

## **SUMMARY REPORT**

### **SOCIAL ENTERPRISE IN AN EVOLVING ECONOMY: FROM NON-PROFIT ORGANIZATIONS TO SOCIAL ENTERPRISES**

International Conference organized by the OECD LEED Programme, the Romanian Ministry of Labour, Family and Equal Chances and the Romanian Ministry of SMEs, Trade, Tourism and Liberal Professions, in partnership with World Learning for International Development, the Civil Society Development Foundation and the European Center for Not-for-profit Law with the support of USAID

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## Introduction

This report presents the synopses of the main contributions given by experts who attended the conference.

The conference succeeded in promoting a fruitful discussion among participants, including researchers, LEED delegates, public authorities, practitioners and donors, confirming the great interest raised by social enterprises as institutions that are achieving positive results in the fight against poverty and social exclusion, in both OECD and non-member countries. As was stressed by various presenters, social enterprises can fulfil these tasks thanks to their capacity to supply a wide range of general-interest services for the community, including social and community services that other actors (public and for-profit organisations) deliver in a less efficient and effective manner owing to a number of coordination problems (*i.e.* market and government failures).

Social enterprise contribution to social and economic activities was especially ascribed, by some presenters, to its capacity to create new forms of entrepreneurship and employment and of enhancing citizens' participation and social cohesion. Last but not least, the capacity of social enterprises to contribute to the integration of the economies of the new EU Member States was also emphasised.

Currently, various economic sectors show development spaces for social enterprises. However, in OECD countries, social enterprises have so far developed most intensively in the field of social services. Non-profit providers dominate social service provision in the home care sector in several EU countries, accounting for between 60 and 80 percent of total provision. Besides quantitative aspects, it should also be taken into account that most new and innovative services, which have been established in the last few years in Europe, have been initially provided by non-profit organisations.

Noteworthy is that in the movement out of traditional welfare provision, the role of non-profit organisations as welfare providers has been increasingly formalised through contractual relations and partnerships with public agencies. Furthermore, the recognition of social enterprises as innovative welfare providers has been acknowledged by means of legal institutionalisation, which has taken place in two different phases: first, through the recognition of specific entrepreneurial forms (*i.e.* social cooperatives in Italy); secondly, through the introduction of general legal frameworks (in Italy and the United Kingdom) with the goal of supporting further social enterprise development and opening up new avenues of expansion of their activity.

All these developments appear to be all the more important for post communist countries, where national social service systems are weak and less developed, if compared to EU-15, and crucial social and economic concerns remain despite the considerable economic growth experienced by most of the countries of the region.

Thus, one of the main challenges to be faced is that of developing sustainable systems of social service delivery that are capable of addressing the economic and social concerns, especially of those groups in society that have been hardest hit by the transition towards a market economy. Against this background, social enterprises can contribute to the construction of an alternative policy architecture committed to sustainable livelihoods.

As emphasised by several speakers, the potential of social enterprises is still far from being fully harnessed in central and eastern European countries. Indeed, despite the dramatic development registered by non-profit organisations at the beginning of transition in eastern, central and south-eastern European countries, social enterprises are still a rare practice in this region.

Following a general analysis of social enterprise development paths in North America and Europe with a view in particular to the role of social enterprises in designing and delivering social and community services, the conference stimulated a fruitful discussion on the conditions required to create an enabling environment for social enterprises with special regard to business development strategies and tools. Furthermore, the conference focused on the challenges and obstacles faced by social enterprises engaged in the delivery of social services .

### **Social Enterprises: New Opportunities and New Developments**

Notwithstanding their rapidly rising field of practice, the *social enterprise* remains an ill-defined concept that can take on a variety of meanings, with considerable differences between countries, that are partially ascribable to the specific context in which concepts were constructed.

*Professor Margie Mendell* specifically addressed attention to the North American perspective of the social enterprise field, with special regard to the cultural specificity of Canada vis-à-vis the United States.

Whereas Canada has been historically characterised as a post-war welfare state ensuring universal health care and social service provision, the United States have always been marked by an extremely weak welfare state, which nevertheless left a broader space of action for non-profit organisations. Furthermore, Canada accounts for a consolidated history of labour, co-operative, and community-based initiatives.

By contrast, the United States is characterised by an especially strong presence of foundations and organisations strictly bound to the non-distribution of profits. Against this background, social enterprise definitions in the United States tend to be placed within the non-profit sector and refer to the growing commercialism experienced by organisations that are strictly bound to a non-distribution constraint. Following a welfare retrenchment that took place in the 1980s, during the Reagan administration, coupled with new fiscal pressures, non-profit organisations were increasingly forced to seek alternative sources of funding to finance the provision of services already in place and consequently became highly entrepreneurial.

Briefly, in the United States social enterprises tend to be regarded as organisations running commercial activities, not necessarily linked to the social mission, with the goal of collecting incomes to fund a social activity. Another characteristic of the US approach highlighted by Prof. Mendell is the emphasis put on the individual dimension. The social entrepreneur is indeed considered as an agent of change who is capable of implementing innovative solutions and apt to tackle social problems that are overlooked by other actors in a wide variety of fields of general-interest. Furthermore, the US context is characterised by the widespread presence of foundations specifically aimed at supporting social entrepreneurship.

Differing from the US approach, the social enterprise definition of the *Chantier de l'économie sociale* in Quebec highlights the collective process that gives ground to social enterprise initiatives. Accordingly, social enterprises are collectively owned and are characterised by democratic governance models. According to this approach, social enterprises are located within an intermediate space involving public, private, and civil society actors.

Current debates taking place in Canada have recently contributed to widening the definition of social enterprise to include cooperatives, non-profit and community-based business that are integrated into social economy, and community economic development strategies. Given the stronger co-operative roots in Canada, social enterprises are considered as collective and democratic institutions

that boost socio-economic and socio-political innovation, as they contribute to job creation and workforce integration, they produce new goods and services, develop innovative methods of service delivery, enhance social inclusion, sustain urban regeneration, strengthen community development, and increase productivity and competitiveness.

Given its recent widespread development, social enterprise is a new field of scholarly inquiry. Hence, the crucial relevance of international comparisons, training programmes aimed at improving the skills and competences of social entrepreneurs, and research, - given the lack of comprehensive data related to this phenomenon in North America – that is capable to capture both the diversity and complexity of this activity as well as the socio-economic impact of social enterprises.

An additional crucial issue emphasised by the presenter is the relevance of enabling conditions that are conducive to the development of social enterprises. These include the adoption of friendly policies that acknowledge the “degree of disadvantage” taken on by social enterprises and move from a subsidy to an investment logic. Furthermore, accessibility to readily available capital (loan and equity) is considered particularly important, as well as the existence of adequate legal and tax frameworks, customised measurements, evaluation and social accounting tools. Moreover, communication strategies, networking and knowledge sharing are also regarded as relevant for social enterprise development to be enhanced.

Concerning existing policies, Prof. *Margie Mendell* recalled that public policies, including tax incentives, addressed to sustain social enterprise development in North America lag behind other developed countries. With the exception of Quebec, where the local government has introduced a variety of policy initiatives since 1996, including a specific legislation addressed to regulate solidarity cooperatives.

*Professor Roger Spear* opened his presentation by calling upon a social enterprise definition that has stronger roots in Europe and that describes this phenomenon as an innovative dynamic that involves both traditional cooperatives and non-profit organisations. According to this approach, social enterprises include both traditional organisations that are refashioned by a new dynamic, and newly established entities that manage to combine a social and an economic dimension. Both dynamics take place, according to Professor Spear’s view, inside the third sector and involve organisations that are engaged in various sectors, including welfare services, work-integration, and the supply of value based goods and services (*e.g.* fair trade). This approach was developed in particular by the EMES European Research Network, which has contributed since 1996 to an extensive dialogue among several disciplines (economics, sociology, political science and management) and also takes into account the various national traditions present in the European Union. Such an approach relies on the identification of indicators rather than on a synthetic definition, which allow for the conceptualisation of the institutional features of organisations apt to be called social enterprises.

If compared to North America, the policy and legal context in Europe appears to be much more conducive to the development of social enterprises as welfare actors, given also the more institutionalised nature of the phenomenon dealt with. Most social enterprises have been originally set up through the use of the legal forms of cooperatives and associations and this continues to be the case in a number of instances. Social enterprises are established as associations in those countries where the legal form of association allows a degree of freedom in selling goods and services on the open market, such as in France and Belgium. In countries where associations are more limited in this regard, such as the Nordic countries, social enterprises are more often created under the legal form of co-operative. Legal frameworks reflect the specific legal tradition, welfare regime model, and main social and economic issues dealt with at a national level. Hence, the diversity in approaches and solutions

envisaged, including the recent introduction of specific legal frameworks in the national legislation of a number of European countries (Social Enterprise, Italy 2006; CIC, UK 2005).

Professor Spear addressed specific attention to the UK case where a policy framework for social enterprise was developed in recent years, including the setting up of a Social Enterprise Unit that is now based within the Cabinet Office with the goals of creating an enabling environment for social enterprise, making social enterprises better businesses, and establishing the value of social enterprise.

He emphasised the relevance of three policy drivers that support the promotion of social enterprises in the UK:

- i) Economic competitiveness, as social enterprises contribute to building an enterprise society in which small firms of all kinds thrive, and reducing the persistent gap in growth rates between regions.
- ii) Social cohesion, given the crucial role displayed by social enterprises in disadvantaged communities.
- iii) Service provision, as social enterprises contribute to improve the quality and efficiency of service delivery.

Moreover, two additional market drivers contribute, according to Mr. Spear's view, to boosting the growth of social enterprises. Firstly, service provision, since social enterprises fill a gap in the market to meet community needs or to add value to existing public service delivery. Furthermore, the development of social enterprises is also supported by the rise of new ethically-conscious markets (*i.e.* in fair trade and environmentally friendly goods and services).

Professor Spear's final remarks concerned social enterprises' added value, which can be seen from various perspectives. They contribute to an efficient competition in the markets; they create new jobs and new forms of entrepreneurship and employment; they enhance citizens' participation, solidarity and social cohesion; they contribute to the integration of the economies of the candidate countries.

Professor Spear continued with the identification of specific problems associated with the production of social and community services. This provides evidence of why social enterprises are considered as more capable of overcoming such problems, if compared to alternative institutional arrangements, which end up being less efficient and effective under certain conditions.

- Social enterprises are more capable of meeting the new demand, especially for differentiated goods, owing to their strong links with the local community and groups they are representing.
- Social enterprises also ensure the provision of services to users that are unable to pay, given their capacity to mobilise a plurality of resources, both monetary and non-monetary, and redistribute at least part of them in favour of the beneficiaries.
- Social enterprises succeed in overcoming problems of information asymmetry of both users and producers. They are less willing to exploit users as they cannot distribute profits and because they tend to involve users and workers in the management and control of the organisation. Furthermore, social enterprises can attenuate the problems resulting from the

weakness of producers' information, as they induce users to reveal their true preferences and allow for price discrimination.

- Social enterprises can alleviate the effort-monitoring problems of workers, which is especially relevant in the production of relational services, owing to their non-standardised and multi-dimensional nature. This occurs through the involvement of workers.

The problems associated with the production of social and community services can only be overcome by social enterprises if certain conditions are met. Social enterprises need to show a number of institutional features that ultimately explain and maintain social enterprise advantage over alternative ways of organising the production of social services.

- Social enterprises need to have an explicit aim to serve the community or a specific fragile group. The explicit social goal pursued is an important signal of the organisation's nature in addition to the non-distribution-constraint, which is nothing but a crude protection device.
- Moreover, social enterprises should manage to keep a multi-stakeholder membership, by empowering a group of people belonging to the community. This allows for the collection of a plurality of resources that contributes to counterbalance the intrinsic disadvantage of social enterprises. That is to say their low capitalisation capacity. In turn, stakeholders' heterogeneity enhances the pursuit of general-interest goals rather than particularistic ones and allows for an approach towards the interest of the community as a whole. Furthermore, stakeholder control is the key to the ability of social enterprises to correct both market and government failures.
- Another feature that contributes to enhancing social enterprise's comparative advantage in the production of social and community services is the capacity of attracting ideological workers and managers. The involvement of workers that share the distributive mission of the social enterprise and are interested in establishing fiduciary relationships with the organisation, allows for the effort-monitoring problems characterising workers to be overcome. Furthermore, the creation of a working environment favourable for personal interaction strengthens the relational component of the services produced.
- An open and inclusive governance model which enhances participation and democratic management contributes to rendering the goals pursued by the social enterprise and those of the agents involved consistent with one another, thus improving the performance of the social enterprise both in terms of effectiveness and efficiency.
- Social enterprises have to maintain their natural links with the local territory. As locally embedded institutions they can turn into problem solver devices apt to tackle crucial social and economic problems and adhere to the specific social and economic context dealt with.

The resources committed – both human and economic – are exploited and used by social enterprises in an entrepreneurial way. The institutional characteristics of social enterprises form an incentive system – that is to say a mix of rewards and constraints – that succeeds in collecting resources from different sources (donors, volunteers, and ideological workers) and in overcoming the problems associated with the production of social and community services.

Positive externalities result from both the specificity of the services produced and institutional arrangement set-up. Social services have a lower private revenue-producing potential, but greater social potentials, as they enhance social cohesion and strengthen trust relations among the agents

involved. Furthermore, the inclusive and participatory approach favoured contributes to enhance the sense of social responsibility towards the community and the accumulation of social capital that is embedded in a community. Finally, social enterprises contribute to create new employment in the sectors where they specifically operate.

To conclude, the presenter emphasised that social enterprises have been acknowledged in EU-15 as innovative actors as a result of the expansion of social enterprise activity in new fields of service delivery; including environmental, cultural, and recreational services. He recalled that the situation is, by contrast, less favourable in new member countries and especially in the Balkans, where social enterprises are still underdeveloped, if faced with the potentialities of the demand for services and the entrepreneurial behaviour adopted by many groups of citizens.

### **Business Development Strategies and Tools**

*Professor Peter Lloyd's* contribution was specifically focused on the conditions required to create an enabling environment for social enterprises. The starting point for creating the conditions for social enterprise development has to be *clarity of objective*. In addition it is necessary – in Lloyd's view - to convince, on the one hand, liberal opinion that social enterprises can add social gain plus economic value at efficient cost, and left opinion, on the other hand, that “isomorphism” will not destroy their intrinsic value. Thus, good evidence has to be provided in order to support the case for public start-up funding.

To show the dynamic that gives ground to a social enterprise initiative, the presenter started from the local grassroots of these institutions and focused on a number of crucial aspects, including: the use of social capital and other individual and group capacities to improve local communities; the necessity to find ways to secure the development of community based enterprises; the need to tackle local market failures for personal and public services; the relevance of social inclusion and the goal of improving the quality of life in local communities. Professor Lloyd underlined that the move from a local partnership towards a social enterprise implies the emergence of a local multi-stakeholder partnership, as well as the opportunity for some to turn into “social enterprise vehicles”. However, it should be considered that not all local projects and partnerships could or should adopt the business model.

Furthermore, Professor Lloyd focused on the necessity to build support structures for social enterprises. The latter imply:

- i) The availability of sustainable finance and smart money.
- ii) The existence of supportive legal and charity law structures.
- iii) The setting of standards for public service contracting to open opportunity.
- iv) A dedicated and aware social enterprise business support.
- v) The definition of quality assurance standards.

Concerning the former issue, Professor Lloyd pinpointed three main ways by which to create sustainable finance and smart money, namely through the building of networks that bring new lenders in to support social enterprises, the creation of new designs for money (by means of vouchers, loan guarantees, mutual guarantees), and the availability of micro-enterprise credit and social risk capital.

Furthermore, he emphasised the relevance of intermediary support bodies and networking and information exchange. In order to bring the players together to express their “network strength”, identify, disseminate, and exchange good practices, reach economies of scale, and allow for the use of internet and ICT solutions.

Another means of supporting social entrepreneurship is, according to Professor Lloyd, the development of systems that are aimed at sponsoring and training social entrepreneurs at various levels, from basic capacity building up to MBA.

An interesting example of implementing agency for community development projects was provided by Ms. *Doina Danciu*, who described the goals and functioning of the Romanian Social Development Fund (RSDF)<sup>1</sup>. The RDSF is supported by the International Bank for Reconstruction and Development, the Council of Europe Development Bank, and the Romanian Government.

The objective of the RSDF is to contribute to poverty alleviation and community-driven development through (a) improving the livelihood of project beneficiaries from poor rural communities and disadvantaged groups and (b) promoting social capital enhancement and civic engagement among project beneficiaries. As emphasised by the presenter, the two aspects are closely inter-linked since networks and shared values that encourage social cooperation are important for well being, while greater prosperity is accompanied by increased social and civic involvement.

Ms. Danciu specified that from 1999-2006, about 200 income-generating sub-projects were financed, which included milk collecting and processing, bakeries, sun flower seed processing, mills, beekeeping, greenhouses, wood processing, rural markets etc. More than 60% of the income-generating activities initiated during 1999-2002 were operative two years after completion of the investment. The indicator has significantly improved in the case of the subsequently approved sub-projects. Since the grant ceiling has increased, more training and technical assistance has been provided for the grant beneficiaries, and networking activities have been developed.

The presenter recalled that a few grants have also been awarded to community based social service organisations (which are NGOs) or other associations in order to initiate economic/commercial activities such as collecting, sorting and processing waste; honey packing; establishing a sports and cultural club. These grants have been included in the so called “follow up” activities meant “to reward” organisations that had successfully implemented sub-projects financed by RSDF grants. The “follow up” sub-projects have been developed in partnership with the local authorities. The grants covered education-information campaigns, rehabilitating the production spaces, procuring specific goods, equipments, and facilities. The activities have generated income; new jobs have been created; and sustainability of the entities has improved.

Finally, Ms. Danciu focused on the lessons learned so far. She emphasised that at the governmental level, it is necessary to develop national or regional strategies and alternative tools to support social enterprise initiatives. At the RSDF level (or other donors’ level) – in her view - it is important to develop specific support tools for the post implementation period (technical assistance, funds, networking); at the beneficiaries’ level, it is important to develop networking activities and partnerships in order to improve the sustainability of the initiatives.

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<sup>1</sup> RSDF was established in 1998 as a public-interest, non profit and non political entity, enjoying administrative autonomy under the Romanian Government’s authority.

## **The Social Enterprise Sector and Delivery of Social Services: Challenges and Obstacles towards a Welfare Mix Approach**

In her presentation on “*Social Enterprise in OECD Member Countries: What are the Financial Streams?*”, Professor Margie Mendell described social enterprises as part of a “new welfare mix”. In fact, governments and citizens can co-design new and innovative forms of service provision through this participatory institutional arrangement. As such, social enterprises promote an alternative economic strategy for the production of goods and services that contributes, on the one hand, to the creation of a framework for a sustainable livelihood, and to the development of collective and societal capabilities, on the other hand.

However, a structural disequilibrium often occurs between the demand (pre-start up, start up, consolidation, expansion) and supply (through grants; loans; equity) of finance for social enterprises.

The main sources of finance capital are:

- Governmental (at all levels) funds via direct involvement (through direct injection, local funds as well as tendering and contracting – procurement).
- Foundations: traditional philanthropy.
- Banks (Charity Bank - UK, alternative banking sector).
- Credit unions, cooperatives and mutuals (Raiffeisen Bank, Desjardin Caisse Populaire in Quebec; Banca Etica in Italy).

More specifically, the potential financial sources for social enterprises are responsible for indirect investing in the form of portfolio screening and shareholder engagement. In the former case, this is done by means of investments in financial markets using exclusion or inclusion filters based on environmental, social, and governance criteria. Main actors are, in this case, both foundations and ethical funds. In the latter case, shareholders utilise their role to influence the practices of enterprises through pension and other ethical funds, and awareness raising organisations.

Another potential financial source for social enterprises is represented by responsible investing in the form of development capital and solidarity-based finance. In the first case, risk capital is used by investment institutions run by labour unions and sustainable development funds to pursue socio-economic goals including job creation, local and regional development. Solidarity-based finance is specifically aimed at financing community economic development and social enterprises. In this case, the main actors are micro-credit institutions, financial co-operatives, and hybrid financial funds.

Furthermore, Mendell focused on the issue of socially responsible investment (SRI) and described the evolution from ethical investment – the decision not to invest in enterprises failing to comply with environmental criteria and human rights – towards affirmative financing, that is to say conscious investment of consumers who intentionally decide to invest their money for the general-interest.

On the international landscape, social risk capital in Canada is mainly ensured by the government, which accounts for 60% of social funding. Foundations make up a large portion of social funding in the UK, but they still tend to be strongly donor oriented, albeit showing some creativity. In the United States foundation grants coupled with venture philanthropy and community loans represent the main sources of social risk capital.

A quite different situation can be seen in Quebec where a plurality of actors making direct investments in the social enterprise field exist, including the movement Desjardins, dating back to the early 20<sup>th</sup> century with its Caisse d'économie solidaire Desjardins (1976); the Fonds de solidarité de travailleurs(euses) du Québec (1983); Micro-credit finance (1990); FondAction (1995); FilAction (2001); Chantier de l'économie social (1996); RISQ (1997); Local development funds (1997); Social Economy dedicated funds (1997); Investissement Québec (la Financière, 2001); La Fiducie (2007) of the Chantier de l'économie sociale.

The main barriers that jeopardise investment opportunities apt to sustain social enterprises are: risk, lack of measurement and evaluation tools, and lack of appropriate legislative and institutional frameworks for social enterprises, including insufficient fiscal advantages.

Finally, the presenter drew on the main challenges ahead. Besides focusing on the need to ensure supportive legal and regulatory frameworks and enabling institutional context, which presupposes the commitment of local and national actors as well as the international community, she highlighted the need to: enlarge the field of action of social enterprises to include community-based initiatives; embrace a systemic approach in which financial needs are accompanied by supporting structures involving, among others, training, enabling policy, and information sharing; enhance networking by means of public-private community partnerships. Furthermore, Prof. Mendell underlined the need to pursue important work on measurement and evaluation.

For central and eastern European countries, she recalled the risk induced by the exclusive reliance on micro finance in high risk market conditions, which can generate a “debt trap”. Hence, the need for developing adequate public policy that acknowledges social enterprise’s capacity to create socially inclusive wealth. Moreover, Prof. Mendell highlighted the philanthropic potential of central and eastern European countries.

To sum up, a new financial architecture that allows for long-term planning and innovative income-generation strategies for social enterprises needs to be developed. Besides strictly financial aspects, this presupposes knowledge creation and sharing, as well as the development of adequate training environments and toolkits.

*Ms. Nilda Bullain’s* presentation was specifically focused on the conditions required to develop and finance social enterprises engaged in social service delivery. In order to show the relevance gained by social enterprises in central and eastern Europe, she provided some data concerning Hungary where in 2002 over 4 000 NGOs were engaged in social service provision as their main activity (8.5% of all NGOs). Their income accounted for 330 million Euros (12% of total income of the non-profit sector) and they employed over 9 000 people (13.2% of total workers employed by non-profit organisations). In 2005, 37% of all incomes of NGOs were generated by the economic activities carried out (=1 264 million Euros).

Ms. Bullain specified that the approaches and strategies adopted to enhance the entrepreneurial behaviour of non-profit organisations vary to a great extent, ranging from the management of commercial activities not directly related to the social activity (restaurant and disability workshop) ,to the direct organisation of social services in an entrepreneurial way (elderly care, disability homes). These activities are carried out by relying on different models, including the establishment of corporate partnerships by for-profit and non-profit organisations (*i.e.* OTP Generali Insurance – Social Innovation Foundation that ensures home assistance to clients by long term unemployed women; Salva Vita Foundation – Stollwerck, Tesco – which provides work placement and training for disabled people), the direct involvement of the community and citizens (via community and local foundations), and the co-operation between non-profit organisations and local municipalities or central governments

(by means of contracts, public schemes, in-kind support, grant programmes, indirect support – tax exemptions and benefits).

When considering the financial viability of social enterprises, Ms. Bullain emphasised the need to diversify the sources of income, including income-generating activities as well as donations, and governmental and community support. Nevertheless, she remarked that social enterprises are greatly affected by the way framework laws regulate the activities they can engage in. A key issue is the degree of permissibility of non-profit organisations to engage in income-generating activities. Generally speaking, country specific legislations differ to a great extent. A general trend towards the limitation of economic activities that can be carried out by non-profit organisations can be seen. This limitation is exacerbated in Macedonia where the only way whereby non-profit organisations can engage in economic activities is via the establishment of subsidiary commercial companies. In Croatia, non-profit organisations are allowed to engage in economic activities to the extent it is necessary, and only in those activities that are detailed in the statute, the legitimacy of which has to be reviewed by the registration authority. In Hungary social enterprises can be established via the associative or foundational form, provided that these organisations obtain the public benefit status. Since 2006 the same conditions have been extended to for-profit companies who assume a non-profit status. This expands significantly the possibilities of business activities being conducted as social enterprises.

Another crucial issue that the presenter focused on concerned state financing mechanisms. Governments can support social enterprises either directly, by allocating resources from the state budget line, or indirectly, by granting benefits to social enterprises.

Concerning the former mechanism, subsidies and grants are the most common form used in target countries. The procurement mechanism, which regulates the government purchase of goods and services supplied by social enterprises, is the most likely support measure that social enterprises engaged in the supply of services can benefit from, whereas third party payments schemes (*i.e.* per capita fees and vouchers) are not yet widespread in the region.

*Mr. Flaviano Zandonai's* presentation focused on Italian social co-operatives in the field of social service delivery. The social co-operative is in fact the most widespread legal form in this field in Italy. It was acknowledged in 1991 with the introduction of a specific legal framework, which recognised ex-post a phenomenon already developed.

The salient features covered by social co-operatives are:

- A public-oriented mission (the goal is to promote the “general-interest of the community”).
- A profit distribution constraint.
- The possibility of involving a plurality of stake-holders (multi-stakeholder membership).
- The engagement in the fields of social, health-care, and educational services (A-type) or the engagement in any economic sector, provided that 30% of the work-force is represented by disadvantaged workers.

As emphasised by Mr. Zandonai, social co-operatives have a successful history in the Italian panorama, accounting for 7 000 enterprises, 230 000 workers, 2.5 million users, and 5 billion Euros turnover.

Social co-operatives display a crucial role in the construction of the social service system and can benefit from their capacity of mobilising and combining different kinds of resources that contribute to rendering the supply of welfare services sustainable.

As a result of local authorities' increasingly contracting-out service provisions, a trend towards the public sphere of the welfare system has taken place, which nevertheless implies a risk of dependence upon public agencies. Contextually, a weakening of the communitarian character of social co-operatives has been noticed in recent years (*i.e.* reduction in the number of voluntary workers and donations).

Interestingly, as highlighted by Mr. Zandonai, the new law on social enterprise, which was enacted in 2006, enlarges the economic sectors where social enterprises are entitled to carry out their activities, including: welfare, health, education, culture, environmental protection, development of cultural heritage, social tourism, academic and post-academic education, research and delivery of cultural services, extra-curricular training, and support to social enterprises. Eligible organisations include co-operatives (*i.e.* worker-, producer-, or consumer-owned firms), investor-owned firms or traditional non-profit firms (*i.e.* associations and foundations). This choice is consistent with the aim of promoting pluralism in the production of social utility goods and services, especially in welfare and health.

In order to qualify as a social enterprise, organisations need to have all of the following attributes: a private organisation; performing entrepreneurial activity of production of social utility goods and services; acting for the common interest and not for profit. Furthermore, the structure of social enterprise is subject to a number of general principles: correct and efficient management, transparency, "open door", participation, worker protection.

Finally, Mr. Zandonai focused on interesting best practices. These include the development of social co-operative networks not simply displaying a co-ordination and representation function, but also creating a "spinneret" of welfare services; and the opening of social co-operative governance systems to various stakeholders belonging to the local community. Other best practices concern the adoption of tools aimed at managing production processes and accounting for the economic and social activity performed (balance sheets), and the spread of empowerment strategies of human resources, with the goal of improving competences and enhancing the motivation to work.

## **Closing Remarks**

To conclude, *Ms. Cristina Iova*, Director of the Romanian Ministry of Labour, underlined the relevance of governments in supporting enabling public policies that can contribute to social enterprise growth.

More specifically, the following issues should be taken into account for social enterprise development to be supported:

1. Policy initiatives must be based on a clear understanding that social enterprises need a strong engagement of governments. In this respect, central public administrations have to develop a new understanding on how to build partnerships with communities and civil society.
2. A multi-dimensional approach should be developed in order to translate social enterprise policy initiatives into long-term strategies. For this purpose the following dimensions should be taken into account:

- 2.1. The territorial dimension – it has to be considered in concerted actions to create economic and social opportunities and assets in rural and urban areas. This requires a long-term period to fund these initiatives and to recognise the different needs and stages of development among communities and their organisations, from initial community mobilisation and planning, up to major development and operating investments.
- 2.2. The sectoral dimension – to identify opportunities for sectoral policy initiatives supporting social enterprises, in terms of creating synergies among different policies and programmes.
- 2.3. Specific employment policies that can be directed at helping marginalised groups benefiting from community economic development and social enterprise initiatives.
- 2.4. Development of fiscal and other measures that must be put in place to encourage private investment in the field.
- 2.5. Support for social innovation, research and development must be an ongoing part of public policy, including long-term support for university-community partnerships.
- 2.6. Policies in favour of social enterprise initiatives that target certain segments of the population, as Roma, persons with disabilities, women, ex-offenders, drug-addicted, etc.