



## **CAPACITY BUILDING SEMINAR #2**

### ***Building enabling ecosystems for social enterprises***

**17-18 February 2016**

**Brussels**

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## ***Capacity building seminar: Building enabling ecosystems for social enterprises***

This seminar was part of a series of initiatives aimed at supporting the social economy sector, addressing the development of sustainable social enterprise ecosystems. Organised by the OECD and the European Commission, the seminar specifically targeted the two areas of access to finance and access to markets with a vision to inspire, learn, build connections and encourage collaboration between and for participants. Over 50 participants took part including policy makers from 22 EU Member States alongside representatives of European institutions and EU level networks. Feedback was excellent, with all responses rating it as very good or excellent.

This report provides concise insight into the key learning points, demonstrating the richness of the debate regarding access to markets and access to finance for social enterprises.

### **Policy Context**

**Ann Branch, DG Employment Head of Unit for Job Creation** explained that the seminar is part of efforts to help Member States build favourable environments for social enterprise. She placed emphasis on the social economy as an important part of the employment agenda with its potential for job creation, and highlighting the resilience of the sector. Her main points highlighted:

- Future opportunities for funding are now being developed through EaSI programme as well as within the European Fund for Strategic Investment (EFSI) in cooperation with the European Investment Fund<sup>1</sup>.
- Recent political developments including:
  - Council Conclusions on Social Economy<sup>2</sup> which called on Member States to develop strategies and programmes to support the social economy;
  - Council Decision on Employment Policy Guidelines<sup>3</sup> where Member States have been called on to support social economy and social innovation;
  - Reports by the European Parliament, European Economic and Social Committee and the Committee of the Regions.<sup>4</sup>
- Importance of the development of better knowledge for the sector:
  - Cooperation with OECD to improve knowledge of evidence based policy, particularly the upcoming Compendium of Best Practices for Social

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<sup>1</sup> Discussions now taking place with European Investment Fund on the creation of an innovative social impact instrument, as part of comprehensive package of EU measures addressing vulnerable and socially excluded groups including refugees and migrants. [https://ec.europa.eu/priorities/sites/beta-political/files/health-ip-state-of-play-march-2016\\_en.pdf](https://ec.europa.eu/priorities/sites/beta-political/files/health-ip-state-of-play-march-2016_en.pdf)

<sup>2</sup> Council Conclusions on 'The promotion of the social economy as a key driver of economic and social development in Europe' - For full text go to <http://data.consilium.europa.eu/doc/document/st-13766-2015-init/en/pdf>

<sup>3</sup> Member states are explicitly called on to support social economy and social innovation. For more information go to <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32015D1848>

<sup>4</sup> ref

Enterprise, and an upcoming Policy Brief on scaling up the impact of social enterprises

- Dialogue with stakeholders on the future agenda:
  - GECES expert group, with a report pending in the Autumn on recommendations to better support the social enterprises in Europe;

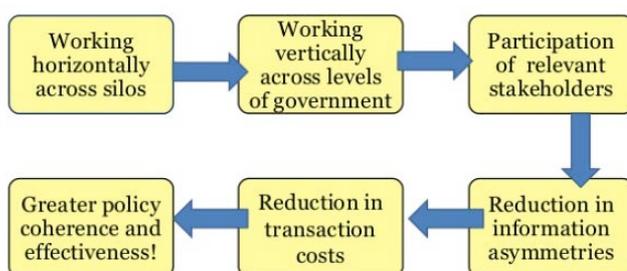
**Michel Catinat from DG Growth, Head of Unit "Clusters, Social Economy and Entrepreneurship"**, welcomed the opportunity to be involved in the seminar and highlighted the importance of the role seminar participants can play in facilitating development in their home countries. He also advised that:

- Transposition of the 2014 Public Procurement Directive<sup>5</sup>, which includes strengthened possibilities to include social and societal criteria in tendering, is still a work in progress and a substantial number of countries will be slightly delayed, with only four<sup>6</sup> countries having completed work.
- A COSME call for tender will be launched in early 2017 to build a network of information and knowledge sharing and setting up training and awareness raising for contracting authorities in Member States, to make them aware of different opportunities of the new directive, such as social clauses in procurement.
- DG Growth is currently launching a survey under COSME on intrapreneurship and cooperation between social enterprises, traditional enterprises and authorities. This is intended to map cooperation and to share best practices.

## The Social Enterprise Policy Ecosystem

### 1 Introduction by Antonella Noya OECD

**Antonella Noya, Senior Policy Analyst with the OECD LEED Programme**, provided an introduction to the policy ecosystem that supports the creation and development of social enterprises. She underlined the fact that whatever the components of the policy framework are (she referred to legal and regulatory frameworks, access to finance, access to markets, business support structures, training and research, - following the scheme that had been presented and discussed in the previous CBS in April 2015), these need to be coherent and inter- connected and they should not be seen as silos. In fact policy ecosystems are more likely to maximise the potential impact of social enterprises if they are conceived as integrated holistic approaches, and if they are designed based on a sound understanding not only of the full contribution that social enterprises can provide but also of their key characteristics and needs.



*Fig 1 Policy construction – coordination and cooperation*

<sup>5</sup> For full text of Directive, go to [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2014.094.01.0065.01.ENG](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.094.01.0065.01.ENG)

<sup>6</sup> Correct as at the time of the seminar, these four are United Kingdom, France, Denmark and Hungary

It is also important to remember that the policy areas are of equal importance to the process that leads to them. Therefore each policy area within the ecosystem must be not only one element within an integrated systemic vision, but should be co-constructed with the relevant stakeholders and coordinated among the different policy levels, from the national to the territorial level.

## 2 Building conducive ecosystems for social enterprises in Poland

### **Malgorzata Lublinska, Ministry of Economic Development, Poland**

Presentation: <http://www.slideshare.net/OECDLEED/national-programme-for-social-economy-development-in-poland>

Malgorzata presented The Polish National Programme for Social Economy Development (KPRES) which includes actions which public authorities should undertake, using public resources, to strengthen the sector. KPRES' primary objective is to allow the social economy to become a factor in employment, social cohesion and social capital by 2020

To support implementation of this National Programme, Poland has focussed on the development of regional and local level infrastructure, and both the importance and challenges of directing European structural and investment funds to drive this development.

#### **Key Learning Points:**

1. Political commitment is needed at the highest level to drive engagement from across government: the Team for Systemic Solutions was established by the Prime Minister in 2008, and has been fully involved in the design of the National Programme
2. Creation of consensus between government, stakeholders and social enterprise organisations: Bringing together government representatives, regional self government and social economy organisations (from diverse areas e.g. labour, agriculture, education), four areas of development were addressed (strategic, legal, financial, educational) to result in a broad based national strategy supporting a Polish ecosystem for social enterprises;
3. Education should be a central pillar of the strategy: The involvement of education is important to popularise social enterprise within society, linked to building visibility and recognition;
4. Maximise the use of European structural and investment funds (ESF/ERDF) helped: Understanding what could be financed through the operational programme in Poland was challenging, as was ensuring that indicators could be achieved i.e. creating and sustaining 35000 jobs in social enterprise;
5. Devolving power and responsibility to the regions is important to respond to regional diversity and support implementation at the local level: In Poland this required good cooperation between central and regional levels, and considerable capacity building through a network of local support centres (OWES) such as an accreditation system to ensure quality of services and sustainability



Fig 2 Diagram of capacity building relationships at regional and local level

## Access To Markets

This session primarily explored the demand side of access to markets, with a focus on public procurement in the city of Barcelona, social investment in the UK and CSR as a strategy which might deserve attention from policy makers.

The Challengers for this section were Erdmuthe Klaer from REVES, and Valentina Caima representing the Social Platform and as a member of the GECES expert group. Their inputs highlighted further insights into the topic, informed of additional sources of information and illustrated different examples of practice from other areas of Europe. Their useful contributions have been merged within wider text and information boxes within the main section below.

### 3 How cities can make the most of public procurement?

**Lluís Torrens Mèlich, City of Barcelona, Spain**

Presentation: <http://www.slideshare.net/OECDLEED/public-socially-responsible-contracting>

Lluís presented the innovative approach to public procurement being taken in the City of Barcelona. Although Spain has not yet transposed the new 2014 European Directive on Public Procurement, the City of Barcelona sees it as an opportunity to use public procurement as a tool to both reduce unemployment and to support those at risk of social exclusion. The City then issued a decree in June 2015 (<http://www.oecd.org/cfe/leed/Barcelona%20Social%20Clauses%20Guidelines%202015.pdf>) to make sure that the procurement of social welfare and personal care services ensure their quality, continuity, accessibility and consideration of specific user needs, in particular those of the most disadvantaged Barcelona now seeks to go beyond the scope of the Directive by widening sectors/geographical areas, and by introducing the compulsory use of a Barcelona Minimum Wage in contracts<sup>7</sup> and a new Quality Seal for socially responsible companies<sup>8</sup>. It also seeks to overcome some real limitations of application (such as personal data protection legislation, size

<sup>7</sup> Applying a compulsory minimum wage clause in tendering procedures: court action is on-going to determine whether this is lawful [

<sup>8</sup> This is currently being developed in Barcelona, called Social Balance. It is based on a simplified version of the GRI. For more information on GRI, go to <https://www.globalreporting.org/information/policy/Pages/SDGs.aspx>

of organisation and nature of contracts), and lack of coordination between social services providers and agencies of employment.

**INFO LINK:** A guide to 'Public Procurement for Social Progress' on the transposition of the EU Directive is available from the Social Platform, a platform of European social NGOs.  
[http://www.socialplatform.org/wp-content/uploads/2015/10/Public\\_procurement\\_for\\_social\\_progress.pdf](http://www.socialplatform.org/wp-content/uploads/2015/10/Public_procurement_for_social_progress.pdf)

### Key Learning Points:

1. Introducing social clauses does not necessarily lead to an increase of costs: It is just a different way to assess contracts using different weightings or other criteria;
2. Impact evaluation is important: Need for improvement to the calculation of social return on investment to demonstrate more efficient public spending e.g. 1 euro spent in companies with disabled people returns more than 3 euros in social savings (result of study in Navarra);
3. Whatever restrictions there are on tendering and participation, it is important to ensure real competition for the tender;
4. Contract execution should also be a focus: Barcelona have created a Unit of Quality of Contract Execution to audit service, quality, compliance with social clauses and working conditions;
5. There is a necessity to raise awareness amongst staff of the negative or positive ramifications of contracting approaches;
6. Political support is crucial to support and push for change: in Barcelona, an election brought in a new level of commitment for this approach.

11 seminar participants stated that there are current actions on social clauses in their country. Another 10 stated that actions are planned.

**Practice Snapshot: SAW-B (Belgium)** is the Social Economy Network in Wallonia and Brussels, created in 1981 to gather and defend the economic alternatives present in the Walloon region. It is developing support for social enterprise by bringing different actors to work together and through public procurement. Support structure built to provides support to local authorities, social enterprises and business on how to apply reserved markets and/or social clauses.  
<http://www.saw-b.be/spip/index.php> CAN WE MOVE THIS AFTER the key learning points and present it as an additional

## 4 The role of government in supporting markets for social enterprises

### **Kelly Glaser, Cabinet Office, UK Government**

Presentation: <http://www.slideshare.net/OECDLEED/the-role-of-government-in-the-social-economy>

Kelly provided a detailed overview of demand side interventions available to social enterprises at different stages of development, highlighting that social enterprises face a systemic barrier working in a market that was not designed or conceived for social enterprises. As background she highlighted the three areas of action for government:

1. Building infrastructure e.g. social investment tax relief and Big Society Capital fund

2. Government as market steward to convene support from key partners e.g. Social Value Act and the G8 taskforce on Social Impact Investment
3. Government as market advocate to create interest e.g. national campaigns and trade missions.

Four specific measures were presented: Big Society Capital, the Investment Readiness Programme, the Social Value Act and Social Impact Bonds.

#### **Key Learning Points:**

1. Government can play an important role where the market is still nascent or there is market failure;
2. Working alongside investors is important: in the UK, investors are aligned to all of these actions. They sit on the panels to weigh in on what is investable and to also help align wider decision making;
3. Investment readiness is a good approach, but there may also need to be an accompanying focus on capacity building;
4. Robust evaluation is important to both support and illustrate the impact of investment;
5. Social incubator networks are valuable, but consider promoting different approaches in each incubator to allow for the diversity of social entrepreneurs and their needs;
6. The UK Social Value Act asks commissioners to consider social value during procurement process, however it does not describe the extent of this requirement and does not require them to take action. Implementation questions remain, such as raising awareness with commissioners and defining the meaning of social value.

**Practice Snapshot: Glasgow City Council** has developed innovative approaches to construction contracts, starting with the social clauses in the construction contracts for the new commonwealth arena. It implemented a community benefit clause through its public procurement which was translated into different kinds of indicators e.g. the development of social enterprises. Bidders had to describe exactly how their proposals would contribute to these indicators.  
<http://readyforbusiness.org/2014/11/glasgow-city-council-to-use-procurement-policy-to-tackle-in-work-poverty/>

Participants stated that the 3 most frequently mentioned national actions on access to markets for social enterprises were: capacity building/business support services (18 respondents), networks (16) and commercial partnerships between business and social enterprises (11).

## 5 Creating markets for social enterprises – the potential of Corporate Social Responsibility

**Alice Pedretti, CSR Europe**

Presentation: <http://www.slideshare.net/OECDLEED/creating-markets-for-social-enterprises-the-potential-of-corporate-social-responsibility-csr>

Alice explained emerging CSR trends in Europe, including how company CSR policy is now broadening into a whole company approach or ethos, reflecting an evolving response to increasing stakeholder and public awareness of how companies impact on society. Her presentation illustrated ways in which enterprises can get involved in supporting access to finance and markets for social enterprises, and the role of public policy and debate in encouraging these approaches:

*Access to finance:*

- Companies can introduce specific social enterprise finance schemes and programmes
- Sponsorship e.g. awards, grants

*Access to markets:*

- Commercial relationships e.g. supplier base, sharing networks, cooperation through research/emerging markets
- Human/social capital e.g. volunteering for expertise and mentoring
- Social intrapreneurship, possibly leading to new social enterprise start-ups

### **Key Learning Points:**

1. CSR can be an interesting area for policy makers, as it can be used to build links between social enterprises and mainstream business;
2. A 2014 EU report on national CSR policies can provide insight on different approaches across Europe<sup>9</sup>. It shows that social enterprise dimension is currently not often explicitly addressed;
3. Reputational benefit can be a driver to engage businesses in CSR, where public opinion supports at least a minimum level of action from companies. This can advise all business areas and underlines the importance of including the business relations with - and support to - social enterprises in the CSR landscape;
4. Get support from stakeholders to make the case for including the social enterprise aspect in national policy on CSR: Stakeholder dialogue involving companies, to learn from what they do and its impact, can be a useful and powerful tool;
5. Exchange experiences with other countries, to broaden the understanding of what the scope and impact of CSR policies can be: Johnson and Johnson have expanded this to look at supplier work and prioritising social enterprises in purchasing choices;

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<sup>9</sup> Corporate Social Responsibility - National Public Policies in the European Union 2014

<http://ec.europa.eu/social/BlobServlet?docId=6716&langId=en>

**Practice snapshot:** The Shift in Belgium is a sustainability network using CSR to drive an initiative for targeted job switching between companies and social enterprises, supporting exchange of understanding and expertise, and building partnerships between relevant sectors/organisations e.g. a national supermarket chain and a social business working on recycling  
<https://theshift.be/en/insights/3-jaar-job-switch-days>

## Access To Finance

This session focused on social financing case studies from organisations in Portugal and Germany, providing a birds eye view of a series of interventions in Portugal alongside a narrower view of hybrid financing in Germany. Both cases are pilot initiatives supported by the European Commission to develop social finance instruments tailored to the needs of social enterprises.

The challengers for this session were Kelly Glaser of UK Government and Eva Varga, co-author of European Commission Recipe Book on Social Finance (see below). Eva emphasised the role of governments in testing and piloting solutions, illustrating and promoting the market. She underlined that investors need to be given a vision of the social impact market potential. Kelly highlighted the challenge of transaction costs for certain segments of financing where amounts are small, the need to be more creative around quasi-equity and the role of intermediaries as thought partners in government policy design.

**INFO LINK:** The Recipe Book on Social Finance was developed by the European Commission to help in the process of designing and implementing initiatives to develop social finance instruments and markets. It includes more detailed information on both of the case studies presented here.  
<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7878>

## 6 Social Investment in Portugal

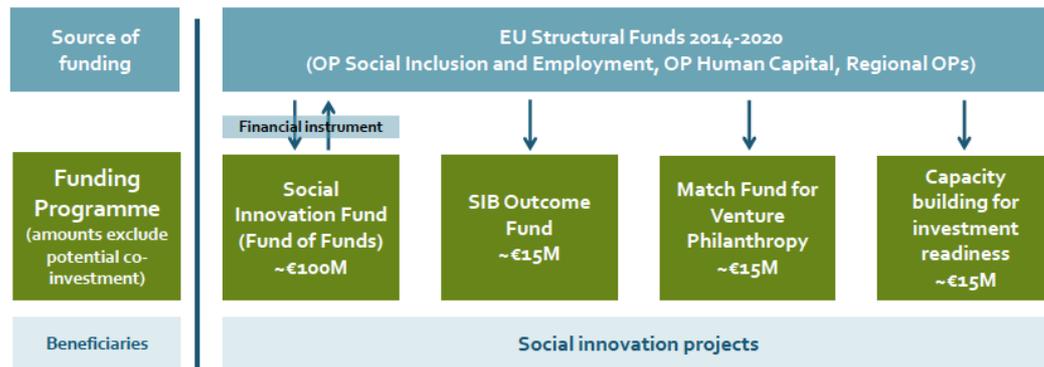
**Antonio Miguel, Social Investment Lab, Portugal**

Presentation: <http://www.slideshare.net/OECDLEED/social-investment-in-portugal>

Antonio presented an overview of the work of the Portuguese Social Investment Taskforce which was launched in 2014, aimed at promoting the development of social investment in the country. Within this, he focused on the Portugal Inovação Social, as an interesting way to use EU structural and investment funds to support social enterprise financing programmes:

- Social Innovation Fund – a Fund of Funds which will feed retail funds, which in turn channel resources to final beneficiaries through loans with guarantees
- SIB (Social Impact Bond) Outcome Fund – a contract in which a commitment is made to pay for improved social outcomes that result in public sector savings (outcome payment)
- Match Fund for Venture Philanthropy – to leverage funding from other sources
- Capacity Building for Investment Readiness – transaction-based support via vouchers for business support

Fig 3 Using EU structural funds to deliver social financing and investment



### Key Learning Points:

1. Involve stakeholders in design and implementation of policies and initiatives: In Portugal, stakeholders were not only engaged in the design of the new initiatives emerging from the Portuguese Social Investment Taskforce, but also made responsible for the implementation;
2. Have a clear vision and action plan: the Taskforce involved players from public, private and social sector to address the needs of the market in Portugal, which due to its small size is an ideal place to pilot innovative solutions that could be replicated/scaled up elsewhere;
3. Tailor funding channels to the national context to ensure a social enterprise investment pipeline and respond to market failures: In Portugal, like many countries, there was a need to attract additional private co-investment and leverage other sources of capital;
4. Use local examples - as a means to create trust in and demonstrate relevance of new tools: The initial obstacle with the SIB (Social Impact Bond) Outcome Fund was the outcome payment, and the lack of understanding and trust of this new mechanism by both public and private actors. To overcome this, Portugal carried out a very small SIB investment to provide a quick win, build proof of concept and create a local example to share with partners;
5. Quick wins are important to create momentum and convince partners about viability and applicability of new concepts;
6. The need for market champions. Portugal Inovação Social is a catalyst for this market, while Calouste Gulbenkian Foundation is a key market player through its simultaneous investment in market-building activities and specific transactions;
7. Early stages of investment may entail larger numbers of smaller deals with resulting higher transaction costs, but will develop the pipeline so in a few years Portugal social enterprises will be ready for bigger deals;
8. European funding is a useful tool to trigger development: this is a new area of work in Portugal and funds may be moved around through reprogramming in 2018. Downsides include the challenge of higher transaction costs, which for intermediaries can be a driver to innovate.

**Info Link:** The Portuguese Social Investment Taskforce report identifies five recommendations on what is needed to promote a social investment market in Portugal:

1. Demand – strengthen social organisations through capacity building programmes
2. Supply – introduce financial instruments suited to social organisations and social innovations
3. Public Sector – promote an outcomes based culture in public services
4. Market Intelligence – set up a knowledge and resource centre
5. Intermediaries – promote specialist intermediaries to facilitate access to capital

<http://investimentosocial.pt/notas-e-publicacoes/portuguese-social-investment-taskforces-final-report/?lang=en>

## 7 Creating Collaborative Hybrid Financing Models for Social Enterprises

Ellinor Schweyer, *FASE (Financing Agency for Social Entrepreneurship), Germany*

Presentation: <http://www.slideshare.net/OECDLEED/financing-agency-for-social-entrepreneurship-creating-collaborative-hybrid-financing-models-for-social-enterprises>

Ellinor introduced the work of FASE, a social finance intermediation boutique co-funded by Ashoka Germany making connections between entrepreneurs seeking hybrid financing and a network of investors interested in social impact. They are looking to close a strategic financing gap which is not yet served by other providers, serving early stage investment which is just below the due diligence threshold (€50-250k). Hybrid finance models allow FASE to finance social enterprises both with and without break even to scale their impact. The special feature of FASE is that it is testing hybrid finance deal by deal, with each transaction responding to the specific need of the investees, which represents a highly tailored approach.

Fig 4  
FASE has  
now tested  
seven  
financing  
models.



The tested finance models are becoming better known and are taking less time to transact. Moreover, clear methodologies of transaction processes have now been tested in both Germany and Austria.

### Key Learning Points:

1. The available investment capital needs a route to meet investees – social finance intermediation can facilitate this by creating networks of investors and investible

social enterprises. The intermediation acts to raise growth capital and support the transaction process.

2. Experience shows that work on capacity building is needed across the investment pipeline to help social enterprises become investment ready for the next level of investment
3. Providing financial guarantees or first loss capital can be an important tool to leverage private capital for social enterprises
4. A supportive regulatory framework is needed such as tax incentives and suitable legal forms for social enterprises (including those which can support a mix of for profit and non-profit funding)

Seven participants stated that ESIF funds were now being used in their country to support social financing/investment, while an additional eight people said this was planned but not implemented.

## Promoting access to markets and finance through visibility

### 8 How do visibility and recognition tools facilitate access to finance and access to markets?

**Rocío Nogales, EMES Network, Member of GECES expert group**

Presentation: <http://www.slideshare.net/OECDLEED/how-and-under-what-conditions-can-visibility-and-recognition-tools-facilitate-the-access-to-finance-and-access-to-markets>

Rocío framed the importance of visibility as one of the three pillars of the 2011 Social Business Initiative (SBI). However visibility is one of three interlinked concepts: the aim is to have *recognition*, and for that one needs *visibility* based on better knowledge and stronger messages, but this is also dependant on a well-structured and articulated *identity* of the social enterprise community.

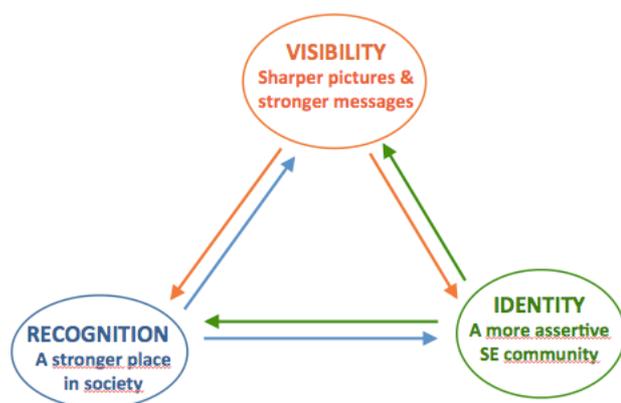


Fig 5 The visibility-recognition-identity triangle

The social enterprise community needs to tell the story of its values, work and impact, in order to engage the political agenda to address its needs through policy, infrastructure and actions. There can often be too much focus on communicating needs rather than this broader picture. However there is a huge variance according to country or legal form, and need to be aware of differences.

**Labels and certification:** Promising but need researching, testing and bottom up input.



**Mapping studies:** require updates and improvements and local stakeholder input.

Fig 6 Example approaches to visibility and recognition and their implications

**EU-wide and other level fora** turning into concrete results once agenda co-construction and articulation takes place.



### Key Learning Points:

1. Better awareness of the added value and societal impact of social enterprises will increase the potential to increase their markets (both public and private) and access finance, when investments are needed.;
2. To communicate the added value better, a sharper picture with more evidence is needed. To support this, public authorities should initiate and support research and data collections. In addition, labels and certificates can be a valid policy option in certain cases;
3. Communication is a key organisational skill to develop, and this is an area which the social enterprise sector currently lacks:
4. Social enterprise communities also need to build stronger identities and use networks and alliances, in order to be involved as active partners in the policy making process. Public authorities should facilitate this and involve the sector in relevant policy design.

## 9 Lessons from the Social Enterprise Mark in Finland

Lippe Koivuneva, Ministry of Economy, Finland

[Presentation:](http://www.slideshare.net/OECDLEED/lessons-from-the-social-enterprise-mark-in-finland) <http://www.slideshare.net/OECDLEED/lessons-from-the-social-enterprise-mark-in-finland>

Since 2004 there has been an act on social enterprises in Finland, exclusively focussing on work integration companies (WISE). Although this legal status provides access to specific wage subsidies, it has not been widely used and is partly suffering from a negative image.

Inspired by recent international development (notably in UK) and in line with the SBI concept of social enterprise, a new Social Enterprise Mark was introduced at end of 2011 to promote the social enterprise as a business model, not as a legal status. As a marketing tool the mark aims at increasing social enterprises' visibility and credibility towards customers and funders. There are no fiscal advantages linked to it.

All types of organisation or company are eligible to have the mark – it is dependent on three key criteria: primary objective must be social purpose, limited distribution of profit, transparency and openness of business operations.

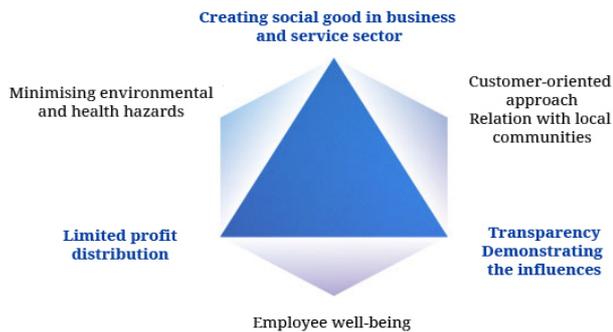


Figure 7 Social enterprise diamond model

The mark is attributed by a highly regarded independent NGO, the Association for Finnish Work, which supports public credibility. However, the mark is not yet well known and its potential has so far not been fully used: by December 2015 only 76 enterprises had been awarded with the mark, while according to a recent study there would be some 19 000 enterprises in Finland fulfilling the conditions.

### Key Learning Points:

1. Well-known and respected organisation coordinating the mark supports public credibility;
2. A strong demand of, ownership by and clear added value for social enterprises are pre-conditions for a higher level of take up;
3. Ongoing marketing of marks and labels is vital to maintain momentum.

8 participants shared that tools existed in their country to facilitate visibility and recognition. A further 7 people added that such tools were planned.

## Promoting access to markets and finance via legal frameworks

### 10 Legal Frameworks: do they make access to finance and market easier?

Luke Fletcher, European Social Enterprise Law Association

Presentation: <http://www.slideshare.net/OECDLEED/legal-frameworks-do-they-make-access-to-finance-and-market-easier>

Starting from the main results of the European Commission mapping study on social enterprises and their ecosystems, Luke addressed the question of how legal frameworks can make access to finance and market easier. He first illustrated the different legal forms and legal status, as seen in European countries to identify social enterprises. He then highlighted the barriers to accessing markets and accessing finance, before outlining concrete policy principles to inform new developments.

The more common traditional legal forms inside 'social enterprise families' <sup>10</sup> in Europe are those indicated in the figure below, although new legal forms are emerging. Legal status can also apply to more than one legal form, and all this can translate into many uncertainties particularly around areas such as fiscal regime and

<sup>10</sup> For more information please go to <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2149>

the ability to trade.



Fig 8 Main types of legal forms in Europe

### Key Learning Points:

1. When legislating, it is important to focus on the needs of the social entrepreneur - their feedback is vital;
2. Policy makers need to engage in and understand the true nature of social enterprise in order to make coherent policy recommendations (including those related to taxes and legal issues). Feedback from entrepreneurs is also very important in this process;
3. Legal form agnosticism is important to both respect the traditional social economy and be open to new models and methods;
4. Prioritise the building of local social enterprise ecosystems because legal forms and tax frameworks are inherently local;
5. Provide information on the legal forms currently being used by social entrepreneurs, and how they have been adapted to suit different types of social enterprises: Create guidance and promote this to the sector to allow more informed decisions to be made by new social entrepreneurs on the best legal forms for their type of social enterprise;
6. Develop model social enterprise constitutions to facilitate the start up process for new entrepreneurs;
7. Consider supporting the development of social enterprise legal forms (not only one as the sector is diverse), and social enterprise legal statuses that build on the underlying legal forms.

**Practice snapshot:** In the UK, a 'Community Interest Company' legal form was set up in 2004 and has proven extremely popular. There were just over 200 CICs registered in the first year of its introduction, and now, almost ten years later, over 10,000 CICs have been registered.

<http://ec.europa.eu/social/BlobServlet?docId=13001&langId=en>

## 11 The French Law on Social and Solidarity Economy

Thomas Boisson, Ministry of Economy

Presentation: <http://www.slideshare.net/OECDLEED/the-french-law-on-social-and-solidarity-economy>

Thomas gave an overview of the new Law supporting the Social and Solidarity Economy (SSE), while highlighting the high contribution of SSE to job creation in France (23% of job creation between 2000 and 2010 compared to 7% created by the traditional economy). The French law is a good example of how national legislation can be effectively used to clearly define the SSE by acknowledging both the historical social economy families (cooperatives, associations, mutuals and foundations) and the newly-created enterprises i.e. 'classic companies with a social goal.' Moreover

the legal basis it provides allows the development of new financial instruments dedicated to the social economy. Finally, it provides precise criteria for social innovation to make it easier for external stakeholders to recognise it and better channel public and private funding towards socially innovative projects. It thus represents a comprehensive approach, which is reflected even through its' development process, which was open and participative. *(See slide 3 of the presentation for a detailed picture of the SSE policy landscape.)*

The SSE reforms the solidarity accreditation, allowing commercial enterprises eligible for “classical” equity financing to enter the solidarity economy field. This new accreditation is key to fostering social impact investing. This is, for instance, the case of the so-called “90-10” employee saving funds, where 10% of savings are directed to accredited SSE enterprises. This investment support, funded by long-term employee savings, has met strong success in the past decade: due to a steep increase in the annual inflows, the stock of the corresponding collected savings raised from 600 million euros in 2007 to more than 4 billion euros in 2015.

#### **Key Learning Points:**

1. Legislation helps when it provides a clear framework looking at the different aspects that need to be addressed to support social enterprise development;
2. Allow citizens a simple channel to be involved in social impact investment: this can have a significant impact as the 90-10 savings fund has demonstrated;
3. It is important to create fiscal incentives to encourage commercial enterprises to prioritise pursuit of social impact, in order to qualify for the incentives
4. Build consensus through wide and deep consultation alongside high-level political commitment: In France the Minister was a strong advocate of the new law and support for new social enterprises.

For those attending the seminar, the top three objectives of a legal framework are:

1. Criteria for preferential tax treatment of social enterprise or their investors
2. Regulation of legal form or status, social purpose, governance and operations of social enterprise
3. Recognition and visibility

## National level activity – OECD in depth policy reviews

**Antonella Noya** gave a brief introduction to the in-depth policy reviews on *“Boosting Social entrepreneurship and Social Enterprise Creation”* that OECD is currently undertaking with the EC in two countries (Croatia – finalised, Czech Republic - in progress) and that the OECD has previously run in other countries. The purpose of the reviews is to provide tailored recommendations and an action plan to countries wishing to improve the enabling environment in which social entrepreneurship is developing or could develop. The reviews systematically:

- Analyse local framework conditions for social enterprise creation and development against international benchmarks;
- Compare and assess policies implemented at the local level to develop social entrepreneurship and social enterprise creation and development;
- Contribute to policy development in the reviewed areas by suggesting policy options to improve framework conditions and current policies so as to overcome barriers and realise potentials;
- Illustrate recommendations through international learning models and formulate an action plan that supports the recommendations by providing a road map towards implementation.

Four countries provided feedback on the process. Both Slovenia and the Czech Republic praised the interaction with OECD and highlighted how useful it had been in opening up wider understanding and better awareness of the role that social entrepreneurship can play and how already existing entities can be assisted to become more entrepreneurial while keeping their social impact. Serbia gave some detailed feedback, stating that expertise within the OECD proved very important to again broaden understanding and knowledge at national level, with the aim of reaching a position where the government would explore legal frameworks and specific policies. This did not finally happen due to a change of government, but importantly, the OECD illustrated that legislation was not the only way forward, and that there were a variety of other policy instruments that could be used. Poland referred to some changes operated to their Operational Human Programme thanks to the recommendations made by the OECD team. Also great progress in terms of building the favourable environment for social economy development can be attributed to the awareness and advice provided by the OECD review in 2009. There was the National Programme for Social Economy Development adopted by the government in 2014, as a strategic document providing a diagnosis of the actions needed. This positive feedback from countries validates the usefulness and appropriateness of these reviews for countries that need rigorous and objective assessments of their policy ecosystems for social enterprises

## Participant perspectives: ideas and opportunities

Creative facilitation during the event focused on developing conversations and collaboration, allowing for a deeper connection and richer debate between participants. Participants contributed to a series of workshops to develop the insight into how to shape both their own work and that happening at EU level. The points below illustrate participant perspectives across a number of key themes.



### NETWORKS

#### Creating online communities

This was proposed to preserve links between the participants and build peer to peer support. These could provide a forum for sharing policy developments or progress updates on selected case studies, and promote cross-fertilisation between different networks and different Member States.

#### Sharing common challenges:

The availability of opportunities to share common challenges was identified frequently, particularly through peer review to support design and implementation at local level. Within this was also the idea to bring together organisations/countries to explore specific areas of the ecosystem in more detail, or address challenges in particular contexts e.g. less advanced countries. A specific idea was also proposed to explore feasibility of an international warehouse of prospects and business plans



### SUPPORT

#### Building political commitment:

Political will and commitment was consistently identified as crucial for success - change politicians brains! This should involve key Ministries and go beyond only those engaged with employment or social affairs portfolios.

#### Leveraging support:

Proposals included building involvement of other stakeholders, particularly companies, to move to a practical discussion around solutions and leveraging existing infrastructure to support social enterprise.



### KNOWLEDGE

#### Country Reviews

A number of countries highlighted the usefulness of using OECD expertise and/or country reviews to build knowledge and insight at national level. Two suggestions were made to build EU level knowledge, firstly for a mid-term review of social economy support through ESIF 2014-2020 and secondly to provide EU guidance on innovative approaches to social procurement.

#### Action Planning:

Participants highlighted the importance of developing concrete action plans, to help focus activity at local/national level through the identification of three top priorities



### LEGAL ENVIRONMENT

Several ideas were put forward in the area of legal frameworks, at both EU and national level. At national level, there was a proposal from one group to explore a legal framework including definition, benefits and registration, taking into consideration that there may be no need for specific legal form (may look at specific criteria instead) and no distinction among different types. At EU level, feedback from participants produced a number of ideas:

1. Consider mapping the legal concepts in different jurisdictions
2. Guidance on legal issues for policymakers
3. Detailed country case studies of exemplar approaches to law and regulation



## **IMPACT**

### **Impact and wider stakeholders**

Participants placed importance on exploring how to develop impact, and suggested that this should be done by involving the wider community and with coordination by a specific government unit

### **Standards**

There should be a focus on defining the standards to be fulfilled by registered social enterprises, and how this could be developed in the countries where this is already relevant or planned.

### **Skills**

A continuing importance was placed on developing the skill-sets of those working in social enterprise

## Conclusions

The event concluded with contributions from Antonella Noya on behalf of OECD, Andrea Maier from the European Commission and Gerhard Braunling, an expert in the field.

### **Access to markets and access to finance: part of an ecosystem:**

- There are recurrent themes of a long-term vision and clear leadership as key elements for success in establishing social enterprise ecosystems. Political support is important as part of this, to create momentum and commitment;
- There is continuing importance of strong cooperation between government and stakeholders, working both top down and bottom up;
- The role of public authorities in designing the necessary infrastructure to support access to finance and markets for social enterprises, while ensuring that public interventions focus on where there is a market gap;
- The role of pioneers and piloting - not a typical approach in the social enterprise area. Piloting new approaches might mean they do not work perfectly first time, but they can be adapted because their potential will be better understood through the piloting process;
- Involve European partner countries into EU networks/seminars on social enterprise ecosystems and public procurements, as this is an emerging and important issue in regions such as the Western Balkans;

### **Finance and investment:**

- The whole development journey of a social enterprise should be looked at when considering finance/investment interventions, with investment readiness remaining important for all stages of the pipeline
- There is a need to learn from others on the clever use of ESIF to support the ecosystem, and also a need for recognition to make this work there needs to be agreement on the use of ESIF for social investment from government, national monitoring committees and EU level;
- The importance of and the opportunities offered by the relatively new area of hybrid financing for social enterprises and the outcomes economy;
- Raising standards and increasing professionalisation of the sector;

### **Impact and Visibility**

- Increasing visibility and recognition of the vision, opportunities and impact of the sector, including into the education environment;
- The importance of designing, managing, measuring and reporting the impact;
- The importance of ensuring a common language to unite the sector. Reducing the language barrier can be a basis for collaboration and exchange, where at the moment many stakeholders and countries use different terms to say the same thing;

### **Legal Framework**

- To remember the simple solution to complex problems can be to focus on creating a level playing field for different types of enterprises and the business

models they use, allowing the social enterprise ecosystem to flourish and develop on equal terms;

### **Next Steps**

To give consideration to potential for next steps that have been highlighted through the seminar including:

- Commission action on promoting practice exchange opportunities, building on the mapping study<sup>11</sup>
- Additional case studies for the upcoming Compendium of Initiatives And Policies For Social Enterprises<sup>12</sup>
- Potential for a social enterprise self-assessment toolkit: a hands on tool for policy makers to get 360° feedback to support evidence based policy-making and implementation.

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<sup>11</sup> A map of social enterprises and their eco-systems in Europe - link [here](#)

<sup>12</sup> Joint action between OECD and European Commission, to be published in 2016