

# The social economy and support to social enterprises in the European Union



A Policy Brief from the Policy Learning Platform on SME competitiveness

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**Interreg  
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**Contents**

Contents..... 2

Summary..... 2

Introduction ..... 3

What are social enterprises? ..... 3

Social economy in the EU ..... 4

Challenges and good practices to overcome them ..... 7

Interreg Europe projects .....17

Policy achievements in Interreg Europe projects .....18

What could regions do next? .....22

Sources of further information .....23

**Summary**

The social economy is a crucial part of the EU socioeconomic landscape. The social economy accounts for 8% of the EU GDP, and there are 2.8 million social economy enterprises and organisations that provide 13.6 million jobs altogether. On a political level, work is currently underway towards a European Action Plan for Social Economy. In the context of the COVID-19 crisis, social economy actors have assisted the recovery by strengthening social services to complement government action. In the long term, social enterprises can reshape the post-crisis economy by promoting inclusive and sustainable economic models.

However, social economy and social economy actors still face some critical challenges that hold back their full potential. Actions aimed at boosting the sector are fragmented. There is a lack of dedicated funding and support services, e.g., training and incubators, dedicated to social enterprises. There is some confusion on the terminology and legal status of social enterprises in some regions. Accordingly, in order to foster the growth of the EU social economy, policy action is needed both on the union and region level. This is the context where the Interreg Europe projects come into play. They exchange good practices on tackling issues related to social enterprises' legal categorisation, lack of access to funding, and fragmentation of activities.

This policy brief contributes to the ongoing discussion by presenting policy achievements and good practices from Interreg Europe partner regions as examples of furthering the social economy agenda on the EU level.



## Introduction

This policy brief aims to spotlight **Interreg Europe projects** that work to improve their local **social economy**. This is not the first time that the Policy Learning Platform addresses social enterprises. Indeed, the platform held a webinar in March 2020 titled "[Business support schemes for Social Enterprises](#)," where some of the projects and good practices were highlighted. The topic was also touched upon in the "[Reuse and repair](#)" participatory lab during EURegionsWeek in October 2020 where a breakout session was held on the common ground between reuse and social integration.

This Policy Brief builds upon the knowledge generated in these events and provides an even more **detailed look into the most recent EU developments regarding the social economy**, the challenges that social enterprises face, and the role of COVID-19. This policy brief also provides more insight into the **policy achievements** within the projects and shares an additional set of **good practices** identified by the projects. All of this is inspired by the fact that approaches already employed elsewhere in Europe may be useful to others.

We believe that this policy brief gets you thinking about how some of the social economy challenges in your region could be solved or how you could contribute to the social economy as a resident in that region.

## What are social enterprises?

**Social enterprises (SEs)** come in various shapes and forms. There is no single legal form for social enterprises. The social economy can refer to a wide diversity of enterprises and organisations: cooperatives, mutuels, associations, foundations, charities, social enterprises, benefit corporations, voluntary organisations, etc. SEs can be micro-enterprises as well as large companies employing hundreds of people. SEs are not limited to a specific sector; they can be found in education, healthcare, social services, agri-food, banking, reuse and recycling, retail, housing, green industry, and so on.

The most important characteristic of social enterprises is that they **combine societal goals with an entrepreneurial spirit**. Unlike regular enterprises, social enterprises aim to achieve social impact rather than generate profit for owners and shareholders. Profits can still be earned and thus distinguishing it from non-profit organisations, but the **social impact is more important than profits**. Social enterprises are about inclusiveness, social cohesion, and addressing social and environmental needs. They often tackle pressing issues such as ecological problems, unemployment, (re)integration into society, gender inequality, problems related to aging societies, and so on, that are common among various regions in Europe. Therefore, SEs can benefit local development and **alleviate socioeconomic imbalances while helping local communities**.

The main characteristics of social enterprises are<sup>1</sup>:

- Social impact is more important than economic impact.
- Most of the profits are reinvested into the social goals of the enterprise.
- SEs address social and environmental topics, i.e., they aim to improve communities or people's lives or the environment.

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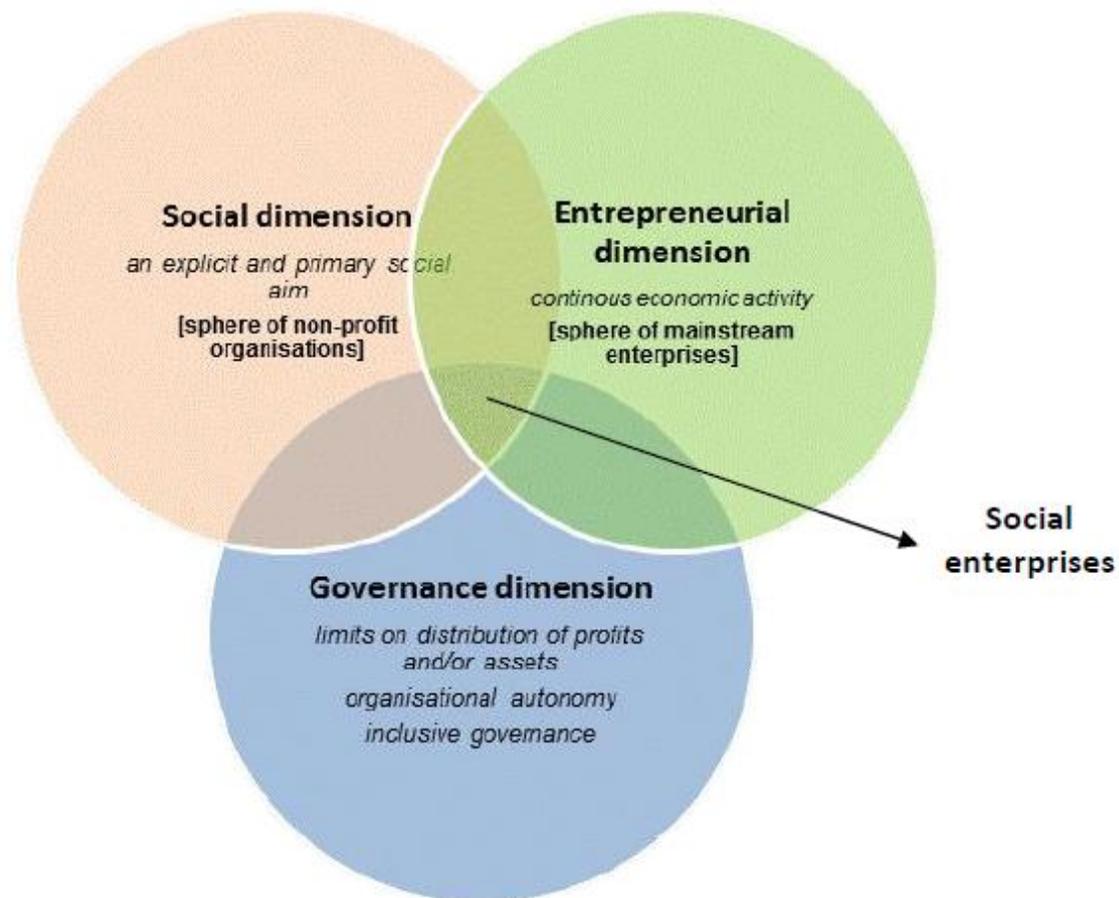
<sup>1</sup> Based on various literature, including EC Directorate-General for Employment, Social Affairs and Inclusion (2015) "A map of social enterprises and their ecosystems in Europe"; EC Directorate-General for Internal Market and Services (2015) "The Social Business Initiative of the European Commission"; Social Economy Europe (2019) "The Future of EU policies for the Social Economy: Towards a European Action Plan"; OECD (2020) "Social economy and the COVID-19 crisis: current and future roles".



- SEs often have inclusive or democratic governance structures.
- SEs are often local community based and tackle a social issue in a specific area.

A more concrete way to conceptualise social enterprises is through **three dimensions**: a convergence of social, entrepreneurial, and governance dimensions. Such an operational definition has been used by the EC social entrepreneurship communication:

**Figure 1. Three dimensions of a social enterprise**

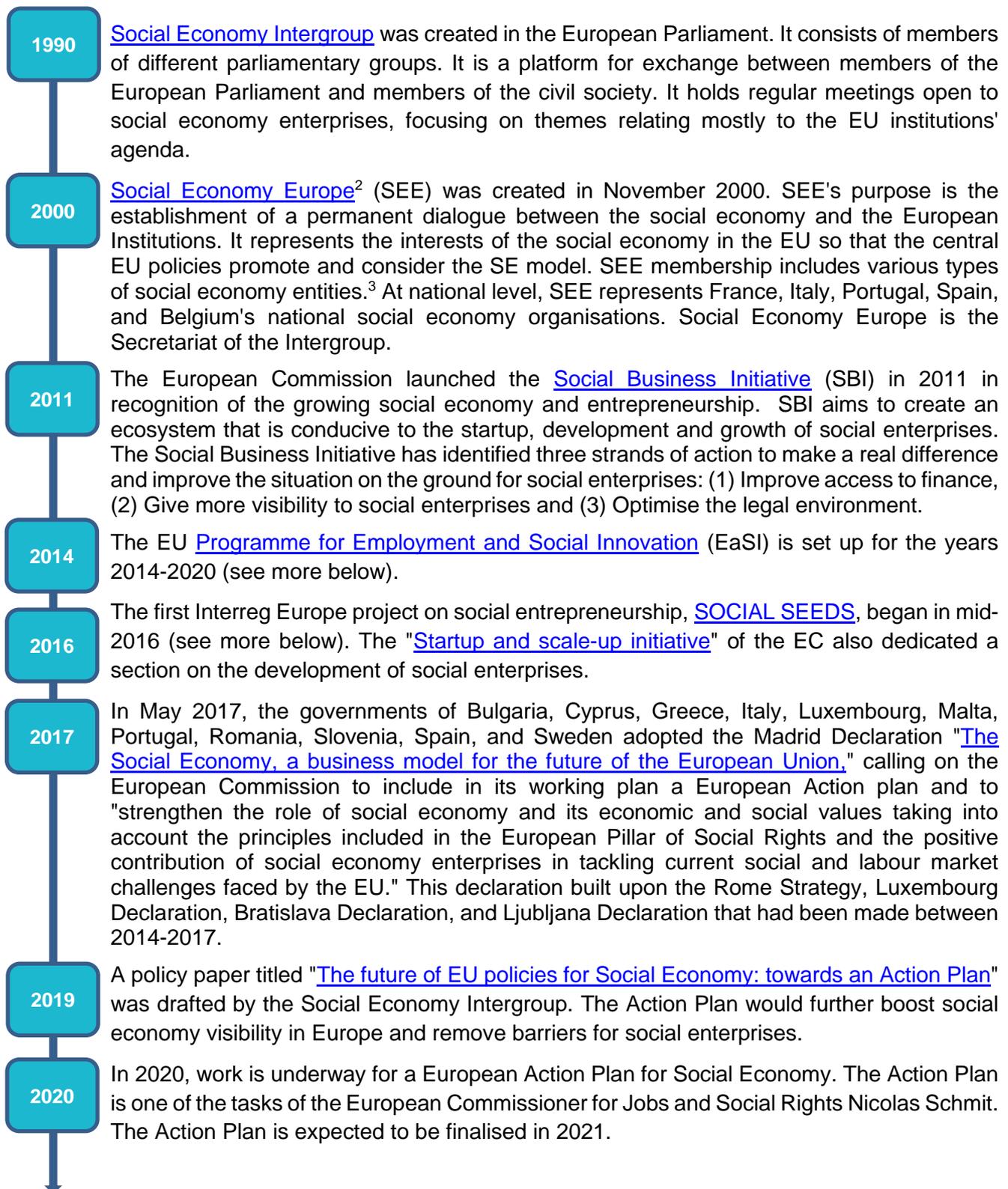


Taken from "[A map of social enterprises and their ecosystems in Europe](#)" (2015) by the EC Directorate-General for Employment, Social Affairs and Inclusion.

### Social economy in the EU

The social economy is a **crucial part** of the EU socioeconomic landscape. According to the European Economic and Social Committee' study "[Recent evolutions of the Social Economy in the EU](#)" (2016) the social economy and entrepreneurship account for 8% of the EU GDP – there are 2.8 million social economy enterprises and organisations that provide 13.6 million jobs. The European Commission has recognised the potential of social enterprises for innovation and their positive impact on the economy and society at large. The EC "aims to create a favourable financial, administrative and legal environment for these enterprises so that they can operate on an equal footing with other types of enterprises in the same sector."

The following timeline illustrates how the social economy **has become increasingly important** on the European level:



<sup>2</sup> Originally founded under the name of CEP-CMAF -the European Standing Conference of Cooperatives, Mutuals, Associations and Foundations. The name was changed in 2008.

<sup>3</sup> European organisations of mutual and cooperative insurers, non-profit healthcare players, health mutuals and health insurance funds; industrial and service cooperatives; foundations, associations of general interest, work integration social enterprises, paritarian institutions of social protection, ethical banks and financiers, and the European Cities and Regions for the social economy.



These developments are the acknowledgment of the importance of the topic and **foreshadow further advancement** of the social economy in Europe in the coming years.

### EU financial support for the social economy

#### European Social Fund

[The European Social Fund](#) (ESF) is the EU's main tool for promoting employment and social inclusion – helping people get a job (or a better job), integrating disadvantaged people into society and ensuring fairer life opportunities for all. In the period 2014-2020 the ESF provided around 80 billion euros of support funding to train people and help them get work, to promote social inclusion, to improve education and training and to improve the quality of public services. On a regional level, ESF funds are often used to also promote social entrepreneurship and related activities.

#### EaSI

[The Programme for Employment and Social Innovation](#) (EaSI) is a financing instrument at the EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions. One of the main objectives of EaSI includes **increasing the availability and accessibility of microfinance** for vulnerable groups and micro-enterprises and to **increase access to finance** for social enterprises. EaSI is managed directly by the European Commission. It is built on three main axes out of which the "Microfinance and Social Entrepreneurship" axis is most relevant in the context of this policy brief<sup>4</sup>. The overall budget for EaSI for the period 2014-2020 was over 900 million euros.

Through the **EaSI Guarantee** 96 million euros have been made available for interested microcredit providers and social enterprises. The Guarantee measure enables microcredit providers and social enterprise investors to reach out to entrepreneurs they would not have been able to finance otherwise for risk considerations. The Commission has selected the European Investment Fund as its entrusted entity to implement the EaSI Guarantee. Applications for the EaSI Guarantee can be submitted through the European Investment Fund website.

16 million euros are available through the **EaSI Capacity Building Investments Window**. It aims at building up the institutional capacity of selected financial intermediaries that have not yet reached sustainability or need risk capital to sustain their growth and development. It covers equity and, in exceptional cases, loans. The Commission has selected the European Investment Fund as its entrusted entity to implement the EaSI Capacity Building Investments Window.

#### Open calls for funding

EaSI often has calls for proposals. For example, in 2020 funds were made available for the development of finance markets for social enterprises across Europe as well as for establishing competence centres for social innovation. Open calls can be found [here](#).



<sup>4</sup> The other two are the PROGRESS axis and EURES axis.



## Challenges and good practices to overcome them

According to one of the most comprehensive social economy studies done on the EU level, the 2015 [EC social enterprises ecosystems mapping study](#), **business support** for SEs is often limited and fragmented across EU member states. In some regions, access to finance or accessing markets is difficult. According to the report, social investment markets are currently under-developed in most European countries. Further, social economy ecosystems are in their infancy - there is a limited number of social enterprise incubators, mentoring schemes, specialist infrastructure and investment readiness services across the EU.

The **main barriers** identified by the mapping study are:

- Poor understanding of the concept of social enterprise
- Lack of specialist business development services
- Lack of supportive legislative frameworks
- Access to markets
- Access to finance
- Absence of common mechanisms for measuring and demonstrating impact

The report also refers to **internal factors** such as lack of viable business models, high reliance on the public sector as a source of income and lack of entrepreneurial spirit or managerial competences needed for scaling-up.

These challenges have been addressed by Interreg Europe projects. The projects have identified **good practices** that alleviate the challenges related to under-developed ecosystems, access to finance and lack of dedicated development support. The barriers related to conceptualising social enterprises, legislative frameworks, impact measurement and managerial capacity have been addressed by important **policy achievements** within the projects' regions. The rest of this chapter takes a closer look at the good practices whereas the policy achievements are covered in length at the end of the policy brief.

### Networking as an important component of ecosystem development

As the importance of social economy grows in Europe and beyond, multiple **international networks** to promote the sector's growth have been set up. Perhaps the most well known in EU is [REVES](#), the European Network of Cities & Regions for the Social Economy. But there are also other beneficial networks such as the already mentioned [Social Economy Europe](#) and the [Euclid Network](#). On the global level, there is the [Global Social Entrepreneurship Network](#) and [Ashoka's](#) "changemaker" network. The [OECD Local Development Forum](#), that brings together public and private sector representatives from 35 countries to forge practical solutions to today's economic and social challenges, also touches upon the social economy.

However, as mentioned, social enterprises ecosystems on a **local level** are still in early development. However, bringing together relevant stakeholders and providing comprehensive support is an important prerequisite for overcoming barriers. It is essential to create the conditions for stakeholders to meet and exchange on ideas. In other words, local networks play an important part in developing the social economy sector. Networks can provide peer guidance and advice, increase the visibility of the sector as well as advocate for changes on the legislative and administrative level.

An example of such grass-root initiative has been set up in Castilla y León to tackle negative demographic trends, loss of productive potential, and lack of employment opportunities. When



the region does not have legal recognition of social enterprises nor specific support instruments, the community itself needs to find ways to foster the sustainable development of the region. As the example illustrates, networking practices are a **viable option** for supporting the growth of SEs in regions where dedicated financial instruments are lacking.

 <b>Cooperactivas</b>	
Description	<p>The objective of Cooperactivas is to create a network of mutual aid that serves as a support for existing social entities and as a starting point for new ones. It is a contact point where people can reach out to others for mutual benefit.</p> <p>Involved actors cover a spectrum of public authorities, a union of cooperatives, NGOs, SMEs, and even freelancers. It is a community-building approach that relies on the voluntarism and initiative of various actors willing to share their knowledge, contacts, information on relevant events, services, etc. Being a member of the network provides SMEs the benefits of receiving guidance, information about funding opportunities, and easier access to relevant training and seminars.</p>
Region	Castilla y León, Spain
More information	<p>Find out more about the practice <a href="#">here</a>.</p> <p>Listen to Cooperactivas member Mauricio O'Brien's <a href="#">presentation</a> on how this community based support approach works in practice.</p>

Similar to the Cooperactivas network example above, a top-down framework to foster the creation of such community networks can be found in Catalonia:

 <b>"Ateneus Cooperatius" Network</b>	
Description	<p>"Ateneus Cooperatius" functions as "network of networks", that brings together over a hundred stakeholders of the social and cooperative economy through 14 different centres all over Catalonia. Interested stakeholders have formed a network in a territorial demarcation, with the technical and economic assistance of the Directorate-General for the Social Economy of the Government of Catalonia. This practice allows the Catalan local territories to play the leading role in boosting the social and cooperative economy.</p> <p>The aim of "Ateneus Cooperatius" is to become reference spaces and meeting points, where social entrepreneurs from the same physical area can learn, work together and innovate, and access all the available information about the social and cooperative economy in Catalonia.</p>
Region	Catalonia, Spain



More information	Find out more about the practice <a href="#" style="color: white;">here</a> .
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Another top-down comes from Örebro County, Sweden. The local country government is the coordinating body of a stakeholder network. A key to such an approach's success is to keep the threshold for participation low and be as **inclusive** as possible.

	<h3 style="margin: 0;">The Partnership for Social Innovation</h3>
Description	<p>The Partnership for Social Innovation a growing platform for discussion and collaboration on topics relevant to the social economy. The Partnership consists of 40 organisations from the public sector and the social economy and is an integral part of the discussions on social economy and social enterprises in the county. It serves as an important platform from which many activities start. The Partnership also consults the regional government during the production of strategic documents and policies related to the social economy, which ensures a wider acceptance of new policies among the target groups.</p> <p>A workgroup consisting of representatives from five partner organisations meets for three hours every third Wednesday to handle ongoing issues and plan upcoming actions. Four times per year the entire Partnership assembles for workshops.</p>
Region	Östra Mellansverige, Sweden
More information	Find out more about the practice <a href="#" style="color: white;">here</a> .

Furthermore, networks as soft support measures usually **do not require a lot of funding**, but rather the willingness of relevant stakeholders to come together. As was highlighted by the good practices above, networking initiatives work well in regions where the social and cooperative economy already accounts for a relatively large share of the economy (Catalonia) as well as in regions just starting their social economy development (Castilla y León and Örebro). Whatever the development stage of the local ecosystem, positive synergies can be formed when various social enterprises, policymakers, educational institutions, and other parties come together.

### Access to funding

Access to finance is one of the most **pressing challenges** for community organisations and social enterprises. SEs need financing from both market and non-market sources. Often SEs are not deemed bankable by regular funding sources. Or they might not qualify for certain support measures due to their legal status. However, such funding is important not only to increase the competitiveness of social enterprises, but also to give them the initial push to become viable.

There are various ways for providing financial support. For example, it can be provided as a **loan** that helps the social enterprise grow and become viable through their own traded income. One such good practice with a long history and impressive scale comes from Ireland:



 <h3>Clann Credo CLG</h3>	
Description	<p>Clann Credo is Ireland's leading provider of loans to community organisations providing a social return. The fund is meant for creating facilities or services addressing a social need. The funded projects must demonstrate a capacity to meet the repayments on loan.</p> <p>Over 900 community and voluntary organisations in Ireland have received finance from Clann Credo since 1996. The organisation is working with an impressive budget of 100 million euros.</p> <p>Clann Credo is also involved in informing political institutions about the importance and growth potential of the sector, including sector financing</p>
Region	Midland and Western, Ireland
More information	Find out more about the good practice <a href="#">here</a> .

Besides loan schemes, support can also be provided in the form of **direct financing** for hiring employees:

 <h3>Community Services Programme</h3>	
Description	<p>The Community Services Programme provides funding to community businesses to address local social needs and is managed by Pobal for the Irish Government.</p> <p>The purpose of the Programme is to support voluntary and community organisations to provide essential services and businesses to their communities with services designed to:</p> <ul style="list-style-type: none"> <li>• Alleviate disadvantage</li> <li>• Promote sustainable social and economic development</li> <li>• Provide employment for those most distant from the labour market.</li> <li>• Strengthen local ownership through participation in decision-making</li> </ul> <p>The Programme provides a fixed annual co-funding contribution towards the costs of employing a manager and/or a specified number of full-time equivalent positions. Each year the Programme supports around 400 services with 46 million euros.</p>
Region	Southern and Eastern, Ireland
More information	Find out more about the practice <a href="#">here</a> .



The public sector can also support SEs establishment by **matching the initial assets** raised by communities. This can encourage the culture of donation and participation in community welfare, ultimately leading to regional growth. One specific measure to establish Community Foundations is used in Lazio (Italy), a good practice identified in the [Road-CSR project](#).

 <b>Community Foundations for local development: Fondazione Per il Sud</b>	
Description	<p>Community Foundations are independent registered non-profit institutions serving the geographically defined territory, typically a city or a small territory. They are instruments of civil society designed to pool donations into a coordinated investment and grant-making facility dedicated primarily to the social improvement of a given place.</p> <p>During the first five years from the launch of a Community Foundation, the Fondazione Con il Sud provides financial support doubling the initial assets (with a minimum of 300,000 euros and a maximum of 500,000 euros) raised by the concerned communities.</p>
Region	Lazio, Italy
More information	Find out more about the practice <a href="#">here</a> .

Another relatively straightforward option is to set up **partnerships** between social enterprises and the public sector in a way that the first can help the latter provide services in a region. This way the public sector can also help social enterprises maintain a steady revenue stream by procuring services. For example, in Örebro a social enterprise employing vulnerable groups provides car washing services to the public sectors car park.

Motivated people working in social enterprises or foundations can at times be more effective and closer to the target group in delivering social services. Such task division can be especially advantageous in smaller areas with limited resources. However, as was also highlighted the EC mapping study, there is a fine line between necessary and excessive support. SEs might also become overly dependant on the public sector and thus not be sustainable in their activities in the long term. Therefore, measures are needed to encourage sustainable economic models as well as **private funding**.

While the financial schemes described above are primarily funded by governmental sources, it is also important to encourage private investors to make investments for **social impact**. A socially responsible investment seeks to maximise welfare while earning a return on one's investment that is consistent with the investor's goals. On the international level, social impact investments are encouraged by The European Venture Philanthropy Association ([EVPA](#)). EVPA is a community of organisations sharing the same vision and a common goal of creating a positive societal impact through venture philanthropy.

However, socially cautious investments can also be encouraged on the national or local level. One such example comes from Cyprus where a **unique tool** for investment decisions has been set up:



 <b>Social Responsible Investment Tool (SRI)</b>	
Description	<p>SRI is an investment tool that considers environmental, social, and corporate governance criteria. The tool's purpose is to enable asset owners or investment managers to undertake a basic assessment of the company's environmental, social and governance practices, and thereby consider these extra-financial factors as part of investment decisions to generate long-term competitive financial returns and positive societal impacts.</p> <p>The SRI Tool analyses management and performance of companies across six different domains: (1) Governance and Transparency, (2) Environment, (3) Sector Sustainability, (4) Human, Health and Safety Management, (5) Supply Chain Management and (6) Community Engagement. The tool is interview-based.</p>
Region	Cyprus
More information	Find out more about the practice <a href="#">here</a> .

### Business development services

While networking and financing are both important elements of developing the social economy in a region, a step further would be to set up **dedicated SE development services**, such as mentoring and training programmes, consulting on investments and management as well as full blown incubation and acceleration schemes. In other words, considering the SEs entrepreneurial dimension, SE support needs are often similar to those of mainstream businesses. However, considering elements that arise from the social and governance dimensions, this support should still be tailored to the specificities of SEs.

Therefore, in more advanced ecosystems a dedicated support agency that only focuses on social entrepreneurship could be set up. This agency could function as an incubator or acceleration program by providing advice, networks, seed funding, peer support, etc. to encourage and support social enterprises' growth. Such is the case in Scotland, for example:

 <b>Firstport - Scotland's agency for start-up social entrepreneurs and enterprises</b>	
Description	<p>Firstport is Scotland's development agency for startup social entrepreneurs and enterprises. It provides a national programme and bespoke business advice and support.</p> <p>Firstport has been supporting SEs in Scotland for over 10 years. Firstport has a pipeline full of services (so-called "Firstport journey"), starting from reaching out to people/communities in rural areas to encourage them to develop their ideas and set up SEs and ending with an SE focused Accelerator programme "LaunchMe." Firstport also has five different funding schemes for social entrepreneurs in various development stages, including an annual competition,</p>



	<p>"Social Innovation Competition." In 10 years, Firstport has directly invested more than 6 million pounds in startup social enterprises.</p> <p>Firstport also co-delivers the <a href="#">Just Enterprise</a> programme designed to help sustain, develop, and grow enterprises and enterprising charities in Scotland through awareness-raising and training activities.</p>
Region	Scotland
More information	<p>Find out more about the practice <a href="#">here</a>.</p> <p>Listen to Firstport's Chief Operating Officer Gael Drummond <a href="#">presentation</a> on Firstport's SE life-cycle support services.</p>

Business support organisations for regular SMEs often focus on **internationalisation** as one of their main support activities. Considering once again the entrepreneurial dimension of SEs, internationalisation need not be only reserved for profit making companies. Indeed, as has been proven by Catalonia's Agency for Business Competitiveness (ACCIÓ) internationalisation programmes can also be set up for SEs:

 <p><b>Service "Aracoop Internacional"</b></p>	
Description	<p>The service provides personalised consultancy services for social enterprises to facilitate their internationalisation process. This is done through ACCIÓ's Trade &amp; Investment worldwide offices. Social enterprises can apply for a 4-month internationalisation programme with the aim of producing an internationalisation plan, i.e., how to enter the target market. The service is free for the social enterprises. Thanks to "Aracoop Internacional", over 20 social enterprises have made internationalisation projects in Latin America, Africa and European markets.</p>
Region	Catalonia, Spain
More information	<p>Find out more about the practice <a href="#">here</a>.</p> <p>Listen to Paula Santarén Rodríguez from ACCIÓ <a href="#">presentation</a> on how their SE internationalisation efforts have worked out.</p>

The two examples above, Firstport's comprehensive business support pipeline and ACCIÓ's internationalisation service, might be too ambitious for some regions with less developed ecosystems to implement. However, this does not mean that business development services focused on SEs could not be provided with less resources. The public sector can push forward the development of social economy by **reaching out to communities** and **encouraging** them to fulfil their innovative ideas that could benefit their local area. Often the creative ideas are there; just the people require a little encouragement to get started as a social enterprise. A bit of symbolic funding and mentoring can go a long way in boosting the creation and growth of social enterprises. Firstport has had dedicated projects [Vital Spark](#) and [What if...](#) in reaching out to rural and disconnected communities. Somewhat similar, but less formal and without financing, is the Caravan of Ideas activity from Sweden:



 <b>The Caravan of Ideas</b>	
Description	The Caravan of Ideas is a "bottom-up" oriented mobile consulting hub designed to find new solutions to societal challenges in rural areas. A group of advisors of different backgrounds travels together directly to the rural areas where people might have social challenges. The aim is to reach to people who do not attend innovation forums or training workshops, i.e., people who are not part of the innovation ecosystem. Therefore, the caravan helps to find fresh ideas on the ground from people directly impacted by local challenges. The group of advisors consults the development of ideas as well as advises on possible financial solutions.
Region	Östra Mellansverige, Sweden
More information	Find out more about the practice <a href="#">here</a> .

### Work integration and labour market initiatives

This section does not directly address a specific barrier for SEs development, but rather highlights some inspiring good practices related to **work integration** and **labour market initiatives**. According to the EC mapping report, work integration social enterprises are one of the most visible type of SEs and in some EU countries the “notion of social enterprise as articulated in national laws and/or policy documents, narrowly focuses on work integration social enterprises.” Therefore, the good practices that describe the way well-functioning work integration SEs have been set up, can be a valuable learning asset to other regions.

Such social enterprises seek to integrate **vulnerable groups**, such as the long-term unemployed, disabled persons, the elderly, NEET youth (youth not in employment, education, or training), ex-addicts, migrants, etc, to the labour market. Sometimes it is the main goal of the SE, i.e., the enterprise has been set up to provide jobs to a specific social group. In other cases, it is a side-activity of the social enterprise.

For example, a reuse centre could already be considered a social enterprise due to its contribution to circular economy, but as their side activity, the centre could also employ vulnerable people. Or, to bring another example, in Puglia (Italy) [a social cooperative 'Rete Utile Buono e Bio'](#) focuses on bringing together organic producers to sell their products via an online platform, a store, and a restaurant. But at the same time, the cooperative is creating training opportunities for persons belonging to disadvantaged groups. Therefore, when it comes to social enterprises, many goals can often be achieved simultaneously.

The following good practice from Emilia-Romagna also exemplifies this:

 <b>Agriculture is social</b>	
Description	In Emilia-Romagna, 8 municipalities and the Local Health Unit managed to turn two challenges into an economically viable social cooperative. On the one hand, the initial problem faced by the local



	administrations was how to efficiently manage an inter-municipal landfill and, on the other hand, how to integrate disadvantaged citizens to the labour market. The solution was found by reusing the produced energy and heat in greenhouses for growing basil. The basil is sold to food companies and retail chains. Therefore, the public initiative generated a social enterprise that maintains its social purpose and contributes to the environment sustainability while also employing disabled persons.
Region	Emilia-Romagna, Italy
More information	Find out more about the good practice <a href="#">here</a> .

The public sector can boost work integration activities through **public-private partnerships**. For example, in Umeå (Sweden), reuse shops and textile services have been linked with the regional labour market programme. Since reuse and repair are labour-intensive activities, they can provide a suitable platform for labour market programmes enabling job creation as well as reskilling and upskilling among disadvantaged workers and vulnerable groups:

 <b>Returbutiken (reuse shop) &amp; Textilservice (sewing service) – part of Viva labour market programme</b>	
Description	<p>Returbutiken and Textilservice are two reuse activities that are part of Umeå's largest labour market programme. Returbutiken sells reuse products collected from private individuals at recycling centres. Textilservice repairs and sews new products from recycled textiles submitted in the same way.</p> <p>Although both businesses sell reuse products, the main purpose of these is to provide meaningful work training to participants who are outside the labour market. Returbutiken and Textilservice have around 80-90 work integration participants each year.</p> <p>The practice relies on a well-functioning interaction between several important stakeholders - Swedish Employment Service, the Social Insurance Agency and Region Västerbotten.</p>
Region	Umeå, Sweden
More information	<p>Find out more about the good practice <a href="#">here</a>.</p> <p>Also, see the presentation by Johanna Cory in the "<a href="#">Reuse and repair session</a>" during EURegionsWeek 2020.</p>

Such public-private partnerships also give economic stability to reuse business models by providing revenue streams for sustaining their activities. However, the public sector does not always need to be an active partner as was in the cases above. The public sector can also promote or create incentives for **cooperation between for-profit companies and social enterprises**.

This has been the case in Italy where a national law promotes integrating disabled people into the labour market through targeted placement actions. Unfortunately, companies often opt out of the law by paying fines, which poses a challenge for the goal of employing disabled people.



This challenge has been overcome in Emilia-Romagna where a regional law allows companies to avoid the fine by, instead of employing disabled workers themselves, they are allowed to outsource activities from social cooperatives that precisely employ disabled workers. See more below:

 <b>Regional Law for the employment of disabled people promotes social enterprises competitiveness</b>	
Description	A regional law "Rules for the promotion of employment, quality, safety and regularity of work" allows companies and social cooperatives to enter into new market segments. This has three overall benefits. First, severely disabled people are able to find a job. Second, companies can be compliant with a National Law and avoid fines. Third, such incentives of cooperation between for-profit companies and social enterprises strengthen the latter's competitiveness (turnover and quality of work). The practice has enabled over 400 disabled people to be active on the labour market.
Region	Emilia-Romagna, Italy
More information	Find out more about the good practice <a href="#">here</a> .

### Challenges and opportunities imposed by COVID-19

As with other business models, COVID-19 has been **disruptive** for social enterprises. Restrictions have limited their activity, demand for some goods and services has declined and funding and contracting opportunities have become uncertain – all of which have constrained cash flows. Certain social economy legal forms have also represented an obstacle to accessing government support measures available to firms during the crisis.

The [Social Enterprise World Forum](#) (SEWF) has [mapped structural and community responses to the crisis](#). The **structural responses** are efforts of governments, social enterprises and intermediaries to protect and support social enterprise organisations so they can survive loss of business and income in order to deliver social outcomes both during and after the crisis. **Community responses** refer to efforts of social enterprises to mitigate the impact of COVID-19. According to SEWF, some SEs "are scaling up with the assistance of their skilled and dedicated staff and volunteer teams, others are changing what they deliver and using innovative approaches."

According to a [recent OECD report](#), the social economy has both a short-term and long-term role in mitigating the crisis. In the **short-term**, "social economy actors have assisted the recovery from the crisis by providing innovative solutions that are aimed at strengthening public services to complement government action." To deal with the health and economic crisis, various new social enterprises have popped up around Europe. Some of these innovative social initiatives and SE business models have been created thanks to dedicated brainstorming events between members of the public, business and third sector as well as regular citizenry. In mid-2020 a sort of "[hack the crisis](#)" movement emerged. The European Commission also organised its own [#EuvsVirus](#) "matchathon" and hackathon in June 2020.



In the **long term**, the OECD foresees that SEs can help "reshape the post-crisis economy by promoting inclusive and sustainable economic models." Overall, it can be said that the crisis has drawn more attention to community support initiatives and the social economy **might become stronger than ever** due to its role in mitigating the crisis.

### Interreg Europe projects

Partners of Interreg Europe projects meet to exchange good practices and solutions to support and **improve social entrepreneurship mechanisms**. Like all interregional cooperation projects, they aim to exchange experiences and good practices (some of which have already been listed above) to facilitate a rich learning experience that would enhance regional development strategies.



The projects have been set up to **tackle** some of **the challenges** mentioned above. They tackle issues related to SE definition and categorisation, lack of access to funding and fragmentation of activities. In light of the COVID-19 crisis, to borrow the terminology from SEFW, the projects have become platforms for sharing good practices about structural as well as community responses.

#### How can the Policy Learning Platform support?

The [Interreg Europe Policy Learning Platform](#) can help regional policymakers to better design SME policies by facilitating the exchange of experience from different regional and institutional contexts and showcasing success stories via the [Policy Learning Platform good practice database](#). In addition to the good practice database, the Policy Learning Platform can provide a forum for direct discussions among partners from different projects – either in thematic workshops, peer review learning, or in webinar and online discussions, and provide expert advice through our on-demand [policy helpdesk service](#).

The Interreg Europe projects are in **various stages**. Some have been running for a few years and have already produced significant policy changes and achievements that improve their regions' social entrepreneurship landscape. Others began a year ago and are still in the early stages of peer learning – these projects have the potential to find crisis mitigation solutions.

#### Projects with a broad perspective



The [SOCIAL SEEDS](#) or "Exploiting Potentials of Social Enterprises through Standardised European Evaluation and Development System" project aims to equip policymakers with a **policy diagnostic tool** that increases the effectiveness of policies for stimulation of growth & employment in social enterprises. The project works to establish a measurement and labelling scheme for social enterprises. The project has already achieved regional policy changes, some of which are described in the next chapter.

[RaiSE](#) focuses on **enhancing the competitiveness** of social enterprises - how to effectively promote SE's competitiveness already competing in the market, considering that their support needs differ from mainstream SMEs? The project works to improve the participating regions' business support policies aimed at social enterprises. In particular, the emphasis of RaiSE is in promoting growth and competitiveness measures, attempting to tie policies along the SE development cycle.





## Social entrepreneurship in sparsely populated and border areas

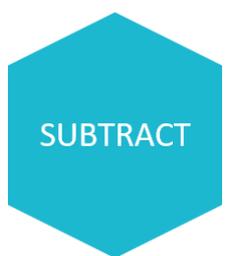


[SOCENT SPAs](#) focuses on increasing the visibility and supporting the acceleration of social enterprises in **sparsely populated areas**. The project sees SEs as drivers of regional competitiveness and inclusive growth. Social innovation and inclusive development are a necessity in sparsely populated areas that are facing depopulation challenges. SEs can correct socioeconomic imbalances while benefiting local communities, a crucial asset to secure the population in sparsely populated areas.

[BRESE](#) aka "Border Regions in Europe for Social Entrepreneurship" makes use of existing differences in European regions and aims to exchange experiences and good practices with their partners to improve existing policy instruments and support schemes regarding social enterprises. The project sees social enterprises as a solution to tackling current challenges (including COVID-19) and bringing about **sustainable change**.



## Projects with a specific focus - reuse centres



[SUBTRACT](#) seeks to develop guidelines on developing the full potentials of reuse centres and render them competitive. The project will guide the ERDF managing authorities and other policymakers to assess and govern reuse centres in their territory. It will strengthen policymakers in their capacity to enact efficient policies of **sustaining reuse centres** in becoming self-sustaining, evaluating their management, their investment and innovation readiness, and measuring their impact. Reuse centres are often managed

by social enterprises, that receive, prepare for reuse, and distribute goods extending their product lifetimes with substantial social and environmental effects.

## Policy achievements in Interreg Europe projects

The main purpose of the interregional learning that takes place in the above-mentioned projects is **to achieve tangible changes** on the local policy level. In many regions this goal has already been achieved. First, important changes have been made in the design of regional (Lapland, Örebro) and national (Ireland) policy on social enterprises. Second, in other regions (Hungary, Emilia-Romagna, Poland) the changes have taken place in the call criteria of European Structural Funds projects. And third, in some cases, participation in Interreg Europe projects have brought about changes in organisational structure (Germany) or they have contributed to the creation of new institutions (Scotland). These most relevant achievements in policy instruments, call criteria and institutions are presented below.

### Changes in policy instruments

According to the EC mapping study, twenty-two out of the twenty-nine analysed European countries did not have a specific policy framework for supporting the development of social enterprises in 2015. Considering this backdrop, it is especially remarkable that Interreg Europe projects have directly influenced changes in policy documents in Ireland, Finland and Sweden.

### Update of the Smart Specialization Strategy – Lapland (Finland)

In Lapland, the SOCENT SPAs project has contributed to updating the local Smart Specialisation Strategy. As the project is a part of the more prominent social economy picture in Lapland, its activities and visits are part of the expertise and knowledge gained, which has



led to the update of the strategy. The cooperation between the project partner Lapland University of Applied Sciences and the policy maker Regional Council of Lapland during project meetings and workshops has encouraged the strategy's update. In cooperation with the project, the wider social economy topic is now one of the smart specialisation areas in Lapland's [S3 strategy](#). Social economy has become one of the goals of development entities.

### **Strategic significance given to SEs – Örebro County (Sweden)**

Örebro County has seen various important developments during the RaiSE project. The project has managed to impact the Regional Development Strategy 2018-2030 with social enterprises' inclusion in the policy document for the first time. During the strategy drafting process, the county emphasised the importance of social enterprises as important building blocks. The strategy is directly linked to the co-funding of future projects and goals of the region. Specifically, the strategy mentions social enterprises concerning the region's social cohesion and democracy, where one of the strategic focuses reads as follows: "strengthen the social economy focusing on work integrative social enterprises and socially responsible procurement."

The Region Örebro County also produced a Policy on Civil society and Social Economy. Its content and shape were directly inspired by lessons learned from the good practices from Ireland and Catalonia. The policy contains topics such as financing, public procurement, measuring social impact and internationalisation. Furthermore, as a direct result of the RaiSE project, the Region Örebro County initiated a project on new financial solutions for civil society and social economy. The Clann Credo fund from Ireland inspired the project (see the good practice description in the challenges section of this policy brief). This project aimed to reduce the distance between civil society and social economy and the financial market.

Overall, the RaiSE project activities and international and internal publicity brought a renewed political interest to the topic of social economy, and social enterprises precisely. Members of the County Executive Board attended various international RaiSE project meetings.

#### **More about Örebro policy achievements**

The social economy developments in Örebro have also been covered in the two virtual Policy Learning Platform events. In March 2020, the RaiSE project lead partner described the Örebro policy change during the Webinar "[Business support schemes for Social Enterprises](#)." In October 2020, Örebro region representative Anders Bro described the various policy achievements as well as new developments regarding public sector and SE cooperation in Sweden in the "[Reuse and repair session](#)" during EURegionsWeek.

In 2020 a [Swedish handbook for municipalities and regions on collaboration](#) with social enterprises was published.

### **Input to the development of National Social Enterprise Policy – Ireland**

The RaiSE project brought a new political interest to the topic of social economy in Ireland by involving key stakeholders in the project activities. Through the Regional Stakeholder Group, the project partner WestBIC facilitated the active participation of other relevant Irish stakeholders to visit partner regions and engage directly with European partners and local practitioners.

The project helped to communicate to the Irish Government the vital role social enterprises can play in assisting the public sector in dealing with specific problems. Further, the project



highlighted the prior lack of information on SE's in Ireland, and the Irish government has now committed to improve data collection and social and economic impact measurement.

As a part of the process, a specific department with a dedicated budget line was set up to handle social economy related affairs. This policy development has already had an immediate impact during the COVID-19 crisis. The department was able to introduce specific support measures to social enterprises that are separate from the standard enterprise measures.

### Changes in funding criteria

One of the challenges mentioned earlier refers to the fact that there is a variety of social enterprises legal forms and definitions are not always that clear. What is considered and what is not considered a social enterprise tends to vary across EU member states' regulations. The definition is often an important question in case of funding schemes, e.g., whether SEs are eligible to certain grants and loan schemes or not. According to the EC mapping study “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.” But the lack of a unified definition makes it also complicated to communicate what the social economy is and aims to do; especially in regions where the social economy is currently underdeveloped. The following policy changes represent cases where definitions and criteria have been clarified.

#### **New selection criteria for funding – Hungary**

In Hungary, where the social entrepreneurship support services and ecosystem are still developing, the SOCIAL SEEDS project's learnings have been implemented in a national grant scheme. The Hungarian project partner IFKA in cooperation with the Ministry of Innovation and Technology, was able to set up a new methodology for monitoring proposals "pre-qualification criteria" for grants in the "[MarketMate](#)" (known in Hungarian as [PiacTars](#)) project. The project's objective was to provide early-stage social enterprises financial support to increase job opportunities for vulnerable social groups such as long-term unemployed, disabled, and inactive elderly people.

The new criteria considered social enterprises' business viability and social impacts as prerequisites for access to a wider portfolio of financial sources in the MarketMate project. It was the first initiative in Hungary where the focus was put on social impact. This change helped to make the policy instrument more effective. Thanks to the SOCIAL SEEDS project, the "MarketMate" project's budget, and timeline were also increased. Under this new methodology, by May 2019, IFKA had evaluated over 1300 projects, provided training, and mentored over 600 social enterprises, and issued over 500 certifications.

The ideas for transforming the "MarketMate" evaluation system into a working certification system were inspired by other partner regions – an evaluation practice from Baden-Württemberg (Germany), an Italian qualification system on which organisations to acknowledge as social enterprises, and Slovenian social enterprise development strategy.

#### **Promotion of SEs participation in skills development measure – Emilia-Romagna (Italy)**

The RaiSE project helped identify the needs of local social enterprises in the Emilia-Romagna region and promote adjustments to the ROP ESF funded call "Skills for Social Innovation". Through the project activities, it became evident that social enterprises in the region need to improve their managerial and organisational skills to be sustainable, adapt to new challenges,



and increase their competitiveness. It was identified that a suitable way of increasing SE managerial skills is by bringing them closer to those of profit-making companies. Based on these learnings, the call seeks to develop organisational skills to improve the competitiveness and sustainability of companies and SEs and to set up multi-stakeholder partnerships.

More concretely, two significant changes were made to the call. First, the call now specifically mentions and promotes the participation of social enterprises. Second, partnerships between for-profit and not for profit companies are fostered by introducing related reward criterion. For the first time, social enterprises were specifically mentioned as recipients of funds to increase their competitiveness through skills development.

### **A broader definition of social enterprises – Rzeszow (Poland)**

In Rzeszow, the SOCIAL SEEDS project has brought about a change in the Regional Operational Programme and its funds. A criterion was added that requires funded projects to support the creation of social cooperatives, foundations, and associations. Project applications that do not meet the criterion, i.e., that do not incorporate social enterprises in their scope, could now be rejected. This change, therefore, incentivises the further development of social economy in Rzeszow and seeks to have more "impact first" organisations in the region.

### **Changes on the institutional level**

Partners from various projects have also emphasised how the fresh ideas learned from peers, including some of the good practices listed above, are incorporated into their new projects, strategic documents, or funding calls. Study visits within the projects have helped develop international connections and increased the visibility of the social economy. Therefore, in addition to contributing to policy making, the projects have an internationalisation dimension for the project partners and SEs present in the regions. The process of participating in an interregional project can also lead to changes on the institutional level as exemplified below.

### **Changes to the internal structure of the project partner's organisation – Germany**

By cooperating in the SOCIAL SEEDS project, Steinbeis Innovation learned from the Rzeszow Regional Development Agency how social economy support centres are run in Poland. Inspired by this new knowledge, it was decided that Steinbeis Innovation also needs to have dedicated staff focused on supporting social enterprises. The organisation has so far been focused more on conventional enterprises. A dedicated expert position has now been created to increase the number of SEs profiting from services and offer advice to all colleagues who support SEs. It is also the expert's role to engage with relevant stakeholders and conduct network building activities. Thanks to this change SEs in Germany have easier access to funding consultations.

### **Affirmed added value of international connections – Scotland**

Scotland has a rather impressive social entrepreneurship ecosystem compared to many other EU regions. By the time the RaiSE project started in 2016, Scotland had launched a 10-year [Social Enterprise Strategy](#). The RaiSE project, therefore, functioned as an enhancement to the actions devised in the strategy. However, the RaiSE project played an essential role for Scottish stakeholders in understanding the value of developing international connections. The RaiSE project visit to Scotland was aligned with the International Social Enterprise World Forum in September 2018. During this international forum, the Scottish Cabinet Secretary announced Scotland's commitment to launch the Scottish ['International Social Enterprise](#)



Observatory' to support Scottish social enterprises to internationalise and demonstrate global citizenship through collaboration. The Observatory regards social enterprise to be a more inclusive, empowering, and sustainable way of delivering on Scotland's international development goals.

### What could regions do next?

This policy brief has covered the current developments of the social economy in Europe, the challenges it faces, and it has illustrated how to alleviate some of these by good practices and policy achievements implemented across Europe. Many of the identified practices have **high replication potential** across the European Union and function as inspiration material to regions not directly involved in the projects.



Here are the main takeaways from this policy brief:

- The European Commission and the European Parliament through the Intergroup and Social Economy Europe are currently preparing the new **Action Plan for the Social Economy**. We recommend keeping an eye on these developments through the [SEE website](#) as it is a great opportunity to link policies and strategic documents on the local level with the developments on the EU level.
- Social enterprises need **access to a wide set of financial instruments** that take into account their different development stages and legal status. One option in supporting the social economy is introduce new procurement procedures that address social businesses and social impact, e.g., to form closer partnerships with specific SEs. But equally important is to support SEs in developing viable and sustainable business models that are not too dependant on the public sector and to encourage private sector impact investments.
- Besides access to funding, it is important to **facilitate the creation of networks**. This can be done either by supporting those communities and networks that are already there as well as creating the policy conditions to foster the creation of such local networks. Networks between various stakeholders create a platform for knowledge sharing and support, which can impact the development of the local social entrepreneurship ecosystem.
- Lastly, it is important to consider that all SEs **start with the people and communities** behind them. They often have very innovative ideas on how to tackle specific social challenges on the local level. It is important to support these people in taking the first steps by encouraging, guiding and mentoring, providing a little financing to get them going, and then, if possible, integrating them into wider networks and providing business support services that can help their SEs to grow.



## Sources of further information

- **European policies and institutions**
  - European Parliament [Social Economy Intergroup](#).
  - [Social Economy Europe](#) – the EU-level representative institution for the social economy.
  - the [Social Business Initiative](#) (SBI)
  - The EU [Programme for Employment and Social Innovation](#) (EaSI)
  - The "[Startup and scale-up initiative](#)" of the EC (2016)
  - Social Economy Europe policy paper: "[The future of EU policies for Social Economy: towards an Action Plan](#)" (2019)
  - Smart Specialisation Platform thematic area [Social Economy](#)
- **Networks**
  - [REVES](#) – the European Network of Cities & Regions for the Social Economy works to promote the social economy.
  - [Euclid Network](#) – funded by EaSI it creates connections between civil society and social enterprise leaders
  - [The European Network of Social Integration Enterprises](#) (ENSIE) – a network for work integration social enterprises.
  - [Global Social Entrepreneurship Network](#) – brings organisations together on a global level to share what works in supporting social entrepreneurs.
  - [The European Venture Philanthropy Association](#) – a community of organisations creating a positive societal impact through venture philanthropy.
  - [OECD Local Development Forum](#) – a network of local development practitioners, entrepreneurs and social innovators working together towards practical solutions to today's economic and social challenges.
- **Good practices**
  - [Social Enterprise World Forum](#) has mapped structural and community responses to the crisis. SEWF wants to highlight cases of social enterprises responding to the pandemic, so that others forming their responses can be motivated and informed by work happening elsewhere.
- **Previous Policy Learning Platform policy briefs**
  - [Facilitating business transfers for sustaining jobs and economic activity](#)
  - [How to boost entrepreneurship in rural areas?](#)
  - [Operational approaches to efficient business support delivery](#)

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*#socialeconomy*  
*#socialenterprises*



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