

A map of social enterprises and their eco-systems in Europe



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A map of social enterprises and their eco-systems in Europe

Synthesis Report

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Contents

LIST OF ACRONYMS	I
COUNTRY ABBREVIATIONS	III
EXECUTIVE SUMMARY	IV
1 INTRODUCTION	2
1.1 The study brief	4
1.2 Study ambition, caveats and limitations	5
1.3 Other complementary research	7
1.4 Structure of this Report	8
2 DEFINITIONS AND CONCEPTS OF SOCIAL ENTERPRISE IN EUROPE	9
2.1 An EU Operational Definition of Social Enterprise	9
2.2 National definitions and concepts of social enterprise	14
3 PRESENCE AND SCALE OF SOCIAL ENTERPRISE ACTIVITY IN EUROPE.....	19
3.1 Mapping the spectrum of social enterprise in Europe	19
3.2 Estimated scale of social enterprise activity in Europe	27
4 MAIN CHARACTERISTICS EXHIBITED BY SOCIAL ENTERPRISES IN EUROPEAN COUNTRIES	33
4.1 Sectors of activity	33
4.2 Target groups	36
4.3 Predominant business model	36
4.3.1 Revenue streams and markets.....	36
4.3.2 The use of paid workers and volunteers	39
4.3.3 Emergent trends and innovative business models	39
4.3.4 A reflection on the entrepreneurial focus in social enterprise organisations.....	39
4.4 Legal forms adopted by social enterprises.....	42
4.5 Modes of creation	47
5 COMPARATIVE OVERVIEW OF SOCIAL ENTERPRISE ECO-SYSTEMS IN EUROPEAN COUNTRIES	49
5.1 Policy framework for social enterprises	49
5.2 Legal frameworks for social enterprise	51
5.2.1 Legal forms	55
5.2.2 Social enterprise legal status	57
5.2.3 Other legal status relevant to social enterprises	59
5.2.4 Benefits of a legal form and status	61
5.3 Tax exemptions and incentives.....	61
5.3.1 Tax treatment of non-profit organisations (NPOs)	61
5.3.2 Tax treatment of integration enterprises/ WISE	62
5.3.3 Tax Treatment of activities	63
5.3.4 Tax treatment of social enterprise legal forms	63
5.3.5 Tax Incentives for investors	67

5.4	Publicly funded support measures for social enterprises.....	67
5.4.1	Countries that have specific schemes targeting social enterprises.....	67
5.4.2	Typology of public support measures.....	69
5.5	Networks and mutual support mechanisms	75
5.6	Other specialist support and infrastructure available to social enterprises	77
5.7	European level support structures.....	77
5.8	Marks, labels and certification systems.....	80
5.9	Systems for measuring and reporting social impact.....	87
5.10	Social investment markets.....	88
6	CONSTRAINTS TO STARTING AND SCALING-UP SOCIAL ENTERPRISE ACTIVITY	92
6.1	External factors	93
6.1.1	Poor understanding of concept of social enterprise	93
6.1.2	Lack of enabling policy and legislative frameworks	93
6.1.3	Lack of specialist business development services and support.....	96
6.1.4	Difficulties in accessing (public) markets.....	97
6.1.5	Difficulties in accessing (external) finance	98
6.1.6	Absence of common mechanisms for measuring and demonstrating impact.....	98
6.1.7	Public spending cuts and general economic conditions	99
6.2	Internal factors	99
6.2.1	High reliance on the public sector.....	99
6.2.2	Lack of viable business models	100
6.2.3	Lack of sufficient entrepreneurial spirit and commercial orientation	100
6.2.4	Lack of managerial and professional skills and competencies ...	100
7	POLICY IMPLICATIONS	102
7.1	Concluding remarks	104
	ANNEXES.....	106

List of acronyms

BMFSFJ	Bundesministerium für Familie, Senioren, Frauen und Jugend
BWB	Bates Wells Braithwaite
CASA	Care And Share Associates
CDRP	Coherent Development of Research Policies
CEPES	Spanish Enterprise Confederation of the Social Economy (Confederación Empresarial Española de la Economía Social)
CIC	Community Interest Company
CICR	Community Interest Company Regulation
CIS	Centre for Social Inclusion (Centrum Integracji Społecznej)
CH	Switzerland
CSP	Company with Social Purpose
DKK	Danish Krone
EC	European Commission
EESC	European Economic and Social Committee
EIF	European Investment Fund
ENSIE	European Network of Social Integration Enterprises
ERDF	European Regional Development Fund
ESEN	Estonia Social Enterprise Network
ESF	European Social Fund
EU	European Union
EUR	Euro
EuSEF	European Social Entrepreneurship Funds
GBER	General Block Exemption Regulation
GECEs	Groupe d'experts de la Commission sur l'entrepreneuriat social
GEM	Global Entrepreneurship Monitor
GBP	Non-profit employment projects/ companies (Gesellschaft für Betriebliche Pensionsplanung)
GEGRFS	Government Expert Group on Retail Financial Services
gGMBH	Non-profit company with limited liability (Gemeinnützige Gesellschaft mit beschränkter Haftung)
GIIN	Global Impact Investing Network
IOOI	Inputs, Outputs, Outcomes and Impacts
IPA	Instrument for Pre-Accession
ISTAT	Italian National Institute of Statistics (Istituto Nazionale di Statistica)
IT	Information Technogloy
KfW	National Development Bank (Kreditanstalt für Wiederaufbau)
KINSEP	Social Cooperative Enterprise
KIS	Club of Social Inclusion (Klub Integracji Społecznej)
KISPE	Limited Liability Social Cooperative
KSH	Hungarian Central Statistical Office (Központi Statisztikai Hivatal)
MSAP	Malopolska School of Public Administration
MiFID	Markets in Financial Services Directive
NESsT	Nonprofit Enterprise and Self-Sustainability Team
NGO	Non-Governmental Organization
NPELs	Non-Profit legal Entities
NPO	Non-profit Organisation
OCS	Office for Civil Society

OECD	Organisation for Economic Co-operation and Development
ONLUS	Non-Profit Organisation (Organizzazione Non Lucrativa di Utilità Sociale)
OPHRE	Operational Program for Human Resources and Employment
PBC	Public Benefit Corporation
PERSE	an EU-funded research project on "The Socio-Economic Performance of Social Enterprises in the Field of Integration by Work"
QCT	Quality Check Team
SAM	State Aid Modernisation
SBI	Social Business Initiative
SCI	European Cooperative Society
SCIC	Société Coopérative d'Intérêt Collectif
SE	European Society (Societas Europaea)
SELUSI	an EU-funded research project on "Social Entrepreneurs as Lead Users for Social Innovation"
SEUK	Social Enterprise United Kingdom
SGEI	Services of General Economic Interest
SIA	Social Impact Accelerator
SIE	Social Innovation Europe
SIFI	Social Investment Finance Intermediary
SKUP	Community of Private Institutes (Skupnost privatnih zavodov)
SME	Small and Medium Enterprises
SÖB	Socio-Economic Enterprises (Sozialökonomische Betriebe)
ŠOU	Student Organisation of the University of Ljubljana
SRS	Social Reporting Standard
REALIS	Réseau Actif pour l'Innovation Sociale
TEPSIE	an EU-funded research project on "Theoretical, Empirical and Policy Foundations for Social Innovation in Europe"
TESSEA	The Czech Thematic Network for Social Economy.
ULESS	Union Luxembourgeoise de l'Economie Sociale et Solidaire
VAT	Value-Added Tax
WILCO	An EU-funded research project on "Welfare Innovation at the Local Level for Social Cohesion"
WISE	Work Integration Social Enterprise
WTZ	Occupational Therapy Workshops
WZB	Social Science Research Center Berlin (Wissenschaftszentrum Berlin für Sozialforschung)
ZAZ	Professional Activity Establishments

Country abbreviations

AT	Austria
BE	Belgium
BG	Bulgaria
CH	Switzerland
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
EL	Greece
ES	Spain
FI	Finland
FR	France
HR	Croatia
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
NL	Netherlands
PO	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
UK	United Kingdom

Executive summary

Mapping social enterprise activity and eco-system features in Europe

Recent years have seen a burgeoning interest in social enterprise across Europe, strongly driven by a growing recognition of the role social enterprise can play in tackling societal and environmental challenges and fostering inclusive growth. Impetus has come also from the 2009 global economic crisis which has resulted in widespread public discontentment with the functioning of the global economic system and fuelled interest in more inclusive and pluralistic economic systems. Subsequent implementation of austerity measures - against a backdrop of new and growing social needs - have created both challenges and opportunities for social enterprise in Europe.

Yet, despite interest in and the emergence of examples of inspirational and 'disruptive' social enterprise, relatively little is known about the scale and characteristics of the emerging social enterprise 'sector' of Europe as a whole. Studies have come forward to detail the possible forms and range of 'the national families of social enterprises' and to distinguish these developing enterprise forms from both the social and mainstream economy¹, but the diversity of national economic structures, welfare and cultural traditions and legal frameworks has meant that measuring and comparing social enterprise activity across Europe remains a challenge. There exists both a lack of availability and consistency of statistical information on social enterprises across Europe.

The European Commission launched this Mapping Study in April 2013 as a follow-up to Action 5 of the Social Business Initiative (SBI)² to help fill this gap in knowledge. **This Study maps the broad contours of social enterprise activity and eco-systems in 29 European countries (EU 28 and Switzerland) using a common 'operational definition' and research methodology.**

The Study outputs comprise a Synthesis Report including an Executive Summary (the present document) and 29 Country Reports. The Synthesis Report brings together the findings of the individual Country Reports to provide a high level European 'map' or snapshot of social enterprise activity and select features of their eco-systems that are of particular policy interest to the European Commission, namely: national policy and legal frameworks for social enterprise; business development services and support schemes specifically designed for social enterprises; networks and mutual support mechanisms; social impact investment markets; impact measurement and reporting systems; and marks, labels and certification schemes.

By definition, this mapping exercise does not provide an assessment of social enterprise eco-systems or policies but, rather, a description of current characteristics and trends to support future research and policy making. Recognising the current conceptual and methodological limitations in measuring and mapping social enterprise activity, the Study adopts a pragmatic approach to generate a 'first map' based on existing academic and grey material and interviews with over 350 stakeholders across Europe.

The substantial diversity in economic and welfare contexts, legal frameworks and cultures associated with the emergence of social enterprise in nations and regions means that **this initial mapping of drivers, characteristics and eco-system features should be followed by more targeted and specific research as individual policy initiatives are formulated and developed.**

¹ See especially the work of EMES, <http://www.emes.net/what-we-do/>

² COM (2011) 682 final - Social Business Initiative: Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation.

Developing an 'operational definition' of social enterprise

In order to measure and map social enterprise activity and eco-systems, it is important to first understand just what social enterprise is. The Study developed an operational definition that could be used to (a) distinguish social enterprises from mainstream enterprises and traditional social economy entities; and (b) map social enterprise diffusion and activity – in a consistent and coherent manner – across 29 countries with different economic and welfare contexts, traditions and social enterprise development pathways.

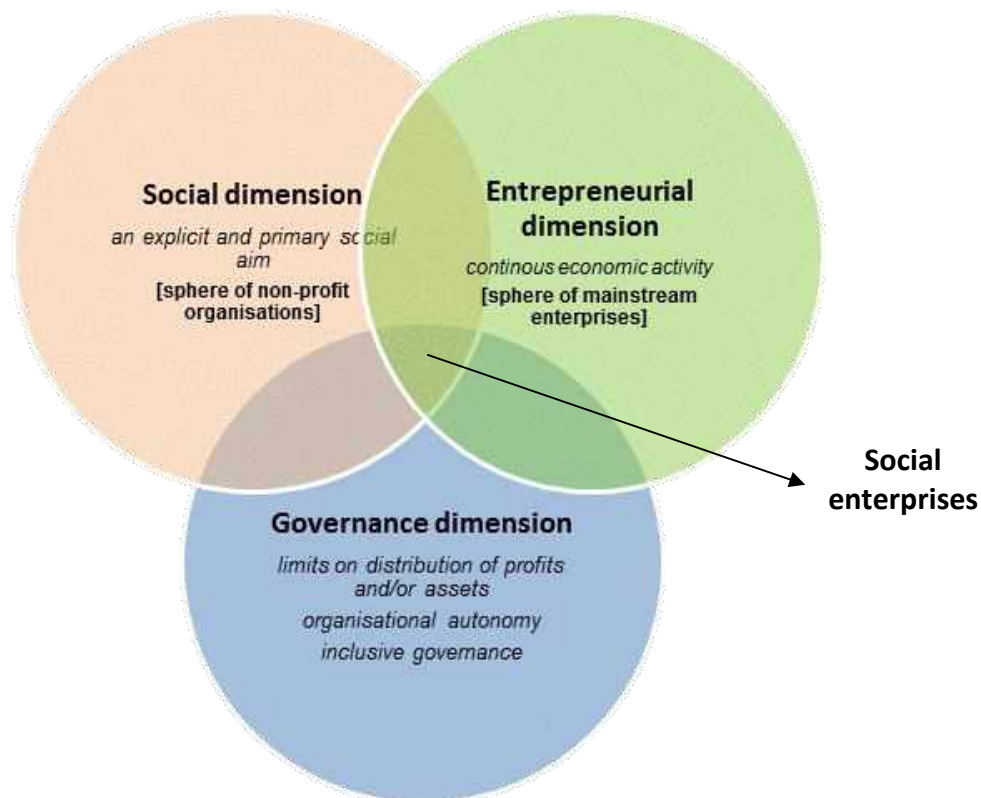
The Study did not develop a new definition of social enterprise; rather it 'operationalised' the existing and widely accepted notion of social enterprise as articulated in the European Commission's SBI communication. The SBI definition incorporates the three key dimensions of a social enterprise that have been developed and refined over the last decade or so through a body of European academic and policy literature:

- An *entrepreneurial dimension*, i.e. engagement in continuous economic activity, which distinguishes social enterprises from traditional non-profit organisations/ social economy entities (pursuing a social aim and generating some form of self-financing, but not necessarily engaged in regular trading activity);
- A *social dimension*, i.e. a primary and explicit social purpose, which distinguishes social enterprises from mainstream (for-profit) enterprises; and,
- A *governance dimension*, i.e. the existence of mechanisms to 'lock in' the social goals of the organisation. The governance dimension, thus, distinguishes social enterprises even more sharply from mainstream enterprises and traditional non-profit organisations/ social economy entities.

Each of the above dimensions were operationalised by developing a set of core criteria – reflecting the minimum *a priori* conditions that an organisation must meet in order to be categorised as a social enterprise under the EU definition (Figure ES1.1). The following core criteria were established:

- *The organisation must engage in economic activity*: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services;
- It must pursue an explicit and primary social aim: a social aim is one that benefits society;
- *It must have limits on distribution of profits and/or assets*: the purpose of such limits is to prioritise the social aim over profit making;
- *It must be independent* i.e. organisational autonomy from the State and other traditional for-profit organisations; and,
- *It must have inclusive governance* i.e. characterised by participatory and/ or democratic decision-making processes.

Figure ES1.1 **The three dimensions of a social enterprise**



Application of the EU level 'operational definition' to national contexts

The mapping Study finds that there is both a growing interest and convergence in views across Europe as regards the defining characteristics of a social enterprise; however, important differences remain, especially with respect to the interpretation and relevance of the 'governance dimension' of a social enterprise

Organisations fulfilling the 'EU operational definition' of social enterprise can be found in all 29 countries – either as part of, or alongside, national concepts, interpretations and definitions of 'families' of social enterprise.

The EU operational definition however, represents the 'ideal' type of social enterprise – 'national families of social enterprise' generally share most, but not often all, of the criteria specified in the operational definition. For example, concerning the governance dimension especially:

- Of the twenty nine countries studied, twenty have a national definition³ of social enterprise, but in six of these countries the definition does not require social enterprises to have 'inclusive governance' models. Similarly, in several of the remaining nine countries that do not have a national definition, inclusive governance is not seen as a defining characteristic of social enterprise;
- In most countries of Study, the criterion relating to 'independence' is understood/interpreted as "managerial autonomy" and/or "autonomy from the State". Only in Italy and Portugal, do national definitions emphasise autonomy from the State and other traditional for-profit organisations.

³ National definitions refer to (i) official definitions (or criteria defining social enterprise) as articulated in policy documents or national legislation (that is transversal in nature and does not refer to a specific legal form) or (ii) an unofficial definition which is widely accepted by various social enterprise stakeholders.

- Furthermore, in a few countries (Finland, Lithuania, Poland, Slovakia and Sweden), the notion of social enterprise as articulated in national laws and/or policy documents, narrowly focuses on work integration social enterprises (WISEs). This restricted definition excludes enterprises pursuing societal missions such as provision of social and educational services, environment, well-being for all, or solidarity with developing countries.

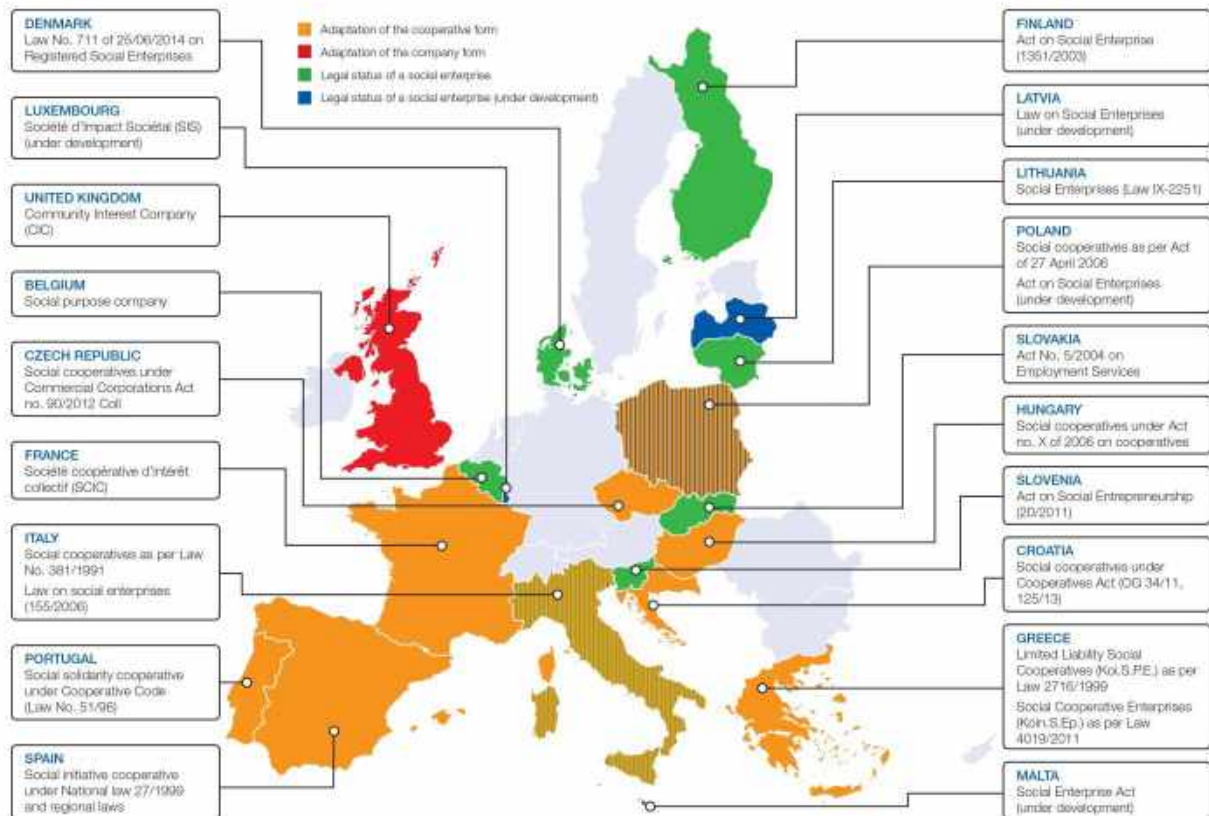
Whilst social enterprises are growing in visibility, including within legal frameworks, many continue to operate 'under the radar'

A number of countries have institutionalised the concept of social enterprise either by creating tailor-made legal forms for social enterprise and/or a transversal legal status (0). Additionally, specific social enterprise marks or certification schemes can be found in four countries (Finland, Germany, Poland and the UK) to provide visibility and a distinct identity to social enterprises.

Although growing in number, legally or institutionally recognised forms of social enterprise (where these exist) do not capture the 'de-facto' universe of social enterprise. De-facto European social enterprises are often 'hidden' among existing legal forms, most notably amongst:

- Associations and foundations with commercial activities;
- Cooperatives serving general or collective interests;
- Mainstream enterprises pursuing an explicit and primary social aim.

Figure ES1.2 **Countries with specific legal forms or statutes for social enterprise**



Notes: (i) Social enterprise laws in Finland, Lithuania and Slovakia narrowly refer to work integration social enterprises; (ii) Italy is the only European country with both a law on social cooperatives (legal form) as well as a law on social enterprises (legal status); (iii) Poland has a specific legal form for social enterprises (social cooperatives) and a draft law proposes the creation of a social enterprise legal status.

The national 'social enterprise families' are incredibly diverse across Europe, encompassing a range of organisational and legal forms and statuses

Social enterprises adopt a variety of legal forms and statuses: (i) existing legal forms such as associations, foundations, cooperatives, share companies; (ii) new legal forms exclusively designed for social enterprises by adapting or 'tailoring' existing legal forms e.g. social cooperatives in Italy, Societe Cooperative d'Interet Collectifs (SCICs) in France, Community Interest Companies in the UK; (iii) legal status that can be obtained by selected or all existing legal forms, which comply with a number of legally defined criteria (e.g. social enterprise legal status in Italy or the Social Purpose Company in Belgium); iv) new types of legal forms that allow traditional non-profit organisations to undertake economic activity such as e.g. Non-profit Institute in Slovenia.

Scale and characteristics of social enterprise activity in Europe

Reported levels of social enterprise activity adopt a variety of definitions and research methods but do suggest recent growth in numbers - although absolute numbers of social enterprise are very small relative to mainstream enterprises

It remains highly challenging to measure and aggregate social enterprise activity across Europe given that much of it takes place 'under the radar'. Moreover, national estimates of the number and characteristics of social enterprise – in the few cases where they exist – revealed a diversity of definitions and methods of data collection and estimation that makes aggregation problematic. Estimates of numbers of organisations that meet all of the criteria set by the EU operational definition used in this Study are even more difficult to establish.

The mapping suggests that the level of social enterprise activity (based on the estimated number of organisations that meet all of the criteria set by the EU operational definition), relative to the number of 'mainstream enterprises', is small, perhaps in the order of less than 1 per cent of the national business population. However, the on-going withdrawal of public agencies from supplying social services of general-interest, increasing pressures on traditional non-profit organisations to diversify their income sources and rising interest in social innovation among mainstream enterprises suggest a strong growth dynamic in social enterprise across Europe.

European social enterprises are undertaking a growing breadth of activity beyond work integration and social services of general interest

There is a lack of standard and consistently used classifications of social enterprise activity within and across countries. **It is problematic to obtain a statistically robust picture of what European social enterprises do.** However, a broad typology of activities can be drawn on the basis of existing, if discrete, sectoral classifications:

- Social and economic integration of the disadvantaged and excluded (such as work integration and sheltered employment);
- Social services of general interest (such as long term care for the elderly and for people with disabilities; education and child care; employment and training services; social housing; health care and medical services.);
- Other public services such as community transport, maintenance of public spaces, etc.
- Strengthening democracy, civil rights and digital participation;
- Environmental activities such as reducing emissions and waste, renewable energy;
- Practising solidarity with developing countries (such as promoting fair trade).

Whilst seeing an expanding array of activities by social enterprises, **in certain countries the legal definition of social enterprise reduces the allowable range of activity.** One example would be understandings of activities contained within legal definitions of 'public benefit' which are held by de-facto social enterprises in a number of countries such as Austria, Bulgaria, the Czech Republic, Germany and Switzerland.

Notwithstanding such issues, the most visible (but not necessarily dominant) activity of social enterprise in Europe can be identified as **work integration of disadvantaged groups** (by WISE). In a number of countries, WISE activities do constitute the dominant form of social enterprise (for example, Czech Republic, Hungary, Latvia, Poland, Slovakia, Slovenia) with strongly identifiable organisational forms in these activities such as Italy's "type B" or "working integration" social cooperatives, French enterprises for the reintegration of economic activity, Finnish social enterprises (as per Act 1351/2003) and Poland's social cooperatives. The delivery of work integration activities is, however, achieved through the provision of a very wide range of goods and services.

Beyond work integration itself, the majority of social enterprise services are to be found across the full spectrum of social welfare services or **social services of general interest (long term care for the elderly and for people with**

disabilities; early education and childcare; employment and training services; social housing; social integration of disadvantaged such as ex-offenders, migrants, drug addicts, etc.; and health care and medical services). Childcare services, for example, are the major social enterprise activity in Ireland (one third) whereas in Denmark a survey showed that forty one per cent of enterprises deliver health and social care and forty per cent of Italian social enterprises operate in social care and civic protection. A related, and overlapping, set of activities are those which are sometimes termed **community or proximity services**. These often include forms of social care, but also the broader concepts of community development and regeneration.

There are further common extensions of economic activity that meet collective needs in additional areas: **land-based industries and the environment** (for example, agriculture, horticulture, food processing, through to environmental services and environmental protection) in countries like the Czech Republic, Malta, and Romania; serving **community interest** needs in countries like the UK, Germany and the Netherlands (for example, housing, transportation, and energy) and **cultural, sport and recreational activities** (for example, arts, crafts, music, and increasingly tourism) in Croatia, Estonia, Finland, Greece, Hungary, Malta and Sweden.

Finally, there are a few European countries where **social enterprise reflects much more closely the full extent of activities possible within any economy** (for example, in Belgium, Germany, the Netherlands and the UK). Within these countries, social innovation is driving new forms of provision and this even goes as far as new activities such as business services, creative and digital/internet-based services and the provision of sustainable consumer products and services.

Overall, as European social enterprise has developed, the main activity fields of work integration and welfare service provision are being expanded to sectors of general-interest other than welfare, such as the provision of educational, cultural, environmental and public utility services. Nevertheless, as identified by the EU SELUSI project⁴, there exist important and substantial cross-country differences in the nature of activities undertaken by social enterprises.

Social enterprises exploit a range of sources and in most countries, but the majority of their revenue comes from the public sector

While for-profit enterprises usually base their business models on revenues generated through trading activity, **social enterprises typically adopt a 'hybrid' business model i.e. they derive their revenues from a combination of:**

- **Market sources** e.g. the sale of goods and services to the public or private sector; and
- **Non-market sources** e.g. government subsidies and grants, private donations, non-monetary or in-kind contributions such as voluntary work etc.

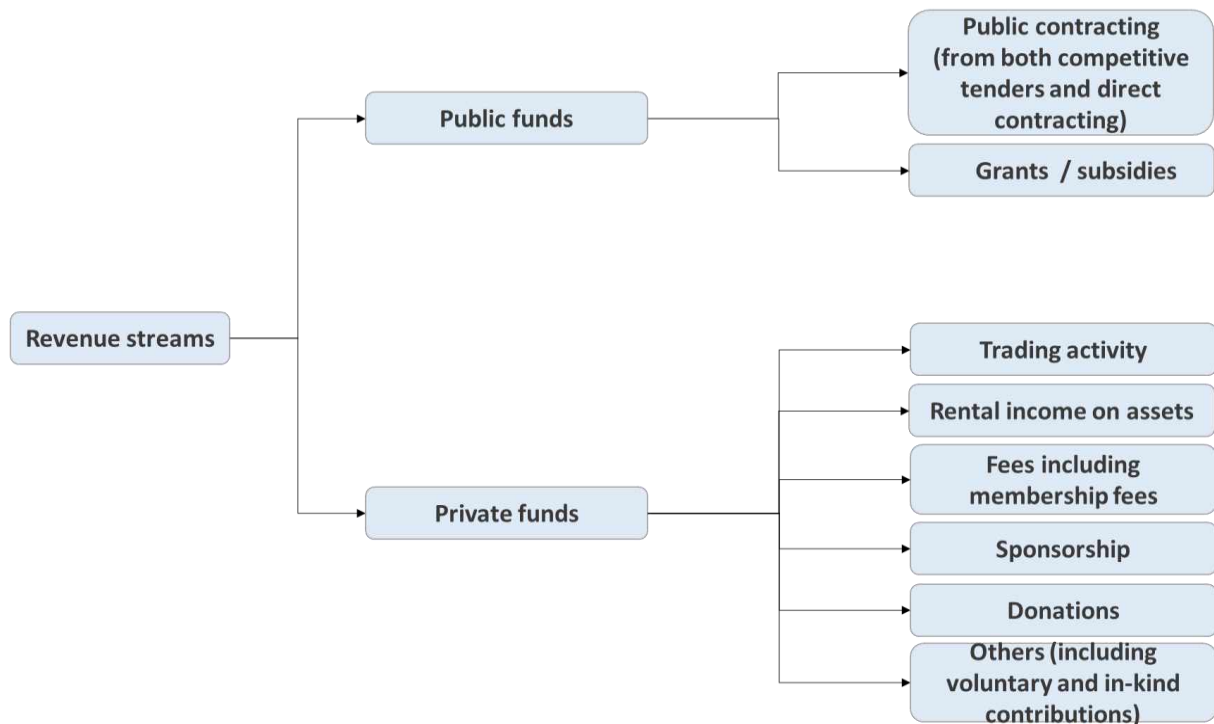
Social enterprises thus, rely on a mix of revenue streams. The main revenue streams can be described as follows (Figure ES1.3):

- **Revenue derived from public contracts:** Social enterprise contract with public authorities and agencies to receive fees for defined services (quasi-markets). The structure of these payments can be quite different, varying from direct payment by public authorities to social security systems, voucher systems, or indirect payment through third-party intermediaries;
- **Direct grants / subsidies:** provided to social enterprises by public authorities e.g. grants for specific project based activity, employment subsidies are often made available to WISE as 'compensation' for employing people with impaired work ability and for the resulting productivity shortfall;

⁴ <http://www.selusi.eu/index.php?page=business-platform>

- **Market based revenue derived from private sources:** through the sale of goods and services to other businesses and final consumers;
- **Membership fees, donations and sponsorship;** and
- **Other forms of revenue** include income from renting assets (such as property), penalty payments, prize money or income from endowed assets, and non-monetary forms such as in-kind donations (e.g. old IT equipment, food or building material). Volunteering time, especially, has remained an important source of in-kind revenue.

Figure ES1.3 **Revenue streams for social enterprises**



Adapted from Spiess-Knafl (2012) Finanzierung von Sozialunternehmen - Eine empirische und theoretische Analyse.

Where mapping data allows (and it is incomplete for many countries), it suggests that **income derived from market sources varies by country and by organisational form:**

- In countries like the Czech Republic, Finland, France, Italy and the UK, social enterprises derive a majority of their revenue from market sources and particularly from the sale of goods and services to public authorities. In several other countries for which data are available (e.g. Austria and Poland), the entrepreneurial dimension was found to be less strong with social enterprises deriving less than 50 percent of their revenue from market sources;
- There also appears to be a strong correlation between the organisational/ legal form adopted by a social enterprise and the level of revenue generated from market sources. Institutionally recognised forms of social enterprise and WISEs (note that the two categories are not mutually exclusive) typically are more market orientated than de-facto social enterprises that have originated from the more traditional non-profit sector (i.e. associations, foundations, voluntary and community organisations).

Country Reports show that public sector funding dominates the revenue streams of social enterprises, reflecting in large part their missions and activity focus such as work integration, and provision of social and welfare services. For example, an estimated 45 per cent of social enterprises in Italy have public bodies as their main clients. In the UK, 52 per cent of social enterprises derive some income

from the public sector and 23 per cent describe it as their main or only source of income.

A notable dynamic by which social enterprises are generating earned income is the increasing contracting out of services in healthcare, social care, education, criminal justice, leisure and a host of other areas by public authorities across Europe as a means of securing best value for money and offering greater choice and personalisation to the users of these services.

High reliance of social enterprises on the public sector has, however, raised concerns about the long term sustainability of their business models in the face of austerity measures being implemented across Europe, although evidence suggests the importance of the specificity of national context, activity and enterprise business model in shaping impacts. In Italy, for example, such cuts are currently challenging social cooperatives whereas, in the UK, such cuts have further encouraged social enterprises to successfully identify new market opportunities.

The main drivers of creation of social enterprise activity and the varied modes of creation of European social enterprise

Systematic evidence on the type and prevalence of modes of creation of European social enterprise is lacking. However, evidence from country reports suggests that public sector contracting and active labour market policies of the Government play an important role in stimulating the creation and development of social enterprise. Looking across Europe, a potential typology of modes of creation can be put forward – with the balance of modes in any one country strongly determined by the pre-existing political economy and shaped by the national framework conditions and ecosystem for social enterprise. Individual modes can be grouped based on their drivers: ‘citizen-led’; ‘marketisation of traditional non-profit organisations such as charities, associations, foundations, voluntary and community organisations’; and ‘public sector restructuring’.

■ **Citizen-led**

- *Citizen-driven mission organisation:* groups of citizens have set up organisations, often with few resources at their disposal, to address new needs and societal challenges and/or integrate disadvantaged people through work. This is by and large the predominant mode of creation of social enterprises.
- *Social start-up:* a social entrepreneur sees the opportunity to trade a new good or service to meet a social aim or need. Generally, these social enterprises are viewed as more individual-based and commercial in outlook from the start (but nevertheless with a social mission), and associated with a narrower ‘Anglo-Saxon’ understanding of social entrepreneurship.

■ **Traditional non-profit organisations such as charities, associations, foundations, voluntary and community organisations embark on marketisation and commercialisation**

- *An existing organisation transforms itself into a ‘social enterprise’:* an existing voluntary organisation, charity, association or foundation begins to generate traded income and reaches a traded income threshold as a proportion of all income whereby the organisation is understood by stakeholders to be, or becomes, a social enterprise.
- *An existing organisation sets up a trading arm which is the social enterprise:* in many instances legal, regulatory or risk appetite precludes an existing voluntary organisation, charity, association or foundation from undertaking economic activity or only doing so to a certain limit. To overcome this restriction a trading arm is created – and which reinvests a certain level of profits in to its parent organisation. This mode of creation is relatively popular in new member countries of central Europe.

■ Public Sector Restructuring

- *Public sector spin-out (opportunity entrepreneurship)*: management/staff recognise the greater potential for innovation and new investment sources through autonomy and independence, leading to a spin-out of the service. This process may actively be supported by the 'parent' institution or policy makers more broadly through specialist advisor programmes, investment and finance support and initial service procurement agreements;
- *Public sector spin-out (necessity entrepreneurship)*: drivers such as shifting views on the role of the state in provision, new forms of procurement and provider, social innovation and/or funding cuts lead to an enforced 'decommissioning' of an internal public service and an enforced (but possibly supported) 'spin out';

The country reports also point to the emergent growing expectation of, and activity by, businesses to contribute to the social and public good as part of the enterprise's business model. Initially understood as corporate social responsibility or responses to regulatory requirement, there is growing evidence of the continued expansion of this dynamic through other activity forms (such as social investment or impact investing), alongside developing arguments for new business models that connect 'corporate and societal value creation' within shareholder companies and the concept of "Profit-with-Purpose businesses". Corporate citizenship examples are currently rare, but put forward in this Study to acknowledge possible new dynamics in modes of creation of the European family of social enterprise. It is suggested that these dynamics are leading certain mainstream businesses towards social enterprise forms.

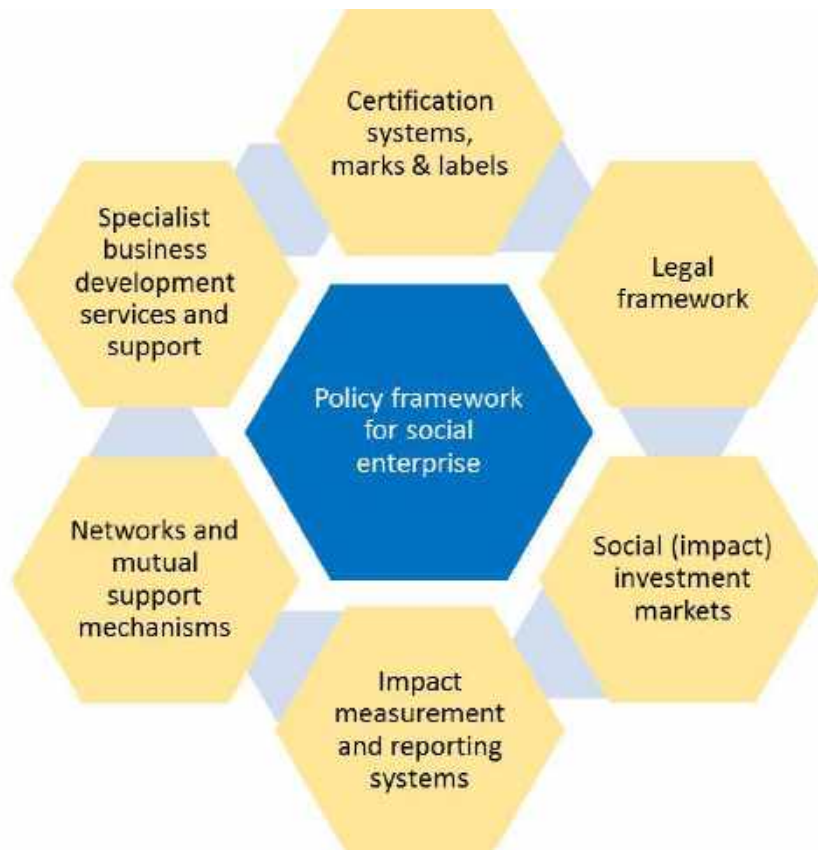
The evidence does not permit any strong ranking of importance of the modes of creation of European social enterprise listed above. In terms of existing scale, associations and foundations far outweigh social enterprise numbers but estimation of the extent to which traditional voluntary organisations, charities, associations and foundations in Europe are undertaking marketisation to the point of their attainment of social enterprise status is virtually impossible without substantial and highly detailed research. The potential comprehensive identification of public sector 'spin outs' is easier given that such modes of creation are far fewer in number and relevant in only a very few countries (for example, evident in the UK and Slovakia).

Eco-systems of support for social enterprise

The features of an 'eco-system for social enterprise' - necessary to overcome barriers to growth – tend to still be in their infancy in most countries but can be seen to be slowly emerging, although formal enabling/supportive policy frameworks remain scarce

The conceptualisation of a social enterprise eco-system is based on commonly recognised features able to contribute to providing an enabling environment for social enterprise including the potential to address key constraints and obstacles (Figure ES1.4).

Figure ES1.4 **Select features of an eco-system for social enterprise**

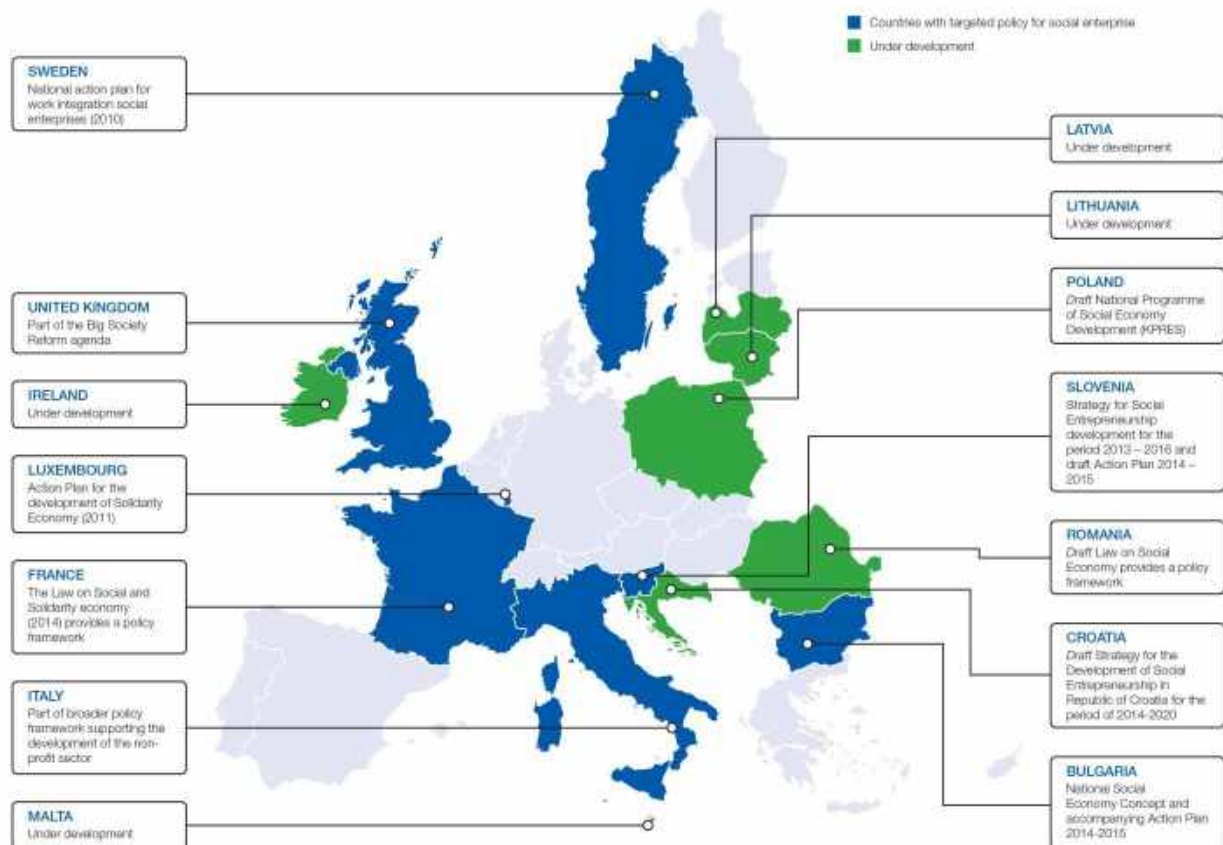


The following sub-sections summarise the presence and development of these features as mapped in the Country Reports. Not all features can be identified in any one country, and the mix and development of these features at national level differs substantially between the 29 countries studied.

National policy frameworks for social enterprise

Twenty two out of twenty nine European countries studied do not have a specific policy framework for supporting the development of social enterprise (although seven are in the process of developing one) - see Figure ES1.5. Where policies exist, they differ widely in scope, coverage and content. As a mapping project, it was not the remit of this Study to assess the effectiveness of national policies.

Figure ES1.5 Countries with policy frameworks targeting social enterprise



National legal frameworks for social enterprise

Sixteen European countries have some form of legislation that recognises and regulates social enterprise activity. There are three broad approaches to social enterprise legislation (0 on page 4):

- (i) **Adaptation of existing legal forms to take account of the specific features of social enterprises.** Five countries have created new legal forms for social enterprise by adapting or tailoring existing legal forms. Two main approaches can be observed across Europe:
 - In four countries (France, Greece, Italy and Poland) a separate, new legal form for social enterprise has been created by adapting the cooperative legal form. Additionally, five countries recognise social cooperatives (or the social purpose of cooperatives) in their existing legislation covering cooperatives. These are: Croatia, Czech Republic, Hungary, Portugal and Spain.
 - The UK has developed a legal form for use by social enterprises (Community Interest Company) that specifically adapts the company form.

- (ii) **Creation of a social enterprise legal status.** Seven countries have introduced transversal 'legal statuses' that cut across the boundaries of various legal forms and can be adopted by different types of organisations provided they meet pre-defined criteria. These countries are: Belgium, Denmark, Italy, Finland, Slovakia, Slovenia and Lithuania. Other countries planning to create social enterprise legal statuses include Latvia, Luxembourg, Malta and Poland. In addition, the Czech Government is considering introducing a legal status for social enterprise in 2015.

A legal status can be obtained by select or all existing legal forms provided they comply with pre-defined criteria. An example of the former is the "Social Purpose Company" status in Belgium which can be adopted by any type of enterprise (cooperative or share company) provided it "is not dedicated to the enrichment of its members". An example of the latter is the legal status of a social enterprise in Italy (as per Law No.155/2006). This legal status can be obtained by all eligible organisations which could in theory be traditional cooperatives, social cooperatives, investor-owned firms (i.e. share companies) or associations and foundations.

- (iii) **Recognition of specific types of non-profit organisations that allow for the conduct of economic activity** (e.g. non-profit institute in Slovenia; public benefit corporation in the Czech Republic⁵) – although not labelled as such, these organisations are de-facto social enterprises.

Business development services and support schemes specifically designed for social enterprises

A number of countries have initiated a broad variety of business development services and support schemes specifically designed for social enterprises and social economy entities more widely. These include Belgium, Croatia, Denmark, Germany, France, Italy, Luxembourg, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland and the UK. The scope and scale of such publicly funded schemes, however, varies significantly across countries. For example, in Sweden the public support initiatives are narrowly targeted at WISEs, while in countries like Belgium, France, Luxembourg, Portugal and Spain, the support is targeted at the much broader social/ solidarity economy.

There are also a number of European countries that have very limited or no publically funded schemes specially designed for and targeting social enterprises. This is particularly the case in newer Member States, particularly from Eastern Europe - Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Slovenia, Slovakia and Romania where ad hoc and fragmented initiatives have been funded through Structural Funds. However, there are also a few examples of older Member States where publicly funded schemes targeting social enterprises are very limited or non-existent, including Austria, Finland, Germany, Ireland, and the Netherlands. In a few countries (Finland, Netherlands), it has been a deliberate policy choice to not develop bespoke schemes for social enterprise.

European Structural Funds (ERDF and ESF) have also played a key role in many countries (particularly new Member States such as Bulgaria, Poland, Romania, Hungary, but also older Member States such as Italy and the UK) in raising the visibility and profile of social enterprise through awareness raising activities such as events, workshops, awards/ competitions and pulling together a fragmented community of actors - and also contributed to financing the creation of new social enterprises.

⁵ Public Benefit Corporation (PBC) – in Czech "obecně prospěšná společnost/o.p.s." (Act No. 248/1995 Sb., on Public Benefit Corporations – The Act as such is abolished, but it is de facto considered as frozen, so that no more PBC may be established according to it, but existing PBCs may either continue and remain regulated by it as under the Old Regulation norms, or change the legal form into the Institute (NR10) or a Foundation (NR8) or a Fund (NR9))

Across Europe, the following **typology of public support measures** has been identified:

- Awareness raising, knowledge sharing, mutual learning;
- Specialist business development services and support;
- Investment readiness support;
- Dedicated financial instruments (e.g. social investment funds);
- Physical infrastructure (e.g. shared working space); and
- Collaborations and access to markets.

Networks and mutual support mechanisms

Social enterprise networks and/or some form of mutual support structures exist in almost all countries. The experience of Italy, France and the UK shows that these can play an important role in supporting the development of the sector by offering support, guidance and advice, as well as acting as an advocate for the sector. For example, social cooperatives consortia 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 cooperatives in France, which utilise peer support to assist new entrepreneurs. Similarly, in the UK, several umbrella organisations for social enterprises have been established and have played an important role in both bringing recognition to the sector and in the development of a range of policy.

There are a limited, but growing number of social enterprise incubators, mentoring schemes, specialist infrastructure and investment readiness services across the EU (examples can be found in countries like Belgium, France, Germany, the Netherlands, Slovenia, Hungary, etc.).

Social impact investment markets

The importance of gaining access to finance relates to the particular mode of creation and business model. As business models move towards greater levels of earned (or traded) income, so evidence suggests that, like any other enterprise, social enterprises need external finance to start-up and scale their activities. Similarly, in common with any start-up, new or small business – unless holding property – social enterprises face problems of access to finance due to track record, lender transaction costs and so on. **However, given their specific characteristics (especially around governance), accessing finance from traditional sources can be particularly problematic for social enterprises.** Measures to improve access to finance have included:

Dedicated financial instruments – Given that social investment markets are currently under-developed in most European countries (and at best, nascent in the more ‘advanced’ countries like France and the UK), governments can play a key role in designing dedicated financial instruments (using public funds to provide loan or investment (equity) facilities). Interesting examples of publicly funded dedicated financial instruments can be found in Belgium, Denmark, France, Germany, Poland and the UK; and,

Social impact investment markets – Social investment (or impact investment as it is more commonly known outside Europe) is the provision of finance to organisations with the explicit expectation of a social – as well as a financial – return and measurement of the achievement of both. The potential balance between the two forms of return (what type and scale of financial return and what type and scale of social impact) implies the possibility of a substantial range of investors, investment products and investees.

Impact measurement and reporting systems

There are **very few countries that have nationally recognised systems or common methodologies for measuring and reporting social impact**. Moreover, where they exist they do not tend to be mandatory to use for social enterprises. The only exception is Italy where social reporting is mandatory for social enterprises ex lege. Table ES1.1 below provides an overview of the systems and methodologies that are in place and/ or that are being developed through pilot schemes.

Table ES1.1 Overview of social impact reporting schemes

Country	Social impact reporting system	Voluntary/ Mandatory
Austria	Common Good Balance Sheet	Voluntary
Belgium	A social purpose company has to produce an annual report (non-standardised) on how it acted on the established social goals of the organisation	Mandatory
Estonia	Social entrepreneurship sector pilot statistical report (EU funded) and impact assessment handbook	Voluntary
Germany	Social Reporting Standard	Voluntary
Italy	Bilancio Sociale (social report)	Mandatory for social enterprises ex lege
Poland	Pilot projects aimed at designing impact measurement and reporting tools	Voluntary
United Kingdom	A number of actors have published guidance and toolkits. There are current attempts to further develop and agree common frameworks	Voluntary

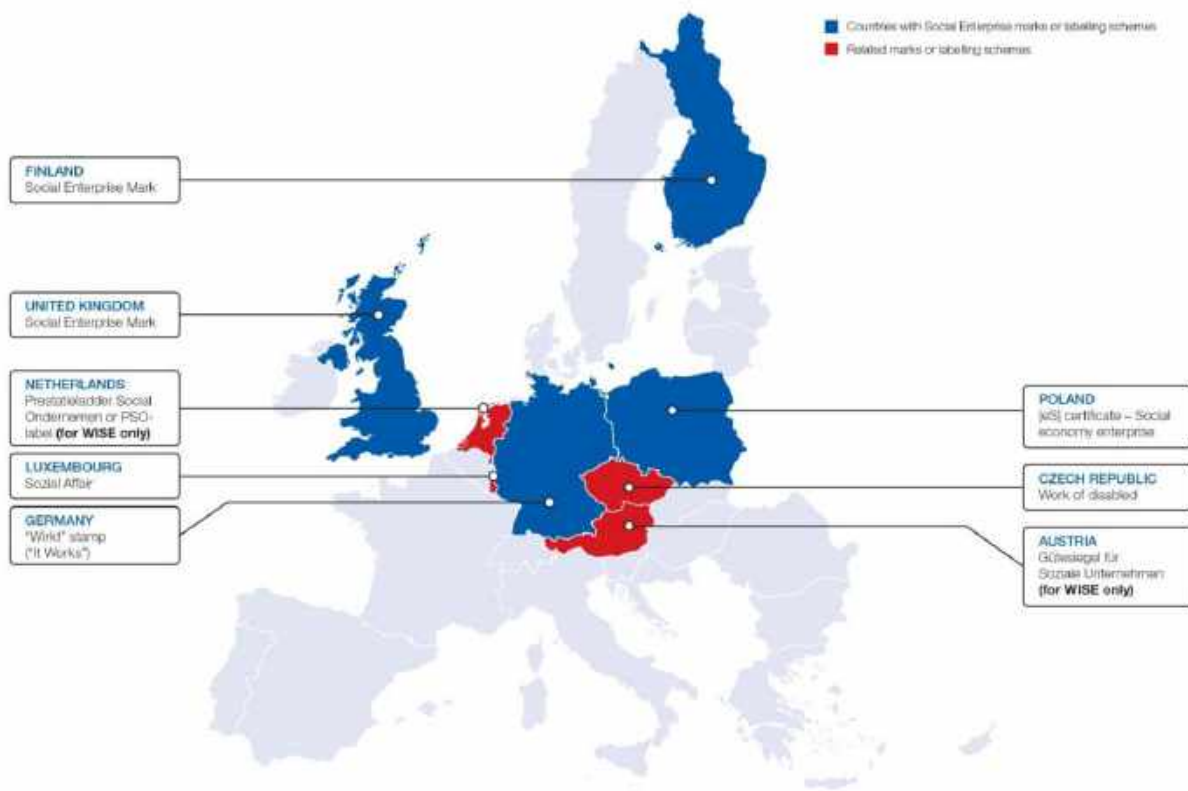
At an EU level, the GECES has also set-up a working group to develop a methodology to measure the socio-economic benefits created by social enterprises⁶.

⁶ http://ec.europa.eu/internal_market/social_business/expert-group/social_impact/index_en.htm

Marks, labels and certification schemes

Marks, labels and certification systems for social enterprises are not particularly widespread across Europe, but have been implemented in four European countries (Figure ES1.1). However, only a very small number of social enterprises are currently using these marks and labels.

Figure ES1.6 **Countries with marks, labels or certification schemes for social enterprises**



Barriers and constraints to the development of social enterprise

Notwithstanding the above developments, social enterprises across Europe continue to face a number of barriers. Although barriers are context driven and country-specific, they typically relate to:

- **Poor understanding of the concept of social enterprise:** Poor understanding of the concept of a 'social enterprise' was cited as a key barrier by the majority of stakeholders across Europe. Recognition of the term 'social enterprise' by policy makers, public servants, the general public, investors, partners and prospective customers was seen as low. There are also issues around perception. For example, in some countries the public associates the term 'social enterprise' with the activities of charities or work integration of disadvantaged and disabled people, and not entrepreneurship. Certain negative stereotypes also affect the broader perceptions of social enterprises. Misunderstandings and lack of awareness negatively affects social enterprises growth and financing prospects and is also a pivotal factor in preventing development of relations with customers.

- **Lack of specialist business development services** and support such as incubators, mentoring and training schemes, investment readiness support etc. Most social enterprise support needs are similar to those of mainstream businesses, but at the same time social enterprises have specific features (their dual missions, business models, target groups, sectors of activity etc.) that create complex needs which require diversified and, at times, tailored solutions. In most countries, specialist support for social enterprises is largely absent and, where it exists, it is limited and fragmented.
- **Lack of supportive legislative frameworks:** The lack of legal recognition of social enterprise in many countries makes it difficult for authorities to design and target specialist support or fiscal incentives for social enterprises;
- **Access to markets:** Inadequate use of social clauses, current public procurement practices (large contract sizes, disproportionate pre-qualification requirements, etc.), payment delays all reportedly make it difficult for social enterprises to effectively compete in public procurement markets;
- **Access to finance:** Conventional investors and lenders do not typically understand the dual purpose and hybrid business models of social enterprises. However, specialist investors, financial intermediaries and instruments are currently non-existent or under-developed in most European countries. Consequently, social enterprises find it difficult to access finance from external sources;
- **Absence of common mechanisms for measuring and demonstrating impact:** Currently measuring or reporting of social impact by social enterprise in most countries is very limited (except where mandatory). Consequently, information is lacking on the societal impact of these organisations and awareness of 'the difference that social enterprise makes'. Impacts need to be demonstrated for the benefit of funders and investors and to comply with public procurement rules. Development of common social impact measurement systems could result in more transparency, accountability, better recognition of the impact of social enterprises and hence more interest, from private investors and wider public.

The general economic environment is currently viewed mainly as a constraint on the continued development of social enterprise (via cuts in public spending which remains the dominant source of income of social enterprises) with potential opportunities yet to be fully exploited (new areas of activity and diversification of markets and income sources).

The survival and growth of social enterprise is also constrained by internal factors such as lack of viable business models (particularly, in the case of social enterprises with a traditional non-profit provenance), high reliance on the public sector as a source of income, lack of commercial acumen/ entrepreneurial spirit and managerial and professional skills/ competencies necessary for scaling-up activity.

Concluding remarks

Today, social enterprise in Europe is a dynamic, diverse and entrepreneurial movement encapsulating the drive for new business models that combine economic activity with social mission, and the promotion of inclusive growth. This Mapping Study, and its 29 Country Reports, has mapped this dynamism, identifying the 'national families of social enterprise', their defining features and the policy and business environments within which such social enterprise development is taking place.

The Mapping Study finds that whilst there is both a growing interest and convergence in views across Europe on the defining characteristics of a social enterprise, understanding and approaches to social enterprise when articulated in national legal, institutional and policy systems differs substantially across (and sometimes even within) countries. These differences, together with the lack of systematic national level

evidence on the type and scale of activity and of related policy frameworks, makes it extremely difficult to identify common patterns of development across Europe.

There is general consensus from stakeholders and available evidence that the concept of social enterprise will gain in strength in Europe and that current activity will expand, including the continued likelihood of the emergence of ever more new forms of social enterprise. To both learn from and track such developments, monitoring systems tailored to the particularities of national approaches and understanding of social enterprise are required across Europe as the basis of future national and European research and policy development – including identification of the range of features and relationships that could comprise an effective and efficient ecosystem for social enterprise development.

Document Control

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Date	December 2014

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Abstract

Despite a growing interest in social enterprise and increasing levels of activity, there is limited understanding about the current state, size, and scope of social enterprises in Europe. To fill this gap, the European Commission launched the present study in April 2013 as a follow-up to its 2011 Communication on the Social Business Initiative (SBI). This first-of- its-kind study maps social enterprise activity and eco-systems in 29 countries using a common definition and approach. Specifically, the Study maps (i) the scale and characteristics of social enterprise activity in each country; (ii) the national policy and legal framework for social enterprise; (iii) support measures targeting social enterprise; (iv) labelling and certification schemes where these exist; and (v) social (impact) investment markets. The Study also provides insights on the factors constraining the development of social enterprise and potential actions that could be undertaken at an EU level to complement and support national initiatives. It is based on: (i) in depth review of national policy documents, academic and grey literature on social enterprise; and (ii) semi-structured interviews with a range of stakeholders such as social enterprises, policy makers, social enterprise networks, support providers, investors and intermediaries.

1 Introduction

Social enterprise has been identified as a key feature of the European social market economy. In response to the crisis and austerity, social enterprise demonstrates the ability to foster inclusive growth, address societal needs and build social cohesion. Given the potential for social enterprise to bring forward new approaches to the big societal challenges confronting Europe (an ageing population, growing inequality, climate change, youth unemployment), it is a subject of growing policy and research interest.

Alongside the crisis and austerity measures, there exist a spectrum of drivers for social enterprise, including, for example: the emergence and expansion of new market-based business models seeking ways to contribute to economic *and* societal value; the rise of social innovators and entrepreneurs looking to improve quality of life, satisfy new needs and 'make a difference' (often in the face of disenchantment with existing systems of provision), or public sector restructuring.

In recognition of this potential of social enterprise, the European Commission launched the Social Business Initiative (SBI)⁷ in 2011. The overall aim of the SBI is to create an 'eco-system' that is conducive to the start-up, development and growth of social enterprises. The SBI sets out the EU's specific policy objectives towards social enterprise and provides a short-term action plan designed to achieve these objectives (see Table 1.1).

As a follow-up to the SBI (Action 5) the European Commission contracted ICF and Bates Wells Braithwaite (BWB) in April 2013 to undertake a study to map the broad contours of social enterprise activity and supporting eco-systems in 29 European countries (EU 28 and Switzerland) using a common 'operational definition' and research methodology.

⁷COM(2011) 682 final - Social Business Initiative: Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation.

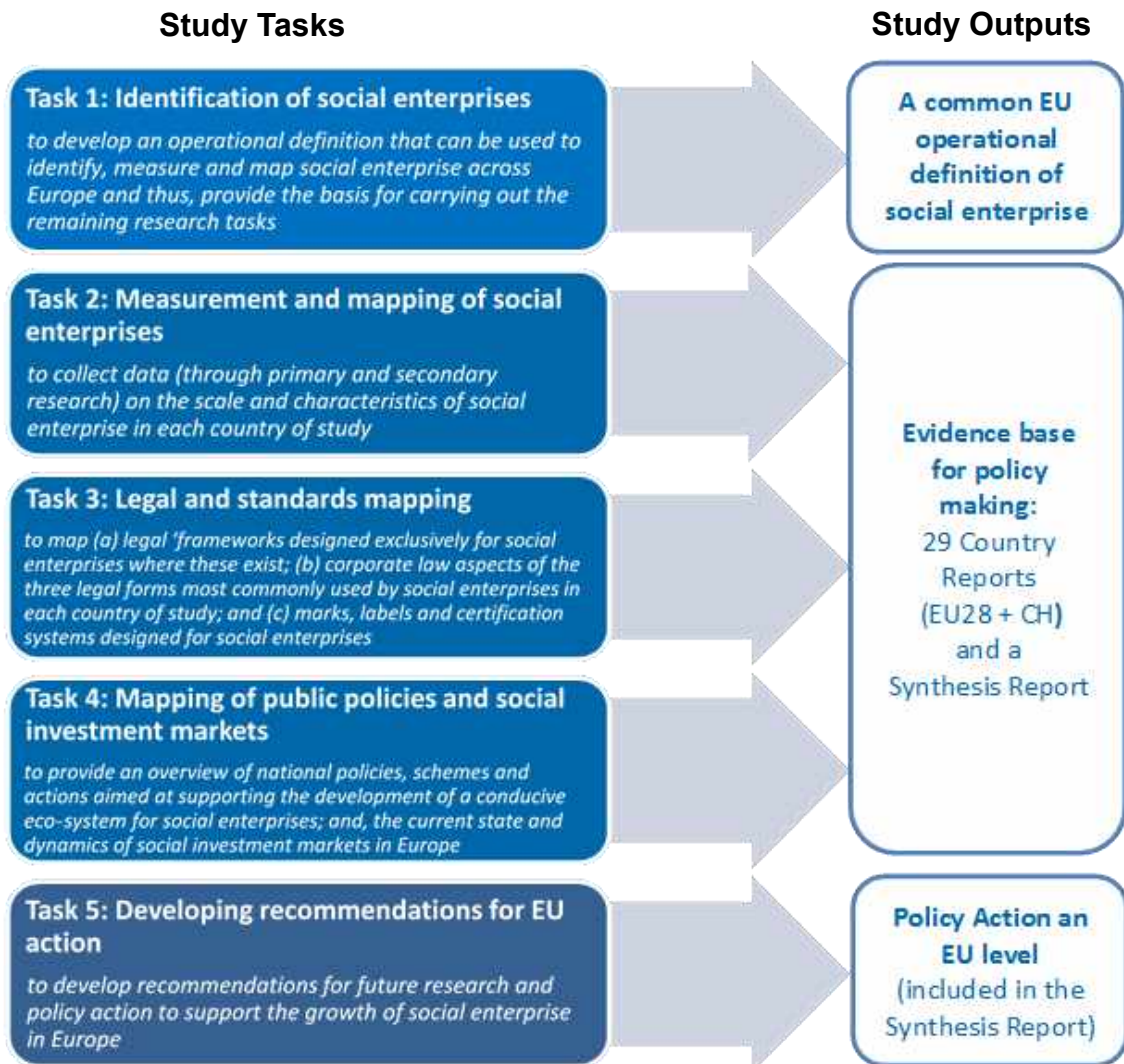
Table 1.1 Overview of the SBI Action Plan

Policy Objective	Key Actions
To improve the access to funding for social businesses	<ol style="list-style-type: none"> 1. Developing a European regulatory framework for social investment funds (December 2011). 2. Favours the development of microcredit in Europe, in particular its legal and institutional environment (from 2014). 3. Setting up a European financial instrument of €90 million to improve social businesses' access to funding (operational from 2014). 4. Introducing an investment priority for social enterprises in the regulations ERDF (European Regional Development Fund) and ESF (European Social Fund), as proposed in the regulatory package on the Structural Funds 2014-2020.
To improve the visibility of social businesses	<ol style="list-style-type: none"> 5. Developing a comprehensive map of social enterprises in Europe in order to identify good practices and models which can be reproduced (from 2012). 6. Creating a public database of labels and certifications applicable to social businesses in Europe in order to improve visibility and comparison between them (from 2012). 7. Promoting mutual learning and capacity building of national and regional administrations for putting in place integrated strategies to support social enterprises, especially via the Structural Funds, by means of analysis, sharing of good practice, awareness raising, networking and dissemination (from 2012). 8. Creating a single, multilingual electronic data and exchange platform for social entrepreneurs, incubators and clusters, social investors in order to better advertise and improve access to EU programmes which can support social entrepreneurs (from 2012).
To improve the legal environment of social businesses	<ol style="list-style-type: none"> 9. Proposing to simplify the regulation on the Statute for a European Co-operative Society; as well as a European Foundation Statute. A study on the situation of mutual societies is also envisaged (in 2012). 10. Further enhancing the element of quality in awarding contracts in the context of public procurement reform especially in the case of social and health services. Another key element in here would be to ensure that the working conditions for people involved in the production of goods and services can be taken into account, provided that the Treaty principles of non-discrimination, equal treatment and transparency are fully complied with (from 2012). 11. Simplifying the implementation of rules concerning state aid to social and local services that would directly benefit a number of social businesses (from 2012)

1.1 The study brief

In line with the Terms of Reference, the Study comprised five main tasks as follows:

Figure 1.2 Key study tasks and outputs



The Study is based on extensive desk research covering existing academic, policy and grey material; expert inputs provided by legal professionals; and over 350 interviews with a range of stakeholders in 29 countries, notably:

- Social enterprise networks, representatives and associations;
- Social enterprises;
- Policy makers;
- Provider of professional advisory services and support;
- Social Investment Finance Intermediaries (SIFIs);
- Academics and other experts.

Annex 1 describes the method of approach in further detail.

The Study outputs comprise a Synthesis Report (the present document) and 29 Country Reports. The Synthesis Report brings together the findings of the individual

Country Reports to provide a high level European 'map' or snapshot of social enterprise activity and eco-system elements. The main Synthesis Report should ideally be read in conjunction with the Country Reports which provide a more detailed account of the specific characteristics of social enterprises and their eco-systems in each country of study.

1.2 Study ambition, caveats and limitations

Using a common definition and approach, this Study has mapped social enterprise activity and eco-systems in 29 countries across Europe. It brings together and, in many national instances, brings from under the radar, the array of often embryonic material that is slowly emerging, as the concept of social enterprise builds organically and diffuses across Europe. Around 350 interviews with social enterprises and stakeholders were carried out to develop a picture of this emerging yet dynamic landscape.

The Study is therefore, the first ever pan-European inventory and comparison of social enterprises, mapping their specific features, dynamics and eco-systems under a common conceptual and analytical framework.

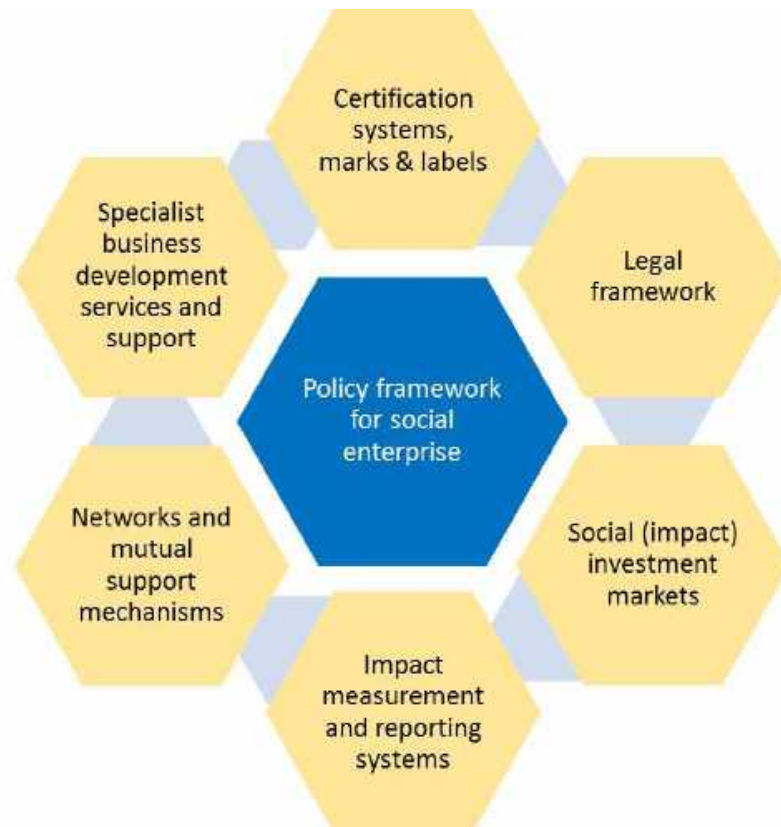
In particular, this Study provides the first ever systematic mapping of the legal forms and statuses of social enterprise across the EU and Switzerland. Managed by the legal firm BWB, the study process has accelerated BWB's nascent project to bring together a network of European lawyers who have expertise and specialism in this field of law – and in many circumstances where there are virtually none at Member State level.

The ambition and scale of the Study has set a foundational platform for future policy development and its undertaking has already generated substantial global interest amongst academic, governmental and policy organisations. This comprehensive European level study on social enterprise also provides the basis for learning and future methodological developments in this area.

Nevertheless, the substantial issue of resource constraints needs to be noted as it impacts upon the depth and breadth of the research undertaken. The Study covered 29 countries with a limited budget and within a rather tight timetable (18 months). This inevitably imposed certain limitations which need to be explicitly acknowledged:

- The Study provides a 'birds eye snapshot' of a fast-evolving field at a particular moment of time. Indeed, it demonstrates the substantial and diverse 'moments in time' of (the concept of) social enterprise across different European countries. Arguably, even in those countries where an official or widely accepted definition of social enterprise may be discerned (such as Denmark, Finland, Ireland, Italy, United Kingdom), the concept remains embryonic, open to related, overlapping, but often competing definitions, and subject to on-going evolution;
- This is a Mapping Study – bringing diverse and often fragmented material together through a common conceptual and analytical framework and lens to add value. As such, the mapping makes no judgement beyond assessing how the primary and secondary data collected contributes to, and helps populate, the analytical framework comprising principally of an agreed *operational definition* of social enterprise (see section 2) and an eco-system framework;
- The conceptualisation of social enterprise eco-system is framed by the European Commission's policy interests as set out in the Terms of Reference for the Study. It is not based on theory or empirical evidence on entrepreneurial eco-systems. The elements of a social enterprise eco-system that are of policy interest to the European Commission are as follows:

Figure 1.3 Conceptualisation of an eco-system for social enterprise



- By definition, this mapping exercise does not provide an assessment of the social enterprise eco-systems that exist in each country of study, but rather a description of the above elements of the eco-system. The Study does not provide a critical analysis of the relative importance of different elements nor the effectiveness of each element of the eco-system mapped; nor does it question the concept of 'eco-system' against which the mapping took place.
- It is in this sense of mapping as a guided and focused process of exploration, discovery and common description that Study rigour should be assessed – rather than, say, the notion of a 'scientific' study. For example, ideally to understand the nature and characteristics of social enterprises and how they interact with their business environment or ecosystem, one would need to undertake a statistically representative survey of social enterprises in each country, a task beyond the scope, resources and schedule of this study. In addition, a suitable and robust methodology for a European population representative sample would still have to be developed, tested and refined, and carefully checked against any bias. A starting point could be an adaptation of the GEM methodology (which is using representative samples of at least two thousand adults in each country) and/or the approach applied in the SELUSI Research project, and its sequel SEFORIS (which has adapted the respondent driven sampling method to identify 'hidden' organisations like social enterprises). Nonetheless, there will continue to be issues around 'what the population is', how to operationalise the key characteristics of a social enterprise, and how to treat 'borderline' cases.
- It is within this context that the Study puts forward statements on the scale and scope of social enterprise in Europe - seeking to build a numerical understanding through taking the evidence base that does exist and how this supports an EU understanding (operational definition) of social enterprise. Generally, the immaturity and variability of the evidence

base identified implies that substantial caution should be applied to those numbers quoted.

1.3 Other complementary research

A pioneering body of research has been produced in Europe on the topic of social enterprise. The first European research project on social enterprise titled "*The emergence of social enterprise in Europe*" (EMES) was carried out from 1996 to 1999 within the EU's Fourth Framework Programme (FP4) for research and technological development. This project contributed to the development of a coherent definition of this nascent term by identifying the three dimensions of a social enterprise (social, economic and governance dimension) and developing a set of nine indicators reflecting the characteristics of an "ideal-type" of social enterprise. Later on, a EU-funded research project on "*The Socio-Economic Performance of Social Enterprises in the Field of Integration by Work*" (PERSE, 2001-2004) completed the first comparative analysis of work integration social enterprises (WISE) across eleven European countries⁸. Since then, numerous other research projects have been carried out at a EU and national level to advance understanding of social enterprise in order to inform policy-making and practice.

Alongside this Study, the European Commission has funded several large-scale, cross-disciplinary research projects on social enterprise and related topics through the EU's Seventh Framework Programme for Research (FP7). The most notable examples include:

Box 1.1 Examples of large scale research projects on social enterprise and related concepts funded through FP7

Social Enterprise as Force for more Inclusive and Innovative Societies (SEFORIS)

EU contribution: 2.5 million Euros

Timetable: 1 January 2014 – 30 April 2017

Objectives: The "seforis" research project seeks to understand the potential of social enterprise in the EU and beyond to improve social inclusiveness of society through greater stakeholder engagement, promotion of civic capitalism and changes to social service provision through a) investigation of key processes within social enterprises for delivering inclusion and innovation, including organisation and governance, financing, innovation and behavioural change and b) investigation of formal and informal institutional context, including political, cultural and economic environments and institutions directly and indirectly support social enterprises.

Website: <http://www.seforis.eu/>

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

EU contribution: 2.5 million Euros

Timetable: 1 December 2013 – 30 November 2016

Objectives: To provide advices to stakeholders on how to foster Social Entrepreneurship and Social Innovation; to draft an Evolutionary Theory of Social Entrepreneurship to explain the different evolutionary paths of Social Entrepreneurship in Europe and how Social Entrepreneurship and institutions co-evolved during time; to identify the features of an enabling eco-system for Social Entrepreneurship; to identify the New Generation of Social Entrepreneurs, its features, needs and constraints as well as their contribution to Social Innovation.

Website: <http://www.fp7-efeseiis.eu/>

⁸ Some of the most relevant publications from those projects are *The emergence of social enterprise* (Borzaga, C. & J. Defourny, 2001) and *Social Enterprise. At the Crossroads of Market, Public Policies and Civil Society* (Nyssens, M., 2006). The most recent book on the topic is *Social Enterprise and the Third Sector. Changing European Landscapes in a Comparative Perspective* (Defourny, J., L. Hulgård & V. Pestoff, 2014).

More information and publications at www.emes.net

Social Entrepreneurs as Lead Users for Social Innovation (SELUSI)

EU contribution: 1.45 million Euros

Timetable: June 2008 – September 2011

Countries covered: five (Hungary; Romania; UK; Spain; Sweden)

Objectives: To advance understanding of the market- and organization-level behaviours of social enterprises across Europe using empirical, theoretical and experimental methodologies

Website: <http://www.selusi.eu/>

The Theoretical, Empirical and Policy Foundations for Social Innovation in Europe (TEPSIE)

Objectives: To build the theoretical, empirical and policy foundations for developing the field of social innovation in Europe. The project explores the barriers to innovation, as well as the structures and resources that are required to support social innovation at the European level. The aim is to identify what works in terms of measuring and scaling innovation, engaging citizens and using online networks to maximum effect in order to assist policy makers, researchers and practitioners working in the field of social innovation.

EU contribution: **2.5 million Euros**

Timetable: January 2012 – January 2013

Website: <http://www.tepsie.eu/>

1.4 Structure of this Report

The remainder of this Report provides a synthesis of the information collected through this Study and is structured as follows:

- Section 2 sets out the EU operational definition of social enterprise;
- Section 3 summarises the scale of EU-defined social enterprise activity taking place across Europe;
- Section 4 describes the main characteristics exhibited by social enterprises in Europe
- Section 5 provides an overview of social enterprise eco-systems;
- Section 6 discusses external and internal factors inhibiting/ fostering the development of social enterprise activity across Europe;
- Section 7 reflects upon the policy implications of the findings of this research.

Annexes provide the following supporting information:

- Annex 1: Research method;
- Annex 2: Mapping of national definitions against the EU operational definition;
- Annex 3: Glossary of key terms;
- Annex 4: Legal forms used by social enterprises in each country of study; and
- Annex 5: Mapping of social (impact) investment markets

The main report is supported by 29 separate Country Reports.

2 Definitions and concepts of social enterprise in Europe

This section sets out the common operational definition that was developed to identify, map and measure social enterprise activity in Europe (section 2.1). It also highlights the main areas of commonalities and differences between the EU operational definition and national definitions and concepts of social enterprise where these exist (section 2.2).

2.1 An EU Operational Definition of Social Enterprise

A first step for the Study was to develop an operational definition that could be used to (a) distinguish social enterprises from mainstream enterprises, and traditional non-profit organisations/ social economy entities; and (b) size up and map – in a consistent and coherent manner – social enterprise activity across 29 countries with different contexts, traditions and social enterprise development pathways. Instead of developing a new definition, the Study sought to ‘operationalise’ the existing notion of social enterprise as articulated in the European Commission’s SBI communication (Box 2.1).

Box 2.1 The SBI definition of social enterprise

“A social enterprise is 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, involve employees, consumers and stakeholders affected by its commercial activities.

The Commission uses the term ‘social enterprise’ to cover the following types of ‘businesses’:

- *Those for which the **social or societal objective of the common good** is the reason for the **commercial activity**, often in the form of a high level of social innovation,*
- *Those where **profits are mainly reinvested** with a view to achieving this social objective,*
- *The method of organisation or ownership system reflects their mission using **democratic or participatory principles or focusing on social justice.**”*

The above definition incorporates the three key dimensions of a social enterprise as identified in academic and policy literature⁹:

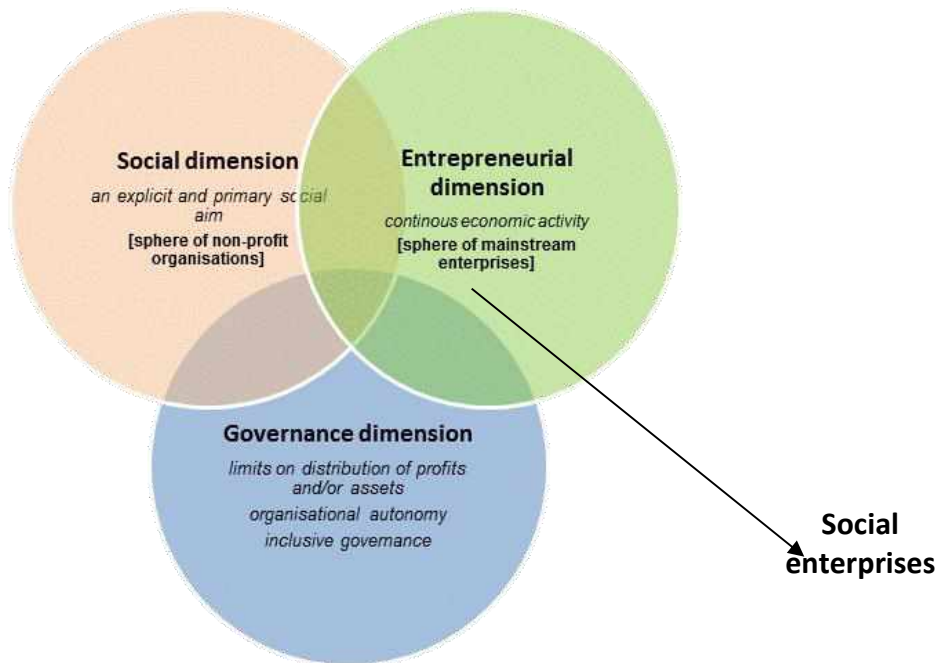
- An *entrepreneurial dimension*, i.e. engagement in continuous economic activity, which distinguishes social enterprises from traditional non-profit organisations/ social economy entities (pursuing a social aim and generating some form of self-financing, but not necessarily engaged in regular trading activity);
- A *social dimension*, i.e. a primary and explicit social purpose, which distinguishes social enterprises from mainstream (for-profit) enterprises;
- A *governance dimension*, i.e. the existence of mechanisms to ‘lock in’ the social goals of the organisation. The defining features of the governance structure of a social enterprise are organisational autonomy; democratic and/or participative decision making; and limits on distribution of profits and/or assets. The governance dimension, thus, distinguishes social

⁹ Already in 2001, the participatory governance in social enterprises was identified as a unique defining trait of this type of organisation (see Borzaga and Defourny, 2001). In a 2010 article, Defourny and Nyssens explicitly recognises ‘governance’ as the third distinguishing dimension of social enterprises (see “Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences”, *Journal of Social Entrepreneurship*, 1: 1, 32 — 53).

enterprises even more sharply from mainstream enterprises and traditional non-profit organisations/ social economy entities.

A distinguishing and defining feature of a social enterprise is that it is multi-dimensional i.e. it displays all three dimensions simultaneously; whereas mainstream enterprises or non-profit organisations/ social economy entities typically display one or two of the above dimensions – see Figure 2.1.

Figure 2.1 The three dimensions of a social enterprise



Within each dimension, two sets of criteria / indicators were developed (Table 2.1):

- Core criteria – reflecting the minimum *a priori* conditions that an organisation must meet in order to be categorised as a social enterprise (as per the EU definition); and
- Mapping criteria – these criteria reflect relevant features of social enterprises which were developed to better understand the characteristics, communalities and differences of social enterprise populations within and between countries.

In line with the spirit of the SBI definition, the following core criteria were established:

- *The organisation must engage in economic activity:* this means that a social enterprise must engage in a continuous activity of production and/or exchange of goods and/or services;
- *It must pursue an explicit and primary social aim:* a social aim is one that benefits the society;
- *It must have limits on distribution of profits and/or assets:* the purpose of such limits is to prioritise the social aim over profit making;
- *It must be independent* i.e. organisational autonomy from the State and other traditional for-profit organisations. This means that a social enterprise must not be managed, directly or indirectly, by public authorities or by for-profit organisations; and have the right of 'voice and

exit' (the right to take up their own position as well as the right to terminate their activity)¹⁰.

- *It must have inclusive governance* i.e. characterised by participative and/or democratic decision-making processes.

¹⁰ Defourny, J. and Nyssens, M. (2010) "Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences", *Journal of Social Entrepreneurship*, 1: 1, 32 — 53.

Table 2.1

The EU Operational Definition of Social Enterprise (core criteria are indicated in bold for ease of reference)

Dimension	Criterion Type	Criterion	Indicators
Entrepreneurial dimension- social enterprises show the typical characteristics that are shared by all enterprises ¹¹	Core criterion	Engagement in economic activity	Whether the organisation is engaged in continuous economic activity
	Mapping criteria	1a. Income derived from market sources	Percentage of income derived from market sources: Fees including annual membership fees Trading activity Rental income on assets Public contracting (from both competitive tenders and direct contracting) Other
		1b. Paid workers	Number of paid workers employed by the organisation / share of paid workers in total workforce
Social dimension - social enterprises pursue an explicit social aim; primacy of social aim over commercial objectives	Core criterion	Aim	Whether the organisation exists to deliver public/ societal benefit
	Mapping criteria	2a. Activity	Description of the activities of the organisation
		2b. Target Groups	The target groups served by the organisation
Governance dimension - social enterprises have specific governance structures to safeguard their social missions	Core criteria	Limits on distribution of profits and/or assets	Whether the organisation has in place defined procedures and rules governing the distribution of profits to shareholders and owners
		3a. Limits on distribution of profits	Whether profits can/ cannot be distributed. If they can be distributed, are they subject to a cap? Whether the cap has been voluntarily introduced or it is imposed by law?
		3b. Asset lock	Whether there is an asset lock to ensure that assets remain dedicated to social purposes even when the organisation ceases to exist
		Autonomy	Whether the organisation is or is not autonomous (it is controlled or not by public authorities or other for-profit/non-profits) The degree of such autonomy (total/ partial)
		Inclusive governance	Whether social enterprises are required by law or voluntarily adopt (in practice) decision-making processes that are

¹¹ According to COM Regulation 800/2008 and the court ruling Case C-205/03 P FENIN vs Commission, an enterprise or 'undertaking' is any entity engaged in an economic activity, regardless of its legal status and the way in which it is financed. In that connection, it is the activity consisting of offering goods and services on a given market that is the characteristic feature of an economic activity so that there is no need to dissociate the activity, of purchasing goods from the subsequent use to which they are put in order to determine the nature of that purchasing activity.

Dimension	Criterion Type	Criterion	Indicators
			(a) participative - allow for a well-balanced representation of the various interests at play e.g. paid workers, volunteers, customers, users, beneficiaries, donors/ investors etc. (whether through formal or informal channels); and/or (b) democratic ("one member, one vote")
	Mapping criterion	Transparency and accountability	Whether the organisation has in place a system for measuring and reporting its social impact to stakeholders

2.2 National definitions and concepts of social enterprise

In recent years, many European countries have legally or formally recognised the concept of social enterprise:

- An official¹² or an unofficial but widely accepted definition (or criteria describing social enterprise) can now be found in 20 out of the 29 countries of study.
- In six countries the concept of “social economy” or “social and solidarity economy” is more prevalent. In these countries one can however, find an official definition of a “social economy entity” that has many similarities with the SBI definition of social enterprise.

There is a growing consensus within and across countries as regards the broad characteristics that define a social enterprise i.e. an autonomous organisation that combines a social purpose with entrepreneurial activity. However, despite the trend towards convergence, it is important to acknowledge that national definitions and concepts differ in detail. The main areas of divergence are as follows:

- Very few definitions operationalise the entrepreneurial dimension of social enterprise by laying out thresholds for revenue generation from market sources. The few examples that can be found are as follows:
 - The Czech definition¹³ specifies that at least 10 per cent of the revenues of a social enterprise should come from market sources;
 - As per the UK definition¹⁴, a social enterprise must generate at least 25 per cent of its income from trade;
 - The Italian Law on Social Enterprises (Law no. 155/2006) stipulates that a social enterprise ex lege must generate at least 70 per cent of its income from entrepreneurial activities i.e. production and exchange of goods and services having social utility;
 - As per the draft definition being considered in Croatia, at least 25 per cent of a social enterprise’s income should be generated from entrepreneurial activities, three years after its establishment.
- The interpretation of what constitutes a social aim varies from a narrow focus on work integration (e.g. the notion of social enterprise as articulated in national laws and policy documents in Finland, Lithuania, Poland, Slovakia and Sweden) to broader societal and environmental goals including such areas as renewable energy and fair trade (e.g. UK, Greece);
- While most definitions explicitly establish the primacy of social aims over commercial objectives, there are some exceptions (e.g. Czech Republic, Latvia, Lithuania),
- Some national definitions imply a total non-profit distribution constraint (e.g. Italy¹⁵, Poland), while most other definitions refer to a partial non-profit distribution constraint (e.g. Finland, UK). Further still, some national definitions do not consider reinvestment of profits as an essential feature of social enterprises (e.g. the Lithuanian ‘Law on Social Enterprises’);

¹² National definitions refer to (i) official definitions (or criteria defining social enterprise) as articulated in policy documents or national legislation (that is transversal in nature and does not refer to a specific legal form) or (ii) an unofficial definition which is widely accepted by various social enterprise stakeholders

¹³ The definition developed by Thematic Network for the Development of Social Economy (2011)

¹⁴ Operational criteria applied in the UK Government’s biennial Small Business Surveys

¹⁵ As per the Law on social enterprises (155/2006)

- In most countries of Study the criterion relating to 'independence' is understood as "managerial autonomy" and/or "autonomy from the State". Only in Italy and Portugal do national definitions emphasise autonomy from the State and other traditional for-profit organisations;
- Inclusive governance is not necessarily seen as a core characteristic of social enterprises in some countries (e.g. Finland, Ireland, UK);
- Some national definitions additionally include the requirement of social impact reporting (e.g. Belgium, the Italian Law on social enterprises).

Table 2.2 overleaf highlights the main areas of differences between the national definitions and the SBI definition. A more detailed mapping of national definitions against the core criteria of the EU operational definition is provided in Annex 2. An understanding of the commonalities and differences between the EU and national definitions puts into context the challenge of measuring and mapping social enterprise activity in 29 countries.

Table 2.2 Mapping of national definitions against the core criteria of the EU operational definition

Country	Source of definition	Points of departure from the SBI definition
AT	No official definition	
BE	The definition of a 'social purpose company' (a transversal statute for enterprises with a social purpose)	The definition closely matches the SBI definition except that the Belgian law does not impose any specific governance obligations on social purpose companies. The governance model of a social purpose company, under the Belgian law, depends on its underlying legal form (cooperative or share company)
BG	The National Social Economy Concept (2012) introduces criteria that can be used to identify "social economy enterprise"/ "social enterprise"	The criteria developed by the Bulgarian Government to identify social enterprises do not explicitly establish the primacy of social purpose over other objectives. While autonomy and independence from public authorities is a requirement, the criterion does not go as far as stipulating organisational autonomy from for-profit enterprises
CY	No official definition	
HR	Draft Strategy for the Development of Social Entrepreneurship in Republic of Croatia for the period of 2014-2020 (<i>forthcoming</i>)	The draft strategy emphasises balance between the social, environmental and economic goals of a social enterprise. While the definition emphasises a high degree of business autonomy and independence from the State or a public authority, it does not explicitly refer to organisational autonomy from a for-profit enterprise
CZ	Non-official, but broadly accepted definition developed by the Thematic Network for the Development of Social Economy (TESSEA) (2011)	Primacy of social aim over economic goals is not explicitly required in the TESSEA definition. Moreover, the definition only refers to "independence (autonomy) from external founders"
DE	No official definition	
DK	Definition developed by Government appointed Committee on Social enterprises, but not yet official (2013)	The definition states that a social enterprise must be operated independently from public influence. It does not refer to organisational autonomy from for-profit enterprises.
EE	No official definition	
FI	Definition put forward by the working group set-up by the Ministry of Employment and the Economy (MEE) in 2010	There is no requirement for social enterprises to have inclusive governance models as per this definition. Organisational autonomy is implied, but not explicitly mentioned in the definition
FR	Law on Social and Solidarity economy (2014)- the law defines the scope of the social and solidarity economy for the first time	Organisational autonomy is implied, but not explicitly mentioned in the Law
GR	Law 4019/2011 on Social Economy and Social Entrepreneurship sets out the defining characteristics of social economy entities	As per the Law, social economy entities "enjoy autonomy in management of their activities" but does not explain this concept

Country	Source of definition	Points of departure from the SBI definition
HU	<p>which closely resembles the concept of social enterprise</p> <p>No official definition. The government uses the European Commission's definition to delimit eligible organisations under its grant programme for social enterprises</p>	further.
IE	Definition developed by Forfás, the advisory body to the Irish government on enterprise policy (2013)	According to the definition, social enterprises are "separate from government". The definition does not require organisational autonomy from for-profits or inclusive governance models
IT	Law on social enterprises (Legislative Decree no. 155/2006) Law on social cooperatives (Decree no. 381/1991)	The requirements of the Italian Laws closely match the SBI definition
LV	Criteria being considered in the draft <i>Law on Social Enterprises</i> which – if adopted – will introduce a social enterprise status	<p>Primacy of social aim over economic goals is not explicitly required under the current criteria.</p> <p>Managerial autonomy is not explicitly included in the list of criteria. However, as per the draft Law, social enterprises will be subject to Commercial Law which implicitly implies managerial autonomy</p>
LT	Law on Social Enterprises. 1 June 2004 No. IX-2251 (as last amended on 1 December 2011 – No. XI-1771, 2011-12-01, Žin., 2011, Nr. 155-7352 (2011-12-20)	<p>The Law does not require organisational autonomy from for-profits (it only mentions autonomy from State), but states that social enterprises should respect the main legal and operational requirements applicable to their underlying legal form</p> <p>There is no requirement for social enterprises to adopt inclusive governance models</p>
LU	No official definition	
MT	Working definition developed by the Ministry of Finance, Economy and Investment as part of the 'Social Enterprise Project'	Managerial autonomy is implied but not explicitly required in the working definition
NL	No official definition	
PO	Criteria being considered in draft Act on Social Enterprise (August 2013 version), which – if adopted – will introduce a social enterprise status	Organisational autonomy from for-profits is not required; there is a criterion relating to independence from the State
PT	Social Economy Law 68/XII. Article 5 of the Law sets out the guiding principles of Social Economy which partly coincide with the EU operational definition	There is no explicit requirement for social economy entities to engage in economic activity
RO	Article 3 of the proposed "Law on Social Economy" sets out the principles of "social economy" (<i>adopted by the senate in June 2014; to be debated in Chamber of Deputies in the autumn session 2014</i>)	<p>There are no clear profit distribution constraints, no asset lock provision</p> <p>The Law requires a social economy entity to be a "distinct legal entity, with managerial autonomy and independence from the public sector"; organisational autonomy from for-profits is not explicitly mentioned</p>

Country	Source of definition	Points of departure from the SBI definition
SK	Act nr. 5/2004 on employment services (2008 amendment)	There are no legal requirements relating to managerial autonomy and inclusive governance
SI	Act of Social entrepreneurship (2011)	According to the Act, social enterprises must be “managed independently”, but it does not specify what this means
ES	Law 5/2011 on social economy sets out the guiding principles of social economy entities which partly coincide with the EU operational definition Laws on social initiative cooperatives (Law 27/1999) and on the Regulation of Work Integration (social) enterprises (Law 44/2007)	The Law only requires social economy entities to be independent from the public authorities; no explicit criterion relating to autonomy from for-profits; no mention of the term “social enterprise”. The definitions in these laws meet the SBI criteria
SE	<i>No official definition of social enterprise. There is however, an official definition of WISE elaborated upon in the Government Action Plan for WISEs (2010)</i>	
UK	Operational criteria applied in the UK Government biennial Small Business Surveys (NB: this definition of social enterprise is broader than the concept of a Community Interest Company, which is a legal form exclusively designed for social enterprise in the UK)	No requirement for inclusive governance Organisational autonomy is implied; but not explicitly included in the operational criteria
CH	No official definition	

3 Presence and scale of social enterprise activity in Europe

As explained in section 2, national definitions and concepts of social enterprise overlap to varying degrees with the EU definition. This section seeks to determine the extent to which organisations fulfilling the operational definition exist within each country and where within the organisational spectrum these social enterprises may be found.

3.1 Mapping the spectrum of social enterprise in Europe

In order to identify 'EU defined social enterprises', the main characteristics of the variety of organisations currently believed to be social enterprises were mapped against the core criteria of the EU operational definition. Table 3.1 summarises the results of this exercise (the detailed mapping results can be found in the individual Country Reports). It shows:

- *Legally recognised social enterprises* – those having a distinct legal identity in the country concerned (either through a legal form exclusively designed for social enterprises or a social enterprise legal status); and
- *De-facto social enterprises* - beyond legally recognised social enterprises, entities which fully meet the criteria laid out by the EU definition (and are de-facto social enterprises) span across a wide variety of organisational and legal forms such as WISE, cooperatives, associations, mainstream enterprises etc.

As can be seen from Table 3.1, organisations fulfilling the EU operational definition can be found in all countries of study - as part of national 'families' of social enterprise. The legally or institutionally recognised forms of social enterprise where these exist do not capture the de-facto universe of social enterprise. De-facto social enterprises are often 'hidden' among other organisational and legal forms, most notably:

- Associations and foundations with commercial activities;
- Cooperatives serving general or collective interests;
- Mainstream enterprises pursuing an explicit and primary social aim.

Box 3.1 Are 'mutuals' social enterprises?

The mapping study focuses on organisational and legal forms (as well as legal statuses) which are used by social enterprises across Europe. A separate but related concept is the concept of a 'mutual'. The European Commission defines mutuals as "*voluntary groups of persons (natural or legal) whose purpose is primarily to meet the needs of their members rather than achieve a return on investment. These kinds of enterprise operate according to the principles of solidarity between members, and their participation in the governance of the business*"¹⁶.

The term mutual refers to an organisation which is based on the principle of mutuality. The principle of mutuality involves governance in the interests of members, as opposed to shareholders or other external stakeholders.

The term mutual is not therefore, a reference to a legal form, as such, but rather to organisations which are based on the mutuality principle. Most mutual-type organisations tend to be a special kind of an association, a cooperative or a company, although there are other examples of mutual legal forms in certain countries and in certain sectors, such as health, insurance and financial services. Overall, there is a large diversity of legal forms associated with mutualism in the different European countries¹⁷.

As mutuals are primarily oriented towards their members' interests, not all of these

¹⁶ European Commission (2003) Mutual Societies in an enlarged Europe, Consultation Document, 03 October 2003

¹⁷ Panteia (2012) Study on the current situation and prospects of mutuals in Europe

type or organisations can necessarily be regarded as social enterprises according to the SBI definition (as serving members' interests is not typically considered to be a 'social aim'). Indeed, there are mutuals across Europe that serve general or collective interests or can potentially be regarded as pursuing a social aim by virtue of the socio-demographic characteristics of their members. Such mutuals would potentially fulfil the core criteria of the EU operational definition and classify as de-facto social enterprises.

Where particular mutual types were identified as belonging to the national families of social enterprise - through desk research and by national stakeholders and experts - these have been explicitly mentioned in Table 3.1

Table 3.1 Mapping the national ‘families’ of social enterprises across Europe

Institutionalised forms of social enterprises		De-facto social enterprises
AT	<ul style="list-style-type: none"> WISE: socio-economic enterprises (SÖBs) and non-profit employment projects/companies (GBPs) Private limited liability companies with “public benefit” status (gGmbH) 	<p>De-facto social enterprises can be found among:</p> <ul style="list-style-type: none"> NPOs (mainly associations) with commercial activities Mainstream enterprises pursuing an explicit and primary social aim
BE	<p>A <u>vast majority</u> of Social purpose companies.</p> <p><i>NB: not all social purpose companies would necessarily meet the operational criterion relating to inclusive governance.</i></p> <p><i>At the end of 2013, there were 737 social purpose companies consisting of 555 cooperatives (75 per cent) and 182 conventional enterprises (spread across eight different legal forms, 100 being private limited liability enterprises). It is not a legal requirement for conventional enterprises with the statute of social purpose company to have inclusive governance models</i></p>	<p>De-facto social enterprises can be found among:</p> <ul style="list-style-type: none"> Associations with commercial activities Mainstream enterprises pursuing an explicit and primary social aim
BG	<ul style="list-style-type: none"> Cooperatives of People with Disabilities Specialized Enterprises for People with Disabilities 	<p>Enterprises set-up by Non-profit Legal Entities (NPLEs)</p> <p>De-facto social enterprises can also be found among:</p> <ul style="list-style-type: none"> Non-profit Legal Entities (associations and foundations) with public benefit status and commercial activities Workers Producers’ Cooperatives
CY	<p>NB: There are no institutionalised forms of social enterprise in Cyprus</p>	<p>De-facto social enterprises can also be found among:</p> <ul style="list-style-type: none"> Foundations and Associations with commercial activities Mainstream enterprises pursuing an explicit and primary social aim
HR	<p>Social cooperatives under Cooperatives Act (OG 34/11, 125/13)</p>	<p>Hybrid organisations: non-profit organisations with trading arms</p> <p>De-facto social enterprises can also be found among:</p> <ul style="list-style-type: none"> Associations and foundations with commercial activities Private institutions
CZ	<p>Social cooperatives under Commercial Corporations Act n° 90/2012 Coll</p>	<p>Organisations registered on the TESSEA database which include:</p> <ul style="list-style-type: none"> Associations with commercial activities A small share of workers' cooperatives pursuing general or collective interests Public benefit organisations (to be replaced by institutes) Mainstream enterprises pursuing an explicit and primary social aim

Institutionalised forms of social enterprises		De-facto social enterprises
DE	Corporations and cooperatives with a “public benefit” status (NB: not all corporations and cooperatives with a “public benefit” status would necessarily meet the criterion relating to “inclusive governance”) Associations and foundations with a “public benefit” status although note that not all of these organisations would necessarily engage in economic activity	<p>De-facto social enterprises can also be found among:</p> <ul style="list-style-type: none"> ▪ Classical' cooperatives that can be regarded as serving a social purpose e.g. cooperatives for affordable housing ▪ Certain types of 'operational' foundations (e.g. community or neighbourhood foundations) ▪ Associations with commercial activities ▪ Self-managed alternative enterprises with public benefit status ▪ Integration enterprises ▪ New style social enterprises ▪ Volunteer agencies <p>'Boundary' cases:</p> <ul style="list-style-type: none"> ▪ Welfare organisations (<i>usually not fully autonomous as affiliated to Church or other institutions and typically, do not have inclusive governance structures</i>) ▪ Socio-cultural centres (<i>not necessarily democratic and/or participative</i>) ▪ Neighbourhood and community enterprises (<i>membership based organisations; may include local public authorities as members</i>) ▪ Work integration enterprises (<i>it cannot be determined within the scope of this assignment the extent to which these organisations are autonomous; many owned and controlled by charities, and some are directly owned and controlled by local authorities or hybrids of public and private institutions</i>)
DK	NB: A legal status of social enterprise has recently been created	<p>Social enterprises as identified by the Committee on Social Enterprises:</p> <ul style="list-style-type: none"> ▪ Non-profit organisations with commercial activities ▪ Supported enterprise with social purpose (i.e. enterprises that are partly reliant on subsidies and volunteers) ▪ Enterprise with social purpose
EE	NB: There are no institutionalised forms of social enterprise in Estonia	<p>Hybrid organisations: non-profit organisations with trading arms</p> <ul style="list-style-type: none"> ▪ Additionally, de-facto social enterprises can also be found among: ▪ Non-profit organisation (associations and foundations) with commercial activities ▪ Mainstream enterprises pursuing an explicit and primary social aim (e.g. members of the Estonian Social Enterprise Network)

Institutionalised forms of social enterprises		De-facto social enterprises
FI	<p>A <u>sub-set</u> of</p> <ul style="list-style-type: none"> WISE (Law 1351/2003) Social Enterprise Mark holders <p><i>(NB: not all WISE/ certified social enterprises in Finland would necessarily meet the operational criterion relating to inclusive governance)</i></p>	<p>Hybrid organisations: non-profit organisations with trading arms</p> <p>De-facto social enterprises can also be found among:</p> <ul style="list-style-type: none"> Non-profit organisation (Associations and foundations) with commercial activities Mainstream enterprises pursuing an explicit and primary social aim Workers' cooperatives pursuing general or collective interests
FR	<ul style="list-style-type: none"> Société coopérative d'intérêt collectif (SCIC) Enterprise for the reintegration of economic activity (approximate to WISE) Régie de quartier 	<p>De-facto social enterprises can also be found among:</p> <ul style="list-style-type: none"> Public utility cooperatives Mutuals Non-profit organisations (Associations and foundations) with commercial activities Mainstream enterprises pursuing an explicit and primary social aim
GR	<ul style="list-style-type: none"> Social Cooperative Enterprise (Koin.S.Ep.) <i>(NB: not all Koin.S.Eps would necessarily meet the operational criterion relating to inclusive governance)</i> Limited Liability Social Cooperative (Koi.S.P.E.) Women's agro-tourist cooperatives 	<p>De-facto social enterprises can be found among:</p> <ul style="list-style-type: none"> Non-profit organisation (Associations and foundations) with commercial activities Mainstream enterprises pursuing an explicit and primary social aim
HU	Social cooperatives under Act n° X of 2006 on cooperatives	<p>De-facto social enterprises can be found among:</p> <ul style="list-style-type: none"> Traditional cooperatives pursuing general or collective interests Non-profit companies (to note that the recent new Civil Code has abolished this legal form) Non-profit organisations (Associations, foundations and institutions) with commercial activities
IE	NB: There are no institutionalised forms of social enterprise in Ireland	<p>Organisations that might self-identify as social enterprises include:</p> <ul style="list-style-type: none"> Company Limited by Guarantee, which is the most common legal form within Ireland, and which can be used by social enterprises Friendly societies, which include organisations that provide financial welfare to specific groups (e.g. the Irish Grocers Benevolent Fund) Credit Unions, which may provide finance to social enterprises and which on some counts may themselves be considered social enterprises Industrial and Provident Societies, the most usual legal form of cooperatives

Institutionalised forms of social enterprises		De-facto social enterprises
IT	<ul style="list-style-type: none"> ▪ Social cooperatives (Law 381/1991) ▪ Social enterprises ex lege 155/2006 	De-facto social enterprises can be found among: <ul style="list-style-type: none"> ▪ Non-profit organisations with commercial activities ▪ Cooperatives pursuing objectives of general interest ▪ Mainstream enterprises with social aims
LV	NB: There are no institutionalised forms of social enterprise in Latvia	De-facto social enterprises can be found among <ul style="list-style-type: none"> ▪ Non-profit organisations with a Public Benefit Organisation status and engaging in economic activity ▪ Mainstream enterprises with social aims
LT*	A <u>very small share</u> of: <ul style="list-style-type: none"> ▪ Social enterprise as per Law IX-2251 ▪ Social enterprise of the disabled as per Law IX-2251 <i>(NB: The law does not stipulate any limits on profit distribution or requirements relating to inclusive governance. Consequently, only a small share of legally recognised social enterprises in Lithuania would fulfil the governance criteria of the EU operational definition)</i>	De-facto social enterprises can be found among: <ul style="list-style-type: none"> ▪ Non-profit organisation (Associations and foundations) with commercial activities ▪ Mainstream enterprises pursuing an explicit and primary social aim
LU	NB: There are no institutionalised forms of social enterprise in Luxembourg	De-facto social enterprises can also be found among: <ul style="list-style-type: none"> ▪ Mutuels and cooperatives pursuing objectives of general interest ▪ Non-profit organisations (Associations and foundations) with commercial activities
MT	NB: There are no institutionalised forms of social enterprise in Malta	De-facto social enterprises can also be found among: <ul style="list-style-type: none"> ▪ Non-profit organisations (Associations and foundations) with commercial activities ▪ Cooperative societies pursuing general or collective interests
NL	NB: There are no institutionalised forms of social enterprise in the Netherlands	De-facto social enterprises can also be found among: <ul style="list-style-type: none"> ▪ Mainstream enterprises with social aims ▪ Non-profit organisations (Associations and foundations) with commercial activities ▪ Cooperatives pursuing objectives of general interest

Institutionalised forms of social enterprises		De-facto social enterprises
PO	Social cooperatives as per Act of 27 April 2006	De-facto social enterprises can be found among: <ul style="list-style-type: none"> Non-profit organisations (Associations and foundations) with commercial activities Cooperatives of blind and disabled Professional Activity Establishments (ZAZ) Non-profit companies
PT	Social solidarity cooperative under Cooperative Code (Law n° 51/96)	Private Institutions of Social Solidarity (IPSS)
RO	NB: There are no institutionalised forms of social enterprise in Romania	De-facto social enterprises can be found among: <ul style="list-style-type: none"> Non-profit organisations (Associations and foundations) with commercial activities Credit unions or mutual aid associations of pensioners Law protected units run by non-profit organisations
SK	Social enterprises as defined by Act n° 5/2004 on Employment Services	De-facto social enterprises can also be found among: <ul style="list-style-type: none"> Non-profit organisations (Associations and foundations) with commercial activities Cooperatives pursuing objectives of general interest Municipality companies/local public enterprises
SI	Social enterprises as defined by Act 20/2011	De-facto social enterprises can also be found among: <ul style="list-style-type: none"> Companies for the disabled Non-profit organisations with commercial activities
ES	<ul style="list-style-type: none"> Social initiative cooperatives under National law 27/1999 and regional laws Sheltered Employment Centres (Law 13/1982) WISE (Law 44/2007) 	De-facto social enterprises can be found among <ul style="list-style-type: none"> Worker-owned companies Non-profit organisations with commercial activities
SE	WISEs	De-facto social enterprises can also be found among: <ul style="list-style-type: none"> Mainstream enterprises with social aims Non-profit organisations (Associations and foundations) with commercial activities Cooperatives pursuing objectives of general

Institutionalised forms of social enterprises		De-facto social enterprises
UK	<ul style="list-style-type: none"> Community Interest Companies (CICs) A sub-set of Social Enterprise Mark holders(<i>NB: not all Social Enterprise Mark holders would necessarily meet the operational criterion relating to inclusive governance</i>) 	A sub-set of <ul style="list-style-type: none"> Organisations self-identifying as social enterprises on basis of UK government definition Members of Social Enterprise UK
CH	WISEs	De-facto social enterprises can also be found among: <ul style="list-style-type: none"> Mainstream enterprises with social aims Non-profit organisations (Associations and foundations) with commercial activities Cooperatives pursuing objectives of general

3.2 Estimated scale of social enterprise activity in Europe

Official statistics on social enterprises are scarce and limited in scope: data are usually available on the number of legally recognised social enterprises (where these exist), but they do not cover the de-facto range of social enterprises which in all countries comprises the majority of the social enterprise 'population'.

In some countries, efforts have been made to measure the scale of social enterprise, but these measurements have typically struggled with definitional and methodological issues; and are based on national 'constructs' of social enterprise and hence of limited relevance for a cross-country study.

This Study attempted to get a sense of the order of magnitude of social enterprise activity in each country. The following approach was adopted to achieve this:

- The national spectrum ('family') of social enterprise was identified in each country (Table 3.1 above);
- All data are taken from the Country Reports, most of which reflect the availability of data mid-2014. The Country Reports provide further details on definitions, measuring concepts and validity and reliability of data.
- Data were compiled (where available) on the number of registered entities for each of the typological labels or legal forms commonly associated with social enterprise e.g. non-profit organisations, companies, cooperatives, etc., thus including different definitions or forms of social enterprise fulfilling the EU operational definition.
- Where feasible, reasoned assumptions were made as regards the proportion of population of each typological label fulfilling the EU operational definition. Therefore, no aggregate estimates are provided for countries where such proportions could not be established.
- The degree of uncertainty in the estimates is reflected by the lower and upper bounds presented.

Table 3.2 summarises the estimates derived using the above approach, alongside existing national measures of social enterprise. Please refer to individual Country Reports for the detailed calculations.

In view of substantial uncertainty on data and assumptions, the figures presented in Table 3.2 should be treated as broadly indicative of the orders of magnitude of social enterprise activity in each country (rather than as precise estimates) and should not be added to derive an EU level aggregate. They are based on indicative (and often subjective) assessment of the share of social enterprises among particular groups of entities and other assumptions. The reference periods for which data are available sometimes differs across entities. Given these caveats, the results should be interpreted with considerable caution.

Table 3.2 Estimated scale of social enterprise activity across Europe

Country	Social enterprises fulfilling the EU operational definition		National estimates of social enterprise	
	Estimated scale	Caveats and limitations	Existing measures	Comments
AT	~750 (2013)	<ul style="list-style-type: none"> Estimates include private limited liability companies with "public benefit" status (gGmbH) and NPOs with commercial activities (estimated to be 4%). Estimates do not include mainstream enterprises pursuing an explicit and primary social aim 	273 (2013)	Identified a priori by Schneider & Maier (2013)
BE	:	:	737 to ~ 2,000 (2012/13)	Lower end: registered number of social purpose companies in 2013 Upper end: estimated WISE in 2012 Associations not included
BG	200 to 430	<p>Lower end of the scale based on:</p> <ul style="list-style-type: none"> Specialised enterprises and cooperatives for people with disabilities (125 in 2014) Enterprises set up by NPLEs (85 in 2012) Workers Producers' Cooperatives (251 in 2014, including 30 specialised cooperatives for people with disabilities) <p>Upper bound includes workers producers' cooperatives (excluding the 30 specialised cooperatives)</p>	46 to 5,000 (2014)	Lower end- social enterprises registered with the Ministry of Labour and Social Policy Upper end - numbers self-identifying as social enterprises in an official survey off the scale of social enterprises in Bulgaria; the results are expected to be ready in July 2014.
CY	:	:	n/a	
HR	100 to 200	Estimates based on: Proportion of cooperatives, associations, foundations and private institutions likely to meet EU operational definition and estimated number of companies/cooperatives set-up by Associations	40 (2013)	Self- identified social enterprises (SLAP database)
CZ	250 - 300 (2013)	Expert opinion	283 (2013)	Social enterprises registered on TESSEA database

Country	Social enterprises fulfilling the EU operational definition		National estimates of social enterprise	
	Estimated scale	Caveats and limitations	Existing measures	Comments
DK	292 (2012)	The Danish concept of social enterprise closely matches the EU operational definition and therefore, all social enterprises identified by the Committee on Social Enterprises can be regarded as fulfilling the EU operational definition	292 (2012)	Social enterprises were identified by the Committee on Social Enterprises using a combination of existing lists of social enterprises, consultations with stakeholders and internet searches.
EE	~ 300 (2012)	Expert opinion on estimated number of NPOs and mainstream enterprises that fulfil EU operational definition	400 to 450 (2012)	Expert opinion
FI	~ 2500 (2009)	Based on authors own estimates of NPOs, workers' cooperatives and mainstream enterprises that fulfil EU operational definition plus companies set-up by NPOs	5,000 to 13,000 (2011)	The estimates vary according to definitions and methodological approaches used by authors
FR	6,000 to 28,000	Based on authors own estimates using published data on different legal forms that make up the solidarity economy and which fulfil the EU operational definition	315 SCICs (2013)	Official statistics on the number of registered SCICs Associations not included
DE	40,000 to 70,000	Based on the estimations of Scheuerle T., Glänzel G., Knust R., Then, V. (2013) Social Entrepreneurship in Deutschland – Potentiale und Wachstumsproblematiken. Universität Heidelberg. See country report for details.	Highly divergent estimates due to different definitions of the unit of analysis: few hundred (MERCATOR, 2011) 1,700+ (MEFOSE, 2011) ~ 17,000 (WZB, 2012) ~ 40,000 to 70,000 (Scheuerle et al., 2013) ~ 105,000 (ZiviZ, 2007)	Operational definitions and approaches to data collection differ widely across existing studies. The concept of social enterprise used in the German literature is either too narrow or too broad when compared to the operational definition used for the mapping study.
GR	225 to 325 (2014)	Based on official statistics on the number of Koin.S.Eps, Koi.S.P.Es and Women's ('Agro-tourist) Cooperatives; and expert judgement on the share of these organisations that would meet the EU operational criteria	~57,800 (Nasioulas, 2012)	Estimates of social economy including all cooperatives, mutual societies, NPOs

Country	Social enterprises fulfilling the EU operational definition		National estimates of social enterprise	
	Estimated scale	Caveats and limitations	Existing measures	Comments
HU	~3,000 (2013)	Based on authors own estimates using data published by Hungarian Central Statistical Office (KSH) on the number of registered entities by legal forms that meet the EU operational criteria, namely: <ul style="list-style-type: none"> ▪ Social cooperatives ▪ Traditional cooperatives pursuing general or collective interests ▪ Non-profit companies ▪ Non-profit organisations (Associations, foundations and institutions) with commercial activities 	Not available	
IE	520 (2009)	A vast majority (63%) of social 'enterprises' identified in Forfas Report did not generate any revenues from trading activity. This figure only includes the reported share of organisations (37%) generating revenues from trading activity	1,420 (2009)	The 2013 Forfás review . This review was not based on any definition of a social enterprise. Instead, the estimate was derived from the numbers of enterprises registered on a non-profit business database that were both companies limited by guarantee and registered charities. This was supplemented by experts' knowledge of the social enterprise sector
IT	~ 40,000 (2013)	Estimated as sum of social cooperatives + NPOs (other than social cooperatives) that derive more than 50% of income from market sources + mainstream enterprises meeting EU core criteria	11,264 social cooperatives (2013) 774 social enterprises ex lege (2013)	ISTAT: social cooperatives EURICSE: social enterprises ex lege based on data included in the registers of Italian Chambers of Commerce Non-profit Census
LV	:	:	Not available	
LT	:	:	133 (June 2014)	A list of legally recognised social enterprises is available on the website of the Lithuanian Labour Exchange
LU	200 to 300 (2014)	Based on interview with ULESS	200 to 3,000	Various estimates produced by different organisations; different definitions used

Country	Social enterprises fulfilling the EU operational definition		National estimates of social enterprise	
	Estimated scale	Caveats and limitations	Existing measures	Comments
MT	25 to 50 (2013)	Author's estimates of NPOs and cooperative societies fulfilling EU definition	750 (2012)	APS Consult and Deguara Farrugia Advocates (2012). The figure includes 394 voluntary organisations, 236 sports clubs, 63 band clubs and 57 cooperatives
NL	:	:	4,000 to 5,000 social enterprises (2010)	Based on McKinsey report (2011)
PO	~ 5,200 (2012)	<p>Based on authors own estimates using published data on different organisational/ legal forms forming the spectrum of social enterprise:</p> <ul style="list-style-type: none"> Associations and foundations engaging in economic activity Social cooperatives Cooperatives of blind and disabled Professional Activity Establishments (ZAZ) Non-profit companies <p>No data exist that would allow estimation of the number of social enterprises among limited liability companies and corporations. The overall number is likely small, possibly in the range of 20-30 (National Programme, 2013).</p>	Not available	
PT	~ 5,000 (2014)	Number of IPSS registered in the Portuguese social security and Cooperatives of social solidarity	55,000 (2013)	This figure shows the social economy entities; source: satellite account of the Portuguese Social Economy
RO	~5,600 (2012)	<p>Author' estimates of the number of social economy entities fulfilling EU operational definition:</p> <ul style="list-style-type: none"> Law protected units – run by NGOs Mutual aid associations for pensioners Associations and Foundations developing commercial activities 	39,347 (2012)	Social Economy Atlas . Includes all social economy entities
SK	~900	<p>Expert estimates of the number of social economy entities fulfilling EU operational definition, notably:</p> <ul style="list-style-type: none"> Social Enterprise (Law 5/2004 amended in 2013) Third Sector Organisations (TSOs) 	94 (March 2014)	Listed on the Register of Social Enterprises

Country	Social enterprises fulfilling the EU operational definition		National estimates of social enterprise	
	Estimated scale	Caveats and limitations	Existing measures	Comments
		<ul style="list-style-type: none"> ▪ Municipality companies/local public enterprises ▪ Cooperatives 		
SI	~ 900	Author's estimates of: companies for the disabled meeting EU criteria; mainstream enterprises with social aims and NPOs with commercial activities	46 (2014)	Organizations officially registered as social enterprises (Act 2011)
ES	~ 8,500 (2012)	Indicative estimate based on interpretation of CEPES Statistics on: <ul style="list-style-type: none"> ▪ Sheltered employment centres ▪ Work integration social enterprises ▪ Associations and foundations carrying economic activity ▪ Social initiative cooperatives (latest data available for year 2009) 	44,500 (2013)	National estimate of social economy produced by CEPES
SE	:	:	271 WISEs	Based on a list updated and administered by the Swedish Agency for Economic and Regional Growth.
UK	9,500 to 71,000 (2014)	Lower end: Number of CICs only upper end: 25% of the enterprise population multiplied by the proportion self-identifying as social enterprises in surveys (6%)	~ 284,000 (2012)	Cabinet Office (2013) Social enterprise: market trends, based upon the BIS Small Business Survey 2012, BMG Research
CH	:	:	Not available	

: No basis for quantification

4 Main characteristics exhibited by social enterprises in European countries

This section describes the broad characteristics of social enterprises in European countries: their sectors of activity, target groups, business models, legal forms and modes of creation. It shows that there is a wide spectrum of social enterprises in Europe with different legal forms, different degrees of market orientation and financial viability and a range of missions.

4.1 Sectors of activity

The key starting point for understanding any description of the particular sectors of activity of European social enterprise is the major distinction that social enterprises are undertaking a *social mission* and *seeking to achieve social impact through their activities or the people that they employ*.

Given this starting point, this has seen the development of theoretical understandings of social enterprise activity based upon mission. For example:

- Social and economic integration of the disadvantaged and excluded (such as work integration and sheltered employment);
- Social services of general interest (such as long term care for the elderly and for people with disabilities; education and child care; employment and training services; social housing; health care and medical services.);
- Other social and community services e.g. counselling, youth outreach, micro finance, temporary housing for homeless etc.;
- Public services e.g. maintenance of public spaces, transport services, refuse collection, rehabilitation of ex-offenders etc.;
- Land-based industries and the environment e.g. reducing emissions and waste, recycling, renewable energy etc.;
- Cultural, tourism, sport and recreational activities;
- Practising solidarity with developing countries (such as promoting fair trade).

It can be seen that such a mission-driven typology cuts across standard statistical classifications of economic activity such as NACE¹⁸, yet highlights the broad spectrum of activities that a social enterprise may or could engage in to deliver its social mission. The systemic application of such mission-driven typologies of social enterprise activity has not generally occurred at European level, beyond individual case studies and specific studies of small numbers / particular types of social enterprises (such as WISE)¹⁹.

There are some examples at national level. The Country Report for Finland includes a mission typology applied to those enterprises with the Finnish "Social Enterprise Mark" and WISE. Finland illustrates that work integration of the disadvantaged, social assistance and care services of general interest, and environmental services are the major areas of activity of social enterprises, but so is retail trade. In Portugal, social enterprises are engaged in the provision of sheltered employment and social workshops; social and healthcare for disadvantage; social housing and social assistance and care services of general interest. There is a strong focus on social inclusion, but one can also see 'newer' developments such as fair trade and recycling. Activities undertaken by social cooperatives in Italy include the provision of socio-medical home care; educational activities and rehabilitation; social and cultural

¹⁸ NACE refers to the statistical classification of economic activities in the European Community. It is derived from the French Nomenclature statistique des activités économiques dans la Communauté européenne.

¹⁹ For example, see EU-funded research project on "The Socio-Economic Performance of Social Enterprises in the Field of Integration by Work" (PERSE) at www.emes.net/what-we-do/research-projects/work-integration/perse/.

activities; management of kindergartens and childcare services; management of community housing and family homes; management of centres and residences; training and mentoring for the employment of disadvantaged people; work integration etc.

In contrast, where substantial activity descriptions do exist at the national level (and they do not for some countries such as Cyprus, Croatia and Latvia), what is most common is that descriptions of the activities of social enterprise essentially use 'bespoke typologies' which mix aspects of mission-driven activities and the activity labels of the mainstream economy. At a comparative European level, a clear example of this is the recent work of the SELUSI project.

Box 4.1 The Activities of European Social Enterprise (2009-2010): Results of the SELUSI project

As part of this project, over 550 social enterprises were surveyed using a common methodology across five European countries (Hungary, Romania, Spain, Sweden, UK). The SELUSI study defined social enterprises as ventures whose primary goal is to create social value, and which do so in a business entrepreneurial (market-oriented) way.

Social enterprises were classified by their reported products and services ('industrial sectors') and their social activities ('social sectors').

The most common industrial activity areas were found to be: Education; Health and Social Work and Community and Social Services (see Table below). Within these nine broad sector headings none of the five countries share the same spread of activities. The Table shows that there exist important cross-country differences in the nature of activities undertaken by social enterprises.

Industrial Sectors	Business Activities	Education	Community Social Services	Wholesale and Retail Trade	Health and Social Work	Personal Service Activities	Financial Intermediation	Construction	Agriculture Hunting Forestry Fishing
Hungary	26	23	11	8	32	0	0	0	0
Romania	0	34	13	0	39	14	0	0	0
Spain	33	24	21	7	8	0	7	0	0
Sweden	0	16	17	0	15	0	0	18	34
UK	20	17	30	13	10	0	0	0	10

Source: Policy Reports; <http://www.selusi.eu/index.php?page=business-platform>

The commonest social sectors out of a list of 14 that were created were: Social Services, followed by a close group of Environment (including organic goods); Employment and Training; Economic, Social and Community Development; and Other Education. 75 per cent of the social enterprises surveyed were concentrated in these five sectors.

It is difficult then, and one must be careful, when looking across the bespoke national descriptions of social enterprise activity for comparative insights. The evidence from the Country Reports is that national descriptions are both describing their own national understanding and family of social enterprises and doing so through their own specific typologies of activity.

It is important to note also that whilst seeing an expanding array of activities by social enterprises, in certain countries the nature of the legal definition of social enterprise

inherently reduces the allowable range of activity. One example would be understandings of activities contained within legal definitions of 'public benefit' which are held by de-facto social enterprises in a number of countries such as Austria, Bulgaria, the Czech Republic, Germany and Switzerland. Another example would be Lithuania's 'list of 16 non-supported activities' (such as hunting, beer or tobacco production, ship building, rent of demolition equipment, transportation and storage, financial intermediation, gambling and betting amongst others).

Notwithstanding such issues, the most visible and regulated activity of social enterprise in Europe can be identified as **work integration of disadvantaged groups** (by WISE). In a number of countries, work integration activities constitute the dominant type of social enterprise (for example, the Czech Republic, Greece, Hungary, Latvia, Poland, Slovakia, Slovenia) with strongly identifiable organisational forms in these activities such as Italy's "type B" or "working integration" social cooperatives, French enterprises for the reintegration of economic activity, Finnish social enterprises (as per Act 1351/2003) and Poland's social cooperatives. The delivery of work integration activities is, however, achieved through the provision of a very wide range of goods and services. The Lithuanian by Law IX 2251/ 2004 (amended in 2011) exemplifies the breadth of the main activities of social enterprises employing the disabled by including: wheelchair production, libraries and archives activity, protection services, social work, dental practice, ritual services, production of communications equipment, fur clothing, production of brooms and brushes, laundry and dry cleaning services²⁰.

Beyond work integration itself, the majority of social enterprise services are to be found across the full spectrum of social welfare services or **social services of general interest (long term care for the elderly and for people with disabilities; early education and childcare; employment and training services; social housing; social integration of disadvantaged such as ex-offenders, migrants, drug addicts, etc.; and health care and medical services)**. Childcare services, for example, are the major social enterprise activity in Ireland (one third) whereas in Denmark a survey showed that forty one per cent of enterprises deliver health and social care and forty per cent of Italian social enterprises operate in social care and civic protection. For some countries such as Bulgaria, the Czech Republic, France and Luxembourg work integration and the social services of general interest described above almost wholly encapsulate the activity of social enterprise. A related, and overlapping, set of activities are those which are sometimes termed **community or proximity services**. These often include forms of social care but also the broader concepts of community development and regeneration.

There are further common extensions of economic activity that meet collective needs in two other areas: **land-based industries and the environment** (for example, agriculture, horticulture, food processing, through to environmental services and environmental protection) in countries like the Czech Republic, Malta, and Romania and **cultural activities** (for example, arts, crafts, music, and increasingly tourism) in countries like Croatia, Estonia, Finland, Greece, Hungary, Malta and Sweden.

Finally, there are a few European countries where **social enterprise reflects much more closely the full extent of activities possible within any economy** (for example, in Belgium, Germany, the Netherlands and the UK). Within these countries, social innovation is driving new forms of provision - from agriculture through energy and housing in to transport and the continued expansion of social and welfare and personal services. This even goes as far as new activities such as business services, creative, digital/IT and the provision of sustainable consumer products and services.

The evidence is, then, of a growing breadth of social issues being tackled (social, environmental and economic) leading to social enterprise slowly expanding its presence across sectors of activity in the economy - often initially from work

²⁰ It has been argued by Scalvini F. (2006), quoted in Diesis (2009) A WISE way of working: Work Integration Social Enterprises and their role in European Policies, that WISE should be considered to be an economic sector in their own right, p.6.

integration through an expanding set of social services of general interest to consumer products and services and business services.

At national level, sectors of activity can be seen to be determined by the historical position of the welfare state ('which services and of what quality remain publicly provided'), the predominant form of social enterprise, including legal restrictions on what activities are allowed in certain instances, and the extent to which the social enterprise sector is market-orientated. Overall, there would seem to be a particular under-representation in construction (and utilities) and manufacturing balanced against continued expansion of forms of public and private service provision for citizens, communities, businesses, and consumers.

4.2 Target groups

There is strong commonality of target groups across Europe's population of social enterprises but comprehensive and reliable data on target groups is lacking. As is to be expected, target groups closely reflect the sectors of activity of European social enterprise:

- The provision of training, skills and job opportunities by WISE is targeted at those 'disadvantaged in the labour market'. There is a strong commonality to the characteristics of these groups across national economies – women, people with disabilities, minority ethnic groups, migrants, ex-offenders, etc. Such characteristics tend to be reflected in those furthest from the labour market such as 'long-term unemployed', 'poorly qualified persons' and 'vulnerable workers' (and whose precise make-up reflect national economies and labour markets);
- Addressing the social, economic and/ or environmental needs of a particular local neighbourhood or community;
- More broadly, social enterprise seeks explicitly to tackle social issues through the substantial provision of social services of general interest. Provision is targeted not only at the full spectrum of vulnerable groups within the population (including, for example, children, youth, disability and poor health groups, the elderly, migrants, those in poverty, and those suffering exclusion on a variety of dimensions such as discrimination, housing, finance, etc.) but also to all groups in need in society;
- Increased market-orientation of social enterprise – and its growing expansion into the provision of consumer goods and services – should be recognised also as introducing new target groups amongst consumers (and businesses). Such consumers can be seen to share the social values/mission of the enterprise (for example, renewable energy, fair trade, reduced environmental impact, community development, etc.) and/or be willing to pay for the benefits and impacts of such new/innovative provision.

4.3 Predominant business model

Business models are defined with reference to markets, product or service offers and the willingness of customers to pay for goods and services. Since, commercial goals are not the sole or major driver of a social enterprise, profitability becomes less important as a conventional metric of the business model. Moreover, the social mission of social enterprises by definition places restrictions on the distribution of profits (surplus of revenues over costs) to ensure they are reinvested, and it is therefore, more pertinent to focus on revenue streams than profitability per se.

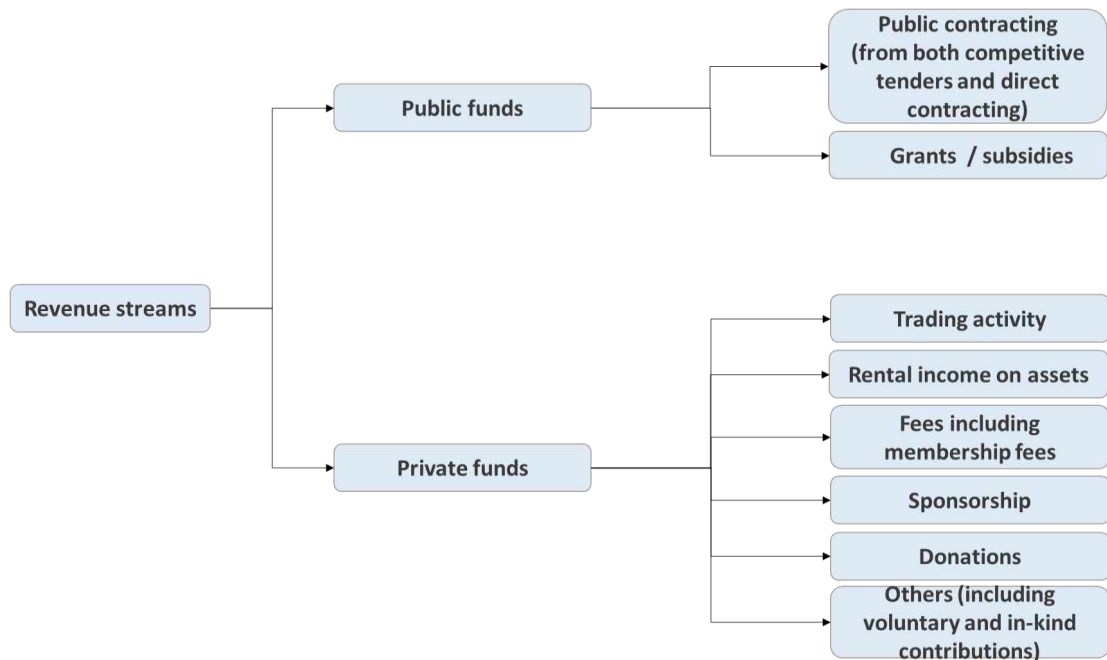
4.3.1 Revenue streams and markets

While for-profit enterprises usually base their business models on revenues generated through trading activity, social enterprises rely on a range of revenue streams to

finance their activities (Figure 4.1). Social enterprises typically adopt a 'hybrid' business model i.e. they derive their revenues from a combination of:

- Market sources e.g. the sale of goods and services to the public or private sector; and
- Non-market sources e.g. government subsidies and grants, private donations, non-monetary or in-kind contributions such as voluntary work etc.

Figure 4.1 Revenue streams for social enterprises



Adapted from Spiess-Knafl (2012) Finanzierung von Sozialunternehmen - Eine empirische und theoretische Analyse.

The main revenue streams of social enterprises can be described as follows²¹:

- **Revenue derived from public contracts:** Social enterprise contract with public authorities and agencies to receive fees for defined services (quasi-markets). The structure of these payments can be quite different, varying from direct payment by public authorities to social security systems, voucher systems, or indirect payment through third-party intermediaries;
- **Direct grants / subsidies:** provided to social enterprises by public authorities e.g. grants for specific project based activity, or employment subsidies which are often made available to WISE as 'compensation' for employing people with impaired work ability and for the resulting productivity shortfall;
- **Market based revenue derived from private sources:** through the sale of goods and services to other businesses and final consumers;
- **Membership fees, donations and sponsorship;** and
- **Other forms of revenue** include income from renting assets (such as property), penalty payments, prize money or income from endowed assets, and non-monetary forms such as in-kind donations (e.g. old IT equipment, food or building material). Volunteering time, especially, has remained an important source of in-kind revenue.

²¹ Spiess-Knafl, W. and Jansen, S.A. (2014) Imperfections in the social investment market and options on how to address them (unpublished)

Where mapping data allows (and it is incomplete for many countries), it suggests that **income derived from market sources varies by country and by organisational form**:

- In countries like the Czech Republic, Finland, France, Italy and the UK, social enterprises derive a majority of their revenue from market sources and particularly from the sale of goods and services to public authorities. In several other countries for which data are available (e.g. Austria and Poland), the entrepreneurial dimension was found to be less strong with social enterprises deriving less than 50 percent of their revenue from market sources;
- There also appears to be a strong correlation between the organisational/legal form adopted by a social enterprise and the level of revenue generated from market sources. Institutionally recognised forms of social enterprise and WISEs (note that the two categories are not mutually exclusive) typically are more market orientated than de-facto social enterprises that have originated from the more traditional non-profit sector (i.e. associations, foundations, voluntary and community organisations).

Country Reports show that public sector funding dominates the revenue streams of social enterprises, reflecting in large part their missions and activity focus such as work integration, and provision of social and welfare services. For example, an estimated 45 per cent of social enterprises in Italy have public bodies as their main clients. In the UK, 52 per cent of social enterprises derive some income from the public sector and 23 per cent describe it as their main or only source of income.

Table 4.1 Earned income derived by social enterprises from market services (including competitive public sector contracts)

Market income as a share of total revenues	Exemplar countries	Sources / Comments
Above 50%	Czech Republic, Finland, Italy, UK	CZ: P3 & Provida survey (2013) FI: Stakeholder interviews IT: Istat, Censimento Industria Servizi UK: Social Enterprise, UK, 2012
35% to 50%	Austria, Belgium, Poland	AT: Schneider & Maier (2013) BE: Selusi (2013) PL: Central Statistical Office (2012)
Less than 35%	Hungary, Ireland, Slovakia	HU: Stakeholder feedback IE: Clann Credo Study SK: Stakeholder feedback

Source: Country Reports

A notable dynamic by which social enterprise are generating earned income is the increasing contracting out of services in healthcare, social care, education, criminal justice, leisure and a host of other areas by public authorities across Europe as a means of securing best value for money and offering greater choice and personalisation to the users of these services.

High reliance of social enterprises on the public sector has, however, raised concerns about the long term sustainability of their business models in the face of austerity measures being implemented across Europe, although evidence suggests the importance of the specificity of national context, activity and enterprise business model in shaping impacts. In Italy, for example, such cuts are currently challenging social cooperatives whereas, in the UK, such cuts have further encouraged social enterprises to successfully identify new market opportunities

4.3.2 The use of paid workers and volunteers

A vast majority of social enterprises rely on paid workers. The use of volunteers is limited and often linked to the legal form adopted by a social enterprise. Whilst social enterprises adopting a company or a cooperative legal form will typically only employ paid workers (the use of volunteers is not excluded, but is rare). In contrast, social enterprises adopting the legal form of an association or foundation will often use a mix of volunteers and paid workers; often relying quite heavily on the former.

The level of use of paid workers as a share of total workforce is difficult to identify due to lack of statistics, but frequent use of paid workers is reported. In the Czech Republic for example, where an estimate is available, only 12.9 per cent of the social enterprises reported employing volunteers.

4.3.3 Emergent trends and innovative business models

The recent emergence of 'new style' social enterprises significantly broadens the range of activities undertaken by social enterprises and introduces a new business model which relies solely on market income.

Given that the number of organisations that meet the operational definition of an EU social enterprise is small in absolute terms and very modest relative to the stock of mainstream enterprises, this means that new and significant trends can quickly change the balance of social enterprise business models.

There are indications in many countries that new entrepreneurial organisations are emerging, with the deliberate aim of achieving a social mission through the supply of services at a market price (for example, new sustainable consumer products and services such as 'fair trade' products, environment friendly products, renewable energy, etc.) rather than through, say, the provision of employment opportunities of various types for disadvantaged people.

This emergent trend, noted in countries such as Austria, Estonia, Spain, Germany, France, the UK, Latvia, Netherlands and Switzerland has the potential to move the prevailing business model towards one with a stronger focus on entrepreneurial activity as a means to achieve social missions.

This trend is supported by innovative forms of finance (for example, the growth of social impact investment) and networks to support the development of new business models – see section 5.

4.3.4 A reflection on the entrepreneurial focus in social enterprise organisations

The discussions above suggest a broadening in the approach to social enterprise and the views on profit-making. This is reflected in the typology below (Table 4.2), which is based on the relative weight of the entrepreneurial dimension and specific governance features of the variety of organisational forms that make up the spectrum of social enterprise in Europe:

- On the one end, there are existing socially orientated non-profit organisations (e.g. associations and foundations) that are being reshaped by new entrepreneurial dynamics.
- At the other end, there are 'new style' social enterprises that seek to achieve both profit and 'purpose' and are led by people with strong commercial backgrounds who have highly developed business skills.
- In the middle, there are entities that engage in entrepreneurial activity in pursuit of a social mission.

The 'new style' social enterprises (the profit-with-purpose businesses) are seeking to better integrate social mission with entrepreneurial activity. Here the interest is in making a profit as a means of reinvesting and furthering the social mission, with revenues largely if not fully based on earned income. Profits are therefore an essential element of the business model and should be seen as a 'means to an end' (differently from mainstream enterprises where profit maximisation and/or shareholder value maximisation are the main goals of the business).

In this typology, a key characteristic is the nature of the constraints on profit distribution. In conventional social enterprise models, profit distribution is capped or prohibited. In share companies or cooperatives, some limited distribution in the form of dividends to owners/ members may be taken as part of the incentive to provide the social mission. However, the business models of the profit-with-purpose businesses may require to distribute some profit to social investors, in return for their capital contribution.

Table 4.2

Emerging typology of contemporary social enterprises

	← entrepreneurial dimension →		
	Strong		Weak
Characteristics	Profit-with-purpose businesses (mission locked)	Purpose-driven businesses	Purpose-driven and entrepreneurial non-profits
Distribution of profits/ surplus	Limited distribution of profits to owners, members and/ or social investors (voluntary)	Limited or no distribution of profits - legally constrained	No distribution of profits (distribution of profits is prohibited by law)
Legal forms	Traditional cooperatives Share companies Sole proprietors	Tailor made social enterprise legal forms e.g. Social cooperatives CICs/SCICs	Associations Foundations Institutions Hybrid forms (e.g. trading arms of charities)
Governance	Business voluntarily locks-in social mission in its governance/ business model Governance model driven by underlying legal form e.g. cooperatives are democratically governed whereas share companies do not necessarily follow a collective model	Mission locked by law The law typically promotes inclusive governance (stakeholder participation and/or democratic decision making)	Non-profit by law Governance model driven by underlying legal form e.g. associations are democratically governed but foundations/ institutions do not necessarily follow a collective model
Main sources of income	Earned income	Earned income Subsidies (WISE)	Membership fees Grants and donations Subsidies (WISE) Earned income
Type of workforce	Paid workers	Mainly paid workers with some volunteers	Paid workers and Volunteers
Markets	Private markets – consumers and other businesses (particularly, those that are socially conscious) Public sector (mainly competitive)	Public sector (competitive and direct contracting) Private markets – mainly consumers, but also other businesses	Public sector (mainly direct contracting) Private markets – mainly consumers, but also other businesses
Fields of activity	Wide spectrum of activities including social services, education, environment, culture, arts, tourism and 'new' activities such as renewable energy, fair trade and transport etc.	Social and community services, other public services, education, housing, work integration etc.	Social and community services, other public services, education, environment, culture, arts, tourism etc.

4.4 Legal forms adopted by social enterprises

One of the principal findings of the legal mapping exercise has been the number and variety of legal forms which can be used by social enterprises in each country (see Annex 4 for a detailed listing by country).

Table 4.3 maps the three legal forms most commonly used by social enterprises in each of the 29 countries covered by the Study (this mapping is based on the expert opinion of legal professionals and where available, survey based or statistical evidence). Although the legal forms that social enterprises adopt vary greatly across European countries, overall four broad categories of legal forms are most prevalent:

- *Non-profit structures such as associations, foundations and institutions* – which may be democratic or controlled by managers, do not distribute profit and trade in furtherance of a social purpose. In 23 countries, the association legal form was found to be among the three most commonly used legal forms while the foundation legal form is commonly used by social enterprises in 12 countries;
- *Cooperatives* – which are generally owned and controlled on a democratic basis by members, distribute profit from trading activities to members and may have a social purpose written into the constitution or by virtue of the nature of the co-operative. In 15 countries, cooperative is among the three most commonly used legal forms for social enterprises (excluding countries with legally recognised adaptations of the cooperative legal form that provide for some of the specific circumstances of social enterprises).
- *Social enterprise legal forms* – which are usually characterised by legally recognised adaptations (changes) to an underlying legal form. The adaptations which make the legal form suitable for use by a social enterprise are set out in law. Social enterprise legal forms are further discussed in section 5.
- *Share Companies* – which are generally owned and controlled by shareholders on the basis of shareholdings and which may trade in furtherance of a social purpose and may have other governance features to subordinate profit to purpose. In 18 countries, the 'share company' legal form is one of the three most commonly used legal form for social enterprises;

It is clear that legal forms – such as, for example, the cooperative legal form, the share company legal form or the association legal form – have developed in different directions in national contexts over time and so, in addition to the range of legal forms available to social enterprises, there is significant variation with respect to and within each legal form. The precise characteristics of the different legal forms vary across Europe. However, the commonalities are sufficiently clear and strong for legal forms to be grouped into the following broad categories on the basis of shared characteristics:

- Non-profit legal forms (Foundations, Associations and Non-Profit Companies);
- Cooperatives;
- Legal forms specifically designed for social enterprises (adaptations of the cooperative or company legal form);
- Share companies.

Table 4.4 illustrates the typical characteristics of different legal forms that are not exclusive to social enterprises, mapped against the different characteristics of the EU operational definition. Of course, legal forms are subject to variation in different Member States and so the table is illustrative.

Table 4.3 Three most commonly used legal forms by social enterprises

Country	Non-profit legal forms				Cooperative	Share company	Sole proprietor ²²	Other	Social enterprise legal forms
	Association	Foundation	Institute/ Institution	Non-profit company					
AT	✓					✓	✓		
BE	✓				✓	✓			
BG	(*) ✓	(*) ✓						(1) ✓	
CY	✓	✓		✓					
HR	✓		✓		✓				
CZ	✓		(**) ✓			✓			
DK	✓					✓	✓		
EE	✓	✓				✓			
FI		✓			✓	✓			
FR	✓				✓			(2) ✓	
DE	✓				✓	✓			
GR					✓				✓
HU	✓			✓	✓				
IE	✓			✓		✓			
IT	✓	✓							✓
LV	✓	✓				✓			

²² A sole proprietorship is a business which has no legal form or legal personality independent of the natural person who owns and runs the business. In this form of business, the natural person who owns and runs the business enters into contracts and relationships in a personal capacity and is therefore personally liable for the debts and liabilities of the business. Of course, it is possible for a sole proprietorship to conform to the requirements of the Social Business Initiative definition of a social enterprise and to trade for a social purpose, reinvest the majority of profits in the social purpose of the business and to operate in a consultative manner. However, as sole proprietorships do not generally have any formal governance involvement on the part of persons who are independent of the sole proprietor, it will usually be difficult to verify that a sole proprietorship claiming to be a social enterprise is in fact operating as a social enterprise. As a result, in many jurisdictions, sole proprietorships are not included in official statistics with respect to social enterprise. Due to the difficulties of independent verification, sole proprietorship is a category of social enterprise which may be contested.

Country	Non-profit legal forms				Cooperative	Share company	Sole proprietor ²²	Other	Social enterprise legal forms
	Association	Foundation	Institute/ Institution	Non-profit company					
LT						✓	✓	(3)✓	
LU	✓				✓	✓			
MT	✓	✓			✓				
NL		✓			✓	✓			
PO	✓	✓							✓
PT	✓	✓			✓				
RO	✓	✓						(4)✓	
SK	✓	✓				✓			
SI			✓		✓	✓			
ES	✓				✓			(5)✓	
SE	✓				✓	✓			
UK						✓		(6)✓	✓
CH	✓				✓	✓			
Totals	23	12	3	3	15	18	3	6	4

Source: based on the expert opinion of legal professionals and triangulated with survey based or statistical evidence (where available)

Notes:

*Associations and foundations are collectively referred to as Non-Profit legal Entities (NPELs)

**Natural successor to the currently popular form of Public Benefit Corporation that will no longer be available under the [New] Civil Code

(1) Cooperatives of people with disabilities (adaptation of the cooperative legal form) and Specialized enterprises for people with disabilities (adaptation of the share company legal form)

(2) Mutuels

(3) Public establishment

(4) Mutual aid association (which is an adaptation of the association legal form)

(5) WISE (social integration enterprise; and special employment centres)

(6) Industrial and Provident Society (IPS)

Table 4.4 Comparison between EU defined social enterprises and other institutional definitions used to define social

Dimension	Criteria	Non-profit organisations		Cooperatives	Share company
		Foundation	Association		
Entrepreneurial	Engagement in economic activity	Able to trade to advance its purpose and as long as the economic activity is supplementary to its main non-profit purpose	Able to trade to advance its purpose and as long as the economic activity is supplementary to its main non-profit purpose	No legal restrictions on economic activity.	No restrictions on economic activity
Social	Explicit and primary social aim	A foundation is a donation of assets for a particular purpose. The objective of the foundation will be defined in the deed of foundation. This objective may be social i.e. of a collective dimension or of general interest	Associations are usually oriented towards members' interests. However, members can decide to pursue societal goals	Primarily oriented towards members' interests. However, many workers and community cooperatives (and arguably, housing cooperatives as well as agricultural cooperatives in poor areas) have members who are disadvantaged. These could be regarded as pursuing a social aim.	A share company can pursue any purpose but the Articles of Association will always define the area of operation of the company.
Governance	Asset lock	Yes if for public benefit and tax advantaged	Yes if for public benefit and tax advantaged	Is possible to create asset lock but is not the norm	Is possible to create asset lock but it is not the norm
	Limits on profit distribution	By definition, foundations are non-profit in nature	By definition, associations are non-profit in nature	Profits are typically reinvested in business and/or returned to members Cooperatives can voluntarily choose to limit profit distribution	There are no legal limits or restrictions on profit distribution Profits are typically reinvested in business and/or returned to shareholders as dividend payments Share companies can voluntarily choose to limit profit distribution
	Organisational autonomy from the State and other traditional for-profit organizations	Depends on who the trustees/ managers are	Associations are controlled by their members	Cooperatives are owned and managed by members	Typically yes, but depends on who the main shareholders are and corporate governance structure adopted by the company
	Democratic decision making	A foundation is typically run by a Board of trustees/	Associations are governed by their members on a	The cooperative model is based on democratic decision-making (one	Voting rights of shareholders depend on the number and type of

Dimension	Criteria	Non-profit organisations		Cooperatives member, one vote)	Share company shares held
		Foundation managers	Association democratic basis		
		No – managed by trustees			
	Participative governance	Usually not the case, although there are no legal restrictions if the foundation were to involve all stakeholders in decision making	Usually not the case, although there are no legal restrictions if the association were to involve all stakeholders in decision making	Usually not the case, although there are no legal restrictions if the cooperative were to involve all stakeholders (as members) in decision making	Usually not the case, although there are no legal restrictions if the company were to involve all stakeholders in decision making

The above table illustrates the typical characteristics of different legal forms, mapped against the different characteristics of SBI definition as operationalised through this Study. Of course, legal forms are subject to variation in different Member States and so the table is illustrative. There may be exceptions in individual Members States to the general nature of the legal forms that are illustrated above.

4.5 Modes of creation

Systematic evidence on the modes of creation of European social enterprise is lacking. Looking across Europe, a typology of modes of creation can be put forward – with the balance of modes in any one country strongly determined by the pre-existing political economy and its shaping of the national framework conditions and ecosystem for social enterprise.

Individual modes can be grouped based on their drivers: 'labour market inclusion'; 'citizen-led'; 'marketisation of traditional non-profit organisations such as charities, associations, foundations, voluntary and community organisations'; 'public sector restructuring' and 'corporate citizenship'.

■ Citizen-led

- *Citizen-driven mission organisation*: groups of citizens have set up organisations, often with few resources at their disposal, to address new needs and societal challenges and/or integrate disadvantaged people through work. This is by and large the predominant mode of creation of social enterprises.
- *Social start-up*: a social entrepreneur sees the opportunity to trade a new good or service to meet a social aim or need. Generally, these social enterprises are viewed as more individual-based and commercial in outlook from the start (but nevertheless with a social mission), and associated with a narrower 'Anglo-Saxon' understanding of social entrepreneurship.

■ Traditional non-profit organisations such as charities, associations, foundations, voluntary and community organisations **embark on marketisation and commercialisation**

- *An existing organisation transforms itself into a 'social enterprise'*: an existing voluntary organisation, charity, association or foundation begins to generate traded income. When traded income reaches a critical threshold as a proportion of all income the organisation is understood by stakeholders to be, or become, a social enterprise.
- *An existing organisation sets up a trading arm which is the social enterprise*: in many instances legal, regulatory or risk appetite precludes an existing voluntary organisation, charity, association or foundation from undertaking economic activity or only doing so to a certain limit. To overcome this restriction a trading arm is created - and which reinvests a certain level of profits in to its parent organisation. This mode of creation is relatively popular in new member countries of central Europe.

■ Public Sector Restructuring

- *Public sector spin-out (opportunity entrepreneurship)*: management/staff recognise the greater potential for innovation and new investment sources through autonomy and independence, leading to a spin-out of the service. This process may actively be supported by the 'parent' institution or policy makers more broadly through specialist advisor programmes, investment and finance support and initial service procurement agreements.
- *Public sector spin-out (necessity entrepreneurship)*: drivers such as shifting views on the role of the state in provision, new forms of procurement and provider, social innovation and/or funding cuts lead to an enforced 'decommissioning' of an internal public service and an enforced (but possibly supported) 'spin out'.

There are increasing efforts to better exploit sustainable business models of social enterprises that have streamlined and documented their core processes so that they can be replicated or adapted in another sectoral or geographical context (cross-country scaling or social franchising).

Section 4.3 on (predominant) business models suggests that the increasing commercial activity and traded income of NPOs is a key driver of social enterprise creation across Europe. This is leading to a range of hybrid organisational and governance solutions including, but by no means limited to, new legal forms and statuses.

■ **Corporate Citizenship**

This is a catch-all term that reflects the growing expectation of, and activity by, business to contribute to the social and public good as part of the enterprise's business model. Initially this might have been understood as corporate social responsibility or responses to regulatory requirements (such as energy companies being required to support carbon reduction activities). There is, however, growing evidence of the continued expansion of this dynamic through other activity forms (such as social investment or impact investing), alongside developing arguments for new business models that connect 'corporate and societal value creation' within shareholder companies²³.

Directly or indirectly, such developments can be seen to be creating the conditions for further modes of social enterprise creation and, in September 2014, this position was summarised by the Report and supporting documentation of the G8 Social Impact Taskforce, including a Subject Paper by the Mission Alignment Working Group on Profit-with-Purpose Businesses²⁴.

The evidence does not permit any strong ranking of importance of the modes of creation of European social enterprise listed above. In terms of existing scale, associations and foundations far outweigh social enterprise numbers but estimation of the extent to which traditional voluntary organisations, charities, associations and foundations in Europe are undertaking marketisation to the point of their attainment of social enterprise status is virtually impossible without substantial and highly detailed research. The potential comprehensive identification of public sector 'spin outs' is easier given that such modes of creation are far fewer in number and relevant in only a very few countries (for example, evident in the UK and Slovakia).

²³ See, for example, KPMG (2014) A New Vision of Value: Connecting corporate and societal value creation

²⁴ See, G8 Task Force Report on Profit-with Purpose Businesses, Subject paper of the Mission Alignment Working Group. Available at: <http://www.socialimpactinvestment.org/reports/MissionAlignmentWGpaperFINAL.pdf>

5 Comparative overview of social enterprise eco-systems in European countries

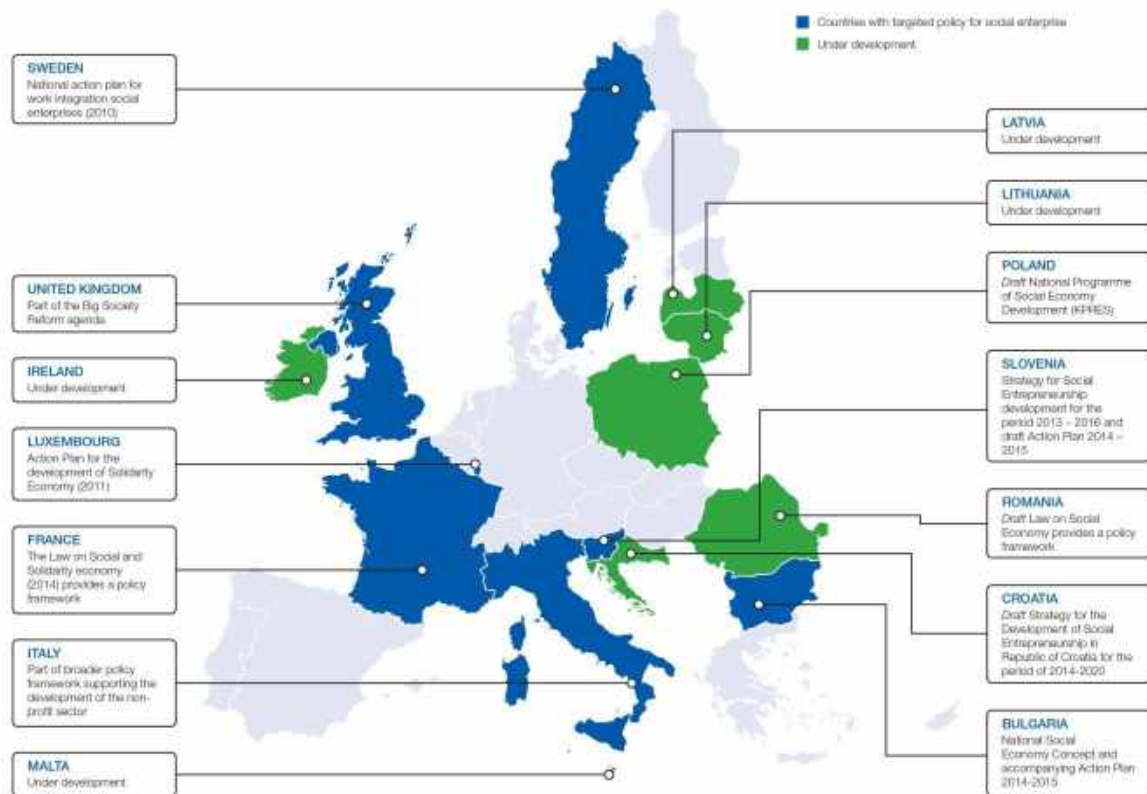
This section maps out the broad contours of social enterprise eco-systems in the 29 countries of study. In line with the brief (section 1.2), the Study focuses on select features of national eco-systems that are of particular policy interest to the European Commission, namely: national policy and legal frameworks for social enterprise; business development services and support schemes specifically designed for social enterprises; networks and mutual support mechanisms; social impact investment markets; impact measurement and reporting systems; and marks, labels and certification schemes. By definition, this mapping exercise does not provide an assessment of social enterprise eco-systems or policies but, rather, a description of what these eco-systems look like.

5.1 Policy framework for social enterprises

The existence of policy frameworks for social enterprise is difficult to determine, as their forms, scope, content and financial endowment, as well as relevance and imperative for public action across governmental departments and levels of governments differ widely. In addition, policy frameworks for social enterprise are sometimes presented within the framework of a broader set of policies targeting the social economy, the civil society/ non-profit sector or active labour market policies or social inclusion policies. Therefore, the identification of existing and emerging policy frameworks and clustering these into two categories is of explorative nature displaying rather heterogeneous policy frameworks. It was not the remit of this Study to assess the effectiveness of the various policies in place at a national level (the evidence available also does not permit this). This calls for an in-depth comparative assessment based on further analysis.

The mapping exercise reveals that only seven out of 29 European countries have written policies encouraging and supporting the development of social enterprise. Seven other countries are currently in the process of developing specific policy frameworks for social enterprise (Figure 5.1). There are also some countries that do not consider it necessary to introduce targeted policies or preferential treatment for social enterprises over other types of enterprises (notably, Finland, Germany and the Netherlands).

Figure 5.1 Countries with policy frameworks targeting social enterprise



As said above, the scope, coverage and content of these policy frameworks differ widely. A very few countries (e.g. Italy, the UK) can be said to have in place – or indeed have sought to put in place – several of the components that might be said to comprise an enabling policy environment for social enterprise, such as:

- Legal recognition or institutionalisation of social enterprise either through the creation of a bespoke legal form and/or legal status;
- Fiscal incentives for social enterprises/ social impact investment;
- Existence of specialist support and infrastructure – business support, coaching, mentoring schemes that takes into account the distinct characteristics of a social enterprise;
- Measures designed to facilitate access to markets, notably public sector markets (by creating demand for the services of social enterprises, introducing social clauses in public procurement for example);
- Measures designed to support access to finance through the creation of dedicated financial instruments and social investment markets more generally; and
- Standardised social impact measurement and reporting systems.

Each of these is discussed in the sections that follow.

5.2 Legal frameworks for social enterprise

Sixteen European countries have some form of legislation that recognises and regulates social enterprise activity. There are two broad approaches to social enterprise legislation (Figure 5.2):

- **Adaptation of existing legal forms to take account of the specific features of social enterprises.** Five countries have created new legal forms for social enterprise by adapting or tailoring existing legal forms. Two main approaches can be observed across Europe:
 - In four countries (France, Greece, Italy and Poland) a separate, new legal form for social enterprise has been created by adapting the cooperative legal form. Additionally, five countries recognise social cooperatives (or the social purpose of cooperatives) in their existing legislation covering cooperatives. These are: Croatia, Czech Republic, Hungary, Portugal and Spain.
 - The UK has developed a legal form for use by social enterprises (Community Interest Company) that specifically adapts the company form.
- **Creation of a social enterprise legal status (also referred to as legal qualification in some countries).** Some countries have introduced transversal 'legal statuses' that cut across the boundaries of various legal forms and can be adopted by different types of organisations provided they meet pre-defined criteria. These countries are: Belgium, Denmark, Italy, Finland, Slovakia, Slovenia and Lithuania. Other countries planning to create social enterprise legal statuses include Latvia, Luxembourg, Malta and Poland. In addition the Czech Government is considering introducing a legal status for social enterprise in 2015.

A legal status can be obtained by select or all existing legal forms provided they comply with pre-defined criteria. An example of the former is the "Social Purpose Company" status in Belgium which can be adopted by any type of enterprise (cooperative or share company) provided it "is not dedicated to the enrichment of its members". An example of the latter is the legal status of a social enterprise in Italy (as per Law No.155/2006). This legal status can be obtained by all eligible organisations which could in theory be traditional cooperatives, social cooperatives, investor-owned firms (i.e. share companies) or associations and foundations.
- **Additionally, some countries have created specific types of non-profit organisations that allow for the conduct of economic activity** (e.g. non-profit institute in Slovenia; public benefit corporation in Czech Republic²⁵) – although not labelled as such, these organisations are de-facto social enterprises.

The different approaches to legitimising and regulating social enterprise activity are discussed in section 5.2.2.

²⁵ Public Benefit Corporation (PBC) – in Czech "obecně prospěšná společnost/o.p.s." (Act No. 248/1995 Sb., on Public Benefit Corporations – The Act as such is abolished, but it is de facto considered as frozen, so that no more PBC may be established according to it, but existing PBCs may either continue and remain regulated by it as under the Old Regulation norms, or change the legal form into the Institute (NR10) or a Foundation (NR8) or a Fund (NR9))

Figure 5.2 Countries with specific legal forms or statuses for social enterprise

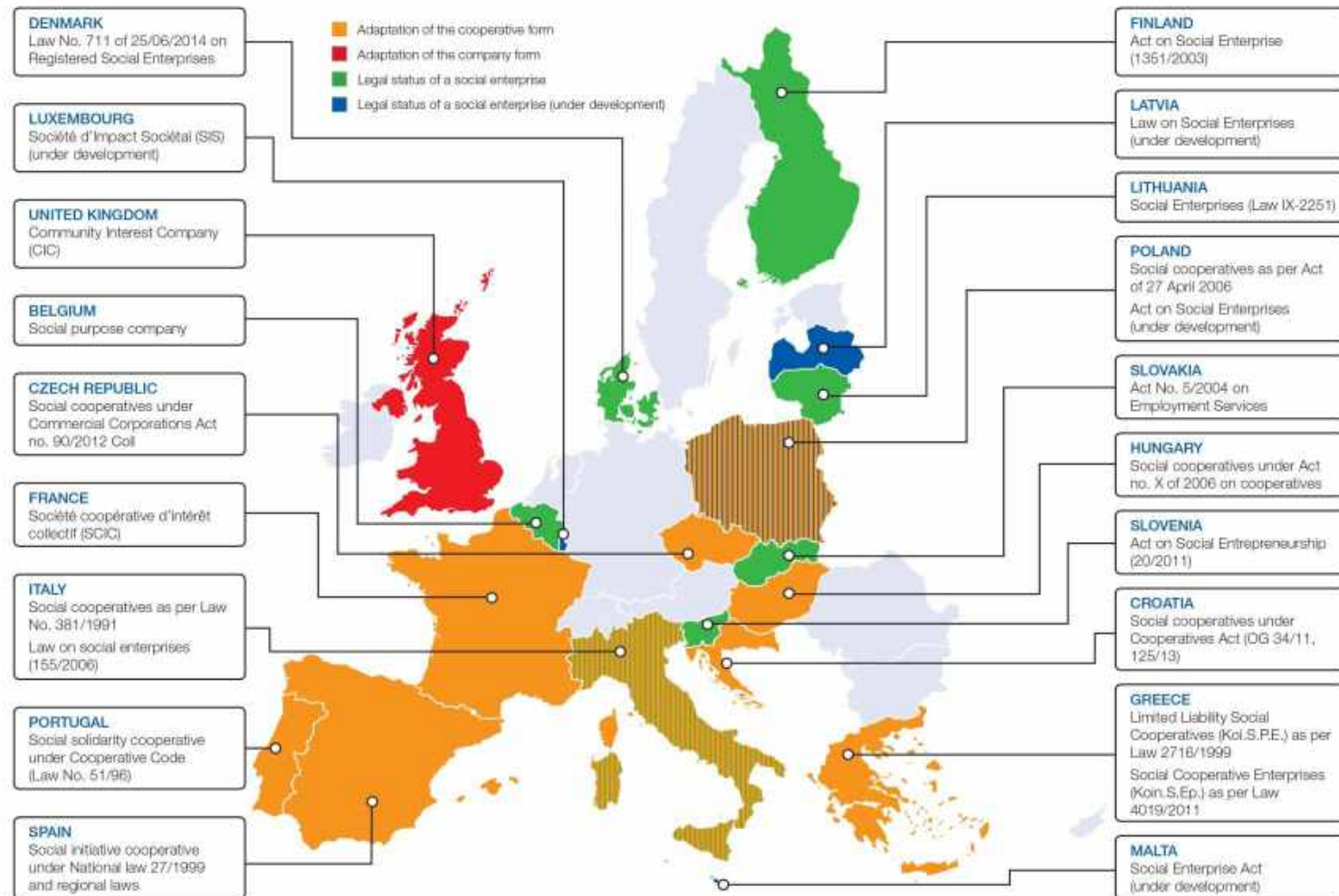


Table 5.1 Legal forms and statutes for social enterprise

Country	Law/ Act	Year of adoption	Legal Status	Legal Form	No. of organisations registered under legal form/ status
Belgium	Social purpose company (governed by articles 661-669 of the Belgian Companies Code)	1995	X		736 (2013)
Croatia	Social cooperatives established under the new Cooperatives Act	2011		X	not available
Czech Republic	Social cooperative established under the Commercial Corporations Act n. 90/2012 Coll	Jan-14		X	not available
Denmark	LOV nr 711 af 25/06/2014 Lov om registrerede socialøkonomiske virksomheder [Act on registered social enterprises]	Jun-14	X		not available
Finland	Act on Social Enterprise (1351/2003)	2004	X		154 (2009)
France	Société coopérative d'intérêt collectif (SCIC) - <i>France has adapted its existing cooperative charter (Law n. 47-1775 dated September 1947) by introducing special SCIC provisions</i>	2001		X	266 (2012)
Greece	Law 4019/2011 on Social Economy and Social Entrepreneurship creating Social Cooperative Enterprises (Koin.S.Ep.)	2011		X	530 (Jul 2014)
	Law 2716/99 (article 12) creating Limited Liability Social Cooperatives (Koi.S.P.E.)	1999		X	10 (Jul 2014)
Hungary	Social cooperatives (as defined under Act no. X of 2006 on cooperatives)	2006		X	490 (2013)
Italy	Law on social cooperatives (381/1991)	1991		X	11,264 (2013)
	Law on social enterprises (155/2006)	2006	X		774 (2013)
Lithuania	Law on Social Enterprises (IX-2251)	2004	X		133 (2014)
Poland	Act on Social Cooperatives	2006		X	~ 900 (2014)
Portugal	Social solidarity cooperative under Cooperative Code (Law No. 51/96)	1997		X	108 (2014)
Slovakia	Act No. 5/2004 on Employment Services	2008 amendment	X		94 (March 2014)
Slovenia	Act on Social Entrepreneurship (20/2011)	2011	X		33 (2013)

Country	Law/ Act	Year of	Legal Status	Legal Form	No. of
Spain	Social initiative cooperative	1999		X	566 (2009)
United Kingdom	The Community Interest Company (CIC) Regulations	2005		X	9,545 (June 2014)

5.2.1 Legal forms

Adaption of the cooperative legal form

As previously stated, several countries have adapted the cooperative legal form to create social cooperatives. The main legally recognised adaptations of the cooperative legal form are related to the purposes that the cooperative pursues and its ability to make distributions.

Social purpose

Social cooperatives are legally recognised legal forms in a number of countries. These are formal adaptations of the cooperative legal form that legally provide that, to qualify as a social cooperative, the cooperative must further a defined social purpose (as opposed to mutual interest of its members). This purpose can be related to integrating disadvantaged individuals into the workforce and sit alongside requirements regarding the number of disadvantaged individuals that the cooperative must employ (see section 5.2.2.2 below for further discussion of Integration Enterprises).

In a number of other countries, social cooperatives can be established to further purposes which are wider than worker integration. A country can provide for a type of social cooperative that is an Integration Enterprise in addition to a type of social cooperative that can be established to further wider social purposes.

The Italian law provides for two types of Social Co-operatives: 1) type "A", which provide social, health and educational services; and 2) type "B" that can engage in any other type of economic activity that is not listed in type "A" which furthers the work integration of defined disadvantaged groups.

In France, for example, a Société Coopérative d'Intérêt Collectif ("SCIC")'s purpose must contain both a social and economic purpose and be related to the production or the sale of products that offers a social benefit ("caractère d'utilité sociale").

The Portuguese "social solidarity cooperative" (*cooperativa de solidariedade social*) legal form was created in 1997. This type of cooperative provides services with an objective to foster the integration of vulnerable groups, such as children, people with disabilities and socially disadvantaged families and communities. Portuguese social solidarity cooperatives combine in their membership users of the services, workers and volunteers.

Spain introduced the legal form of "social initiative cooperatives" in 1999 (National Law 27/1999), following examples of some other Member States, such as Italy. The national law 27/1999 defines social initiative cooperatives as "those cooperatives that being non-profit and independent, mainly engage in either the provision of welfare services in health, educational, cultural or other activities of social nature, or in the development of any economic activity which object is the employment of persons suffering from any kind of social exclusion and, in general, satisfy social needs not met by the market."

In Hungary, social cooperatives (under Act X of 2006 on cooperatives) provide employment opportunities for the long-term unemployed or groups who are disadvantaged on the labour market.

The Greek law 4019/2011 has complemented the legal recognition of traditional social enterprises by introducing three different types of social cooperatives (*Kinoniki Sineteristiki Epihirisi* "Koin.S.E.P") categorised according to their purpose:

- *Inclusion Koin.S.E.P*, which has as its purpose the socio-economic inclusion of persons belonging to "vulnerable groups of the population" mainly through work integration.
- *Social Care Koin.S.E.P*, which has as its purpose the production and supply of goods and the provision of services in the field of social care (social assistance - health) to specific groups of the population (elderly, infants, children, people with disabilities or chronic illness).

- *Koin.S.E.P of Collective and Productive Purpose*, which has as its purpose the production and supply of goods and the provision of services for the satisfaction of 'collective needs' (culture, environment, ecology, education, common interest services, maintenance of traditional trades, setting off local products etc.).

Social cooperatives in the Czech Republic can pursue a wide range of social purposes including sustainable development and the protection of the environment. However, the social cooperative must have a local focus, fulfil local needs and make use of local resources.

Limits to distributions

Social Cooperatives are characterised by the limitations they impose on the profits that can be distributed to members.

For example, in Italy limits on profit distribution are defined in Art. 2545-quarter of the Civil Code). At least 30 per cent of the yearly net profit must be allocated to the legal reserve fund.

In France, most of the profits made in a SCIC are reincorporated into the reserves. Unusually, a SCIC can access external investment. An investor who makes an equity investment into the SCIC by purchasing shares will become a "contributing" member of the SCIC. However, SCIC investors can only receive a 3-4 per cent rate of return on dividends. On a winding up, a SCIC's surplus assets and capital cannot be distributed to members but must be transferred to a public interest organisation.

The Greek Koin.S.E.P legal form is prohibited from making distributions, but the law provides that 35 per cent of the surplus (profit) can be distributed on a yearly basis to the employees of the Koin.S.E.P in the form of a "productivity bonus".

Members of a social cooperative in the Czech Republic may share in a distribution up to 33 per cent of distributable profit.

Adaptation of the company legal form

The UK has specifically adapted the company legal form for use by social enterprises. The UK's Community Interest Company ("CIC") is characterised by:

- Furthering a social purpose;
- The ability to freely carry out any economic activity;
- Restrictions on profit distribution;
- Asset lock;
- Involvement of community stakeholders in its activities; and
- The requirement to annually report on how the company has carried out its social purpose.

A CIC (UK) can take one of three company forms:

- Company limited by guarantee without a share capital,
- Private company limited by shares, or
- Public company limited by shares.

A CIC limited by guarantee does not have share capital and is not profit distributing. In contrast, a CIC limited by shares is capable of distributing profits.

There are no restrictions on a CIC's economic activity but a CIC must be established to further the "community interest" and its activities must satisfy the "community interest test". The CIC Regulator must be satisfied that a reasonable person might consider that the CIC's activities are or will be carried on for the benefit of the community.

CICs also have an asset lock. This is a legal promise set out in its Articles stating that the company's assets will only be used for its social objectives, and setting limits to the capital yield it can pay to shareholders. A CIC can distribute dividends on paid-up

share capital but subject to a dual cap. The first cap limits aggregate distribution and the second cap limits the return per share. These caps can be varied by the CIC Regulator.

CIC's access to external investment is an issue and, despite changes implemented in 2009 which saw the dividend per share cap increase to 20%, the dividend caps can discourage investment. There are plans to increase this limit in attempt to strike a better balance between fostering a social investment-friendly environment and protecting the primary social purpose of providing a benefit to the community.

If an asset locked body (i.e. another CIC, charity or Social Co-operative) is specified in the CIC's governing document, on winding up/dissolution any surplus assets will be distributed to that body. If an asset locked body is not specified in the CIC's Memorandum and Articles of Association the CIC Regulator has the power to decide which social purpose organisation the assets should be distributed to on winding up, in consultation with the CIC's directors and members.

CICs are required to submit an annual report on their activity to the CIC Regulator, in addition to the usual annual reporting requirements which apply to all companies.

5.2.2 Social enterprise legal status

Some countries (Belgium, Denmark, Italy, Finland, Slovakia, Slovenia and Lithuania) have created a social enterprise related legal status which can attach to a number of legal forms provided certain prescribed conditions are met

In Finland, Lithuania and Slovakia, this legal status is restricted to Integration Enterprises, being organisations that promote the employment of people who are disadvantaged or disabled.

Belgium, Denmark, Italy and Slovenia on the other hand have a social enterprise related legal status which can be obtained by organisations that are established for social purposes and undertake activities that are wider than work integration.

Other countries planning to create social enterprise legal statuses include Latvia, Luxembourg, Malta and Poland. In addition the Czech Government is considering introducing a legal status for social enterprise in 2015.

Box 5.1 Practices and approaches to social enterprise legal status

Belgium

The Social Purpose Company is able to combine a social purpose with its unlimited commercial activities. The company's board is obliged to advance the social purpose ahead of maximising returns for shareholders.

In principle, any company (company limited by shares, private limited liability company) or cooperative can adopt the status of a Social Purpose Company. However, the legal form most often chosen for a Social Purpose Company is the cooperative company with limited liability.

External investors can subscribe for shares and it is possible for the Social Purpose Company to distribute a limited dividend to the shareholders. Dividends are restricted to the interest rate determined by the King in establishing the National Cooperation Council, applied to the amount paid up on shares. This equates to a maximum dividend of around 6 per cent of the amount paid up on shares.

On winding up, after shareholders' capital is repaid, surpluses must be allocated to a non-profit entity (non-profit organisation, Foundation or international non-profit organisation) or a Social Purpose Company with corresponding social purposes.

The board of a Social Purpose Company is required to produce an annual report on

how the company has furthered its social purpose, in addition to filing its annual accounts.

Denmark

A law on registered social enterprises (L 148 Forslag til lov om registrerede socialøkonomiske virksomheder) was adopted by the Danish Government in June 2014. The law aims to introduce a registration system for social enterprises that can provide the basis for a common identity. The registration system will allow enterprises that meet certain standards for their operation and transparency to demonstrate their social characteristics to authorities, business partners and customers through an exclusive right to use the term "registered social enterprise". To qualify, the undertaking must have a social purpose beyond the important element of operating a business. All undertakings that are registered as RSVs will be subject to a number of special requirements for their management as well as to restrictions on the distribution of their profits. If an undertaking does not comply with the requirements of the law, the Danish Business Authority will be able to remove it from the register.

It is expected that the registration system will be implemented in 2015 .

Italy

Social enterprise ex leges in Italy can adopt any legal form for example, Associations, Foundations, Shares Company, joint stock company, a form of partnership, cooperative company etc. The social enterprise ex lege combines entrepreneurial activity with social benefit purposes. A social enterprise ex lege can only operate within certain defined sectors. These include: social assistance; health care; education; environmental conservation; cultural heritage; social tourism; and support services to social enterprises supplied by entities which are at least 70% owned by social enterprises.

The social enterprises ex lege status can also be obtained by organisations which undertake entrepreneurial activity other than the activities set out above, provided it is orientated to the integrating individuals who are disabled or otherwise deemed as disadvantaged workers in to the workforce.

A social enterprise ex lege's activity is restricted to furthering its social purpose and it cannot distribute profit. Profits must be used to either further the primary activity of the organisation or to increase the organisation's capital.

Social enterprises are required to consider forms of inclusion for workers and beneficiaries of the social enterprise's activities. Inclusion means any mechanism, information, consultation or participation, through which workers and/or beneficiaries influence the social enterprise's decision-making processes.

Slovenia

The Slovenian Social Entrepreneurship Act lays down the definition, objectives, principles and activities of social enterprise in Slovenia and social enterprise legal status is available for legal forms that meet prescribed conditions. Similarly to Italy, the Act provides for two types of social enterprise: 1) type "A", which: carries out (one or several) "social entrepreneurship activities"; and 2) type "B", which can engage in any other type of business, but are orientated towards the employment of those from the most vulnerable or disadvantaged groups. Any private legal person can be deemed as a 'social enterprise' under this law, provided they are not established for the sole purpose of generating profit and do not distribute profit except in a limited scope in accordance with legislation.

5.2.3 Other legal status relevant to social enterprises

Other legal statuses relevant to social enterprises include:

- Public benefit statuses – which relate to tax-privileged organisations which exist for public benefit; and
- Integration Enterprise statuses - which relate to the employment of the long term unemployed or disadvantaged people, typically as a specific incentive to encourage employment of such persons.

Public benefit status

Many European countries legally recognise “public benefit organisations”. This is legal status that is not a distinct legal form but, rather, it attaches to organisations which fulfil certain criteria in order to receive tax reliefs and access to other incentives. To adopt this status, legal forms are required to pursue a prescribed social purpose for the public interest or benefit, are unable to distribute profits and are often subject to heavier reporting requirements than for-profit organisations.

For example, associations in Spain carrying out defined public benefit activities can request classification as a ‘Public Utility Association’. In France, associations can be registered as an ‘ARUP’ (association reconnu d’utilité publique) after fulfilling certain criteria. Polish NGOs may qualify for the status of ‘public benefit organisations’ if they have a track record of undertaking public benefit activity for at least two years and meet other criteria concerning, *inter alia*, publishing information on activities. Hungarian legislation enables associations, foundations and non-profit companies to qualify as ‘public benefit organisations’.

In Ireland, share companies and non-profit companies (limited by guarantee) which have a “charitable purpose” as their main object and do not distribute profits can apply to the tax authority for particular tax exemptions. A similar charitable status attaches to non-profit companies (limited by guarantee) in the UK and Associations in Switzerland which further exclusively charitable purposes for the public benefit and do not distribute profits.

In Austria and Germany, share companies can qualify for tax privileged status (gGmbH), if they pursue a social purpose (such as an aim related to culture, science education, health care) and do not distribute profit – see Box 5.2. In Germany, trading by a tax privileged company is limited to directly furthering its social purpose, although this can be overcome by establishing a separate for-profit company to undertake trade and donate its profits to a tax privileged company.

Box 5.2 “Die gemeinnützige GmbH” (gGmbH) as public benefit organisations

gGmbH is a limited liability company which is established to pursue public benefit (not-for-profit) goals. In Austria and Germany, a private limited liability company (as well as associations) can be granted preferential treatment by the competent tax authorities if they are recognised as public benefit organisations (*gemeinnützig*). To obtain the status of a public benefit organisation, a company (GmbH) must pursue public benefit and use its assets for such tax-privileged purposes only. Profits may not be distributed to the shareholders of the GmbH.

As understood by tax authorities, a public benefit purpose is directed towards the general public (not members of the organisation). Examples of eligible activities include: the promotion of art and science, health care services, welfare services, services for the elderly or the disabled, social housing projects, education, nature conservation, disaster relief, development aid, consumer protection, sports.

A priori, opting for a public benefit limited company seems interesting for social enterprises. Nevertheless, that option, which basically exists in Austria since 1945, is

not systematically used by social enterprises according to the interviews carried out as part of this study. There have been calls to reform public benefit status to make it more suited to today's needs and in particular those of social enterprises. Several limitations were pointed out. Firstly, activities considered as public benefit activities in the sense of the Federal Fiscal Code (*Bundesabgabenordnung* - BAO) are seen as quite limited. For example, it is specified that public benefit organisations should directly work with persons in need (which can de facto exclude certain fields of activity). Secondly, the need to clearly define the public benefit purpose and strictly identify the target group in the articles founding the organisation was seen as a barrier for social enterprises in their early phase of development (e.g. start-ups) which evolve very rapidly. Besides, the ability to build up reserves is restricted, which can in turn undermine the access to finance. In addition, the administrative burden associated to reporting requirements was also mentioned.

Last but not least, the capital requirements are seen as a barrier for social enterprises (this is however not specific to public benefit private limited liability companies, but true for all private limited liability companies). On this last point, there has been a recent change in laws which will make it easier to set-up private limited companies in Austria. Capital requirements were lowered from €35,000 to €10,000²⁶, at least one half must be fully paid in.

The abovementioned shortcomings with regard to Austria also apply in general to Germany (despite the recent amendments to the legal framework). With regard to the capital requirements, however, a social entrepreneur can opt for a limited liability company known as *Unternehmergeellschaft* (haftungsbeschränkt) (Entrepreneur Company). An entrepreneur company can be founded with a minimum capital of one euro and has generally the same features as a limited liability company (GmbH). An entrepreneur company can have tax-privileged status, just like a gGmbH. In this case, often the abbreviation "gUG (haftungsbeschränkt)" is used.

Sources: *Schneider & Hagleitner (2005), Stichlberger (2012), Lehner (2011b)*, <http://www.verbandsrecht.at/fag.htm#faq1> and interviews carried out as part of this study as well as inputs from legal experts

Integration enterprises

Apart from Finland, Lithuania and Slovakia, which have 'social enterprise' legal statuses (albeit narrowly focusing on work integration), some countries have 'integration enterprise' legal forms (e.g. Bulgaria Romania, Poland, Slovenia, Spain). The concept of an "integration enterprise" may be understood in different countries as a legal status or a legal form. Where integration enterprise is understood as a legal status, in theory, any legal form could be characterised as an integration enterprise (provided it meets the criteria set out in the law for meeting that status).

For example, in Poland, the Act on employment promotion and labour market institutions established three main entities to form a continuous path to employment for defined socially excluded person. The assisted person can progress from Social Integration Club where therapy and civic education programmes are offered, to a Social Integration Centre with therapy, civic education and vocational training programmes, before entering the free labour market by choosing one of the following paths: establishing a social cooperative and obtaining public funding from the special Labour Fund for such start-up, finding a job in a social cooperative or finding a post in the open labour market.

In Bulgaria "cooperatives of people with disabilities" must have a relative proportion of people with permanent disabilities as follows: at least 20 per cent of the total personnel of a specialised enterprise for blind people must be blind, at least 30 per cent of the total personnel of a specialised enterprise for deaf people must be deaf and, a third category of specialised enterprise exist for all other types of disability and at least 30 per cent of its total personal must be disabled. A specialised enterprise is established to trade through mutual assistance and provides employment.

5.2.4 Benefits of a legal form and status

Legal recognition of social enterprises has been suggested as an essential condition for developing the 'sector' by many academics and experts, on the basis of the following arguments:

- Legal forms/ statuses recognise the specificity of social enterprise and contributes to giving them a clear, precise and easy-to-convey identity;
- The definition of the identity of social enterprise allows policy makers to design and implement specific public policies for social enterprises or social investors, including measures under tax and public procurement law;
- It prevents 'abuses' of the social enterprise brand;
- It helps to identify potential investees for social investors;

It sets clearly the boundaries between social enterprise and other concepts (e.g. CSR). However, the above statements are not always supported by actual experience in European countries. While specific legal forms have been fairly successful in a couple of countries (Italy and the UK), they have not been particularly popular in other countries e.g. Poland and France (as can be seen from Table 5.1). Regarding legal statuses of social enterprise, there is still insufficient evidence to assess the factors that determine success or failure, mainly because these legal statuses have only been introduced recently in many countries. In Italy, the Law on Social Enterprises of 2006 (creating the legal status of a social enterprise) is currently the subject of debate as it has not had the desired impact on the development of the 'sector'. It is argued that the law is too restrictive and does not offer any fiscal advantages or other benefits while imposing administrative burden and costs on social enterprises.

On the basis of available evidence, it is not possible to conclude which of the two approaches to social enterprise legislation (legal form versus legal status) is better as each has its advantages and disadvantages. Ultimately, the approach to social enterprise legislation should be based on a consideration of national contexts and traditions, taking into account the costs of certification, social performance verification and reporting, and compliance monitoring and control.

5.3 Tax exemptions and incentives

There are very few countries with tax breaks specifically designed for social enterprises. The general pattern in European countries is that:

- Tax breaks may exist for certain forms of tax exempt non-profit organisations;
- Tax breaks may exist for integration enterprises / WISE, if the concept exists;
- Tax breaks may exist for the conduct of certain forms of activities;
- Otherwise, social enterprises are generally taxed according to their underlying legal form;
- In some countries, the tax system varies on a regional or local basis.

5.3.1 Tax treatment of non-profit organisations (NPOs)

NPOs with a recognised "public benefit" status are usually eligible for a range of tax reliefs, including:

- Corporation, income and capital tax reliefs;
- Tax relief on certain forms of expenses;
- Tax deductions on donations for donors;
- Inheritance tax relief for donors;
- Relief on property transactions;

- Relief on local or municipal taxes;
- Reliefs on investment income; and
- Often a range of other tax reliefs.

To be eligible for tax advantaged status, a NPO will often need to show that it exists for the public benefit, has a social purpose and limitations on distribution, does not benefit its members or managers, is accessible to persons on low incomes and meet other qualifying conditions, including sometimes, as in Spain, a minimum time since its set-up or, as in Hungary, a minimal level of financial resources.

Beneficial tax regimes exist for NPOs with “public benefit” status in the vast majority of Member States, with only a handful of exceptions.

In some cases, such as in Denmark and Romania, tax exemptions are only available to NPOs which do not engage in trading activity and the conduct of trading activity invariably requires the establishment of a separate trading subsidiary. In most Member States, NPOs can only trade to advance a purpose.

In some cases, such as in Portugal and Romania, certain tax exemptions are in the gift of local or regional government, which has the discretion to award, for example, property relief.

There is generally no exemption from VAT for NPOs.

However, not all NPOs will be considered to exist for the public benefit in this way, as some will exist for the benefit of their members or for some other private purpose. This means that a social enterprise constituted as a NPO (Association, Foundation, Institute, non-profit companies etc.) may or may not benefit from tax exemptions applicable to public benefit organisations.

In some jurisdictions, only Associations and Foundations are eligible for the tax advantages which are made available for those NPOs which exist for public benefit.

NPOs may also benefit from exemptions from other forms of regulation, such as in relation to lotteries, as is the case in the Netherlands.

5.3.2 Tax treatment of integration enterprises/ WISE

Integration enterprises/ WISE typically benefit from a range of tax reliefs, including:

- Partial reimbursement of wages;
- Deductions or relief from social insurance contributions; and
- In some cases, partial or complete exemption from corporation tax.

Integration enterprises/ WISE also often receive other forms of subsidies, such as subsidies for the adaptation of workplaces and subsidies for other relevant costs, such as the cost of specialised training, transport costs or the costs of specialised or adapted equipment.

Tax reliefs are usually predicated on conformity with the underlying integration enterprise/ WISE legal status or legal form requirements, which relate to factors such as the nature, condition and number of the persons employed by the integration enterprise/ WISE.

5.3.3 Tax Treatment of activities

Many European countries have a range of tax exemptions for certain forms of activities, such as:

- Training and educational activities;
- Development and innovation related activities
- Making donations of goods or services to certain disadvantaged groups;
- Purchase of certain forms of assets;
- Employment of persons in certain localities with high unemployment;
- Investment into small and medium sized companies; and
- Investment into deprived communities or other designated localities.

No country cited any tax exemptions for the use of volunteers, except for the example of small tax exempt payments to volunteers for expenses, as in the Netherlands. Some countries of study mentioned that companies cannot legally be recognised as having volunteers.

5.3.4 Tax treatment of social enterprise legal forms

In a number of countries, legally recognised social enterprises are eligible for a range of tax exemptions:

- Forms of corporation tax relief;
- Tax relief on property transactions;
- Relief from local or municipal taxes.

Fiscal incentives available to legally recognised social enterprises are summarised in Table 5.2

Table 5.2 Overview of fiscal benefits attached to social enterprise legal forms and legal statuses

Country	Law/ Act	Fiscal incentives attached to the legal form/ legal status
BE	Social purpose company (governed by articles 661-669 of the Belgian Companies Code) – <i>legal status</i>	Not applicable
HR	Social cooperatives established under the new Cooperatives Act – <i>legal form</i>	Not applicable
CZ	Social cooperative established under the Commercial Corporations Act n. 90/2012 Coll – <i>legal form</i>	Not applicable
DK	LOV nr 711 af 25/06/2014 Lov om registrerede socialøkonomiske virksomheder [Act on registered social enterprises] – <i>legal status</i>	Not applicable
FI	Act on Social Enterprise (1351/2003) – <i>legal status</i> . NB: the Act narrowly defines social enterprise as WISE	According to the Act on Social Enterprise, the Public employment services may - within the limits of the national budget - provide support for the establishment of a social enterprise (more specifically, WISE - given the narrow focus of the Act). Easier access to employments support and for longer periods than for conventional enterprises. A social enterprise hiring a disabled or long-term unemployed is entitled to wage-related subsidies as a compensation for potentially reduced

Country	Law/ Act	Fiscal incentives attached to the legal form/ legal status
FR	Société coopérative d'intérêt collectif (SCIC) – <i>legal form</i>	productivity of the employee. Not applicable
GR	Law 4019/2011 on Social Economy and Social Entrepreneurship creating Social Cooperative Enterprises (Koin.S.Ep.) – <i>legal form</i>	<ul style="list-style-type: none"> ▪ Koin.S.Ep.s are entitled to receive subsidies under active labour market support schemes, promoted by the Greek Public Employment Service (OAED).
	Law 2716/99 (article 12) creating Limited Liability Social Cooperatives (Koi.S.P.E.) – <i>legal form</i>	<ul style="list-style-type: none"> ▪ Koi.S.P.E.s are entitled to various tax breaks and incentives: ▪ Financial incentives e.g. members of the Koi.S.P.E.s who are mental health patients and thus receive sickness benefits can maintain their benefit eligibility while being members and employees of a Koi.S.P.E., hence they can receive their benefit in addition to their salary from Koi.S.P.E.; ▪ Tax incentives e.g. exemption of from income, municipal and corporate taxes (except VAT). ▪ Business incentives such as employment subsidies to employ mental health professionals without burdening the Koi.S.P.E., tripartite program contracts, favourable status regarding the procurement of projects and services by legal entities of public law and local authorities (No. 12 Presidential Decree PD 60/2007).
HU	Social cooperatives (as defined under Act no. X of 2006 on cooperatives) – <i>legal form</i>	Not applicable
IT	Law on social cooperatives (381/1991) – <i>legal form</i>	<ul style="list-style-type: none"> ▪ Social cooperatives benefit from favourable tax conditions. Depending on their characteristics, social cooperatives are either exempt from the payment of corporate income tax or a reduced rate applies. ▪ Additionally, social co-operatives defined as “type B” or “working integration social enterprises” are exempted from national insurance contributions for the disadvantaged workers employed. ▪ There are tax exemptions for private donations to social cooperatives. ▪ Social cooperatives also benefit from a reduced value added tax (VAT) rate for the health, social and educational services offered. ▪ The part of the surpluses that go to the mandatory reserves is not taxed ▪ In some regions, reduction or exemption of the regional tax ▪ Reduction by ¼ of cadastre and mortgage tax ▪ When the law on social cooperatives was passed, it granted social co-operatives the status of preferred

Country	Law/ Act	Fiscal incentives attached to the legal form/ legal status
LT		providers in local authority procurement. While this has subsequently been challenged, an exemption for "type B" social co-operatives was agreed with the European Commission, which allows local authorities to enter into direct agreements with them for contracts up to €300,000.
	Law on social enterprises (155/2006) – <i>legal status</i>	Not applicable
	Law on Social Enterprises (IX-2251) – <i>legal status</i> . NB: the Law narrowly defines social enterprise as WISE	Under the Law on Social Enterprises a social enterprise may be granted the following subsidies: <ul style="list-style-type: none"> ▪ Partial reimbursement of wages and state social insurance contributions; ▪ Subsidy for the creation of workplaces, adaptation of workplaces to disabled employees and acquisition or adaptation of their work equipment; ▪ Subsidy for the training of the employees who are attributed to the target groups. ▪ A social enterprise of the disabled, may additionally receive: ▪ Subsidy for the adaptation of the work environment of disabled employees, production premises and rest rooms; ▪ Subsidy for the reimbursement of additional administrative and transport expenses; ▪ Subsidy for the reimbursement of expenses on an assistant (sign language interpreter) ▪ According to the Law on Corporate Income Tax, social enterprises are exempted from Corporate Income Tax. ▪ Social enterprises have a possibility to temporarily and free of charge use and manage assets owned by the state or municipalities under the rules applied for uncompensated use of a thing.
	Act on Social Cooperatives – <i>legal form</i> . NB: the Act narrowly defines social enterprise as WISE	<ul style="list-style-type: none"> ▪ Social cooperatives do not need to pay social security contributions for their members during the first two years of existence (and can pay half the normal level of contributions in the third year). ▪ Certain breaks in corporate income tax. ▪ No costs for registration
PT	Social solidarity cooperative under Cooperative Code (Law No. 51/96) – <i>legal form</i>	<ul style="list-style-type: none"> ▪ Exemption for corporate tax (if recognised as being of public utility and/or Assimilated to Association of Public Utility); ▪ Exemption for fiscal stamps; ▪ Tax exemption for successions and donations; ▪ Exemption for local taxes ▪ State financial and technical support
SK	Act No. 5/2004 on Employment Services – <i>legal status</i> . NB: the Act	<ul style="list-style-type: none"> ▪ Special wage subsidies for social enterprises (for employing

Country	Law/ Act	Fiscal incentives attached to the legal form/ legal status
SI	<i>narrowly defines social enterprise as WISE</i>	disadvantaged jobseekers) were replaced in May 2013 with general support that is available to any employer (not just social enterprises) who creates job positions for disadvantaged jobseekers who have been unemployed for at least three months
	Act on Social Entrepreneurship (20/2011) – <i>legal status</i>	<ul style="list-style-type: none"> No special fiscal incentives for social enterprises as per Act 20/2011. Social enterprises employing people with disabilities are entitled to the same financial incentives as other types of enterprises employing people with disabilities over the prescribed quota.
ES	Social initiative cooperative– <i>legal form</i>	<ul style="list-style-type: none"> Same as those available to 'specially protected cooperatives'²⁷. These entities have more exemptions in the Transfer Tax and Stamp Duty (ITPAJD) and enjoy a discount of 50 per cent from the gross corporate income tax payable. There are cooperatives that can be classified as non-profit entities if managing services of general interest or public ownership, or perform any economic activity in order to integrate people socially excluded. Non-profit entities are entitled to various tax benefits: The Corporate income tax (Legislative Royal Decree 4/2004 of the Corporation Tax): there is a scheme for partially exempt entities and one optional special tax treatment (Law 49/2002) offers important exemptions and lower tax rate Value Added Tax (Law 37/1992 and RD 1624/1992): these entities are exempt if deliveries are free, and when performing certain activities (education, health, social welfare, culture, sport). Customers who purchase goods and services from these entities do not have to pay the tax These entities are exempt from Transfer Tax and Stamp Duty. They also have important local tax exemptions
UK	The Community Interest Company (CIC) Regulations – <i>legal form</i>	Not applicable

²⁷ 'Specially protected cooperatives' are certain types of cooperatives, formed by workers or consumers, or engaged in agriculture and fishing, which focus primarily on the needs of these (mutualism) and do not have large incomes.

5.3.5 Tax Incentives for investors

In France and the UK, exemptions exist for investors into certain social enterprises:

- In France, individual investors are able to deduct up to 25 per cent of the value of an investment into a SCIC from income tax.
- In the UK, individuals are able to deduct up to 30 per cent of the value of an investment into a charity, community benefit society or cooperative from income tax.

Additionally, in Italy, taxpayers are able to devolve 5x1000 of the income tax in favour of social enterprises identified each year by the Government department responsible for finance.

5.4 Publicly funded support measures for social enterprises

This section provides an overview of publicly funded support measures supporting the development of social enterprise²⁸. The described support measures represent a selection, as it is not the aim of the project to develop an exhaustive list of all relevant support measures in Europe. The examples quoted below should not be seen as “good practice” as evidence on what constitutes good practice in this area is currently lacking.

5.4.1 Countries that have specific schemes targeting social enterprises

A number of countries have initiated a broad variety of policies, measures and schemes specifically addressing and providing support to social enterprises and social economy entities more widely. These include Belgium, Croatia, Denmark, France, Italy, Luxembourg, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. The scope and scale of such publicly funded schemes, however, varies significantly across countries. For example, in Sweden public support initiatives are narrowly targeted at WISEs, while in countries like Belgium, France, Luxembourg, Portugal and Spain, the support is targeted at the much broader social/ solidarity economy. Whereas, in Denmark much of the support to social enterprises is provided through a single programme – the Social Growth Programme (Box 5.3).

²⁸These measures do not explicitly refer to the social enterprise sector in the strict sense. In some countries, they target social economy or social entrepreneurs

Box 5.3 The Social Growth Programme (Denmark)

The Social Growth Programme provides support for social enterprises that work with the most vulnerable unemployed (and that meets the other criteria for social enterprises-based on the 2010 National Civil Society Strategy)²⁹. More specifically, it provides an intensive support programme for social enterprises that aim to grow and expand their business so they can employ and/or create work integrating activities for more individuals. The Social Growth Programme activities run for six months and include:

- *hands-on resources* - an experienced and dedicated business advisor who is actively engaged in the social enterprise 1-2 days a week, and helps to develop and test new business opportunities.
- *training* - camps and workshops where social enterprises will be trained to use the new tools for business development and acquiring new knowledge in the field, including training and advice in relation to sales and marketing, access to new customers/markets and cooperation with local authorities for funding options.
- *networks and partnerships* - targeted matchmaking of municipalities, companies and organisations - which can act as both sparring partners in the development process and customers for the company going forward. Matchmaking is also envisaged in relation to foundations, investors and financial intermediaries.

The main aim of the Social Growth Programme is to help social enterprises to develop and grow so they can employ more people and create opportunities for several vulnerable groups on a financially sustainable basis. The programme has involved twelve social enterprises over two rounds. The first round ran up to October 2013, whilst the second round (December 2013-May 2014) is currently involving six social enterprises. Notably, it was recently announced that the Social Growth Programme will be extended until 2016, involving a further 20 social enterprises over four rounds. The extended programme will provide more opportunities for support following participation in the Social Growth Programme, as well as opportunities to apply for funding to act on the activities developed through the programme.

There are also a number of European countries that have very limited or no publically funded schemes specially designed for and targeting social enterprises. This is particularly the case in newer Member States, particularly from Eastern Europe - Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Slovenia, Slovakia and Romania where ad hoc and fragmented initiatives have been funded through Structural Funds.

However, there are also a few examples of older Member States where publicly funded schemes targeting social enterprises are very limited or non-existent, including Austria, Finland, Germany, Ireland, and the Netherlands. In some countries, it has been a deliberate policy choice to not develop bespoke schemes for social enterprise. For example, in Finland, the working group set-up by the Ministry of Employment and the Economy concluded in its report in 2011 that specific support mechanisms directed to social enterprises were not necessary as in principle social enterprises have access to the same support schemes as any other enterprises (the only exceptions are WISE to the extent that they are eligible for certain government subsidies). Similarly, the Dutch Ministry of Economy funded a study on "Stimulating the Social Enterprise sector: experience and lessons from Europe" (2013), highlighting the possibilities for public support schemes. While the authors of the report provided an overview of measures that exist elsewhere, the Ministry of Economy did not indicate any interest in launching public support measures specifically targeting social enterprises. Also in Switzerland, public policy measures targeting social enterprises or social economy sector are rare and the authorities' stance could be described as 'neutral'.

²⁹ Participating enterprises also have to comply with EU state aid rules, give confidence that they will be self-sufficient in the longer term, have an established business with potential to grow and have a clear need for support and guidance.

EU structural funds have been used extensively to support social enterprises across the Member States. European Social Fund (ESF) programmes in particular, have been instrumental in supporting the development of social economy and social enterprise concepts and models in many European countries. This is likely to continue with the increased emphasis on social enterprise in the new European Structural and Investment Funds (ESIF) Operational Programmes for 2014-2020 e.g. in Bulgaria, Croatia and Poland to name a few countries.

5.4.2 Typology of public support measures

The following typology of public support measures can be identified across Europe:

- Awareness raising, knowledge sharing, mutual learning;
- Specialist business development services and support;
- Investment readiness support;
- Dedicated financial instruments (e.g. social investment funds);
- Physical infrastructure (e.g. shared working space);
- Collaborations and access to markets.

The following sub-sections provide illustrative examples of specific measures being implemented across Europe. The list below is non-exhaustive.

Awareness raising, knowledge sharing and mutual learning

Examples of awareness raising, knowledge sharing and mutual learning activities can be found in many countries. Such activities, inter alia, include:

- *Social enterprise events, summits and forums* e.g. in most countries conferences, round tables and panel discussions on social enterprise / social entrepreneurship are regularly organised to support awareness raising, knowledge sharing and mutual learning. For example, in the Czech Republic, a "Club of Social Entrepreneurs" has been created with ESF support. This informal network organises quarterly seminars that allow social entrepreneurs/ social enterprises from different regions to share their experiences and good practices. Another ESF funded project "Innovative establishment of social entrepreneurship" in the Czech Republic aims to raise awareness on social enterprise. It has established a national network of eight ambassadors that actively promote social enterprise in their regions through seminars, panel discussions, etc. Further outputs to be delivered include:
 - A report that summarises good practice in social entrepreneurship;
 - A guide how to set up a social enterprise;
 - Three documentary movies about social economy; and
 - Sixteen short portraits of Czech social enterprises.
- *Competitions and award schemes* are also organised in almost all European countries to recognise and reward promising social enterprises/ social entrepreneurs in an attempt to increase visibility of the concept, to celebrate achievement and to promote a culture of social entrepreneurship. Examples include: "Best Social Enterprise of the Year" (Poland); "1,2,3 Go Social" contest for the best business plans with strong social goals (Luxembourg); "Social Impact Award" (Austria), "Social Entrepreneur of the year" (France) etc. Competitions are also organised by NESsT in countries where it operates. However, where awards for start-ups are not accompanied by follow-up mentoring or coaching, their effectiveness may be low.

■

Specialist business development services and support

There is widespread, though not universal, agreement that most social enterprise support needs are similar to those of mainstream businesses, but at the same time social enterprises have specific features (their dual missions, business models, target groups, sectors of activity etc.) that create complex needs demanding diversified and at times, tailored solutions. The OECD recommends a system of 'braided support', which incorporates both generic business support alongside specifically tailored support to facilitate the start-up and development of social enterprise. However, there are only a few European countries where such an approach is currently being applied in the design of publicly funded business support (e.g. Belgium, France, Italy, Poland, the UK and the Czech Republic). Some illustrative examples are provided in the box below.

Box 5.4 Examples of (publicly funded) specialist business development services and support for social enterprises

The Czech Republic

This programme is currently being financed from the OP Human Resources and Employment (OPHRE). Its primary objective is to support social enterprises by creating a national network of ten local consultants and five experts/coaches. This network provides free consultancy services to social enterprises in various areas, including business and legal support. Secondary goal of the project is to grasp the concept of social enterprise and create a set of indicators that would help to identify social enterprises.

Poland

The following structures have been established to support the development of the social economy entities (including social enterprises) in Poland:

Social economy support centres (OWES). Their activities include the provision of a wide range of advisory and consulting services, advising on existing sources of financing and assisting in applying for financing. These operate at a local/ regional level and are spread throughout the country. The map of OWES lists 90 initiatives from all over Poland that were active as of September 2013. These centres have been typically established as projects (with no legal status and with limited time of operation) financed by the Operational Programme Human Capital (PO KL).

A network of five Social Economy Centres (CES) one in each macro-region, but this system is not considered efficient and sustainable (Coffey, 2013a). CES are not legal entities; they are projects carried out by various organisations, mostly foundations that themselves are social economy entities.

The work of five CES is coordinated by the National Centre for Social Economy (Krajowe Centrum Ekonomii Społecznej or KCES) established by the Department of Public Benefit of the Ministry of Labour and Social Policy.

The tasks of the National Centre for Social Economy have been described as follows:

- ensuring the flow of information between the CES,
- coordinating and enhancing CES skills and expertise,
- monitoring of the existing legislation,
- support for public administration, aiming at development of social economy,
- supporting and taking initiatives to develop recommendations and solutions to strengthen social economy and its environment,
- initiating international cooperation with organizations promoting social economy at the European level.

Only a handful of countries have launched specialised pre-start/ start-up measures for social enterprises e.g. the Czech Republic, Denmark, France, Italy, Poland, Slovenia and the UK. Box 5.5 provides an overview of a regional measure implemented in France and Box 5.6 and 0 provide examples of national schemes being implemented in Italy.

Box 5.5 L'innovation sociale en Languedoc-Roussillon (France)

Years of operation	Initiated in 2005
Geographical scope of the initiative	Regional (Languedoc-Roussillon)
Target population	Social entrepreneurs (at start-up and development phase)
Aims and objectives of the initiative	Favourable structure of regional economy combined with active organisations of social economy. Initiative aims overall support (networking, grant seeking and business cooperation) of social economy sector and in particular job creation and enhancement of social innovation.
Financing of the initiative	EUR 500,000 for the year 2011 including European Regional Development Fund. ³⁰
Role of EU funding (if any)	EUR 170,000 grant for the year 2011
Form of support	<ul style="list-style-type: none"> ▪ Pre-start support (Social Enterprise Incubator); ▪ Awareness raising (one coherent labelling); ▪ Entrepreneurship education (school for social entrepreneurs); ▪ Provision of business support (e.g. business planning, management skills, investment readiness etc.); ▪ Assistance in research for financial support; ▪ A shared working space; ▪ Networking, knowledge sharing, mutual learning.
Delivery/ implementation mechanism	REALIS, réseau actif pour l'innovation sociale en Languedoc-Roussillon
Examples of innovation	Coherence with structure of regional economy, concentration of various activities in one centre
Achievements of the initiative	<ul style="list-style-type: none"> ▪ Since its establishment, the initiative led to creation of 6 cooperatives and employment of 57 persons (where 36 in insertion). 3 other cooperatives are currently under creation; ▪ Social Entrepreneurs school: created at the beginning of 2009, educated 45 managers; ▪ Organisation of Social Innovation Conventions in 2009, 2010 and 2011 with over 2000 participants each year.

Box 5.6 Start-up di imprenditoria sociale (Italy)

Years of operation	2013 – ongoing
Geographical scope of the initiative	National
Target population	Legally recognised social enterprises and social cooperatives in the start-up phase
Form of support	Provision of free external support services for start-ups: tutors made available by the chambers of commerce to provide specialised support in the preparation of business plans, the engagement of financial investors and the creation of the companies

³⁰<http://ec.europa.eu/enterprise/policies/innovation/policy/regional-innovation/monitor/index.cfm?q=p.support&n=13833>

Delivery/ implementation
mechanism

Managed by the adhering chambers of commerce

Box 5.7 Fertilità project (Italy)

The project was launched in 2001 by the National Agency for Inward Investment Promotion and Enterprise Development in cooperation with the Ministry of Labour and Social Policy. The project supports the start-up of social cooperatives through the provision of training, consultancy services and coaching by established social cooperatives or consortium of cooperatives. The scheme is national.

Investment readiness

Given the focus on the development of social investment markets in the UK, it is no surprise that there are a number of interesting examples of publicly funded investment readiness schemes being implemented. These include:

- **The Social Incubator Fund.** Launched in 2012 and delivered by the Big Lottery Fund on behalf of the Office for Civil Society (OCS), the Social Incubator Fund provides grants to social incubators, a portion of which is to be invested in social ventures using non-grant financial structures. The aim of the scheme is to help drive a robust pipeline of start-up social enterprises by increasing focus on incubation support, and attracting new incubators into the market. Each supported social incubator is expected to offer a complete range of support methods and to have the ability to help at least 50 social enterprises. The Social Incubator Fund has invested £10million in 10 incubators over three rounds of funding
- **The Investment and Contract Readiness Fund** is a £10 million fund, spread over 3 years, to help social businesses secure social investment and bid for public service contracts. Launched in May 2012 by the Office for Civil Society, the fund gives out grants of between £50,000 and £150,000 to social ventures that have the potential to provide their services and positive social impact at scale, but are not yet in a position to take on loans. The fund expects to support over 130 social enterprises, and £3.8 million has been committed to support 40 organisations during 2012/13. The Fund is managed by The Social Investment Business, the social enterprise department of Adventure Capital Fund, and is open to applications from social ventures on a rolling basis.

Not many examples of publicly funded investment readiness support could be found in other European countries. Indeed, this has been highlighted as an area requiring more public support by social enterprises and stakeholders (see section 6 on factors constraining the start-up and development of social enterprise).

Physical infrastructure

Interesting examples of co-working spaces were found in Slovenia – Table 5.3

Table 5.3 Specialist co-working space for social enterprises (Slovenia)

Name of the measure	Description
Incubator within the Social innovators of the future project	Co-working space School of Social entrepreneurship including support with development of social entrepreneurial idea, market research, business plan, mentoring, technical support (registration), financial and accounting consulting, consulting regarding available financial mechanisms (presentation of the social entrepreneurship idea to potential investors, help with project documentation)
Social incubator	Business incubator specialised in supportive business environment for students who want to become social entrepreneurs. Incubator supports students in different stages of development of their businesses: <i>planning, establishing</i> and <i>running</i> their social enterprises: Incubation: co-working office Knowledge: “Academy of inspiring entrepreneurship” organises workshops, seminars, conferences and study visits. Two business consultants provide advice on a daily basis. Start-up capital: Gold fish: Established first crowdfund start-up capital in Slovenia. Funds will be raised with organisation of various events (conferences, sports events, concerts). Promotion: promotional workshops for public and cooperation with media

Collaborations and access to markets

Access to markets is essential for social enterprises to become self-sufficient and to scale-up their activity. However, a number of internal and external barriers can hinder the capacity of social enterprises to access markets (section 6). 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 through the inclusion of social clauses in procurement procedures. In parallel, publicly funded programmes could be designed to build understanding and capacity both amongst local officials and social enterprises so that public procurement can be effectively utilised in supporting the development of social enterprises. For example, in the Czech Republic, the Agency for Social Inclusion has been advising municipalities how to include social considerations in their public tenders. As a result, approximately 60 municipalities have included social criteria in their strategic documents. A few municipalities have even included social clauses in their tenders – for example in the form of a condition that people with health disabilities must constitute at least 10 per cent of the employer’s workforce.

Dedicated financial instruments

Most Country Reports highlight that social enterprises like any other enterprise need external finance to start-up and scale their activities. However, given their specific characteristics, accessing finance from traditional sources can be particularly problematic for social enterprises (see section 6). Given that social investment markets are currently under-developed in most European countries (and at best, nascent in the more ‘advanced’ countries like France and the UK), governments can play a key role in stimulating the development of social investment markets by designing dedicated financial instruments among other things. Interesting examples of publicly funded dedicated financial instruments (i.e. repayable funds; not grants) can be found in Belgium, Denmark, France, Ireland, Poland and the UK. Annex 5 provides a mapping of the range of dedicated financial instruments that have been

developed across Europe for social enterprises. The boxes below provide brief descriptions of some schemes.

Box 5.8 Social Economy Fund: ESFund/ TISE pilot 2013-2015 (Poland)

In 2013 the pilot project of a Social Economy Fund commenced with the objective to provide concessional loans for the development of social economy for both, development of existing operations as well as new lines of products and services.

The BGK bank³¹ selected TISE³², a private investment fund, to manage the five loan funds (one in each macro-region). Eligible beneficiaries (referred to as 'social economy entities') are defined by their legal forms and include various forms of cooperatives, non-government organisations, entities run by the church institutions that have public benefit among their statutory objectives, and non-profit enterprises³³. Only micro and small entities with employment below 50 employees and turnover not exceeding EUR 10 million are eligible. The essential criterion is also a track record of minimum 12 months of economic activity at the day application submission as well the repayment ability that is assessed by the operator of the Fund.

The budget of the ES Fundusz totals around PLN 25 million (above EUR 6 million) with an objective to support around 250 social enterprises over the period 2013-2015³⁴. Social Economy Fund has been funded from the European Social Fund.

Loans are provided on highly concessional terms with standard rate of just 25 per cent of the rediscount rate of the National Bank of Poland. Maximum size of a loan is fairly small – PLN 100.000 (approx. EUR 25.000) for a maximum period of 60 months (with a possibility of 6 months' grace period³⁵). Successful applicant are additionally offered free of charge advisory during the duration of their projects.

Within the first ten months of its operations (until January 2014) ES Fundusz approved around 70 loans, for clients with very different legal forms, most often social cooperatives and NGOs conducting economic activity.

Depending on the assessment of the results of the Fund, a new and permanent National Fund of Social Entrepreneurship may be established in 2015 to provide loans and credit guarantees. Its structure and sources of funding are yet discussed but it can be a blend of the European Social Fund, a fraction of the corporate income tax revenues and private sources. The Fund is going to be located in a bank or other financial institution selected by the Ministry of Labour and Social Policy in co-operation with the Ministry of Regional Development. The currently running pilot phase will be instrumental for the estimation of the potential demand for social investment.

Box 5.9 Caisse des Dépôts (France)

The Caisse des Dépôts - a public long-term investor - the most important fund in France (30 per cent of funds) - offers two interesting support measures to social investment:

- Fund of funds³⁶: these funds invest in other funds, with a focus on social entrepreneurship;
- Caisse des Dépôts made EUR 500 million available for long term leases available to social enterprises.

³¹ Bank Gospodarstwa Krajowego: <http://www.bgk.com.pl/>

³² Private Loan Fund: <http://www.tise.pl/O-nas/wydarzenia/>

³³ Those cannot operate for profit, all revenue must be devoted to the realisation of statutory objectives and eventual profit cannot be redistributed among shareholders and employers.

³⁴ <http://esfundusz.pl/>

³⁵ <http://www.ekonomiaspoleczna.pl/wiadomosc/900096.html>

³⁶ Fonds de fonds

Box 5.10 KfW's pilot equity financing scheme for social enterprises
(Title: Finanzierung von Sozialunternehmen, Subtitle: Weiterwachsen mit Beteiligungskapital)

In 2011/12, the national development bank KfW – at the initiative of the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth – launched a pilot equity financing scheme to invest in social enterprises.

For the purposes of this scheme, social enterprises have been defined as “small and medium sized enterprises that want to solve societal problems in Germany with an entrepreneurial approach and an innovative business model”. The scheme targets social enterprises that have already established themselves in their respective market and are in the growth phase. This stage of the enterprise lifecycle was identified at that time as facing a particular financing gap. KfW acts as a co-investor; its financial contribution is granted *pari passu* to the involvement of a private lead investor. As the funding – between €50,000- €200,000, and maximum 50 per cent of the total equity – comes in form of a capital investment, social enterprises as investees need to have a legal form that allows such equity finance (and exit), i.e. they cannot have the status of a “public benefit organisation”. The business model of the investees needs to be self-supporting in the medium or long term.

At the end of 2012 the programme had co-invested equity in two enterprises. The equity participation was around 130,000 €. Three further companies were in negotiations at this moment in time (one year after the start, mid-term figures). The full pilot is designed for ~ 10 companies.

Source: <https://www.kfw.de/inlandsfoerderung/Unternehmen/Unternehmen-erweitern-festigen/Finanzierungsangebote/Programm-zur-Finanzierung-von-Sozialunternehmen-neu/>

5.5 Networks and mutual support mechanisms

Social enterprise networks or umbrella organisations play an important role in terms of supporting social enterprises, particularly in countries where there is limited or no publically funded support initiatives. Their role can be wide ranging e.g. actual as a mutual support mechanism offering guidance and advice, acting as an advocate for the sector, negotiating contracts, exchanging good practices, and interacting with public bodies for the construction of specific public programmes. Such networks and umbrella organisations are emerging across Europe and exist in almost all countries, with the exception of Bulgaria, Latvia and Slovakia. These networks often exist at both the national level and the regional/ local level.

Examples of such networks and mutual support mechanisms include:

- The *Social Enterprise Network* in Denmark which is hosted and facilitated by the Centre for Social Economy. The network acts as a platform for social enterprises to share knowledge, get inspiration and seek mentoring.
- *Estonia Social Enterprise Network (ESEN)* which was set up with the aim of increasing the number, capability and impact of social enterprises in Estonia and improving awareness of social entrepreneurship as a valued and important sphere of activity in society. ESEN operates as: (1) a member organisation: informing and inspiring members, creating and mediating cooperation, training and consultation opportunities, advising on the evaluation of social impact; (2) an advocacy organisation: representing members' common interests, collaborating in creation and development of financial and non-financial support arrangements; (3) a developer and spokesperson of the field: supporting educational activities and research, participating in international cooperation, informing general public about social entrepreneurship.
- The *Social Enterprise Coalition* in Finland which is an initiative of social enterprises and other interest groups to form an organisation with the objective of giving a voice for the sector. The Coalition is effectively a loose network, which has been used as a 'discussion forum' regarding

issues pertinent to social enterprises, such as how to raise their profile and how to best influence social and industry-related policies. At present the coalition is in the process of forming a *Union of Social Enterprises*. The decision to form the Union was made in October 2013. Unionisation will give the organisation a voice to negotiate directly with the Confederation of Finnish Industries.

- The *Irish Social Enterprise Network* which was launched in 2013 with the aim of making the social enterprise sector more visible. In particular, the network holds events, organises training and provides promotion for the social enterprise sector.
- *Social Enterprise NL* which is a relatively recent (2012) but fast growing network of social entrepreneurs. It represents, connects and supports social enterprises, currently uniting 190 members. It organises events, offers (interactive) information to social entrepreneurs, workshops, business support, coaching and facilitating contacts between entrepreneurs and potential investors and financiers.
- *Social Enterprise UK (SEUK)* which was established in July 2002 as the Social Enterprise Coalition and is the main representative body for the sector in the UK. It aims to provide a co-ordinated voice for social enterprise and enable stakeholders to work together to develop the sector. SEUK is actively involved in shaping the social enterprise agenda and promoting and supporting the sector across a range of fronts. Equivalent bodies also operate in Scotland (Social Enterprise Scotland), Northern Ireland (Social Enterprise NI) and Wales (Wales Co-operative Centre)
- *TESSEA in the Czech Republic* which was founded in 2009 and currently includes over 230 legal and physical persons (Bednarikova & Francova 2011) from business, academic and non-profit sphere. Its main goal is to promote social economy an entrepreneurship among lay and expert audiences. As a part of this goal, it:
 - Designed the currently used definition of a social enterprises and a set of indicators to identify them;
 - Created a database of social enterprises that openly accept the principles of a social enterprise specified in the definition. As of 27/03/2014, this database contains contacts and information for 183 social enterprises;
 - Carried out two surveys of social enterprises in the Czech Republic. These surveys summarise the main characteristics of Czech social enterprises and their needs;
 - Published a proposal to include the concept of social entrepreneurship into the Czech legislative;
 - Runs the website <http://www.ceske-socialni-podnikani.cz/en/> promoting social entrepreneurship;
 - Runs the Club of Social Entrepreneurs aimed at sharing of good practices and experiences among social enterprises; and
 - Actively supports the creation of tools and infrastructure to support social entrepreneurship.

In Italy, social cooperatives often group together in consortia to be effective in the market place. The consortia play a fundamental role in the development of social co-operatives, supporting, advising and sometimes directly participating in the development of new business opportunities. For example, the creation of a national federation for social cooperatives in the late 1980s (Confcooperativa-Federsolidarietà) is supposed to have played a key role in the institutionalisation of social cooperatives in Italy. The federation's objectives were to promote the development and consolidation of social enterprises by raising awareness of the general public and policy makers (Borzaga and Ianes, 2011).

Consortia of social enterprises are funded with membership fees and act at local and national level providing the following types of support for the start-up and growth of social enterprises (Cvejić, 2013):

- Regional identification, economic cooperation and training;
- Good practice exchange and trade union representation; and
- Strategic planning, management, capacity building programs, joint projects and access to international experience.

Additionally, networks/consortia have their own funds to invest in the development of new social enterprises.

The consortia are in turn linked together in national federative bodies. The most significant of these is called Gruppo Cooperativo CGM, which brings together 78 territorial consortia, involving over 1,000 individual social cooperatives.

5.6 Other specialist support and infrastructure available to social enterprises

In addition to the publically funded support initiatives and the networks and mutual support schemes, some European countries also have other specialist support and infrastructure available to social enterprises. Such support particularly involves awareness raising activities and social entrepreneurship education.

Some countries, however, have more extensive provision of own-initiatives/ private schemes targeting social enterprises, including pre-start/ start-up support, grants and business support for established enterprises, investment readiness support, dedicated financial instruments, physical infrastructure and/ or collaborations and access to markets support. This is particularly the case in Croatia, the Czech Republic, Estonia, Ireland, the Netherlands, Poland, Slovakia, Slovenia, Spain and Switzerland.³⁷

5.7 European level support structures

At a European level, there are many organisations promoting and supporting the development of social enterprises. A non-exhaustive list is presented below.

Table 5.4 Main European level support structures for social enterprise

Type	Organisation
Policy makers and shapers	European Commission European Parliament European Economic and Social Committee The Organisation for Economic Co-operation and Development (OECD)
Providers of finance	European Investment Fund (EIF) <i>Part of the European Investment Bank (EIB) Group, the EIF is a specialist provider of finance to small and medium-sized enterprises (SME) and more recently, social enterprises across Europe.</i> http://www.eif.org/ European Venture Philanthropy Association (EVPA) <i>A network of more than 160 members from venture philanthropy funds,, grant-making foundations, private equity firms and professional service firms, philanthropy advisors and business schools from 22 countries committed to practicing and promoting</i>

³⁷ These schemes are described in the Country Reports

Type	Organisation
	<p><i>high-engagement grant making and social investment in Europe.</i> http://evpa.eu.com/</p> <p>Toniic <i>A global network of impact investors, both individuals and institutions with members in over 20 countries.</i> http://www.toniic.com/</p> <p>Global Impact Investment Network <i>A global network of impact investment community (asset owners and asset managers) and service providers engaged in impact investing..</i> http://www.thegiin.org/cgi-bin/iowa/home/index.html</p>
Specialist support networks and umbrella organisations	<p>Ashoka <i>Ashoka is an international non-profit organisation which supports leading social entrepreneurs through business development support and facilitate access to finance (via the Ashoka Support network), and assist in scaling their impact globally. Ashoka currently operates in over 70 countries Worldwide.</i> https://www.ashoka.org/</p> <p>NESsT <i>NESsT support the development of social enterprise across Central & Eastern Europe and Latin America through the provision of specialist professional services and support including financial and investment readiness support.</i> http://www.nesst.org/</p> <p>Impact Hub <i>A global community of "individuals, organisations, and businesses" wishing to create social impact. There are 61 impact hubs around the world, including 8 EU Member States. Impact Hubs provide physical and virtual work spaces, organise events and workshops to foster collaborative learning and run the Impact Hub Fellowship which is a topic focused entrepreneurial award and one-year incubation programme.</i> http://www.impacthub.net/</p> <p>Oksigen <i>Oksigen is composed of independent organisations, aiming to stimulate social entrepreneurship / social enterprise through the provision of finance, specialist support, research and consultancy.</i> http://oksigen.eu/</p> <p>Social Impact Lab <i>Social Impact Labs are a platform for social entrepreneurs, freelancers and social enterprises. The Labs offer an ecosystem for social entrepreneurs: physical space for working, networking and exchange, business advice and start-up support. There are currently four labs operating in Germany.</i> http://socialimpact.eu/lab</p> <p>The Social Entrepreneurship Network SEN <i>A Learning Network promoted by Managing Authorities of the European Social Fund from nine EU Member States and regions, which exchanges knowledge and experience and shares good practice in order to develop a comprehensive support environment for social enterprises through ESF funding.</i> http://www.socialeconomy.pl/</p>

Type	Organisation
Research networks	<p>EMES European Research Network <i>This leading research network on social enterprise gathering 13 established university research centres and over 100 individual researchers from 30 countries around the world aims to gradually build up a corpus of theoretical and empirical knowledge, pluralistic in disciplines and methodology, around 'Third Sector' issues with a specific focus on the European context.</i> www.emes.net</p> <p>European Research Institute on Cooperative and Social Enterprises (EURICSE) <i>Research centre designed to promote knowledge development and innovation for the field of cooperatives, social enterprises, commons and nonprofit organisations with a focus on all forms of private organisations and enterprises that pursue purposes other than profit, are characterised by participatory management models, and adopt a development approach that blends social and economic well being. Its main activities are research; training for young researchers managers of social enterprises and cooperatives; consulting services, and dissemination of research findings</i> http://www.euricse.eu/en</p> <p>International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC) <i>A non-governmental international scientific organisation comprising of both individual and collective members from countries undertaking and promoting research, in the fields of public services, social enterprises, and the social economy.</i> http://www.ciriec.ulg.ac.be/</p>
Advocacy and sector networks	<p>EUCLID <i>A network of civil society actors dedicated to help build an enabling environment for civil society to operate effectively. It also provides a platform for advocacy by bringing together the expertise of its members and contacts on specific overarching issues and using this to develop useable recommendations for policy-makers at national and EU levels</i> http://www.euclidnetwork.eu/</p> <p>The European Network for Social Integration Enterprises (ENSIE) <i>The European platform for representation, cooperation, development and advocacy of 26 national and regional networks and federations of Social Integration Enterprises, representing 20 countries of the European Union</i> http://www.ensie.org/</p> <p>DIESIS <i>DIESIS supports the development of the social economy and in particular cooperatives, social enterprises and worker-owned enterprises in Europe through training, project design, consulting and advisory services, technical assistance and research.</i> http://www.diesis.coop/</p>

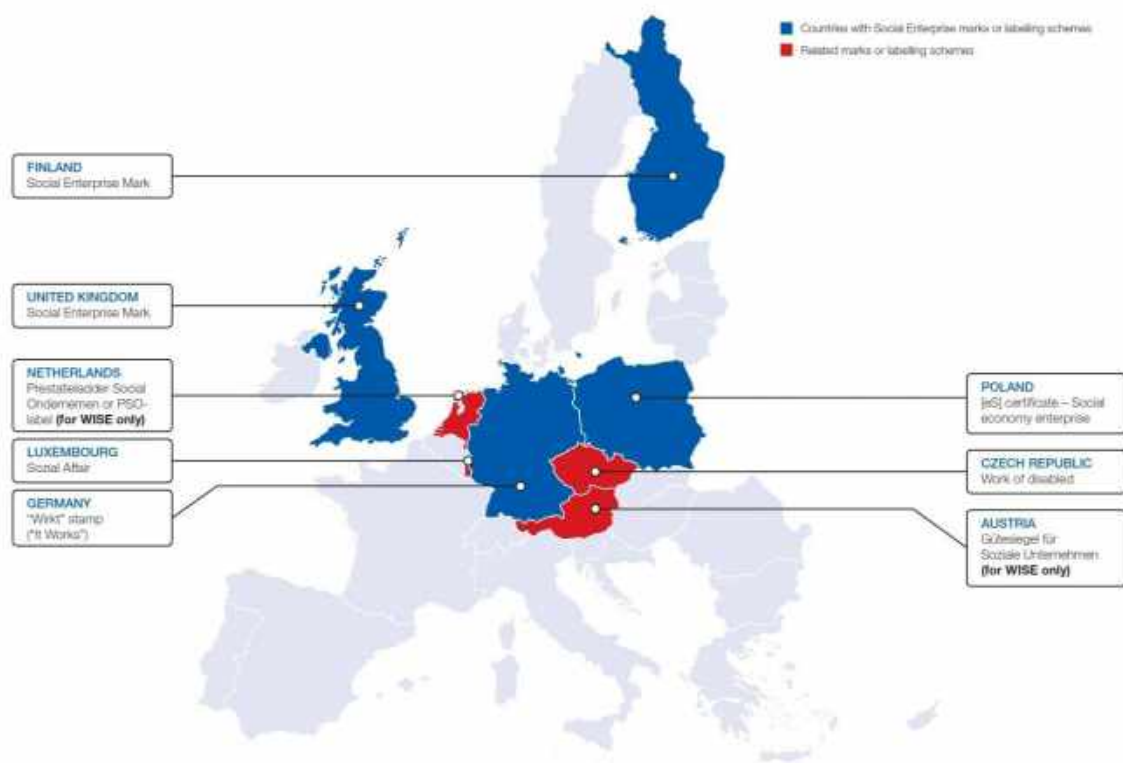
5.8 Marks, labels and certification systems

Marks, labels and certification systems for social enterprises are not particularly widespread across Europe, but they have been implemented in four European countries (Figure 5.3). Table 5.5 provides an overview of the main features of these four schemes, namely:

- The Finnish Social Enterprise Mark (F-SEM);
- [eS] certificate - Social economy enterprise (Poland);
- Social Enterprise Mark (UK); and
- "Wirkts" stamp or "It Works" stamp (Germany).

Marks, labels and/ or certificate systems – where these exist- have struggled to gain widespread recognition and have achieved limited adoption amongst social enterprises. For example, a recent evaluation of the Finnish Social Enterprise Mark, which was introduced in 2012, found that the Mark was not particularly well-known among the general public, but that surveyed individuals would be ready to give preference to enterprises using the label (as the objectives of the Mark were considered to be important to them).

Figure 5.3 Countries with marks, labels or certification schemes for social enterprises



In addition to such formal marks, labels and certification systems, there are also a couple of countries that maintain informal lists/ registers of existing social enterprises. For example, in Sweden there is a list of WISEs administered by the Swedish Agency for Economic and Regional Growth, whilst in Slovakia the Ministry of Labour, Family and Social Affairs maintains a register of social enterprises.





There are also a number of Member States that have taken concrete steps to develop marks, labels and/ or certification systems. For example in Denmark a legal proposal to set up a voluntary register of social enterprises was submitted to the Danish Parliament in February 2014. Similarly, in Bulgaria the introduction of a social

enterprise mark/ label is identified as a priority in the Action Plan for the Social Economy.

The motivation for introducing a voluntary register in Denmark is to provide a common identity among social enterprises (some of which may not currently use the term social enterprise to define themselves). Registered social enterprises will be able to use the term social enterprise in their name or for marketing purposes. The voluntary register can be seen as a first step towards introducing a more formal social enterprise mark. However, a Government appointed Committee of Social Enterprises recommended that a social enterprise mark should only be introduced once the sector is mature and the market is ready; and once the social enterprise register operates effectively.

Table 5.5

Overview of Social Enterprise marks and labelling schemes

	 The Finnish Social Enterprise Mark (F-SEM)	 [eS] certificate - Social economy enterprise (Poland)	 Social Enterprise Mark (UK)	 "Wirk" stamp ("It Works")
Certification authority	The Social Enterprise Mark is granted and administered by the Association for Finnish Work. Established 100 years ago, the association is a politically independent non-profit organisation, which raises most of its revenues from member fees. It has nearly 2000 members, most of them Finnish enterprises. It is independent in regards of public sector actors, political parties and labour market parties.	FISE Foundation	The Social Enterprise Mark Company (a CIC) operates the Social Enterprise Mark. It claims to act as the sole independent certification authority for Social Enterprises in the UK.	The "Wirk" label is issued to effective social initiatives by PHINEO, a public benefit venture established by Deutsche Börse, the Bertelsman Foundation, KPMG, PwC and the Mercator Foundation.
Years of operation	Launched in December 2011, operational from 2012	2011	2010	2009
Geographical scope of the scheme	Nationwide in scope	Nationwide in scope	Nationwide in scope	Nationwide in scope
Aims and objectives of the scheme	To give identity to social enterprises, to differentiate them from traditional enterprises and, in more general terms, to raise awareness on the social enterprise business model	Support most entrepreneurial social enterprises through promotion and certification of their strong economic stand, high quality products and strong social impact;	The primary objective of the Mark is to provide a guarantee when a business genuinely operates as a social enterprise. The Mark develops knowledge and understanding of social enterprises by establishing a social enterprise definition and independent certification to represent businesses trading for people and planet.	The "Wirk" label is aimed at distinguishing public benefit organisations that are especially effective in resolving social problems. Organisations applying receive useful feedback on their strategy and operations during the PHINEO-analysis and can – if the label is awarded and used in promotion activities – expect higher revenues from donations. Accordingly, the majority of organisations screened are donor-funding-dependent initiatives, only a minority can be considered a social enterprise with business models based on market



The Finnish Social Enterprise Mark (F-SEM)



[eS] certificate - Social economy enterprise (Poland)



Social Enterprise Mark (UK)

"Wirk't" stamp ("It Works")

				revenues. This voluntary private certification scheme involves a multi-stage screening process starting with an online self-assessment questionnaire and including on-site visits.
Criteria for participation	<p>To be eligible for the label organisation should meet three primary criteria and additional at least one of the ten features.</p> <p>The primary criteria that every social enterprise has to comply with:</p> <ol style="list-style-type: none"> 1. The primary objective and aim of a social enterprise is to promote social well-being. A social enterprise acts responsibly. 2. Limited distribution of profits. A social enterprise uses most of its profits for the benefit of society either by developing its own operations or by giving a share of its profits to charity according to its business idea. 3. Transparency and openness of business operations. In order to assure transparency, the company applying for the mark must write down its social goals and limited distribution of profits in the company's by laws, rules or corresponding agreements. <p>In addition to the above-mentioned key characteristics, a social enterprise must meet one or more</p>	<p>Eligibility criteria are based on legal status and scale of activities. The following legal forms are eligible:</p> <p>Foundations, associations and similar church organisations carrying economic activity, Organisations running ZAZ, Labour co-operatives, co-operatives of the blind and disabled, social co-operatives, and</p> <p>Enterprises and limited liability companies that distribute no profits and spend all resources on statutory purposes. Furthermore, organisations need to:</p> <p>Have been established for at least 2 years , and</p> <p>Have net revenues above PLN 100,000 (EUR 25,000) in the last year for which data is available.</p> <p>Applications from eligible organisations are assessed based on:</p> <p>Economic criteria measured by financial data, e.g. return on sales, indebtedness, liquidity;</p>	<p>To achieve the Social Enterprise Mark certification the following criteria need to be met:</p> <p>Have social or environmental aims</p> <p>Have own constitution and governance</p> <p>Earn at least 50% income from trading (new starts pledge to meet this within 18 months)</p> <p>Spend at least 50% profits fulfilling social or environmental aims</p> <p>Distribute residual assets to social or environmental aims, if dissolved</p> <p>Demonstrate social value</p> <p>The certification assessment is carried out by The Social Enterprise Mark Company based on an application / assessment form and two key documents - a recent (latest) set of annual accounts and the legal constitutional documents (often known as Memorandum and Articles) of the applicant organisation. Examples of any externally verified evidence to show that the organisation is meeting its social or environmental objectives are requested, but these do not constitute a formal requirement for the award of the certificate</p>	<p>Any public benefit organisation operating in the thematic fields covered in the given call can apply for the PHINEO-analysis. The organisation must be registered in Germany, have received the public benefit status, being engaged in the given thematic field at the operational level, and its activities or the given project must have been in operation long enough that first results are already visible. Furthermore, the activity must be continued for at least two more years.</p> <p>The awarding of the quality label is based on three project-related and five organisational criteria. The project-related criteria for the analysis are:</p> <p>objectives and target groups</p> <p>approach and concept</p> <p>development quality</p> <p>The organisational criteria are:</p> <p>vision and strategy</p> <p>governance and staff management</p> <p>supervision</p> <p>finance and controlling</p> <p>transparency and public relations</p>



The Finnish Social Enterprise Mark (F-SEM)







[eS] certificate - Social economy enterprise (Poland)



Social Enterprise Mark (UK)

"Wirkt" stamp ("It Works")

	<p>of the following features:</p> <ul style="list-style-type: none"> measuring the company's social impact protecting the social mission with organisational arrangements customer-oriented approach in developing the business and tight relations to local communities special emphasis on promoting the wellbeing of employees and committing to the personnel giving the personnel a say to their working conditions and to the decision-making within the company paying special attention to those belonging to vulnerable groups minimising health and environmental hazards caused by the business promoting environmentally sustainable development employing people in weak labour market position developing local economy and community 	<p>Economic situation and prospects, e.g. assessment of the economic sectors and enterprise's position in that sector, human capital of the management team, etc.;</p> <p>Social conditions, related to the pursued social objective, the functioning of participatory and democratic processes within an enterprise, institutional culture, ensuing public benefits, including in relation to environmental aspects and sustainable development.</p>		
Monitoring	<p>In principle, the committee grants the Social Enterprise Mark for a three years period after which it must be applied for again. However, the committee can grant the Social Enterprise Mark for one year, if an enterprise is in the middle of its first financial year, for instance. Additionally, the primary criteria are checked yearly bases.</p>	<p>eS certificate is initially granted for one year. After that period it needs to be extended annually based on the outcome of evaluations.</p>	<p>A Certification Panel of business, legal and social enterprise experts performs regular spot-checks on applications to ensure the level of assessment remains high and ensures that the Social Enterprise Mark's criteria are rigorously applied. The Panel also reviews complex cases and sets precedents in complex applications, for</p>	<p>No ongoing monitoring activities after awarding the label.</p>

	 The Finnish Social Enterprise Mark (F-SEM)	 [eS] certificate - Social economy enterprise (Poland)	 Social Enterprise Mark (UK)	 "Wirk" stamp ("It Works")
			example, where social aims or beneficiaries need clarification. To protect the integrity of the social enterprise criteria, the Panel is voluntary and works according to a Memorandum of Understanding.	
Costs	<p>Fee for the Social Enterprise Mark is calculated based on a turnover of an enterprise. It is composed of the user fee of the mark (~ 0.01% of the turnover) and the membership fee of the association²⁸. For example, an enterprise with EUR 1 million turnover pays 678 euros per year and one with EUR 10million pays 2,011 euros. Additionally, there is a payment limit of 5,000 euros.</p>	<p>No costs in the first year. An annual evaluation cost to be covered by the enterprise (capped at ~EUR 250).</p>	<p>Participants pay an annual fee for the certification and rights to use the Mark. The fee payable is on a sliding scale based on the income of the Social Enterprise applying for the Mark. Fees start at £350+VAT per annum for organisations with an income of <£150,000 and rise to a maximum of £4,500+VAT for organisations with an income of >£30,000,000. Organisations with an annual income of <£1 million pay at most £550+VAT per annum. The costs of the certification process are limited to completing an on-line application form and attaching the organisation's latest annual accounts and constitutional documents. Certification is therefore by correspondence, and no further information is required in the majority of cases.</p>	<p>The analysis and certification is free of charge for users (financed from contributions of shareholders and other partners of PHINEO).</p>
Scale of participation	<p>At present (in 2013) 43 social enterprises are included in the scheme. The term 'social enterprise' is not well known in Finland. The term is considered in a narrowly defined sense. Many companies do not know themselves that they could be classed as social</p>	<p>13 entities listed as certified as of September 2014.</p>	<p>The directory of Social Enterprise Mark holders lists 314 organisations as of May 2014. However, its Annual Review report 2013 states that it has had 600 Mark holders since its launch. The Social Enterprise Mark Company cites on its website Government figures</p>	<p>Around 600 organisations have applied and been screened since 2009, and around 150 have received the "Wirk" label. Ca. 10-15% of the latter have market-revenue based business models, qualifying as genuine social enterprise.</p>



The Finnish Social Enterprise Mark (F-SEM)

enterprises. This is a challenge. However, the number of questions regarding the trademark has been increasing. In addition, there are increasing number of requests for making presentations about the trademark and social enterprises. The knowledge of social enterprises is becoming known but is at its infancy.



[eS] certificate - Social economy enterprise (Poland)



Social Enterprise Mark (UK)

estimating there are 70,000 social enterprises in the UK. Its current stock of Mark holders therefore constitutes just less than half of 1% of the UK sector (or one out of every 223 social enterprises in the UK).

"Wirkt" stamp ("It Works")

5.9 Systems for measuring and reporting social impact

There are very few Member States that have nationally recognised systems or common methodologies for measuring and reporting social impact. Moreover, where they exist they do not tend to be mandatory to use for social enterprises. The only exception is Italy where social reporting is mandatory for social enterprises ex lege, but compliance is reportedly weak.

The table below provides an overview of the systems and methodologies that are in place and/ or that are being developed through for example pilot schemes.

Table 5.6 Overview of social impact reporting schemes

Country	Social impact reporting system	Voluntary/ Mandatory
Austria	Common Good Balance Sheet	Voluntary
Belgium	A non-standard	Mandatory
Estonia	Social entrepreneurship sector pilot statistical report (EU funded)and impact assessment handbook	Voluntary
Germany	Social Reporting Standard	Voluntary
Italy	Bilancio Sociale (social report)	Mandatory for social enterprises ex lege
Poland	Pilot projects aimed at designing tools e.g. the one developed by Malopolska School of Public Administration (MSAP)	Voluntary
United Kingdom	A number of actors have published guidance and toolkits to support the sector, both from the perspective of the investor and the social enterprise. There are current attempts to bring major actors together to further develop and agree common frameworks (see, for example, the Big Society Capital Social Outcomes Matrix)	Voluntary

Box 5.11 Social Reporting Standard (SRS), Germany

The SRS – together with templates and good practice examples – was developed in 2011 by the Social Reporting Initiative e.V, a collaboration between Ashoka Germany, Auridis, BonVenture Management, PHINEO, the Vodafone Foundation Germany, the Schwab Foundation, The University of Hamburg and the Technical University of Munich, with support from the BMFSFJ. The standard is based on the review of an intervention theory built upon a chain of effects from inputs over outputs, outcomes to impacts. The reports should discuss:

- the social problem and its drivers;
- the overall vision, concept and intervention logic for the service;
- inputs, outputs, outcomes and impacts (IOOI);
- the organisational and financial framework conditions

In specific, Part A of the reports explains the vision and the approach to services for the target groups; Part B gives a detailed description of the service (including the problem addressed, earlier solutions, own solution, IOOI; monitoring and evaluation methods, comparison with last year's performance, plans for the next period, risks, and the team); and Part C presents general information about the organisation and the

framework conditions for its operations. The organisations using the SRS should find suitable indicators to measure IOOI and calculate derived metrics; the SRS does not impose a pre-defined set of indicators upon users but gives some guidance.

The SRS has been adopted until July 2014 by 69 German organisations - including Ashoka, the donation platform "betterplace.org" or "wellcome gGmbH", as well as some organisations working under the welfare federations, and 7 organisations from abroad (Czech Republic, Switzerland and the Netherlands). Many of the organisations adopting the SRS have used it already for their 2011 and 2012 reports, others started more recently.

At an EU level, the GECES has also set-up a working group to develop a methodology to measure the socio-economic benefits created by social enterprises³⁸.

5.10 Social investment markets

Social investment (or impact investment as it is more commonly known outside Europe) is the provision of finance to organisations with the explicit expectation of a social – as well as a financial – return and measurement of the achievement of both.

The potential balance between the two forms of return (what type and scale of financial return and what type and scale of social impact) implies the possibility of a substantial range of investors, investment products and investees.

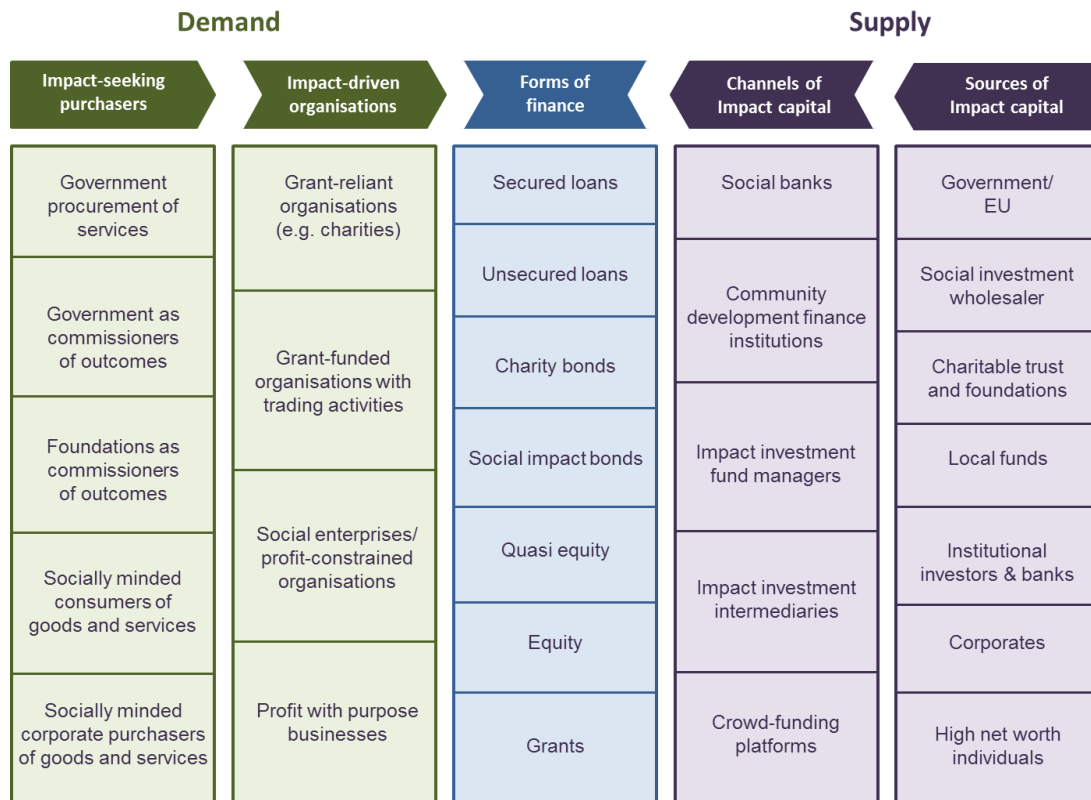
The social investment market can be understood as:

- Demand - including but by no means restricted to from social enterprises;
- Supply - from investors distinguished by their aim of achieving social impact;
- Intermediaries – the range of organisations, brokers and services who bring demand and supply together through products to, ultimately, achieve an investment; and
- The enabling environment – which exists for all markets and reflects the context for market operation including regulation, information flows, policy frameworks, trade associations and networks, etc.

Figure 5.4, attempts to illustrate a map of the main actors in the social impact investment ecosystem.

³⁸ http://ec.europa.eu/internal_market/social_business/expert-group/social_impact/index_en.htm

Figure 5.4 The social impact investment ecosystem



Source: Adapted from the Social Impact Taskforce (2014) *Impact Investment: the Invisible Heart of Markets*, p.3.

Given the focus of social investment, the development of social investment markets is regarded as a key component of any enabling ecosystem for European social enterprise.

In 2013, in an ex-ante evaluation of an EU-level financial instrument to support social enterprise, Spiess-Knafl and Jansen identified a number of imperfections in the social investment market³⁹. These ranged from general lack of understanding of social finance and the relationship between risk and return to the infrastructure for matching supply and demand, and the substantial gaps in financial products for social enterprises that continue to exist.

The ex-ante evaluation reflects that whilst there are growing global interest interests and developments in social investment – such as the conception of GIIN (Global Impact Investing Network) in 2007⁴⁰ and the G8 Social Impact Investment Forum in 2013⁴¹ – the market is widely understood as ‘emergent’⁴². For example, whilst Spiess-Knafl and Jansen (2013) reported the United Kingdom as the most advanced social

³⁹ Spiess-Knafl, W. and Jansen, S. (2013) Imperfections in the Social Investment Market and Options on How to Address Them, A Report to the European Commission

⁴⁰ See <http://www.thegiin.org/cgi-bin/iowa/aboutus/history/index.html>

⁴¹ In September 2014, as part of the work of the G8 Social Investment Impact Task Force, a number of National Advisory Reports were published outlining national developments in social investment markets and the challenges to market development. These included for France, Germany, Italy and the United Kingdom and continued to highlight both the distinctive national environments for social investment and the continued challenges to the development of a single market for social investment.

⁴² See, also Wilson, K.E. (2014) “New Investment Approaches for Addressing Social and Economic Challenges”, OECD Science, Technology and Industry Policy Papers, No. 15, OECD Publishing.

investment market in the European Union, the UK social investment bank Big Society Capital continues to report many challenges across all parts of the market⁴³.

Annex 4 provides an initial mapping of the supply side of social investment markets in Europe. It suggests:

- That in the substantial majority of European countries, social investment is either yet to *originate* as a recognised investment market and/or the total number of investors and intermediaries in any putative or *emergent* market barely reaches double figures;
- Even at (or because of) this moment of emergence, market developments are strongly influenced by nation state context (the existing financial institutional framework including the role and mix of public and private capital). For example, the role of family offices and foundations in countries such as Austria and Denmark or 'social banks' in Germany, Netherlands and UK. In France, the position of the social economy and the historical development of its own financial infrastructure is strongly determining any concept of a social investment market. Corporate Social Responsibility initiatives by individual (multinational) banks also have the potential to influence such emerging markets;
- European countries where social investment markets are seeing the strongest emergence include Belgium, Germany, Netherlands and the UK;
- Only a few investors or funds are active beyond individual European countries. Examples are banks such as Triodos and BNP Paribas and funds such as Bonventure and the global Toniic;
- An infrastructure of networks, platforms and exchanges is in development at national and European level – building awareness, good practice exchange and more specific development of new products and market information (for example, the new Social Stock Exchange). The influence of government policy in these developments varies by nation state – from a key driver in the UK to little or no government activity in most Member States;
- Policymakers in a number of European countries have just developed, or are in the process of developing, new 'social banks' such as Austria, Croatia, France, Hungary and the UK.

Very little is however, known about the demand side of the social impact investment market. The present Study tried to collect information on issues such as:

- The (external) financing needs of social enterprises;
- Purposes for which external financing is typically sought;
- The amounts and types of financing required e.g. secured/ unsecured loans, equity, etc.

However, the financing needs of social enterprises are an under-researched area and also one, where stakeholders were able to provide relatively few insights.

Available information suggests that there are a range of demand and supply side factors inhibiting the development of social impact investment markets in Europe. These are summarised in Table 5.7.

⁴³ Big Society Capital (2014) Social Investment Compendium

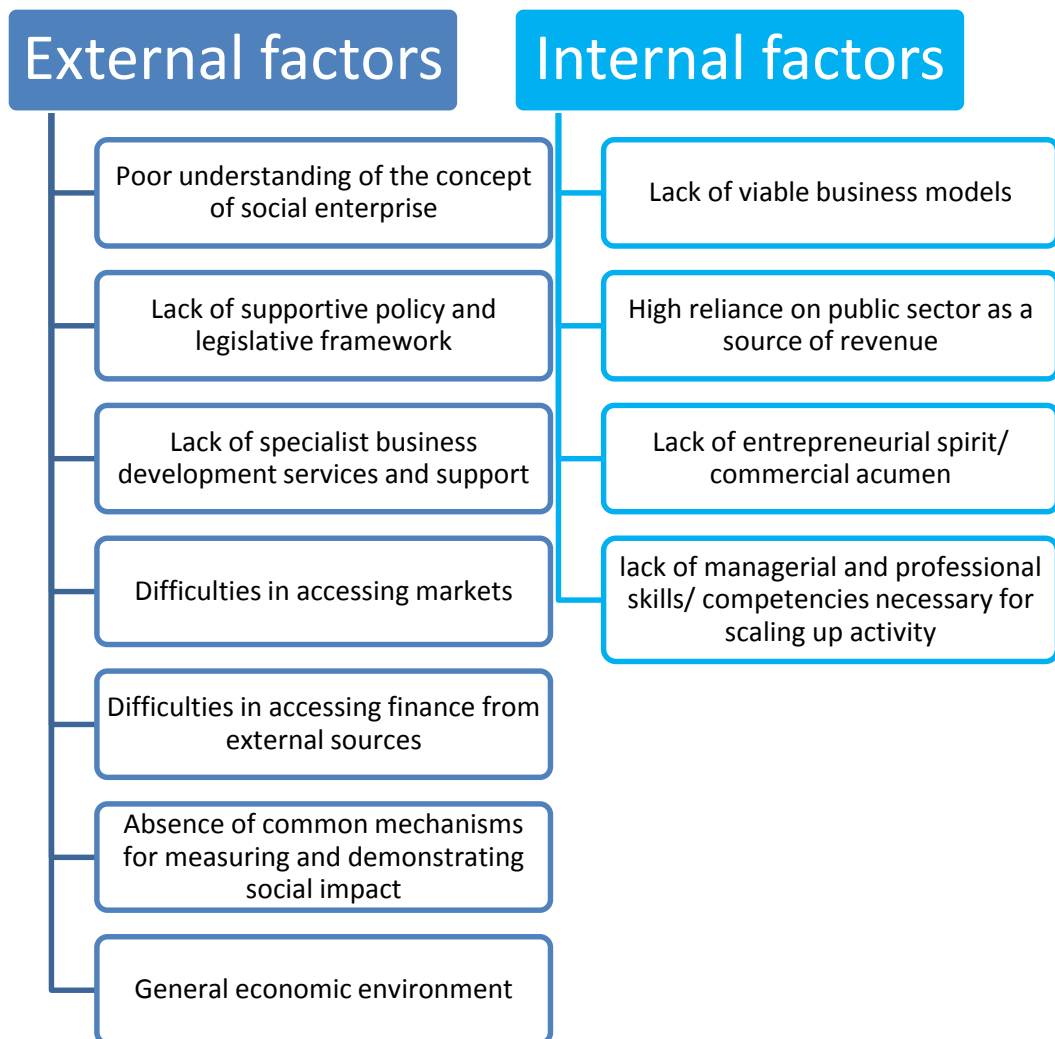
Table 5.7 Factors constraining the development of social impact investment markets in Europe

Demand side	Supply side
<ul style="list-style-type: none"> ■ Culture of dependency on public support (reliance on grants, subsidies and donations). ■ Lack of demand for external finance. ■ Lack of investment readiness as well as a lack of management capabilities, internal structures and/or sustainable operations. ■ Lack of in-house capacity to verify, for investors, social impact and sustainability of business model. 	<ul style="list-style-type: none"> ■ Absence of specialised commercial instruments “fit” to the social enterprise market. Further, some investments are constrained by the legal forms of social enterprises in some countries. ■ Information asymmetries, with lack of information on social return and the social enterprise business model. ■ Lack of attractive social enterprises to invest in (in particular, a lack of sufficiently sized social enterprises). ■ Lack of understanding around the perceived risk associated with investment in social enterprises. ■ Inability to reach commercial scale for managed products. ■ High transaction costs, primarily due to the small size of loans/ deal size required making commercial viability questionable.

6 Constraints to starting and scaling-up social enterprise activity

There are a wide range of interplaying factors inhibiting social enterprise development and growth across Europe. These interlinked factors are displayed in Figure 6.1 below.

Figure 6.1 Overview of factors inhibiting social enterprise development and growth



Not all of the factors identified above apply in equal measure across all countries – some are more pressing than others depending upon national context and situation. For example, difficulty in accessing finance was reported to be more of an issue in countries like the Netherlands and Denmark (where over a third of social enterprises do not have any lines of credit) in comparison to Switzerland where access to finance is not a particularly pressing issue for the sector (at least in comparison to the EU Member States). Further empirical research would be necessary to fully understand the relative significance and impact of each barrier by country, by type of social enterprise as well as stage of development.

The following sections provide a synthesis of the constraints identified through a literature review and interviews with roughly 350 stakeholders across Europe. The discussion reflects the stakeholders' personal and organisational views and opinions supplemented with secondary evidence where available.

6.1 External factors

6.1.1 Poor understanding of concept of social enterprise

Poor understanding of the concept of a 'social enterprise' was cited as an issue by the majority of stakeholders across Europe. The lack of recognition of the term 'social enterprise' by the general public, investors, partners and prospective customers was seen as low. This was seen to be negatively affecting the growth and financing prospects of social enterprises and was also cited as a pivotal factor in preventing the development of relations with customers.

There are several dimensions to the issue of lack of understanding and recognition of the concept of social enterprise:

Firstly, there appears to be some misconception about what a 'social enterprise' is. Many stakeholders pointed out that the term "social" is often associated with the activities of charities and social sector entities rather than entrepreneurship. According to them, this tension has resulted in a lack of awareness on the part of customers and investors regarding how social enterprises operate differently from the purely social sector entities (or even mainstream enterprises) and the tangible benefits that they generate. This inherent tension has resulted in confusion and poor visibility in several countries (for example, Latvia and Romania to name a couple). In some Eastern European countries (for example, in Croatia and Slovenia) the term "social" has negative connotations associated with organisational structures that existed under the socialist regime of Yugoslavia.

There is also a lack of common understanding of the concept of social enterprise among various stakeholder groups, for example policy makers. This lack of consistency was specifically mentioned as an issue in countries like Austria, Croatia and Greece.

Secondly, aside from the poor understanding of concept of social enterprise, success cases of social enterprises are not well known or understood by the general public. This is the case even in countries like France, the Netherlands and the UK where major social enterprises exist and have been publicised.

Branding efforts have had mixed success. For example, a number of French stakeholders referred to a number of initiatives aimed at promoting social enterprises (such as Mouves and Cress) but note that "these efforts were insufficient and small-scaled attempts at branding" and that such efforts had not developed the recognition hoped for. Negative perceptions have also hampered branding efforts in other countries. For example, in Poland, the implicit linkage of public support schemes for social enterprises has created stereotypes and a negative image of social enterprise. In Slovakia, misuse of public funds during the implementation of the pilot stage of social enterprises resulted in controversies and mistrust that persists today.

Finally, another issue in terms of misconceptions around the term 'social enterprise' is related to this is the misuse of the legal terminology. For example, in Portugal, some stakeholders mentioned that "there is no legal protection of the brand social enterprise". In Spain, stakeholders emphasised that legal protection is necessary in order to offer consumers security by ensuring that those who use the social enterprise brand meet the requirements.

All of the above factors contribute to creating confusion regarding the term "social enterprises" as well as around the activities of social enterprises.

6.1.2 Lack of enabling policy and legislative frameworks

Policy framework

Despite recent progress, many countries lack an enabling policy framework for encouraging the creation, development and sustainability of social enterprises. Across some countries (for example, Hungary and Ireland), the lack of a high-level strategy encompassing specialist support measures was seen as the most significant obstacle to the development of social enterprise. It was thought by stakeholders that the lack

of awareness and joined-up thinking within Government about the needs of the 'sector' contributed to deficiencies in the 'sector', and developing a strategy that would survive Government change was essential.

Policy enabling start-ups was seen as another significant challenge. These obstacles predominantly involved resources and support in the early stages of social enterprise development (for example, in Croatia, the lack of resources for start-ups was seen as the biggest limitation).

In Bulgaria, start-up support was recognised as being helpful and sufficient with several grant schemes supporting implementation, however it was the sustainability of support that required further resources. Similarly, in Poland stakeholders felt there existed relatively strong support for newly created entities (social cooperatives in particular) although fewer opportunities existed for continued support to existing social enterprises (for growth and scaling up).

Legal frameworks

An additional obstacle for social enterprises and public authorities establishing support schemes is the absence of a legal form that:

- Provides legitimacy and visibility to social enterprises;
- Attracts tax incentives related to furthering a social purpose; and,
- Allows the social enterprise to undertake unlimited economic activity.

The lack of a specific legal framework for social enterprise in many countries is thought to create two specific problems: (i) it results in confusion among potential social enterprises over which legal form to adopt and (ii) it makes it difficult for authorities to design support schemes or introduce tax incentives for social enterprise.

A number of stakeholders and legal experts identified the shortcomings associated with various legal forms commonly used by social enterprises:

- **Non-profit legal forms (non-profit organisations or NPOs)** can attract donations, grant funding and state subsidies, but are mostly unable to attract external investments (limiting sustainability). They can benefit from tax incentives and a related for-profit trading arm to maximise the social enterprise's ability to generate income. This is administratively complex and can be costly to establish – which can be a barrier for start-ups.
 - Many countries allow NPOs to carry out business or economic activities as long as they are incidental to its primary purpose. However, the law surrounding the extent to which NPOs can trade can be ambiguous. Some legal experts note that NPOs can take a risk averse approach to interpreting the legislation meaning they limit their trading to a greater extent than the law requires.
 - Further, by their very nature, NPOs are unable to distribute profit and can thus find it hard to attract investment. A small number of respondents referred to external investment mechanisms that can benefit NPOs, but mentioned that these are not widely used nor attractive to investors⁴⁴.
- **Share companies** can attract investment, but there are few legally recognised mechanisms to ensure that a social purpose takes priority over generating profit to distribute.

⁴⁴ A legal expert from the UK noted that charities can attract external investment by way of a bond issue, but this is complex and not a common means of attracting funding for charities. IN France, titre associatif, which exists in relation to Associations that are traditionally not for profit, allows investors to loan money at a reasonable interest rate to the Association. In another French example, the SCIC Social Co-operative allows external investment and limited distributions to investors but this is unusual and not representative of social cooperatives.

Box 6.1 Legal form and access to finance

As highlighted above, NPOs are hampered by their ability to distribute profit and this affects their ability to attract external investment. Even where it is possible for social enterprises to adopt a legal form that permits investment, social enterprises still encounter difficulties. A legal expert from the UK notes that social enterprises seeking to attract investment are subject to the same regulatory requirements and restrictions as commercial companies seeking investment. This can be disproportionate and/ or inappropriate given the nature of the investment the social enterprise is seeking.

A stakeholder from Switzerland provided some detail in respect of difficulties attracting investment. Swiss investment managers and investment advisors have a general duty of care and fidelity to their client, which includes offering investments or investing in accordance with the client's risk profile. Therefore, and except for investments made solely on a client's own initiative, an investment manager may invest in social enterprises only for investors which have sufficient assets to invest in illiquid investment. Further, the current regulation on investment schemes does not contain a specific way of taking into account investments for social purposes. As investments in social enterprises are often illiquid, mainly closed-end investment funds are appropriate for this type of investments. The regulatory approval process, the costs incurred and regulatory constraints in respect of these may act as deterrents.

Switzerland and Luxembourg both identify that the absence of a specific legal form for social enterprises or legal statuses that recognise social enterprises that pursue broad social purposes are a significant barrier for start-ups. Further, in Luxembourg and the Netherlands, the ways in which existing legal forms can be adapted to provide for the characteristics of a social enterprise are not clear or widely understood.

In other cases where legal status is defined, there are also issues with these definitions being too narrow or not fit for purpose. For example, in Slovakia, where social enterprise legal status is limited to organisations which employ disadvantaged, excluded or disabled individuals, stakeholders noted that the definition was too narrow and it does not allow for other social purposes. Similarly in Bulgaria, where legal recognition is limited to cooperatives of people with disabilities, the restrictive interpretation limits the impact of programmes and policy initiatives.

The process to establish a legal form that is designed for social enterprises can be complex and require registration with multiple regulators. For example, a community interest company ("CIC) in the UK is regulated by both the registrar of companies, Companies House, and the CIC regulator. Similarly, in Bulgaria, in addition to the process to establish a cooperative, cooperatives of people with disabilities must also register with the Agency for People with Disabilities.

In addition to the legal requirements to establish the entity there can be a requirement to register with a separate regulator and to apply for public benefit organisation legal status, tax privileged or exempt status. In Greece, the process to establish a social cooperative (Koi.S.P.E.) requires registration with the Cooperatives Registry, the Tax Registry and the Social Entrepreneurship Registry.

In Austria, NPOs with exclusively charitable purposes benefit from an exemption from basic law on taxation. However, it is often not possible to obtain a view from the tax authority in advance as to whether or not the exemption will apply. A large number of organisations that could benefit therefore do not use exemption because of the risk of a retrospective tax bill if the exemption does not apply.

Box 6.2 Legal structure and tax incentives

Most European countries do not have an explicit policy commitment to grow social enterprises and as a result there is often an absence of incentives for social enterprise development. A large number of countries including Austria, Belgium, Croatia, Denmark, France, Latvia, Poland, Romania, Slovenia and Switzerland identified that there is an absence of tax incentives to encourage social enterprise formation and growth.

However, tax incentives do exist for some organisations with a particular status (which encompass social enterprises). For example, in Belgium, Bulgaria, Czech Republic, Hungary, Ireland, Latvia, Poland and the UK tax exemptions and reliefs are available to forms of Non-Profit Organisations with public benefit or charitable legal status. In Ireland, the majority of social enterprises have charitable legal status. The Revenue Commissioners (Irish tax authority) require that bodies with charitable legal status must apply the income and property of the charity solely towards the promotion of its main charitable objects, which prohibits the distribution of profit. Further, the directors / trustees of a charity are not permitted to receive remuneration from the charity. In Germany, tax privileged legal status is particularly limited. Hospitals and schools, for example, are considered related business but any unrelated activity is subject to corporate tax. A notable exception to this trend is the UK where a Social Investment Tax Relief has been recently introduced.

6.1.3 Lack of specialist business development services and support

Most countries do not have a comprehensive array of public support measures specifically targeting social enterprises with public support, in most cases tending to be fragmented and ad hoc. A number of countries specifically mentioned this fragmentation as a particular challenge⁴⁵.

The type of support mentioned by stakeholders which is currently lacking (and could go some way in developing the sector) included:

- Investor readiness support (highlighted as inadequate or lacking in almost all countries of study);
- Start-up support particularly in the area of business planning;
- Support to facilitate collaborations and partnerships between social enterprises;
- Technical support, including training and knowledge-transfer opportunities (this was cited by stakeholders in Cyprus);
- Financial support including grants and other fiscal incentives to foster and support sustainability (cited by Latvian stakeholders);
- Business incubators and consulting capacities (cited by stakeholders in Portugal, Slovenia, Ireland and Hungary). This was identified particularly in Czech Republic, with lack of business skills and knowledge among social entrepreneurs seen as an issue. Additionally, Slovenia has identified the need for business incubators as a way of benefitting social enterprises and the UK's 'Social Incubator Fund' aims to assist organisations that offer a period of intensive support to social enterprise start-ups;
- Support networks specifically tailored to social enterprises; and
- Networks connecting investors, mentors and sponsors with social entrepreneurs. In France, this was argued to be important in assisting with start-up and maintaining financial sustainability.

⁴⁵ Including for example the Czech Republic, Greece, Belgium, Croatia and Switzerland.

6.1.4 Difficulties in accessing (public) markets

A common observation is that while there do not exist any regulatory obstacles⁴⁶ to social enterprises being awarded public contracts via a public procurement process, there are also no particular advantages or incentives. Across most European countries⁴⁷, contracts are predominantly awarded with regards to price before, or to the exclusion of, other considerations (including the social value). France and the UK both identified the economic crisis and limited public budget as to the reason for more weight being placed on price. These results in a number of for-profit companies delivering for a lower cost at the cost of the social value social enterprises would deliver.

There also exist other factors which limit access for social enterprises, such as the size of contracts, the common use of framework contracts, pre-qualification and specification requirements which inhibit competition by requiring long track records or very strong financial positions.

In contrast, in some Member States there exist legislation/ regulation that allows the State to take into account the societal good of awarding a contract rather than a pure price criterion. This is the case for the UK, France, Belgium, Croatia, Greece, Lithuania, Switzerland and at a local level in Czech Republic. However, in almost every case, stakeholders were keen to point out that these are factors that can be taken into account, rather than it be a requirement. Further, stakeholders assert these provisions are seldom used in practice. In Croatia, for example, the Public Procurement Act states that “in public procurement process contracting authorities may reserve the right of participation for tenderers in accordance with the sheltered employment programme” whereas in reality, in the last five years, a worker integration social enterprise has not won a single tender. In Greece, a lack of regulatory tools make it administratively impossible to enforce the “Public Contracts of Social Reference” law that permits public authorities to take into account social criteria when awarding public contracts for services.

French stakeholders still emphasise difficulties faced by social enterprises in securing public contracts, with some factors arguably discriminating against social enterprises by making it difficult for new market entrants (such as large contract sizes, the absence of rules about how prime contractors engage with subcontracts and pre-qualification and specification requirement inhibiting competition by requiring significant track records).

In contrast to this, stakeholders in Switzerland and Lithuania all highlighted measures to encourage the consideration of social value when awarding contracts which are actively utilised. In Switzerland, one aspect of a constitutional commitment to sustainable development is the “Sustainable Development Strategy” which provides that government should set an example with its own consumer behaviour by respecting social, economic, health and environmental factors. The government has therefore undertaken to procure goods, services and construction works that meet these high standards.

Finally, delays in payments for the services delivered to public administrations were also attributed to adversely affecting the sustainability of social enterprises. This was particularly noted in Ireland, where one stakeholder estimated the average delay in payments is 36 months. These delays have increased social enterprises debts towards banks for advancing the payment of due invoices and affected the ability to remunerate employees.

⁴⁶ An exception to this rule is Luxembourg whereby not-for-profit organisations are barred from taking on public contracts due to unfair competition with for-profit entities.

⁴⁷ For example, in Bulgaria, Czech Republic, Estonia, Italy and Ireland.

6.1.5 Difficulties in accessing (external) finance

Access to finance was identified across almost every European country as a significant barrier to the development of social enterprises. For example, in Denmark over a third of social enterprises do not have any lines of credit and in the Netherlands this figure is 40 Per cent. Financing at the start-up phase was highlighted as particularly problematic in some countries (for example, in France) whereas financing for growth and scaling up activities was identified as a greater gap in countries like Greece. In others, for example the UK, difficulties in access to finance was prevalent across the whole lifecycle. Lack of understanding of social enterprises, concern over issues of governance, potential returns compared to other investment activities and poor risk profile are all commonly prevalent in bank lending markets for social enterprises.

A number of Member States noted difficulties as a result of national rules or regulations. For example, not-for-profit social enterprises in Romania have limited access to bank finance due to national bank rules, placing them in the most risky category as borrowers. This means banks are reluctant to meet their financing needs. In Czech Republic, organisations are prohibited from using property to guarantee loans, and in Hungary bank credit shortage is one of the barriers that entrepreneurs face when establishing, developing or expanding social enterprises.

Many stakeholders noted the limited degree to which social enterprises are able to distribute profits to investors also inhibits access to (equity) finance. As a general rule, social enterprises are characterised by limitations on distributing profit they can distribute. Additionally, some limitations on the size and scope of social enterprises places further restrictions on profits. As an example, in Belgium only companies with Social Purpose structures are able to distribute a dividend and are therefore more attractive to investors (and thus, have greater access to finance) than non-profit legal forms that are prohibited from making distributions. However, there are caps on the distributions Companies with Social Purpose is permitted to make. This legal structure of Coopératives in France allows for dividends to be paid out to investors, yet dividends are capped at 33 per cent of the total profit (of which 45 per cent of must be distributed to employees).

A number of Country Reports highlight the limited range of financial instruments available to investors. It was noted by stakeholders in Hungary that financing options available to SMEs were not available for social enterprises (such as investment funds and state guarantees). Croatian stakeholders identified the lack of financial instrument available for potential social enterprises as one of the main prohibiting factors for development and growth. In contrast, in Germany, available private funds are significant although they are usually conservatively managed and not necessarily accessible for innovative social enterprises or start-ups.

Finally, one other contributing factor is the lack of understanding of social enterprises – this perception varies by country. For example: in Finland, banks and investors do not tend to recognise the specific characteristics of social enterprises when making lending or investment decisions; in Poland, social enterprises are seen as being financed by the state and to not be self-sustaining or able to make a profit; in Romania, there is no recognition of the social impacts of investors; and, in Belgium social enterprises have weak credibility (particularly in start-up phase) because of their dependency on public support and the primacy of social impact over profit.

6.1.6 Absence of common mechanisms for measuring and demonstrating impact

Absence of common mechanisms for measuring and demonstrating social impact was mentioned as a major issue by stakeholders, particularly investors and programme managers across several European countries (e.g. Bulgaria, Croatia, Portugal, Switzerland to name a few). Interviewees indicated that a small minority of social enterprises have systems in place for monitoring social impact. According to them, the lack of transparency and information on the impact that social enterprises are having is a key factor affecting visibility and public opinion of social enterprise. This in turn

was seen to be affecting their growth potential by limiting access to finance and markets.

As indicated in section 5, measurement of social impact is not yet established and while recent initiatives have made inroads in raising awareness on the importance of reporting on impact and some coaching and training schemes have successfully brought some social enterprises to improve in the area, a lot remains to be done in almost all countries of study.

6.1.7 Public spending cuts and general economic conditions

The public sector is a major source of income and support for social enterprises (predominantly in terms of grants and subsidies). Recent years have seen significant cuts (to a varying degree) in public spending across Europe as governments focus on reducing debt and cutting fiscal deficits, following the 2009 financial and economic crisis. The OCED have found declines in real social spending were largest in Greece, Italy, Portugal and Hungary⁴⁸. For example, in Italy, spending reviews implemented by the Government have reduced the availability of public resources in sectors that are fundamental for social enterprises (such as welfare). This has reduced the opportunity for expansion of social enterprises.

Contrasting this constraint are some opportunities, with social enterprises positioned to be an alternative for more cost effective delivery of certain services, which typically have been provided by the State. The emergence of such opportunities was particularly identified in France – where a significant increase in public contracts commissioned to associations was seen. It was thought by stakeholders this was a result of the growing opportunity in light of cuts as well as the increasing maturity and ability for social enterprises to compete.

Similarly, a number of other tangible benefits and perceived increase in interest from public authorities has emerged since the crisis. For example, in Slovenia, it was identified that due to the difficult economic situation, it was a favourable environment to start a social enterprise.

6.2 Internal factors

6.2.1 High reliance on the public sector

As has been previously discussed, social enterprises across most countries rely significantly on the public sector as a source of income, whether this is in the form of grants, subsidies or contracts. This jeopardises the long-term sustainability of the enterprises, particularly in a context of cuts in public spending. Their limited links with the private sector and commercial funding opportunities also reduces their creditability with banks and other external investors. Such issues have been identified across a number of European countries, for example, in Belgium, Portugal, the Netherlands and Luxembourg.

The issues associated with the heavy reliance on the public sector have been exacerbated by the post-crisis spending cuts (discussed in section 6.1). This is putting the business models of social enterprises under strain creating a greater urgency for diversification in markets and income sources. For example, it was identified that in the Netherlands, government austerity measures have put the social enterprise sector under pressure. It was thought by stakeholders that the financial pressure as a result of this could even lead to the withdrawal of some social employment schemes which would further strain resources.

⁴⁸ The OCED. 2012. 'Social spending during the crisis. Social expenditure data update 2012'. Available at: <http://www.oecd.org/els/soc/OECD2012SocialSpendingDuringTheCrisis8pages.pdf>

6.2.2 Lack of viable business models

Across many countries (e.g. Germany, Portugal, the Netherlands) stakeholders mentioned the absence of viable business models as a major constraint to the sustainability and growth prospects of social enterprise. This issue was seen to be linked to:

- High reliance on the public sector as a source of income (discussed in sections 4.3.1 and 6.3.1);
- Lack of business skills and competencies (section 6.3.3).

6.2.3 Lack of sufficient entrepreneurial spirit and commercial orientation

Creating a sustainable business model and strategy continuously ranks among the top five support needs of social enterprises according to a survey of 120 social enterprises across seven countries⁴⁹. Commercial orientation is required to translate ideas into a successful business model which is interlinked with the external support needed (i.e. business networks and consultancy support).

One key area impacting on this is the lack of managerial skills and lack of know-how around key business related issues. For example, in Poland, key skill gaps were identified around business planning, market analysis, understanding of company finance and financial markets. Stakeholders from the Netherlands said there is a risk that entrepreneurs act more like social workers rather than managers of a commercial enterprise. Success depends on the attitudes of the entrepreneur who should combine engagement with economic realism, knowing how to access subsidies, funds as well as networks, legislation and government for specialist knowledge and support.

Additional issues were raised particularly around governance and the professional management structure (for example in Croatia, Portugal and Germany). Social enterprises often lack long-term strategic organisations structures – the role of organisations boards of directors and executive directors often mix and overlap, which fail to provide long-term vision.

Finally, insufficient resources and capacities to develop and scale their operations also impact on the ability of social enterprises to become commercially oriented. This relates to business support as well as financial resources. In Austria for example, interviews with social enterprises indicate that a quarter of their annual income comes from founders' pockets. Further, there is low desirability to seek financing due to low business financing skills and lack of collateral. This prevents sustainability and capacity development.

6.2.4 Lack of managerial and professional skills and competencies

Across many of the European countries, attracting highly qualified workers with sufficient managerial experience was identified as a particular barrier. This obstacle is a reflection of the invariably higher wage costs of highly qualified workers; whereas social enterprises in general have limited capacities to offer competitive salaries in comparison to other sectors of the economy. This was cited as an issue in Belgium, Bulgaria, Croatia, Greece, Ireland, Italy, Latvia, the Netherlands, Poland, Slovenia, Sweden and the UK.

A difficulty in attracting talent thus, contributes to a lack of internal skills in social enterprises: lack of professional management structure, lack of business skills, low involvement in international business and collaborative networks of social enterprises. In particular, stakeholders in Ireland explained that this resulted in social enterprises not possessing the necessary skills in terms of strategic business planning, market assessment and awareness and ability to manage risk. In Slovenia, it was found this resulted in many entrepreneurs establishing social enterprises without proper market research, a viable business model or knowledge of the market and/ or industry.

⁴⁹ Survey conducted by Vandor, Millner & Hansen, March 2013 as part of study "Supporting Social Entrepreneurs – The effects of organizational maturity and business model on perceived support needs".

Meanwhile, it appears that a growing number of people coming from the traditional non-profit sector, such as from associations, aim to start businesses but often do not (yet) have the right tools and skills at hand to successfully start an enterprise.

7 Policy implications

At the highest level of summary, the mapping has identified that whilst the theme of social enterprise is moving forward across the substantial majority of European states, overall, the modern movement of social enterprise remains emergent in contrast to both the social economy and the mainstream economy. Furthermore, what constitutes 'social enterprise' is still a matter of some debate and development across stakeholder groups within many European countries.

A number of drivers are evident in supporting the substantial dynamism of social enterprise movements across many European countries but, equally, a range of common barriers to development can be identified. The experience of those countries that have been most active and comprehensive in bringing forward policy in response to such barriers suggests that the potential journey to scale of social enterprise populations remains substantial.

The mapping suggests areas for EU policy going forward which might complement or be incorporated into the Social Business Initiative (SBI) - based on consideration of the principles of subsidiarity and EU added value (see Table 7.1). One can also draw a number of policy implications from this Study as regards measures that can be undertaken at a national level to support the development of social enterprise, but this is beyond the scope of the Mapping Study. However, to both learn from and track developments in social enterprise, monitoring systems tailored to the particularities of national approaches and understanding of social enterprise are required across Europe as the basis of future national and European research and policy development – including identification of the range of features and relationships that could comprise an effective and efficient ecosystem for social enterprise development.

Table 7.1 Policy initiatives that could be linked to the Social Business Initiative

Areas of activity	Actions to be carried out at EU level to enhance national and regional policies and actions to support social enterprise
Awareness and visibility of social mission	<ul style="list-style-type: none"> Commission regular Eurobarometer surveys to measure visibility and attitudes towards social enterprise Support the development, testing, dissemination and adoption of standardised social impact measurement systems including the approach developed by GECES
Access to markets	<ul style="list-style-type: none"> Support and monitor the transposition and implementation of the EU Public Procurement Directive (2014) in particular the application of social clauses by public authorities
Developing and nurturing talent	<ul style="list-style-type: none"> Encourage and support Member States efforts in integrating social enterprise within the education system at all levels (particularly at secondary level and in higher education) Building on the success of Erasmus exchange programmes, develop a bespoke Erasmus exchange programme for social enterprises/ social entrepreneurs
Promoting a culture of social enterprise	<ul style="list-style-type: none"> Ensure that the full potential of social enterprise and entrepreneurship is explicitly recognised and eligible across the range of activities funded under the Entrepreneurship 2020 Action Plan and Horizon 2020

Specialist support	<ul style="list-style-type: none"> Development of a social enterprise module as part of the Enterprise Europe Network to provide advice on cross-border issues, EU funded support and EU legislation (e.g. the 2014 Public Procurement Directive and its transposition into national legislation) To monitor and report the extent to which European Structural and Investment Funds are being used at the national and regional levels to promote and support the development of social enterprise
Knowledge building	<ul style="list-style-type: none"> Continue to support research and evaluation in this field given the complexity and variation across Member States Support ongoing dialogue and learning on social enterprise
Access to finance	<ul style="list-style-type: none"> Encourage ESIF Managing Authorities to extend existing or establish new supporting instruments for social enterprise Strong engagement with and participation in global initiatives on social impact investment, recognising new and recently emerging OECD and G8 activities. Review effects of the dedicated financial instruments for social enterprise under EaSI and the EIF's Social Impact Accelerator, and of financial instruments for developing social finance markets set up under ESIF programmes as the basis of further measures to encourage social investment
Capacity building	<ul style="list-style-type: none"> Facilitate sharing of good practice in supporting social enterprise amongst <ul style="list-style-type: none"> Providers of social enterprise start-up, development and scaling-up services Public procurement offices ESIF bodies HEI engaged in training and research on social entrepreneurship Developers and users of tools to measure or report on social impact Organisations promoting, certifying and awarding social business labels, prizes, etc.

Future areas of research

The Mapping Study has provided a snapshot of the scale and characteristics, drivers and barriers of social enterprise activity in each country of the EU, and a mapping of their ecosystems, with a focus on legal frameworks and national policies and actions targeting social enterprise. It has demonstrated the heterogeneity of social enterprise activity across Member States, reflective of different cultures, traditions and the balance of current drivers of activity. Added to this are variable rates of policy development and current policy response. As a consequence, generalisation is difficult and policy making at the EU level constrained in the absence of the necessary national detail.

This Study provides an initial mapping, a snapshot reflecting the situation of mid 2014– but more work is required to establish sound evidence for policy making which calls for regular tracking and analysis of future evolutions of the different types of social enterprises and of their ecosystems over time and across countries and regions to better comprehend the nuances of social enterprise development, its drivers, barriers and solutions. It is therefore, suggested to continue this mapping study in an ambitious and systematic way over time (every two to three years). Doing so would allow gaining more evidence on the dynamics of social enterprise and on the role of ecosystems

and public policy in changing scale, scope and characteristics of social enterprise development.

Future areas of research could include:

- Quantifying the economic relevance of the current fields of activity of social enterprise and, on the basis of that, identifying potential untapped markets, growth areas and sources of income for social enterprise, in view of their high reliance on public sector funding;
- Assessing the opportunities and barriers facing social enterprises, as well as the rates of market entry and exit of social enterprises, and how these compare with mainstream enterprises to inform the development of conducive eco-systems .
- Deepening and broadening the knowledge base on the financing needs of social enterprise by type of activity and stage of development.
- Developing a more comprehensive picture of all elements of social enterprise eco-systems and how they interact with each other, notably the relationships between:
 - social enterprise legal forms or status and the advancement of the ecosystem and social investment marketplace
 - entrepreneurial / innovation / civil society / cooperative movement culture and the scale and scope of the social entrepreneur base
 - the culture of welfare state contributions or foundation support to the social sector and the advancement of policies towards social enterprise , or partnerships between social enterprises and organizations providing social services
 - recognition and award systems and performance of social enterprises
 - austerity cuts and growth or stagnation of the social enterprise “sector”
- Assessing the economic and employment effect of different modes of creation , as a basis for identifying unexplored business and policy opportunities at national level;
- Identifying the determinants for the participation of women, younger and older generations in the workforce of social enterprises
- Understanding the advantages and disadvantages of using hybrid forms to establish social enterprises
- Analysing location, distribution and spatial organization (economic geography) of social enterprise across Europe
- Assessing regional differences in social enterprise growth and development as well as the role of regional policy frameworks and public support schemes.

7.1 Concluding remarks

Finally to conclude, social enterprise in Europe is a dynamic, diverse and entrepreneurial movement encapsulating the drive for new business models that combine economic activity with social mission, and the promotion of inclusive growth. This Mapping Study, and its 29 Country Reports, has mapped this dynamism, identifying the ‘national families’ of social enterprise across Europe, their defining features and the policy and business environments within which such social enterprise development is taking place.

The Mapping Study finds that whilst there is both a growing interest and convergence in views across Europe on the defining characteristics of a social

enterprise, understanding and approaches to social enterprise when articulated in national legal, institutional and policy systems differs substantially across (and sometimes even within) countries. These differences, together with the lack of systematic national level evidence on the type and scale of activity and of related policy frameworks, makes it extremely difficult to identify common patterns of development across Europe.

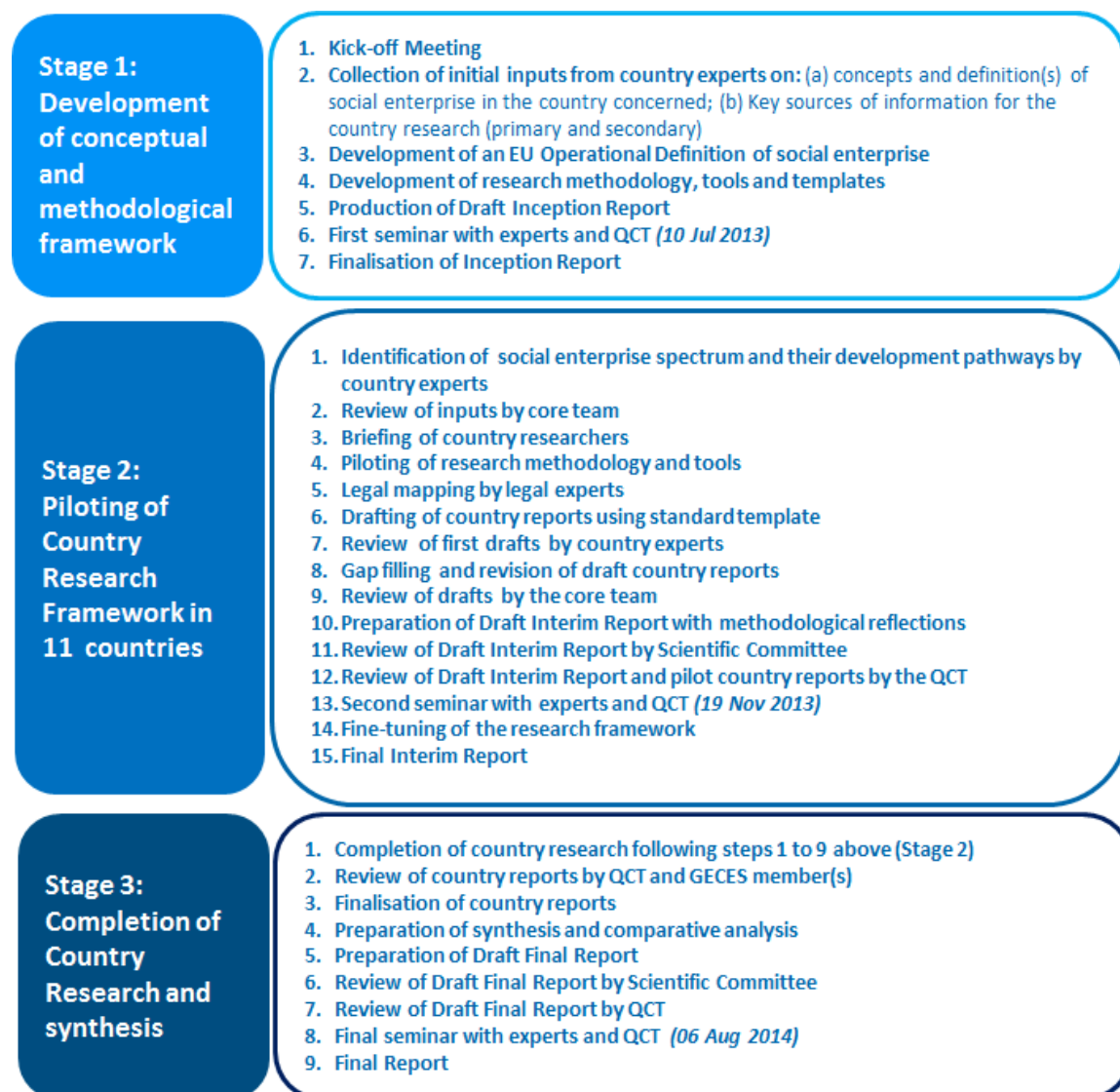
There is general consensus from stakeholders and available evidence that the concept of social enterprise will gain in strength in Europe and that current activity will expand, including the continued likelihood of the emergence of ever more new forms of social enterprise. To both learn from and track such developments, monitoring systems tailored to the particularities of national approaches and understanding of social enterprise are required across Europe as the basis of future national and European research and policy development – including identification of the range of features and relationships that could comprise an effective and efficient ecosystem for social enterprise development

ANNEXES

Annex 1 Methodological approach

Given the complexity of the subject matter, an iterative and step-by-step approach to country research was developed as illustrated in Figure A1.1

Figure A1.1 Overall approach to the study and the steps involved

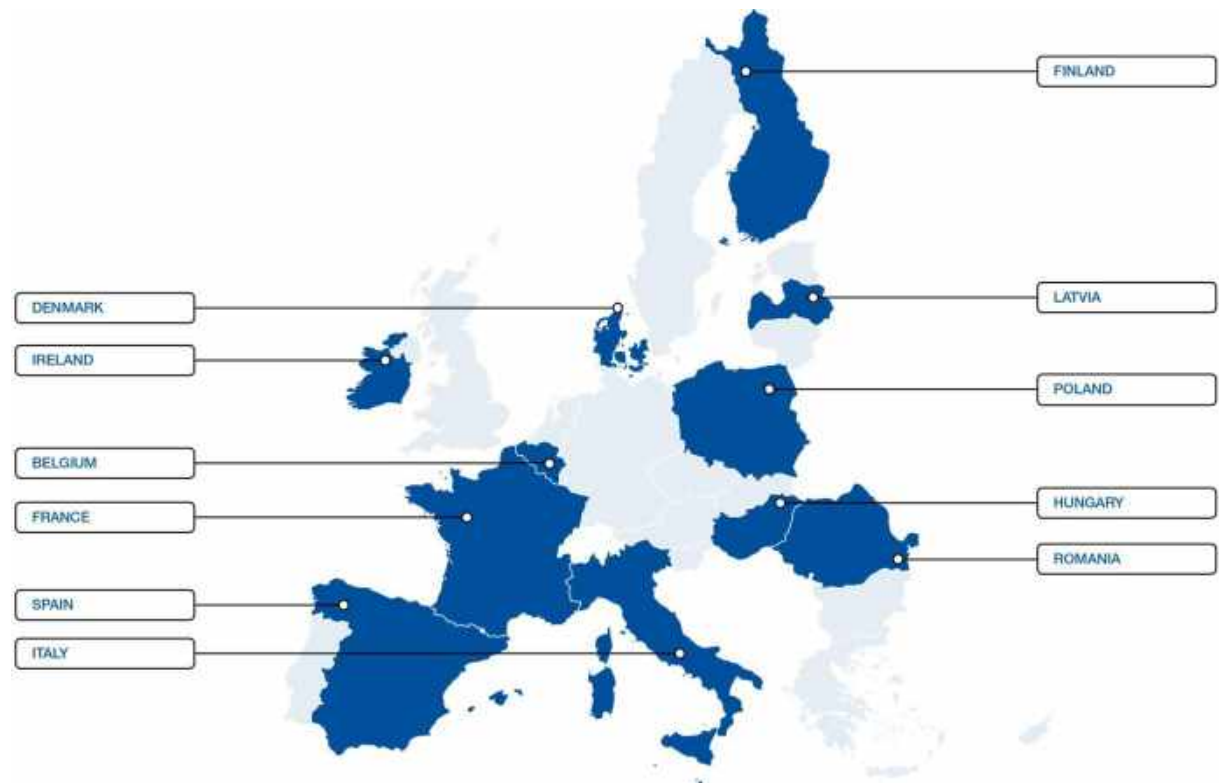


Box A.1 Sources of information for the Country Reports

- Desk research covering existing academic, policy and grey material;
- Semi-structured interviews with a range of stakeholder groups in each country including
 - Social enterprise networks, representatives and associations;
 - Social enterprises;
 - Policy makers;
 - Provider of professional advisory services and support;
 - Social Investment Finance Intermediaries (SIFIs);
 - Academics and other experts.

The research framework and methodology were initially piloted in eleven countries (Figure A1.2).

Figure A1.2 The 11 Pilot Countries



The main objective of the pilot stage was to test:

- The validity of the EU operational definition i.e. its ability to capture the diversity of national (social enterprise) traditions and contexts, while providing a common basis for identifying and mapping (and where possible, measuring) social enterprise activity at a European level;
- The suitability of the research method in generating the information required for mapping purposes;
- The suitability of the reporting template (Box 2)– whether it provided a consistent framework for reporting and synthesis across 29 countries.

Following the pilot, the research framework was fine-tuned to reflect the methodological learnings and rolled out to the remaining 18 countries.

Box A.2 Outline of the Country Research Reporting Template

1. Overview of existing concepts and ideas of social enterprise
2. Mapping the ecosystem for social enterprise
 1. Policy and legal framework
 2. Public support schemes targeting social enterprise
 3. Other specialist support and infrastructure
 4. Networks and mutual support mechanisms
 5. Marks, labels and certification schemes
 6. Social investment markets
2. Mapping social enterprise activity
 1. Application of the EU operational definition to identify social enterprise activity
 2. Scale and characteristics
 3. Opportunities and barriers

Annex 2 Mapping the national concepts and definitions of social enterprise against the core criteria of the EU Operational Definition

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
AT	No official definition					
BE	A transversal statute for enterprises with a social purpose (the 'social purpose company' Governed by articles 661-669 of the Belgian Companies Code)	By definition, the entity has to be a "company" and thus be engaging in economic activity	The law requires an explicit and primary social aim. The raison d'être of the organisation should be to advance its social purpose rather than "the enrichment of [its] members". The "social finality" should be defined in the statutes of the company	Any surplus/ profit must be earmarked for the social purpose of the company as per its statutes. Redistribution among members/ shareholders is possible, but limited. On liquidation, outstanding assets (after repayment of debt and shares) must be distributed to an entity with a similar social aim	All forms of social purpose company require a management body to oversee the management and the affairs of the organisation	No specific governance obligations. Depends on the underlying legal form adopted by the social purpose company
BG	The National Social Economy Concept (2012) introduces criteria that can be used to identify "social economy enterprise"/ "social enterprise"	Social enterprises in Bulgaria are "businesses which produce goods and services for the market economy"	The entity must have a social aim; although it is not explicitly stated that the social aim should supersede any other goals	Profit must be reinvested in the accomplishment of social objectives	Governance autonomy and independence from public authorities is mentioned as one of the common values in the business model of social enterprises	Democratic control is mentioned as one of the common values in the business model of social enterprises
CY	No official definition					

⁵⁰ Title of the Law or Act/ Working Group or policy document

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement in economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
HR	Draft Strategy for the Development of Social Entrepreneurship in Republic of Croatia for the period of 2014-2020 (<i>forthcoming</i>)	Social enterprise should engage in economic activity and generate revenue from the market ("three years after the establishment of business at least 25% of the income is planned to be or is realized by its entrepreneurial activities")	Social enterprise should achieve a balanced social, environmental and economic goal of business	At least 75% of the profit should be re-invested by the enterprise in the development of its activities and the achievement of its primary business objective. In the case where social enterprise ceases to perform its activity the assets must be transferred to the ownership of another social enterprise with same or similar goals	Social enterprises should be characterised by a high degree of business autonomy; the State or a public authority may not be the sole founder of the social enterprise	Participatory or democratic decision making
CZ	Non-official, but broadly accepted definition developed by TESSEA (2011)	Performance of systematic economic activity; at least a minimum proportion of revenues should come from market sources (10%); ability to manage economic risks; trend towards paid work (at least 10%)	Performance of an activity benefiting society or a specific group of (disadvantaged) people	Profits (at least 51%) should primarily be re-invested into the development of the social enterprise and/or to achieve publicly beneficial goals.	Independence (autonomy) from external founders in decision-making and management.	Employees and members participate in the enterprise's strategic decision-making.
DE	No official definition					
DK	Definition developed by Government appointed Committee on Social enterprises, but not yet official (2013)	"...the enterprise has a significant commercial activity through the sale of services and products, which constitutes a significant part of the enterprise's revenues."	"...the enterprise's primary purpose is societal by nature, i.e. the primary goal is socially beneficial by nature and will address a social, occupational, health-related, environmental or cultural purpose..."	"...the enterprises [sic] allocates its entire profits to firstly supporting social purposes or reinvesting profits to the enterprise itself or other social enterprises; secondly to paying out limited dividends to its investors."	"...the company has a unique Central Business Register number and is operated independently from public influence with regards to operation and management."	"...will also promote active citizenship."

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement in economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
EE	No official definition					
FI	Definition put forward by the working group set-up by the Ministry of Employment and the Economy (MEE) in 2010	Although not explicitly stated in the MEE definition, in Finland social enterprises are expected to engage in economic activity and generate income from the market	According to MEE definition the general objective of social enterprise is to generate social good. The purpose of the enterprise's activity is to solve social problems and to meet social objectives	The enterprise must use over 50 per cent of its profits towards meeting its social objectives, its mission statement and developing its services	Not explicitly stated, but implied	

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement in economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
FR	Law on Social and Solidarity economy (2014)- the law defines the scope of the social and solidarity economy for the first time	The law states that "[t]he social economy consists of the production, distribution, exchange and consumption of goods or services"	Defined in the law as a "goal other than sole benefit sharing", "combating social exclusion, social and economic inequalities, and contributing to the development of social linkages" and are supposed to be sustainable.	<p>The law stipulates that "[t]he benefits are mainly devoted to the goal of maintaining or developing the enterprise". Statutory reserves cannot be distributed. Other reserves can be distributed, but with limitations.</p> <p>Regular enterprises have to devote at least 20% of profits to the statutory reserves of the social enterprise</p> <p>At least 50% of the profits of regular companies, less any prior losses (if applicable), has to be set aside for mandatory reserves or retained earnings</p> <p>In case of liquidation or dissolution of the enterprise, the assets have to be transferred to another social economy enterprise or to another entity, as stipulated in the law and relevant legislation</p>	Not explicitly stated	Defined in the law as "democratic governance, providing for information and participation, whose expression is not only related to a capital contribution or the amount of financial contribution or contributions of partners, employees and stakeholders"

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement in economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
GR	Law 4019/2011 on Social Economy and Social Entrepreneurship sets out the defining characteristics of social economy entities which is mapped here against the EU operational definition	Social economy entities are expected to deliver their social impact through the production of goods or the provision of services of collective and social character	Social economy entities "have a statutory purpose of social benefit"	As per the law, social economy entities have to use their profits primarily to further their statutory goals and secondarily for any eventual restricted profit distribution. As such KINSEPs cannot distribute profits to their members. Profits can however, be distributed by KISPEs after reserve requirements have been met. KINSEPs - the Law prohibits distribution of assets to members. KISPE- Upon closure, assets are distributed to the members with the exception of the extraordinary "grants and donations" reserve which must be allocated for a purpose similar to the KISPE's purpose	Social economy entities "enjoy autonomy in management of their activities"	Social economy entities are characterised by democratic decision making. KISPEs additionally must involve stakeholders as members
HU	No official definition. The government uses the European Commission's definition to delimit eligible organisations under its grant programme for social enterprises					
IE	Definition developed by Forfás, the advisory body to the Irish government on enterprise policy (2013)	Social enterprises should "earn at least part of their income from their trading activity"	Social enterprises should "trade for a social/ societal purpose"	Social enterprises should "primarily reinvest their surplus in their social objective"	Social enterprises are "separate from government"	

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement in economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
IT	Law on social enterprises (Legislative Decree no. 155/2006)	Social enterprises perform an entrepreneurial activity (Article 1)	The pursuit of a social aim is defined by law; operationalization of social aims by listing sectors of activities or employment integration (Article 2)	<p>No distribution among owners / shareholders, employees or members (Article 3). Income must be reinvested in the core business or in increasing the assets of the organisation.</p> <p>Distribution of assets or parts of assets to owners / shareholders, employees or members is not allowed.</p>	Social enterprises cannot be owned or controlled by for-profit organisations or by public administrations (Article 4). A social enterprise needs to be a collective initiative of a private nature.	According to the Law, the governance structure of social enterprises should be determined by their legal form (an association, a foundation, a social cooperative, or a company). Regardless of the institutional form, however, social enterprises must involve workers and users of social goods and services in the governance of the organisation (Article 12)
LV	Criteria being considered in the draft <i>Law on Social Enterprises</i> which – if adopted – will introduce a social enterprise status	Goods and services should be produced consistently over time	The organisation must have a social aim	Profits must be invested in achieving a social objective, expanding the enterprise or in a reserve fund	As per the draft Law, social enterprises will be subject to Commercial Law and therefore, by definition will be independent from the State	Participatory governance: representatives of stakeholder groups are engaged in the governance of the organisation

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement in economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
LT	Law on Social Enterprises. 1 June 2004 No. IX-2251 (as last amended on 1 December 2011 – No. XI-1771, 2011-12-01, Žin., 2011, Nr. 155-7352 (2011-12-20))	Social enterprises perform an entrepreneurial activity; Social enterprises should not carry out activities included in the <i>list of non-supported activities of social enterprises</i> as approved by the Government of the Republic of Lithuania or an institution authorised by it, or in any case the income received from such activities over the tax period should not exceed more than 20% of the total revenue generated	By Law, social enterprises have to employ people from groups of society facing social exclusion. The Law however, does not establish the primacy of social aim over other goals such as profit making. Indeed, legally recognised social enterprises tend to pursue profit making as their main goal (albeit by employing disadvantaged/ disabled people)	There is no legally binding provision to reinvest profit of social enterprises under their law	Social enterprises have organisational autonomy from the State. They should respect the main legal and operational requirements applicable to their underlying legal form	Social enterprises by law do not need to be governed by democratic principles; their governance depends on the choice of legal form (private limited liability companies/ joint stock companies; public entities or individual enterprises). No additional consultations with target groups or other stakeholders are necessary
LU	No official definition					
MT	Working definition developed by the Ministry of Finance, Economy and Investment as part of the 'Social Enterprise Project'	According to the definition a social enterprise is a "business"	The business is driven by social objectives rather than the need to maximise profit for shareholders and owners	"Surpluses are principally re-invested for that [social] purpose in the business or in the community"	Although not explicitly stated, this is implicit in that social enterprise is a business	"its social mission is embedded into the business in its structure and governance"
NL	No official definition					

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement in economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
PO	Criteria being considered in draft Act on Social Enterprise (August 2013 version), which – if adopted – will introduce a social enterprise status	Entity must be registered as an enterprise first which implies that it must engage in an economic activity	Operationalization of eligible social aims by listing sectors of activities or alternatively focus on employment integration	No distribution of profit or financial surplus among shareholders / partners; using profits or financial surplus to increase company capital, and at least 10 per cent of profits should be invested in public benefit activities for the local community	Independence from the State ensured by explicit exclusion of legal persons of the state or local authorities	The draft Law requires social enterprises to form a consultative / advisory body
PT	Social Economy Law 68/XII. Article 5 of the Law sets out the guiding principles of Social Economy which coincide with the EU operational definition (2013)	Not explicitly stated in the Law	Under Article 2.1 social economy entities "aim at pursuing the general interests of society, directly and through pursuing the interests of their members, users and beneficiaries, whenever socially relevant". One of the guiding principles is the primacy of social objectives over individual objectives	Allocation of surplus (profit) in the pursuit of objectives of the social economy entities in agreement with public interest	Social economy entities are "autonomous and independent from public authorities and any other entities outside the social economy"	Guiding principles include: Free and voluntary membership; democratic control of the bodies by members; balance between the interests of members, users or beneficiaries and public interest
RO	Article 3 of the proposed "Law on Social Economy" sets out the principles of "social economy" (<i>adopted by the senate in June 2014; to be debated in Chamber of Deputies in the autumn session 2014</i>)	It is implicit - the entity must perform economic activity. As per Article 2, the social aims of the entity are to be achieved through "...through the increase of the employment rate amongst vulnerable groups and/or the production and provision of goods and services "	The Law on Social Economy establishes priority of social objectives over profit making	There are no clear profit distribution constraints, no asset lock provision in the Laws	Distinct legal entity, with managerial autonomy and independence from the public sector	The Law requires organisations to be democratically governed

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement in economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
SK	Act nr. 5/2004 on employment services (2008 amendment)	Social enterprises (as defined by Employment Law) are engaged in the economic activity. For instance, together with the application that must be submitted by individuals who wish to establish social enterprise and gain such status, a business plan also needs to be submitting showing the expected revenues, expenses and profit before distribution	Social purpose is narrowly defined as: (i) employment of disadvantaged jobseekers (at least 30 per cent of the workforce must constitute of disadvantaged jobseekers) (ii) supporting employed disadvantaged jobseekers in finding employment on the labour market	At least 30 per cent of financial resources gained from own activities that remain after paying all costs associated with own activities must be re-invested into creation of new job positions or into improving working conditions		
SI	Act of Social entrepreneurship (2011)	One of the mandatory "principles of social entrepreneurship" is market orientation (Article 2 of the Act)	Social enterprises must perform activities in the public interest. "Social entrepreneurship activities" however, can only be carried out in pre-defined fields	Profit and surpluses should be used for social or other non-profit purposes, distribution of profits or surpluses is limited in accordance with the Act (Article 26). The assets that remain, after having concluded the winding-up procedure, and having repaid the creditors and potential voluntary or compulsory shares, may be transferred to another social enterprise, another non-profit legal entity or a municipality (Article 28).	As per the Act, social enterprises should be managed independently	"Principles of social entrepreneurship" include: democratic decision-making and stakeholders involvement in decision making / management – Articles 23 and 24

	Source of official definition ⁵⁰	Entrepreneurial dimension	Social dimension	Governance dimension		
		Core criterion 1: Engagement in economic activity	Core criterion 2: Explicit and primary social aim	Core criterion 3: limits on distribution of profits and/ or assets	Core criterion 4: Organisational autonomy	Core criterion 5: Inclusive governance
ES	Law 5/2011 sets out the guiding principles of social economy entities which are mapped against the EU	"Social economy is the designation of the set of economic and entrepreneurial activities that are carried out in the private scope..."; promotion of internal and societal solidarity. The guiding principles refer to the "primacy of the individual and of the social purpose over capital"	The following guiding principles apply to social economy entities: they should pursue the collective interest of their members, the general economic or social interest or both	Profits obtained from the economic activity shall be distributed mainly according to the work contributed or the service or activity performed by its partners or by its members and, if appropriate, according to the entity's social purpose	Independence from the public authorities	Autonomous and transparent, democratic and participative management
SE	No official definition of social enterprise. <i>There is however, an official definition of WISE elaborated upon in the Government Action Plan for WISEs (2010)</i>					
UK	Operational criteria applied in the UK Government biennial Small Business Surveys	A social enterprise must be a business and must generate at least 25% of its income from trade	The primary aim of all social enterprises must be a social or environmental one	A social enterprise should not pay more than 50% of profit or surplus to owners or shareholders	Implied, but not explicitly stated in the definition	
CH	No official definition					

Annex 3 Glossary

This glossary has been compiled from the European Commission's social guide⁵¹, OECD reports and other sources as indicated.

Asset lock	<p>An asset lock is a mandatory and irreversible legal or constitutional mechanism, which ensures that surplus income, capital, profits or other property is not distributed to an organisation's members, shareholders or other persons other than in certain limited circumstances which prioritise social purpose over private interests.</p> <p>It prevents the assets of an organisation from being used for private gain rather than for the social mission of the organisation, both during the life of the organisation and in case of its dissolution or sale.</p>
Association	<p>A legal form that is broadly characterised by the following features: a group of individuals or organisation organised on the basis of a written agreement to further a shared purpose; can be established to further a range of social purposes; profits are used for purposes stated in governing document and are not distributed.</p>
Cooperative	<p>According to the definition of the International Cooperative Alliance⁵² of 1995, the term cooperative means an 'autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise'. This definition was also adopted in ILO Recommendation 193 of 2002, para. 2.</p> <p>A legal form that is broadly characterised by the following features: jointly owned and democratically controlled by the people who work in it, trade through it or use its products or services ('members'); can pursue almost any purpose, subject to the requirement that there should be a common economic, social or cultural need or interest shared by members of the Co-operative; can distribute profits to members</p>
Foundation	<p>Foundations are philanthropic organisations ,organised and operated primarily as a permanent collection of endowed funds, the earning of which are used for the benefit of a specific group of people or of the community at large. The main classification is between grant-making foundations and operating foundations. The latter provide social, health, and educational services.</p> <p>A legal form that is broadly characterised by the following features: established by one or more "founders"; allocating assets to further a social purpose; can be established to further a range of social purposes (for example, philanthropic, artistic, cultural and religious purposes); assets and surpluses can only be used for social purposes stated in the governing document and are not distributed.</p>

⁵¹ European Commission. Social economy and social entrepreneurship - Social Europe guide - Volume 4 (29/04/2013). [online] Available at:

<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7523&type=2&furtherPubs=yes>

⁵² <http://ica.coop/en>

General interest services	<p>The term refers to the benefit of the public in general or of an unspecified group of beneficiaries. Counterpart is self-interest. General-interest services cover a wide range of activities that have a strong impact on the well-being and quality of life of a society at large. They range from basic infrastructure (energy and water supply, transportation, postal services, waste management) to key sectors such as health and education, to social services.</p>
Non-profit and Not-for-profit	<p>The most well-known definition is provided by the Johns Hopkins University. According to this definition, the sector includes organisations which are: voluntary; formal; private; self-governing; and which do not distribute profits. The term 'non-profit' refers to the organisations that have to comply with a non-distribution constraint. The term not-for-profit is more general and refers to the goal pursued (which is other than profit).</p> <p>Non-Profit Organisation: An organisation which has a legal form which does not permit the distribution of profit and which is able to trade freely in furtherance of a social purpose. Examples include most Foundations, Associations and Non-Profit Companies.</p>
Non-Profit Distribution Constraint	<p>The Non-Profit Distribution Constraint implies that an organisation is prohibited from distributing its net earnings (if any), to individuals who exercise control over it, such as members, officers, directors. The non-distribution constraint is meant to avoid profit-maximising behaviour. The constraint can be total (no profits can be distributed) or partial (the organisation is allowed to distribute profits only to a limited extent). In some instances, the non-profit distribution constraints are also accompanied by the asset lock constraint.</p>
Share company	<p>A legal form that is broadly characterised by the following features: a form of company that is usually used by for-profit organisations; typically established with commercial aims to distribute profits to shareholders; is owned by its shareholders; distributes profit to shareholders in proportion to shareholding.</p>
Social economy	<p>The term first appeared in France at the beginning of the 19th century. This approach indicates that the major goal of the belonging organisations is to serve members of the community rather than to seek profit. Moreover, the social economy relies on democratic decision making processes, which represent a structural procedure to control the actual pursuit of the organisation's goals. Among the organisations belonging to the social economy one can find associations, cooperatives and mutual organisations and, more recently, also foundations and social enterprises.</p> <p><i>The Charter of Principles of the Social Economy</i> promoted by the European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF)⁵³, the EU-level</p>

⁵³ *Déclaration finale commune des organisations européennes de l'Économie Sociale*, CEP-CMAF, 20 juin 2002.

	<p>representative institution for these four forms of social economy organisations underlines the following defining features of social economy organisations:</p> <ul style="list-style-type: none"> • The primacy of the individual and the social objective over capital • Voluntary and open membership • Democratic control by membership (does not concern foundations as they have no members) • The combination of the interests of members/users and/or the general interest • The defence and application of the principle of solidarity and responsibility • Autonomous management and independence from public authorities • Most of the surpluses are used in pursuit of sustainable development objectives, services of interest to members or the general interest.
Social enterprise	<p>According to the European Commission's Social Business Initiative (SEC(2011)1278), a social enterprise is 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.</p>
Social entrepreneurship	<p>The term 'social entrepreneurship' emerged in the 1990s in Anglo-Saxon countries. It covers a broad range of activities and initiatives, including social initiatives occurring in profit-seeking businesses, institutionalised entities explicitly pursuing a social goal, relations and practices that yield social benefits, entrepreneurial trends in non-profit organisations, and ventures developed within the public sector. Such initiatives can be undertaken by individuals, non-profit organisations, public agencies or non-profit organisations in partnership with for-profit enterprises in an attempt to balance corporate profit with a commitment to social responsibility. They are neither necessarily finalised to production, nor expected to remain stable through time. In general, social entrepreneurship is interpreted as an activity undertaken by specific individuals or groups, without referring to the organisational features and constraints (governance models, non-distribution of profits, etc.) backing the pursuit of social goals.</p> <p>GEM's work on social entrepreneurship - this work focuses on three dimensions of social entrepreneurship, namely, social mission, innovativeness, and revenue model⁵⁴.</p>

⁵⁴Lepoutre, J., Justo, R., Terjesen, S. and Bosma, N.S. (2011). Designing a Global Standardized Methodology for Measuring Social Entrepreneurship Activity: The Global Entrepreneurship Monitor Social Entrepreneurship Study. Available at: <http://gemconsortium.org/docs/download/2241>

Social investment	<p>The term 'social investment' in social investment package(SIP) refers to "policies aimed at strengthening people's skills and capacities, while facilities their participation in society and economy".</p> <p>However, the common understanding of the term 'social investment' is the provision and use of capital to generate social and financial returns (blended returns).</p> <p>Social investment is the provision and use of capital with the aim of generating social as well as financial returns. Social investment carries an expectation of repayment of some or all of the finance. It can cover loans, equity, bonds, and is sometimes used alongside other instruments, such as guarantees or underwriting. As with any other investments, where the investee business performs well, returns generated may be principally reinvested in the business, as well as offered to investors. Investors in social outcomes weigh up the balance between the social and financial returns which they expect from an investment, according to their own priorities. They will often accept lower financial returns in order to generate greater social impact. (Source: City of London, 2012)</p>
Third sector	<p>This term is mainly used in the scientific literature to overcome the differences between the many national models. It refers to organisations other than the public owned (the 'State') and the private for-profit ones (the 'market'). This term emphasises the intermediary nature of the belonging organisations.</p>
Work Integration Social Enterprise (WISE)	<p>According to a European research project⁵⁵, WISEs are a special type of social enterprise that display the following minimum characteristics:</p> <ul style="list-style-type: none"> ▪ Private and autonomous enterprises operating on the market ▪ Where the disadvantaged workers have employee rights under national labour law ▪ whose core mission is the integration through work of disadvantaged people ▪ And which comply with a minimum threshold of disadvantaged workers over total workforce

⁵⁵ http://www.diesis.coop/files/files/WISE_guidelines_en.pdf

Annex 4 Legal Forms that can be used by social enterprises in each country of study

NB: The table below is based on responses provided by national legal experts.

A sole proprietorship is a business which has no legal form or legal personality independent of the natural person who owns and runs the business. In this form of business, the natural person who owns and runs the business enters into contracts and relationships in a personal capacity and is therefore personally liable for the debts and liabilities of the business.

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
Austria	Association (Verein)	No
	Limited-liability company (Gesellschaft mit beschränkter Haftung, GmbH)	No
	Trust (Stiftung)	No
	Sole proprietorship	No
	General partnerships	No
Belgium	Non-profit organisation	No
	Foundation, private or serving a public interest (stichting/fondation)	No
	International non-profit organisation	No
	Company with social purpose (legal status)	Yes
Bulgaria	Non-profit legal entity (foundation and associations, both in public and private benefit)	No
	Cooperative	No
	Cooperative for people with disabilities	Yes
	Limited liability company/single member limited liability company	No
	Joint stock company/stock transfer with one owner	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	General partnership company	No
	Limited partnership by shares	No
	Limited partnership	No
	Specialised enterprise for people with disabilities	Yes
	Sole proprietorship	No
Croatia	Private limited company/Limited Liability Company	No
	Simple Limited Liability	No
	Co-operative	No
	Association	No
	Foundation	No
	Private Institution	No
	Joint Stock Company/Public Limited Company	No
	Economic Interest Association/Grouping	No
	Sole Proprietorship/Trade	No
	Partnership	No
	Bank	No
	Credit Union	No
	General Partnership	No
	Limited Partnership	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
Cyprus	Company limited by guarantee	No
	Non-profit Companies (NGO)	No
	Associations (NGO)	No
	Foundations (NGO)	No
	Clubs (NGO)	No
Czech Republic	Public Benefit Corporation	No
	Co-operative	No
	Association	No
	Company with limited liability	No
	Share holding company	No
	Interest association of legal entities	No
	Registered legal entity	No
	Foundation	No
	Fund	No
	Institute	No
	Social Co-operative	Yes
Denmark	Associations (Foreninger & Frivillige foreninger)	No
	Foundations	No
	Companies limited by shares	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	Sole proprietorship	No
	General partnerships	No
	Assoc./ comp. with limited liability	No
	Cooperative banks/credit unions	No
	Cooperative limited companies	No
	Foreign companies	No
Estonia	Non-profit association	No
	Foundation	No
	General partnership	No
	Limited partnership	No
	Private limited company	No
	Public limited company	No
	Commercial association	No
Finland	Limited company	No
	Cooperative	No
	Foundation	No
	Association	No
	Mutual society	No
	Limited partnership	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	General partnership	No
	Business name or private trader	No
France	Association	No
	Association reconnu d'utilité publique (ARUP) (similar to CIO)	No
	Société par actions simplifiée (SAS)– similar to a for-profit company limited by shares	No
	Entreprise individuelle à responsabilité limitée (EIRL) – similar to an incorporated sole trader (EI with limited liability)	No
	Cooperatives - Société coopérative de production (SCOP) & Société coopérative d'intérêt collectif ("SCIC")	Yes (SCIC)
	Les coopératives d'activités et d'emploi (CAE) – similar to a SCOP co-operative	No
Germany	Sole Proprietorship	No
	Association	No
	Foundation	No
	Civil Law Partnership	No
	Limited Liability Partnership	No
	Limited Liability Company	No
	Entrepreneur Company	No
	Stock Corporation	No
	Cooperative	No
Greece	Social Cooperative Enterprise (Koin.S.Ep.)	Yes
	Limited Liability Social Cooperative (Koi.S.P.E)	Yes

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	Women's agro-tourist cooperatives	Yes
Hungary	General partnership	No
	Non-profit general partnership sub-type (till Mar '14)	Yes
	Limited partnership	No
	Non-profit limited partnership sub-type (till Mar '14)	Yes
	Limited liability company	No
	Non-profit limited liability company sub-type (till Mar '14)	Yes
	Company limited by shares	No
	Non-profit company limited by shares (till Mar '14)	Yes
	Cooperative association	No
	Cooperatives	No
	Social cooperatives	Yes
	Association	No
	Foundation	No
	Sole proprietorship	No
Ireland	Private company limited by shares	No
	Company limited by guarantee not having a share capital	No
	Company limited by guarantee having a share capital	No
	Public limited company	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	Unlimited company	No
	Partnership	No
	Unincorporated sole trader	No
	Unincorporated association	No
	Industrial and Provident Society	No
	Friendly Society	No
	Trust	No
	European Economic Interest Grouping	No
Italy	Associations	No
	Foundations	No
	Committee	No
	Social cooperative (A and B type)	Yes
	Informal partnership	No
	Limited partnership	No
	General partnership	No
	Limited partnership by shares	No
	Limited liability company	No
	Joint stock company	No
	Cooperative company	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	Social enterprise ex lege (legal status)	Yes
Latvia	Association	No
	Foundation	No
	Limited liability company	No
Lithuania	Public establishment	No
	Private limited liability company	No
	Individual enterprise	No
Luxembourg	Not-for-profit association	No
	Private limited companies	No
	Cooperative companies	No
	Public limited companies	No
	Limited partnerships	No
Malta	Civil partnership	No
	Foundation	No
	Association	No
	Trust	No
	Co-operative Society	No
Netherlands	Foundation	No
	Association	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	Cooperation	No
	Public or Private Company limited by shares	No
	Commandite Partnership	No
	Partnership Firm	No
	Partnership	No
	Sole Proprietorship	No
Poland	Social cooperatives	Yes
	Limited Liability Company	No
	Non-profit companies	No
	NGOs (associations and foundations) leading economic activity	No
	Vocational Training Centres/Supported Employment Enterprise	No
	Social Integration Centres	No
	Social Integration Clubs	No
Portugal	Cooperatives	No
	Social solidarity cooperatives	Yes
	Mutual Societies	No
	Associations	No
	Religious social solidarity associations (Misericordias)	No
	Foundations	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	European Cooperative (SCE)	No
	Self managed enterprises*	No
	Commercial companies whose shares belong to entities included in the social economy sector*	No
Romania	Associations	No
	Foundations	No
	Mutual help associations of employees	No
	Mutual help associations of pensioners	Yes
	Sheltered workshops run by NGOs	Yes
Slovakia	Municipalities/municipality established organisations	No
	Limited Liability Company	No
	Civic Associations	No
	Non-profit organisations providing public benefit services	No
	Individuals	No
Slovenia	Limited liability company	No
	Unlimited liability company	No
	Limited partnership	No
	Silent partnership	No
	Joint stock company	No
	Limited partnership	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	A public company	No
	Societies	No
	Foundations	No
	Institutes	Yes (de facto)
	Cooperatives	No
Spain	Social initiative cooperatives	Yes
	Social integration enterprises	Yes (de facto)
	Special employment centres	Yes (de facto)
	Public utility partnership	No
	Cooperatives	No
	Partnership	No
	Foundation	No
	Public limited company	No
	Limited liability company	No
Sweden	Cooperative (economic association)	No
	Nonprofit association	No
	Limited company	No
	Limited company with payout restriction	No
	Foundation	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	Individual company	No
	Partnership company	No
Switzerland	Simple partnership	No
	General partnership	No
	Limited partnership	No
	Company limited by shares	No
	Limited liability company	No
	Cooperative	No
	Association	No
	Foundation	No
	Sole proprietorship	No
UK	Company limited by shares	No
	Company limited by guarantee	No
	Community interest company	Yes
	Industrial and provident society (cooperative or comben)	No
	Credit union	No
	Charitable company limited by guarantee	No
	Charitable incorporated organisation	No
	Charitable trust	No

Country	Legal forms for social enterprises identified	Exclusively for social enterprises?
	Unincorporated association	No
	Partnership	No
	Limited liability partnership	No
	Sole proprietorship	No

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Annex 5 Mapping of social impact investment markets in Europe

NB: This is a non-exhaustive mapping of (i) specialist financial investors and intermediaries providing finance to European social enterprises in return for social impact and financial return and (ii) financial instruments specifically designed for social enterprises

Country	Key investors	Specialist Intermediaries (SIFIs)			Main Foundations providing funding to Social Enterprises	Commercial banks with specific product lines for Social Enterprises	Networks, Platforms, Exchanges	Specialist Financial Instruments	Role of Government in supporting the development of social investment markets
		Social banks	Impact /Venture Philanthropy Organisations (VPOs)	Funds Other types of SIFIs					
Austria	None	Bank für Gemeinwohl (a social bank currently being established)	BonVenture		ERSTE Foundation Essl foundation HERMES-Österreich (an association which funds investments from donations).	None	Toniic - a global impact investor network crowdfunding: conda and respekt.net	The idea of introducing social impact bonds is currently being discussed in Austria.	None
Belgium			SI ² Fund KOIS	Trividend (a risk capital fund in Flanders) Hefboom Netwerk Rentevrij Social Investment Fund (Flanders) SOWECSOM (Wallonia) BRUSOC (Brussels Capital Region) Crédal (Wallonia and Brussels)	King Baudouin Foundation CERA Foundation		Crowdfunding platforms: SoCrowd, Angel.me , MyMicroInvest and CroFun (not specifically targeting social enterprises, but these are known to provide financing for projects with social aims)		
Bulgaria	None	None	None	None	None	None	None	None	None
Cyprus	None	None	None	None	None	None	We Hug www.wehug.org crowd funding platform under development	None	None
Croatia		eBank: Croatia's first ethical bank is due to be launched soon. It's target client group will, among others, include social enterprises			Some microloans (up to €10,000) with no guarantee provided by Association for Creative Development (SLAP) in cooperation with UNICREDIT foundation. UNICREDIT foundation and Zagrebačka Banka provided financial support through NESsT. Around € 750,000 was available for incubation of five projects				The first national Strategy for the Development of Social Entrepreneurship in the Republic of Croatia envisages the creation of a guarantee fund for social entrepreneurs to be managed by the Croatian Bank for Reconstruction and Development (HBOR)
Czech Republic						Some of the large banks have made available modest sums through foundations or pilot small loan schemes for social enterprises as a part of their CSR initiatives (CSOB, Erste Group Bank AG- good.bee initiative, Foundation VIA)			

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Country	Key investors	Specialist Intermediaries (SIFIs)			Main Foundations providing funding to Social Enterprises	Commercial banks with specific product lines for Social Enterprises	Networks, Platforms, Exchanges	Specialist Financial Instruments	Role of Government in supporting the development of social investment markets
		Social banks	Impact /Venture Philanthropy Organisations (VPOs)	Other types of SIFIs					
Denmark	TrygFonden	Merkur Cooperative Bank	Den Sociale Kapitalfond	The Obel Family Foundation; VELUX fonden, in association with VILLUM fonden				A number of recommendations have been proposed by the Committee on Social Enterprises (e.g. awareness raising in financial sector, adjusting public financing schemes, Nordic social investment market, crowdfunding, social impact bond, EU micro loans, tax incentives)	
Estonia	None	None	None	None	Good Deed Foundation	None	ESEN	None	None
Finland	None	None	None	None	None	None	None	None	None
France	Caisse des Dépôts Socially-oriented pension funds (FCPES – Fonds Commun de Placement d'Entreprise Solidaire) Future Investments Programme Public Investment Bank (BPI) Family offices	la Nef - this will be the first social bank in France	30 socially responsible funds with total capitalisation of ~ EUR 900 million (including VP funds, impact funds, micro funds)	France Active Adie Agence Française de Développement (AFD) PhiTrust		BNP Paribas Cooperative Banks ((i.e. Crédit Coopératif)	Examples of crowdfunding websites involved in social economy include: SPEAR, Arizuka, Finance utile, MicroDon, Octopousse or WiSEED	There is wide range of instruments available such as classical loans Social Impact Bonds (Titres à Impact Social - TIS) – under development Guarantees; Social equity loans (Prêt participatif social et solidaire) Fund of Funds	Comparatively strong/ very strong role of the state. Not only in the area of redistribution of financing but also in setting new legislation, institutional framework or experimenting with innovative approaches. For instance, Useexistence of public banks, and laws on the use of pension funds as sources of investment funds for social economy as well as certain tax arrangements favouring social investment (i.e. for pension funds) or public procurement procedures taking into account social impact of tenderer. French authorities/agencies advocate also actively at the international level (i.e. G8 and G20).

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Country	Key investors	Specialist Intermediaries (SIFIs)			Main Foundations providing funding to Social Enterprises	Commercial banks with specific product lines for Social Enterprises	Networks, Platforms, Exchanges	Specialist Financial Instruments	Role of Government in supporting the development of social investment markets
		Social banks	Impact /Venture Philanthropy Organisations (VPOs)	Other types of SIFIs					
Germany	Bank für Sozialwirtschaft (BFS) Deutsche Investitions- und Entwicklungsgesellschaft (DEG) KfW (Germany's main promotional/development bank) Private foundations Family trusts Other philanthropic investors Lottery funds (<i>Aktion Mensch, Stiftung Deutsches Hilfswerk, GlücksSpirale</i>)	Banks of the welfare federations (Bank für Sozialwirtschaft BFS, Bank für Kirche und Caritas, LIGA Bank, Bank für Kirche und Diakonie, Evangelische Bank etc.), Ethical banks (Triodos Bank, GLS Bank, Ethikbank, Umweltbank)	BonVenture Social Venture Fund Tengelmann Ventures etc.	Financing Agency for Social Entrepreneurship (FASE) Microcredit providers	Bertelsmann Stiftung BMW Stiftung Herbert Quandt BMW Eberhardt von Kuehnheim Stiftung BHF-BANK-Stiftung Vodafone Stiftung Siemens Stiftung Robert Bosch Stiftung Schwab Foundation Canopus Foundation etc.	Banks of the welfare federations especially BFS	Crowdfunding platforms (engagiert-in-deutschland.de, startnext.de, betterplace.de etc) Micro-donation projects such as 'Deutschland rundet auf' Social stock exchange being developed in Berlin (NExT SSE)	Hybrid' Mezzanine Fund of the BFS KfW's pilot equity programme KfW's low interest loans for welfare organisations Social Impact Bond ("Juvat")	Awareness raising, sector strategy, forums and networking platforms, financial support and equity funding through public development bank KfW
Greece	None identified	None identified	None identified	None identified	None identified	None identified	None identified	None identified	A working group on access to finance for social economy enterprises has been set-up under the stewardship of the steering committee for social economy
Hungary	(Minimal scale, e.g. NESsT)			MagNet Bank (an ethical bank) counts asocial enterpriess amongst its target group NESsT (loans, guarantees and equity products for social enterprises)	Autonómia Foundation, Age of Hope Foundation etc. (small scale)	<i>Erste Bank and Unicredit provide some lending to social enterprises as part of their CSR activities</i>	NESsT, Védegylet, Association of Community Developers etc.		Clear focus on ESF-cofinanced start-up and operational grants for a limited time to social cooperatives (emphasis on work integration of Roma long-term unemployed and disabled persons). Some awareness raising
Ireland	Social Finance Foundation Religious institutions	Triodos Bank (via its UK branch)	Clann Credo (the Social Investment Fund)	Community Investment Trust Ireland					e.g. deal with regulatory barriers, relating to Credit Unions.
Italy		BancaEtica BancaProssima	Venture philanthropy fund'Oltre Venture	CFI cooperative. CFI provides equity funding to 70 Italian cooperatives (social cooperatives or worker cooperatives) and promotes the start-up, development and restructuring of	88 banking foundations invested € 884,8 million in projects with a social aim in 2013	UBI Banca - banking and non-banking services offered to social cooperatives and consortia of social cooperatives	Lending crowdfunding initiative called 'Terzo Valore' (Banca Prossima) Smartika - Peer-to-peer lending (not specifically targeted at social enterprises)	UBI Banca's social bonds	The Italian Ministry for Economic Development and the Italian Agency for Investments Promotion and Enterprise Development (Invitalia) promote CFI cooperative

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Country	Key investors	Specialist Intermediaries (SIFIs)			Main Foundations providing funding to Social Enterprises	Commercial banks with specific product lines for Social Enterprises	Networks, Platforms, Exchanges	Specialist Financial Instruments	Role of Government in supporting the development of social investment markets
		Social banks	Impact /Venture Philanthropy Organisations (VPOs)	Other types of SIFIs					
				enterprises					
Latvia	None identified	None identified	None identified	None identified	Soros Foundation	None identified	None identified	None identified	
Lithuania	None identified	None identified	None identified	None identified	None identified	None identified	None identified	The programme 'Burės' (,Sails') launched in 2009 is a pioneer in social funding in Lithuania, offering non-traditional financing solutions for initiatives which combine financial sustainability with public benefit. 'Burės' have developed the following instruments: - Crowd-funding platform(www.kelkbures.lt) - Micro-credits	
Luxembourg			Family offices	<i>Etika</i> an initiative run by State owned Banque et Caisse d'Epargne de l'Etat (BCEE) has been providing preferential loans and credit lines		Raiffeisen Bank, BNP Paribas and Bank of Luxembourg			
Malta		APS Bank (a socially orientated bank)							Under the new proposed Social Enterprise Act, the Government plans to create a regulated market/secondary listing for Social Enterprise Equity and create Tax Relief in support of the purchase of such equity, Social Venture Capital and Social Corporate Venturing
Netherlands			Anton Jurgens Fund Stichting Instituut GAK VSB Fonds Skan Fonds Oranje Fonds	Impact Ventures NL DOEN	Start Foundation Noaber Foundation	ABN AMRO Social Impact Fonds ASN Bank (ASN Groenprojectenfonds)	Crowdfunding: Oneplanetcrowd We Komen Er Wel SEEDS		State guarantee on loans
Poland								Polish-American Community Assistance Fund (PAFPIO) ESFund/ TISE	
Portugal		Social Innovation Bank Montepio	No impact investment funds	Associação nacional de Direito ao Crédito : a non profit institution providing microcredit loans			Bolsa de Valores Sociais (a social stock exchange)	Social Investe -a guaranteed credit line for social economy entities	Social Investe is Government funded

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Country	Key investors	Specialist Intermediaries (SIFIs)			Main Foundations providing funding to Social Enterprises	Commercial banks with specific product lines for Social Enterprises	Networks, Platforms, Exchanges	Specialist Financial Instruments	Role of Government in supporting the development of social investment markets
		Social banks	Impact /Venture Philanthropy Organisations (VPOs)	Other types of SIFIs					
Romania	None identified	None identified	None identified	None identified	Romanian American Foundation and Foundation for Partnership (Green Entrepreneurship Programme - 1 million Lei for 'green' social enterprises)	Romanian Commercial Bank's pilot programme for social enterprises (credits with zero costs and without guarantees). The pilot was managed by good.bee platform of social banking services of Erste Foundation and Erste Group	None identified	None identified	None identified
Slovakia			Provida Foundation			Erste Group Bank that invested in one entity (as of December 2013) and has researched the sector. Also, some banks (e.g. Citi Bank) provided limited support within their CSR activities			
Slovenia	FUND05		SIF05 impact investment fund			Sparkasse Deželna banka	Good exchange platform established by SKUP – coordinates national and international suppliers of finance and offers tailored financial products to social enterprises in Slovenia	Bridge loans Microcredit instrument with crowd guarantee scheme (both instruments offered by Sparkasse Bank and FUND05) Hybrid non-credits (FUND05 and Charity Aid Foundation) Crowd fund start-up capital Gold fish	
Spain		Fiare Triodos Bank		ICO Foundation, Social Finance ENISA, Innovation National Enterprise	KutxaBank –BBK Fundazioa BBVA Microfinance Foundation ISIS Capital Creas Foundation	La Caixa MicroBank Ambers& CoCapitalMicrofinance	Ship2b connects entrepreneurs with social investors		Support regulatory change to provide more favourable conditions for social enterprises
Sweden		Ekobanken; JAK banken	Impact investment - e.g. Uppstart Malmö, Hjärna.Hjärta.Cash	Regional micro funds - Micro Fund West (Västra Götaland County), Micro Fund Z (Jämtland County) and Micro Fund East (Stockholm County)	The Swedish Inheritance Fund		Crowdfunding platforms - FundedByMe and Polstjärna		Recommendations presented in relation to WISEs.

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United Kingdom	Pension Funds Family Offices Housing Associations Trusts and foundations Government/ EU investment Social investment wholesaler Charitable trusts and foundations Local funds Institutional investors & banks Corporates High net worth individuals Mass retail	4 social banks: Triodos Bank Charity Bank Ecology Building Society Unity Trust Bank	Main impact/VP funds include: Big Issue Invest The Social Investment Business CAF Venturesome Bridges Ventures Impact Ventures UK LGT Venture Philanthropy Resonance which manages 2 social impact funds NESTA Allia Apposite Capital	16 small Community Development Financial Institutions (CDFIs)	Alongside established grant making, foundations are using social investment as a tool to help them achieve their social mission	Deutsche Bank Impact Investment Fund The Royal Bank of Scotland also has special product lines	Clearlyso: matching of investors and investees Abundance: crowd funding platform for Renewable Energy Projects Ethex investment club, an online meeting place providing detailed information on equity-focused investment products in more established socially directed companies and co-operatives Social Stock Exchange Microgenius: a new website where ordinary people can buy shares in community-based projects easily and safely	Social Impact Bonds Charity bonds	Government is actively supporting the development of social investment market. Key initiatives include: Growing the social investment market: a vision and strategy (2011) Big Society Capital, the world's first wholesale social investment fund with capital of £600m with which to help build the sector. Social investments tax relief introduced in April 2014. A number of other schemes to support social investment and investor readiness: the Social Incubator Fund, the Investment and Contract Readiness Fund, the Social Outcomes Fund
Switzerland		Swiss Alternative Bank	LGT Venture Philanthropy Fondetec				Crowdfunding - SoSense-'Your Social Impact'		

