develop special curriculum in school on this topic and to implement career advisers. Furthermore, it is necessary to pay more attention on the terms “social entrepreneurs” and “social entrepreneurship”, clarifying the different meanings.

At the **national level**, it is needed to provide the infrastructure able to create a direct relationship between social entrepreneurs and the government, which should be committed to support social entrepreneurs (e.g. in the coalition agreement). Aiming to implement financial policy, the government should target its actions to the development of a transparent system of taxation, providing investment programs and funding especially for early stage social entrepreneurs, both at the individual and institutional level.

Finally, **European programs** should be provided in support for member states to support the national social entrepreneurs. As far as existing European programs is concerned, there is the need to clarify their condition of use for SEs in order to facilitate their implementation and to be concretely efficient.

## Support organizations\*

### Attendees:

**Peter Vandor** Vienna University of Business and Economics // Austria  
**Nickala Torkington** UNLT // England  
**Davide dal Maso** AVANZI // Italy  
**Patrizia Bussi** Ensie // Italy  
**Nikika Kusinikova** Konect // Macedonia  
**Nenad Maksimovic** Centre for peace and tolerance // Pristina  
**Stefan Panhuijsen** Social Enterprise NL // The Netherlands

\* We identify support organizations as those organizations providing different support services to SEs such as (advocacy, lobby, accounting, incubation networking etc.)

### Focus group's summary: barriers and enabling factors

<u>Main constraints</u>
Lack of a clear legal status
Too wide or too narrow legislative frameworks
Difficulty in measure social impact
Lack of a clear legal status

<u>Facilitating Factors</u>
Networks, peer, knowledge and learning, trade, and expertise
Common identity built through the implementation of legislative framework
Funding for boost the sector; the ecosystem can be the product of innovation or of evolution.

### Multilevel policy advises

The Focus Group has analysed the key ingredients for an enabling ecosystem supporting SEs. From a **national** point of view, **three fundamental elements** have been retraced: **networks, resources and strategic support**. The latter depends on knowledge and learning aimed to increase awareness on this topic.

The discussants acknowledged that there are different actors and different needs; ***struggling for convergence would be a losing game***. This led to promote a common advise for the European policies, which should not strive for an overarching framework, but be specific on taxing or implementing other measures. The Union should provide inspirational provisions and find ways to achieve more added values in action; the national actors should experiment on local level accordingly with their own context.

## Ministries, Local Authorities and International Organizations

### Attendees:

**Giuseppina de Lorenzo** Tuscany Region // Italy

**Andreas Konstantinides** Malmo department for trade and industry // Sweden

**Patrizia Baffioni** UNIDO // Italy

**Claire Borfeldt** Ministry for Family affairs // Germany

### Focus group's summary: barriers and enabling factors

<u>Main constraints</u>
Difficulty to communicate
Insufficient political will and knowledge about the topic
Lack of funding
Need of an European definition of SE

<u>Facilitating Factors</u>
Networks of SEs
Improvement of communication
Improvement of lobbying and advocacy activities
In the ESF, Social Enterprise should become an economic issue

### Multilevel policy advises

The discussion focused on interactions and relations between the institutions and SEs. At the national level, the main barriers are related to an insufficient knowledge about the financial and structural needs of the organizations, due to the difficult communication between the involved actors and **to inadequate competences among the ministries**, which often ends in the incapacity to address funding and implementing programs to support social enterprises.

A consistent improvement in advocacy and lobbying activities could be useful to influence the political will and therefore to finance projects to promote SEs, although it seems that SEs prefer funds from foundations than the Government, since the bureaucratic burden connected to Government funding is heavier.

## Social Entrepreneurs

### Attendees:

**Mike Britton** Goodwill solutions // England  
**Norbert Kunz** Social Impact gGmbH// Germany  
**Arben Shamia** YAPS // Albania  
**Christina Merker-Siesjö** Yalla Trappan // Sweden  
**Julie Fox** Annexe Communities // Scotland  
**Paul Bristow** Inverclyde Community Development Trust // Scotland

### Focus group's summary: barriers and enabling factors

<u>Main constraints</u>
Lack of a marketed approach to the term "social enterprise", underlining the differences between social entrepreneurs, social innovators and social enterprises
Strictly procurement rules for social enterprises
Need to improve sustainability in the social economy, recognising the significant social role played by social enterprises
Need of policy intervention to create new legal structures for SEs
Wrong incentives in policy and public funding lead to negative and unsustainable innovation

<u>Facilitating factors</u>
Different support to the actors of Social Economy
Capacity building and training programmes for SEs to teach them how to bid for, procure and manage public sector contracts
Awareness that the social mission of SEs makes sustainability a challenge, providing appropriate subsidies. Recognition that SE is a multi-customer business model
Form of rebate (public subsidy or tax rebate) based upon the fiscal value of the social impact that a SE delivers to society

## Multilevel policy advises

During the focus group the participants identified the main obstacles faced by social entrepreneurs in their own countries.

At the **national level**, besides the needs of a marketed approach to the term “social enterprise” and the language used to describe it, there needs to be a **focus on broadening the procurement rules to be more inclusive for social enterprises**. Moreover, there is a need for capacity building and training programmes for SEs to teach them how to bid for, procure and manage public sector contracts.

There is a role for **regional** policy interventions, as well as those at **a national and local level**. Policy needs to recognise that there is a significant difference between social entrepreneurs, social innovators and social enterprises, and that their support needs are also very different. There has to be a policy focus on **building sustainability** in the social economy. In relation to this, there needs to be a **recognition that for many SEs, the social mission makes such sustainability challenging and that some recognition needs to be made regarding this** (in the same way that subsidy is provided by the state for employers of disabled individuals). This includes recognition that SE is a multi-customer business model. Policy interventions to create new legal structures for social enterprise that allow for investment dividends to be paid are needed, as the extra investment that this leads to will drive innovation. **Some form of rebate (public subsidy or tax rebate) should be developed, based upon the fiscal value of the social impact that a SE delivers to society**. Currently the wrong incentives in policy and public funding are leading to negative or unsustainable innovation.

**At the European level**, there is a need for policy in Europe that offers to the social economy the **same high level of business support** that the traditional business sectors have. Specifically:

- New, innovative financial instruments that are designed for the SEs (similar to but not the same as Social Impact Bonds).
- The creation of knowledge and networks on the social economy (EFESEIIS for instance).
- Innovative and flexible legal structures.
- Investment readiness support that actually delivers change at the ground level.

**At this regard, EU Policy focus should be aimed at:**

- Direct delivery of funding to sustainable SEs.
- European-wide social investment policy.
- The Social Business Initiative was a big step forwards in supporting the social economy, but the Commission seems to have moved away from this now. Specifically, the SBI's recognition of the need for country-specific interventions was good.
- There needs to be more bottom-up delivery of policy programmes/funding as national/regional bodies tend to dilute the power and effectiveness of such mechanisms.

***Some examples based on the attendees' countries experience have been the following:***

- Current policy in **Scotland** includes 'Community Benefit Clauses', which builds in a provision for local delivery and specifically targets third sector organisations in the delivery of local public services. However, whilst in theory this is a good policy, in practice it often fails because it depends upon local buy-in from the local authority.
- In **Scotland** procurement does favour third sector organisations through a points weighting system.
- In **England** there is a lack of transparency of what public contracts are available for, through a restricted marketing process of such contracts. Awareness of these tenders is both time-consuming (due to the high number available) and expensive (as private sector organisations charge for access to streamlined databases).
- Current investment readiness interventions in **England** are seen as 'jobs for the boys', in which consultancy firms earn a lot of money for delivery, but it is questionable how much SEs actually learns from them. Social enterprise support therefore 'misses the mark'.
- In **Sweden** there is policy (and financial) support for expanding social enterprise models through social franchising models (regionally in Skåne at least). This is particularly true in the immigrants integration area.

## Appendix

### Short interview to Ugo Biggeri, Chairman of Banca Popolare Etica

**Which are the features of an enabling eco-system for social entrepreneurship at the local level and which are the steps/conditions through which/under which each stakeholder can implement it/support it?**

Concerning the characteristics of an enabling eco-system for social enterprises, it would be necessary to provide:

- Clear framework and definition
- Civil society relationship and validation
- Access to dedicated financial market (donation, seed capital, equity, quasi equity, loans)
- Local government and national government able to: flexible allocation of public expenditure, programming needs, guarantee basic welfare.

**Given the results of the SBI and other initiatives by the Commission, which are the policy advices you would give to the Commission in order to support the development of this sector?**

The Commission should undertake the following actions:

- Understanding social economy as a specific market and not just a support in decreasing welfare policy
- Enhance tools for new mutualistic approach in the social entrepreneurship, also connected with citizen and local government
- Let be able social economy to compete with traditional market need for different rules and clear social impact's measurements
- Finance seed capital and support institutions for social entrepreneurship development
- Support financial tools and institution specialized in social entrepreneurship: Guarantee, simplify rules respect to other not listed enterprises

## What made an entrepreneur a social entrepreneur?

A social entrepreneur is characterised by the following features:

1. Entrepreneurship with a mission: a goal clearly connected with social, environmental, cultural target. Goals should be locked up in statute, rules, protocol, and legal framework?
2. Financial resources: any enterprise needs finance, as well as the entrepreneur himself, donors, social oriented investors, social finance tools. Needs to enhance the social finance tools especially connected to retail interests and willingness to support interesting social entrepreneurship (new form of mutuality). New rules?
3. Feedback from stakeholders: hopefully positive. Donation, investments, voluntary support, support from the local government (not always positive), participation to governance
4. Networking action and reputation. A social entrepreneur needs relationship with others social entrepreneurs and more widely with other social networks made by non-profit organizations. Web reputation and general reputation are not just important, they may act as a measure of enterprise's social behaviour. Feedback in "reputation" and marketing by stakeholders and client shows a great value.
5. Efficiency and fair competition. Profit constrains are much important in social entrepreneurship than in mainstream entrepreneurship: profit is not a goal but has to be the solid ground to build social activity. The right balance between economic wellness and social output should be managed efficiently and carefully. In absence of rules (incentive/disincentive) competition with mainstream enterprises that do no pursue social goals, may be unfair.
6. Connection with public policy and expenditure. Depending on the goals, a relationship with governmental welfare is needed. Social entrepreneurship will not be able to work and to deal with the "human right" or "citizen right" point of view. Basic rights should be guarantee by governments. On other hand, government should be more and more able to allocate economic resources in a more flexible way and with a more clear impact measurement. Social entrepreneur should answer to that need and, at same time, should not completely depend on governmental economic support.