A better future

Results of the network for better future of social economy

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Foreword

Dear Madam / Sir,

We present this publication, which sums up the three-year cooperation of European Member State institutions managing programmes co-financed by the European Social Fund. During this time we have shared our knowledge and practice, and learnt from each other how to effectively support the development of the social economy, to make it a modern and innovative tool for achieving the European Social Fund's goals.

This work is published in June 2012, at a moment when policy on many of the issues considered is still in the process of formulation. For instance the legislative framework for the 2014-2020 structural funds, the reform of public procurement, the modernisation of the state aid regime or the European Social Entrepreneurship Fund have been drafted but are not yet definitive. We have tried to use the latest documents and updated information, but the reader should be aware that changes could have occurred meanwhile.

I would like to express my thanks to the network coordinators: Małgorzata Lublińska and Monika Andrzejewska (Poland), Filip Kučera (Czech Republic), Adriana Cheber (Lombardy region, Italy), Anna-Lena Wettergren Wessman and Bosse Olsson (Sweden) and Bianca Buijs (Flanders) as well as the other European and member state officials, social economy representatives and experts who have contributed.

I am deeply convinced that mutual learning and transnational co-operation, although it requires an additional effort during our everyday activities, is of great benefit for the development of concepts and the improvement of practice. I hope that the network's effort will be continued in future years.

This publication has been put together by a team of international experts coordinated by DIESIS. Samuel Barco Serrano, Gordon Hahn and Gianluca Pastorelli, with invaluable assistance from Toby Johnson and Dorotea Daniele, wrote part 1 and edited part 2 on the basis of the work of the national BFSE experts: Sven Bartilsson (social franchising), Marek Jetmar (financial instruments), Floriana Nappini and Daniela Gatti (social added value), Krzysztof Herbst and Mikołaj Gurdała (socially responsible public procurement) and Bianca Buijs (state aid and social services of general interest).

I hope you will read it with interest and find in it inspiration for programming future European Social Fund interventions to improve social and economic cohesion in your countries, regions and local environments.

Paweł Orłowski
Undersecretary of State
in the Ministry of Regional Development
Warsaw, June 2012

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A better future

Results of the BFSE network

Part 1: The social economy and the 18 investment priorities of the ESF

Introduction

The Better Future for the Social Economy (BFSE) Network is a Learning Network promoted by Managing Authorities of the European Social Fund, which exchanges knowledge and experiences and shares best practices, in order to foster the development of the social economy within ESF operational programmes.

The network is led by the Polish Ministry of Regional Development in partnership with the ESF Managing Authorities of Flanders (Belgium), Sweden, the Czech Republic and Lombardy Region (Italy). As well as these core partners, other ESF Managing Authorities (namely England and Finland), public authorities, experts and social economy representatives at local, regional, national and European level are involved in the network's activities. The Network is funded by a grant from the European Commission for 2009-2012.

Over the last three years the network has worked together with partners and stakeholders in order to reach its objectives, namely:

- Improving the quality and efficiency of Structural Fund programmes and their impact on employment, social inclusion and training across Europe;
- Promoting support for social economy in participating Member States;
- Identifying, sharing and disseminating good practices regarding support measures, especially to countries where the social economy is less developed;
- Developing EU policy and tools (vertical mainstreaming).

BFSE has worked on solutions for the social economy in five thematic strands focusing on:

1. social franchising
2. financial instruments and fund allocation mechanisms to social economy
3. measuring social added value
4. socially responsible public procurement and public-social partnership
5. Community law (state aid) and social services of general interest (SSGIs)

In each strand the members of the network have shared their knowledge and good practices, and taken part in peer reviews and learning seminars in order to understand how Managing Authorities can better support the development of social economy through the ESF.

The products of each strand's work (good practices, recommendations, tools) are available on the project web site www.socialeconomy.pl

This publication is the result of the common work of the network partners and aims to provide a set of recommendations on how to support social economy through the Structural Funds. The recommendations are based on solutions already tested within the ESF or other programmes in different Member States.

The publication is divided into two parts.

Part 1 suggests what role the social economy should play in the ESF's investment priorities for the forthcoming planning period 2014-2020. It identifies the main challenges, the present European policy trends and the role of social economy for each thematic area covered by the new ESF regulation. It also proposes, for each of the 18 investment priorities, concrete examples of successful solutions implemented by social economy organisations in different Member States. A few overall outstanding recommendations are proposed to Managing Authorities and policy-makers at national and European level.

Part 2 summarises the results of the work done in each thematic strand. Each chapter (one per strand) analyses the policy context and the current issues at European level, describes some good practices and proposes some recommendations on each specific theme.

We hope that this publication will be interesting and useful for you and will contribute to building a

BETTER FUTURE FOR THE SOCIAL ECONOMY!

Overall recommendations

European Social Fund support for the social economy should form part of an integrated strategic approach which is designed, implemented and assessed through partnerships.

1. A partnership framework

These partnerships should suit the local context and should include the relevant actors in the territory concerned: the public authorities, social entrepreneurs themselves (directly or through umbrella bodies), and also researchers, funders, businesses, support organisations and advisers.

The governance system should be based on transparency, a pluralistic approach and respect for the role of every actor.

2. An integrated strategic approach

The policy framework should be comprehensive, ideally covering the following issues:

- **Institutions:** egal forms, recognition of social economy actors, administrative bodies and procedures
- **Knowledge:** research, education, awareness raising, etc.
- **Business development:** advice, training, mentoring, management development, access to larger markets etc.
- **Finance:** a sound financial ecosystem covering tax, grants, loans, guarantees, impact investment, financial engineering etc.
- **Assessment:** The partnership should develop an assessment system that includes process and other quality indicators.

Whenever possible they should be organised into **thematic** programmes on issues such as socially responsible public procurement. Coherence of approach should be ensured through a dedicated department or structures for interdepartmental collaboration.

3. Use of the Structural Funds

The social economy can contribute to many of the 11 Structural Fund thematic objectives and to all 18 of the European Social Fund investment priorities. It is well known for its innovative, well-targeted and sustainable approach. The examples given in this book show how its potential can be maximised.

What is the social economy?

Like many key concepts in the economic field, the definition of social economy is controversial. As this report assesses the relevance of social economy as a policy issue, it seeks to provide a definition which serves the purposes of political actors, be they public authorities or organisations working in the policy field.
There are several definitions of what social economy is, but we will use the one produced by one of the most active EU institutions in this regard: the European Economic and Social Committee. Its website says:

> The social economy sector covers a range of concepts used in the various Member States such as "the solidarity economy" and "the third sector". Beyond national differences regarding terminology and legal forms, social economy enterprises are all inspired by common values such as solidarity, social cohesion, the primacy of the individual over capital, social responsibility, democratic management and the fact that they are not driven by profit and any profits are reinvested into the company and into society.
>
> Social economy is therefore a different way of doing business, which continuously associates the general interest, economic performance, social considerations and democratic operation.[1]

This definition brings out the three basic ideas of the social economy: it comprises enterprises (economic actors), which pursue social as well as economic goals, and do so in a different way from other companies. Another relevant factor is that the social economy has different realities depending on the local and national context, and even has different names. Nevertheless, these differences are not an insurmountable obstacle, not even the fact that in some countries the concept (though not the reality it represents) is unknown (or partially unknown to key actors in policy-making). Furthermore, the social economy represents a significant reality in the European economy. Thus, according to the European Parliament own initiative report on Social Economy it "represents 10% of all European businesses, with 2 million undertakings or 6% of total employment". [2]

Over the last few years, new concepts such as solidarity economy, social entrepreneurship, social enterprise, social business and even social business enterprise have grown up, whose exact meanings are perhaps even more fluid than that of social economy. They share the general thrust of seeking to conceptualise and popularise better ways to use capital to satisfy human needs – on the one hand through grassroots citizen involvement, and on the other hand through the reorientation of financial and business structures.

This is a tremendously positive development, but does not in any way mean that the established forms of social economy organisation are outdated. As these processes of organisational innovation and hybridisation continue, the social economy remains at the heart of delivering goods and services in ways which meet human and social needs.

[1] http://www.eesc.europa.eu/?i=portal.en.social-economy-category
[2] http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2009-0062+0+DOC+XML+V0//EN

The European policy framework

In fact, European social economy policy was born at a moment where in many countries this concept did not exist. The first milestone is the 1989 EC communication,[3] along with the creation of the Social Economy Unit within DG XXIII (the Directorate General for Small and Medium-sized Enterprises), which may have been inspired by the renaissance of this concept in the seventies in France. In the following years there were many initiatives of institutionalisation and political recognition that favoured the introduction of social economy as a policy object in the ESF initiatives in the nineties.

Although there is no "genuine European specific policy with its own legal instruments"[4] in the area of entrepreneurship or social economy, the most relevant issue in this area has been the promotion of the different European statutes (for co-operatives, mutuals, associations and foundations), but, after a long period of stalemate, only the first has come into force (2003). Nevertheless, these actors have played a role in other areas such as the European Employment Strategy. Thus, from the birth of the Luxembourg process back in 1997, the social economy started to receive attention as a relevant vehicle. Within the ESF, social economy organisations, as well as regularly using ESF programmes for training and capacity building, achieved major results in terms of innovation and systemic support thanks to the Community Initiatives Now, Horizon and Euroform between 1990 and 1993 and Adapt and Employment between 1995 and 2000.

The social economy's role in employment was further explored during a pilot action called Third System and Employment, which was managed directly by the Commission between 1997 and 2000. However the most relevant policy in terms of results was EQUAL, the Community Initiative against inequality and discrimination in the labour market,[5] which made social economy a specific theme (2D) within the entrepreneurship pillar. In this case it must be highlighted that, though in many countries (such as Spain) this theme was not included in the national strategy, there were very numerous projects led by and/or aimed at the social economy. With 424 development partnerships (DPs) involving some 3,500 organisations, social economy was the third most popular theme in EQUAL, and over six years attracted resources of some €600 m (an average budget per DP €1.3 m). However its real impact was much higher because the social economy showed its role as a social innovator in all other pillars (increasing employability, encouraging inclusive entrepreneurship, facilitating adaptability, promoting gender equality and integrating asylum seekers) and took part in numerous development partnerships in those pillars.

In the 2007-13 programming period the ESF continued to support the social economy, though this work has been less visible due to the absence of a dedicated Community Initiative. Thus, the ESF has continued to promote transnational cooperation and mutual learning (the BFSE network is a good example of this) and has also built on work and innovations from preceding programmes. Thus we have seen some

[3] *Businesses in the Social Economy Sector* – Europe's frontier-free market, SEC (89) 2187, 18.12.89
[4] Learning for Change – A Better Future for the Social Economy baseline study. Available at: http://www.socialeconomy.pl/x/566857?projekt=531302
[5] http://ec.europa.eu/employment_social/equal_consolidated/

operational programmes working on social franchising, some Progress initiatives in the area of socially responsible public procurement, the continuation of work on lifelong learning initiatives for social economy organisations in Spain, and several other examples that will be addressed in this publication.

Furthermore, it is worth mentioning other new initiatives such as the Social Business Initiative,[6] which represents a more integrated attempt to promote social entrepreneurship. It saw the light in October 2011 after intense preparatory work which involved workshops and an opinion of the European Economic and Social Committee. This new initiative raised much interest from the social economy sector since it addresses several key challenges such as:

- an integrated policy approach
- the legal framework
- access to funding
- visibility and awareness raising
- networking

Among the 11 key actions the Commission proposes:

> *"that an investment priority for 'social enterprises' be expressly introduced in the ERDF and ESF regulations from 2014 in order to provide a clear legal basis and enable the Member States and regions to include targeted activities in their ESF and ERDF programmes for 2014-2020".*[7]

Under the common thematic objective of *promoting social inclusion and combating poverty* the subsequent draft regulations include an investment priority on *support for social enterprises* in the ERDF and one on *promoting the social economy and social enterprises* in the ESF.[8]

Social economy and the public sector

This prefigures what is shown in this publication, that the social economy is a very suitable vehicle for promoting employment, inclusion and entrepreneurship, and it has proven its role in producing more sustainable local, regional and national economic systems. Not only this, but it is also one of the best partners for social innovation in many policy areas. This could be summarised in the first article of the Toia report:[9]

> *"Points out that the social economy plays an essential role in the European economy, by combining profitability with solidarity, creating high-quality jobs, strengthening social, economic and regional cohesion, generating social capital, promoting active citizenship, solidarity and a type of economy with democratic values which puts people first, in addition to supporting sustainable development and social, environmental and technological innovation."*

All these capabilities have been tested in close collaboration with public authorities, enhancing the sustainability of the solutions thanks to their different corporate forms. On the other hand public authorities have responded to this by improving the legal framework, for example introducing new legal forms such as the social co-operative model. This model was born in 1991[10] in Italy and immediately improved both social entrepreneurs' access to funding, governance models, legal security, hybrid

[6] http://ec.europa.eu/internal_market/social_business/index_en.htm
[7] *Social Business Initiative*. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation, 25.10.2011. COM(2011) 682
[8] Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006, Brussels, 14.3.2012 COM(2011) 607 final /2
[9] European Parliament resolution of 19 February 2009 on Social Economy (2008/2250(INI)).

models of resources, etc; and the capacity of local authorities to find innovative local ways to meet emerging social needs in the area of local welfare systems. As a result, more than 7,000 social co-operatives were born and this legal innovation has been transferred to several countries.

But the response of public authorities has not been only in the area of the legal framework. The social economy has become a key actor in the partnership approach to local development and led, for example, to the creation of the first international organisation focused on partnership more than 15 years ago: the REVES Network.[11] Furthermore, there are relevant examples of comprehensive partnerships such as the Global Compact and the Social Enterprise Strategy (UK), the Andalusian Pact for Social Economy (Spain), the Małopolska one (Poland) and the Public-Social Partnerships (Scotland). In all of them, public authorities have recognised the relevance of the social economy within their own power and competences. These partnerships have mobilised public and private funds but also intangible resources such as knowledge, social capital and legitimacy. They have addressed issues such as social and technological innovation, public procurement, rural development, organic production, social inclusion and promoting entrepreneurship in all levels of education.

The social economy has been able to deliver on all these issues, at the same time addressing other pressing challenges, because it benefits from a series of features such as:

- it is close to the people and their problems;
- it is flexible and can combine multiple resources, such as grants, contracts, sales, volunteer time and commitment, to produce multiple benefits for multiple stakeholders;
- it has an honourable history of being the first to come up with solutions to social problems, which are then taken up by the state (examples can be found in many countries such as the Barka Foundation in Poland, charities in the UK and *Wohlfahrtsverbände* in Germany);
- the surplus stays in the community and is reinvested;
- it is open to excluded people (principle of open and voluntary membership) and has a history of caring about excluded groups;
- its basis of mutual trust means that it supports development;
- it is mutually supportive – co-operatives help each other to grow. They do this through creating secondary/federal structures which are democratically controlled by their member co-operatives, as shown by the success of CGM Gruppo Cooperativo[12] and Corporación Mondragón.[13]

All of this makes the social economy a first level partner for the Europe 2020 strategy in all its pillars and all the more in the cohesion policy for the next programming period.

[10] Law N. 381/91 of 8 November 1991, "Regulation of social co-operativesco-operativeco-operative"
[11] http//www.revesnetwork.eu
[12] CGM is the main and oldest Italian consortium of social cooperatives associating more than 1,000 social co-operatives and over 45,000 workers (72% women) all over Italy – http://www.consorziocgm.org/.
[13] MCC (Mondragón Corporación Cooperativa) is the best-known co-operative group, and has been operating in the Basque region in different sectors (industry, finance, distribution and knowledge) since 1956. It has a turnover of almost €14 billion (2010) and employs almost 84,000 workers – http://www.mondragon-corporation.com/.

What role should the social economy play in delivering the ESF's 18 investment priorities in 2014-2020?

As we have seen, the European Union has been developing a policy on the social economy for several decades. This form of entrepreneurship was very soon identified as a relevant instrument for achieving complex goals and addressing problematic challenges. Its qualities also made it a very suitable instrument for employment and social policies, and it has long been a partner in ESF programmes. All this previous work can now be exploited in the new programming period, and specifically in the implementation of ESF programmes and projects.

According to the proposed new regulation:[14]

> *the ESF shall promote high levels of employment and job quality, support the geographical and occupational mobility of workers, facilitate their adaptation to change, encourage a high level of education and training, promote gender equality, equal opportunities and non-discrimination, enhance social inclusion and combat poverty, thereby contributing to the priorities of the European Union as regards strengthening economic, social and territorial cohesion. It shall do so by supporting Member States in pursuing the priorities and headline targets of the Europe 2020 strategy for smart, sustainable and inclusive growth.*

The new regulation identifies four thematic objectives and, for each of them, several investment priorities – 18 in all. A specific investment priority is devoted to the development of the social economy and social enterprises. Nevertheless, as is already the case, social economy can and should also play a role in the other priorities.

The following sections, and their accompanying examples, show how a better use can be made of ESF funds in collaboration with social economy companies and organisations.

For each thematic objective, we delineate the problem to tackle, provide some figures showing the situation in the EU as a whole and in some countries, and indicate the main EU policies and documents. We also provide examples of how the social economy contributes and can contribute to delivering each investment priority.

[14] Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006, Brussels, 14.3.2012 COM(2011) 607 final /2

PROMOTING EMPLOYMENT AND SUPPORTING LABOUR MOBILITY

What is the challenge?

There is not much more that can be said on the imposing challenges for the European Union in terms of employment. Eurostat estimates that currently 24.5 million men and women in the EU27 are unemployed – 10.8% of the labour force. More worryingly, this is a growing trend, since these figures have been increasing every month for the last year.

In the case of the younger generation the situation is even more dramatic: in February 2012, 5.5 million young persons (under 25) were unemployed in the EU27, of whom 3.3 million were in the euro area. Compared with February 2011, youth unemployment increased by 262,000 in the EU27 and by 106,000 in the euro area. In the same month, the youth unemployment rate reached 22.4% in the EU27 and 21.6% in the euro area, growing from 21.0% and 20.5% respectively the year before.
But these figures hide some enormous differences among the regions, where we can find some with only 3% total unemployment and others with well over 30%, and examples ranging from 5% to 60% in young unemployment. This is highly pertinent for the ESF since this tool has shown its capacity to adapt to different local and regional realities providing a very flexible tool for social innovation.

EU policy in this area

The main reference for Europe's employment policy is the European Employment Strategy, based on the Open Method of Coordination, which consists of a framework for EU countries to share information, and discuss and coordinate their employment policies.[15] The EES is one of the policy instruments to achieve the Europe 2020 goals. The National Reform Programmes (NRPs) within this EES, which describe the employment policies of the Member States, are analysed by the Commission for compliance with the Europe 2020 targets and flagship initiatives.

Funding instruments at EU level include the Progress programme, the European Social Fund and the European Globalisation Adjustment Fund (EGF). In the current proposal for the EU's regional, employment and social policy for 2014-2020, there is a new programme: the Programme for Social Change and Innovation (PSCI). This is to be managed directly by the Commission, and will incorporate three existing programmes: Progress (Programme for Employment and Social Solidarity), EURES (European Employment Services) and the European Progress Microfinance Facility and extend their coverage – notably by allocating €95.5 m for investment in social enterprises.[16]

[15] http://ec.europa.eu/social/main.jsp?catId=101&langId=en
[16] http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1093

More specifically, in the area of self-employment, entrepreneurship and business creation, the European Social Fund (ESF) promotes entrepreneurship through financial and business support services. Also, targeted support is provided to women entrepreneurs and disadvantaged and disabled people.

Other relevant measures of the ESF are the learning networks. Apart from BFSE, it is worth mentioning:

- the Community of Practice on Inclusive Entrepreneurship (COPIE) opening up entrepreneurship to all parts of society
- the European Network on Youth Employment exchanging best practices on youth entrepreneurship

Specific funding instruments in this area are:

- the European Progress Microfinance Facility, which helps stimulate self-employment and the creation of micro-enterprises
- the European Regional Development Fund, which supports entrepreneurship via INTERREG projects including ENSPIRE.EU, Senior Enterprise and YES
- the JEREMIE and JASMINE initiatives in the area of micro-credit and credit for SMEs.

Furthermore, it is worth mentioning that the Social Business Initiative includes an initiative to set up a new “European Social Entrepreneurship Fund” label, so that investors can easily identify funds that focus on investing in European social businesses.

There are other policy lines which could be of interest such as the one on “exploiting the employment potential of personal and household services”. The social economy has traditionally played a role here, even a central role in shaping the so-called fourth pillar of the welfare state, where it has been the leading actor in social innovation in this area.

Finally we should mention the continuous commitment of EU policy towards the development of the social economy, as we can see in the Commission communication *Towards a job-rich recovery*[17] which states:

> *Social economy actors and social enterprises are important drivers of inclusive job creation and social innovation and require specific support, including through public procurement and access to finance.*

The role of social economy

The current situation poses many and very complex challenges. Among the most pressing – and the most suitable to be addressed by social economy policies – are the following:

- Quality of employment: in many countries we have seen how sustainability, salaries, working conditions, etc. are worsening rapidly. The social economy provides for higher levels in most of them.

- Differences among regions and countries are growing, but that does not mean that these (countries and regions) are not interdependent, so deterioration in one place will end up affecting the other places. The social economy is a recognised key actor in local development.

- Due to credit difficulties and austerity measures investment is scarce, and therefore we need to improve the employment creation efficiency of investment. The social economy is one of the best actors in producing more and better employment with less initial investment.

- A more business-like approach can increase the sustainability of projects by obliging promoters to plan at the start ways to balance the books.

- Vulnerable groups are also suffering more from the crisis. The social economy has a proven record in addressing this.

Apart from this, the social economy offers a series of features which give it a highly relevant role in tackling the complex problems mentioned.

For instance, local employment initiatives are vital because increased mobility cannot absorb the enormous regional disparities that are opening up. In local development actions, the social economy has shown its ability to produce wealth by mobilising endogenous resources (both tangible and intangible) even in areas where external investment has been non-existent. Moreover this wealth is more evenly distributed, given the principle of avoiding (or minimising) the distribution of profit to shareholders.

The current crisis has proven again that social economy enterprises are highly resilient companies in term of maintaining employment in times of crisis. There are several well-known examples that show how some co-operative groups such as Mondragón or CGM develop supportive strategies to maintain employment in such times. Also, social economy companies have traditionally shown more internal flexibility. Workers can choose to reduce/postpone wages when times are hard, and/or transfer workers to other enterprises in social economy groupings, thus reducing layoffs.

[17] COM(2012) 173 final, 18 April 2012

They offer easier access to entrepreneurship for people with little access to external investment, as for example the coopératives d'activité in France have shown.
Finally, the current climate of increasing retirement ages makes job quality and resilience to lay-outs even more important.

Other factors that make the social economy relevant to these priorities are:

- Empowerment: as it is based on individuals rather than capital, has open and voluntary membership and insists on democratic voting, it promotes active citizenship, empowers people, and is by its nature inclusive;

- Entrepreneurial biodiversity: an economy is healthier and more sustainable if it is made up of a variety of corporate types;

- Gender equality: social economy organisations not only employ a high proportion of women, but also give them access to management positions and promote female entrepreneurship. From the point of view of reconciliation between work and private life they are more prone to adapt working times to suit workers' private commitments;

- Social economy organisations, owing to their multistakeholder governance structure, are more likely to address and satisfy the needs of multiple stakeholders.

Investment priority 1: Access to employment for job-seekers and inactive people including local employment initiatives and support for labour mobility

Clean green jobs for the most disadvantaged

Catalyst Pluss (UK) sprang out of Pluss, a social enterprise employing some 500 people, half of them disabled, owned by a number of local authorities in southwest England. It uses the social enterprise model as a vehicle to enable those most disadvantaged in the labour market to gain access to paid employment, work experience and training. The ESF-funded project supports the setting up of new social enterprises, enabling those not in work to develop and have control of their own business or to gain other work or training. The support is intended to create viable employee-led enterprises that employ the most disadvantaged people. Since April 2010, Catalyst Pluss has created around 20 paid jobs in washing cars, charity shops, online shops and grounds maintenance.

The eco-friendly hand car-washing enterprise, Future Clean, was set up in partnership with a private company, 2G, and inspired on the German model used by Nordberliner Werkgemeinschaft. It has proved to be very successful providing employment opportunities and attracting interest nationally and internationally. Future Clean works in partnership with local authorities and operates from local authority controlled city-centre car parks. It has created about 40 jobs for people with moderate to severe learning difficulties, complex mental health issues and multiple physical disabilities.

Catalyst Pluss has been refining the model for Future Clean and has introduced working interviews for the recruitment of staff and has adopted the intermediate labour market model for its employees. Employees are issued with a temporary contract of employment and during their period of employment they are assisted with job seeking activities to enable them to move into external employment. This model is now being formalised into a traineeship programme that will see employees issued with a contract for 21 hours per week for six months which will include in-work training and help to find external employment.

http://www.esf-works.com/projects/short-reviews/projects/401140

INVESTMENT PRIORITY 2:

SUSTAINABLE INTEGRATION OF YOUNG PEOPLE NOT IN EMPLOYMENT, EDUCATION OR TRAINING INTO THE LABOUR MARKET

Flanders bridges the gap between school and a proper job

The Flemish city of Mechelen is working with two social economy companies to enable youngsters to combine part-time education with employment. The evaluation of De Ploeg and Levanto shows that giving youngsters the chance to combine their training with appropriate work experience means they are better equipped to find a job, and can avoid prolonged unemployment.

Levanto provides work placements and training for around 50 young people a year, at a cost of €47,500. The young people work part-time in places like nursing homes, a wholefood shop, Mechelen football club, Planckendael zoo or the youth hostel. The project has a success rate of 94% compared with the 80% achieved by the city itself. A further nine students have found work in the context of the Social Maribel (a reduction in social security contributions for new jobs created in the non-profit sector).

De Ploeg finds work for 21 youngsters a year, and in return for receives a payment of €21,000. It has 13 partners offering part-time jobs to young people, such as the Nekker sports centre, Prisma multicultural integration centre, nursing homes and kindergartens. Even young people with specific problems such as attention deficit hyperactivity disorder (ADHD) and unaccompanied refugees may find an opportunity at De Ploeg.

www.deploeg.be, www.levanto.be

INVESTMENT PRIORITY 3:

SELF-EMPLOYMENT, ENTREPRENEURSHIP AND BUSINESS CREATION

A test bed for new businesses

An activity co-operative is a launch pad, a business incubator that provides budding business people with an easy transition from inactivity to self-employment. It provides entrepreneurs with financial and legal cover during the trial business period. Intending entrepreneurs benefit from a safe legal status and an income guarantee as the business builds up, as well as peer support (but not necessarily premises). They pass through three stages:

1. First, they remain technically unemployed but develop their business idea under the wing of the activity co-operative;

2. Next, if it looks like being a success, they become a 'salaried entrepreneur' with the security of a part-time employment contract;

3. Finally they become a self-sufficient business, sharing in the ownership and management of the co-operative.

The structure thus provides the small business person with the best of both worlds – control over their working life, but with the support of a group of people who are facing the same problems and want to pool their enthusiasm and expertise. It helps to overcome one of the most discouraging features of becoming self-employed – the isolation. Activity co-operative clients are in all sorts of activities from cookery, industrial cleaning, furniture restoration and organic horticulture to violin making, jewellery, translation and web design.

Activity co-operatives are operating in around 100 locations across France, and there are eight in Belgium as well as examples in Sweden, Morocco and Quebec. At any one time, they are supporting around 3,500 nascent enterprises.

http://www.apce.com/pid648/cooperatives-activites.html

Investment priority 4: Equality between men and women and reconciliation between work and private life

Child care co-operatives all over Europe

The existence of child care structures is an important pre-condition to ensure equality between men and women and reconciliation of private and professional life.

In **Italy**, the major consortia of social co-operatives together with one of the major national banks created in 2004 PAN consortium. PAN develops services for children through the social enterprise formula, an entrepreneurial form coherent with the 'public' purpose of these services. Local governments responsible for the administration of child care services and families or private/public companies interested in creating "company nurseries" are also playing an important role as partners.
PAN offers planning, start-up assistance and loans to organisations and people interested in establishing new types of services for children in the form of social enterprises.
A guaranteed quality trademark is given to all social enterprises members of PAN with quality check tools. PAN also helps families with personal loans focused on making the access to early childhood services less expensive.
In just four years, PAN has successfully built 150 new infant schools with 4,500 available places and more than 1,000 new jobs. Nowadays there are in Italy more than 400 day nursery centres which take care

of about 12,000 children and employ more than 3,000 people.

www.consorziopan.it

In **Andalusia** there is a tripartite programme where Municipalities offer buildings and/ or surface to a co-operative to build a kindergarten and the regional government signs an agreement to cover some public places in the school. Social entrepreneurs have to build the building and they receive technical support from CEPES-Andalucia for the design and development of the project. There exist also some agreements with some regional financial institutions (banks). All childhood schools are in rural areas.

http://escuelasinfantiles.innoves.es/escuelas/?q=node/37

Sweden is faced with sparsely populated areas where public services are increasingly disappearing. Long distances to childcare make the work-life balance unsustainable. One example where this was prevented was in the village of Brännberg in the north of Sweden. The public preschool was closed due to a small number of children. The parents in the village decided to create a parent co-operative, and thereby avoid the daily extra travelling to take the children to daycare in a neighbour village. Parent co-operatives are owned and managed by the parents of the children on the daycare centre. The parents are responsible for the management of the daycare centres, although hired staff account for most of the daily work. The parents are involved in the board, economy, maintenance etc. In this way the parents have the possibility to ensure participation, influence, and safety when leaving their kids in childcare.

www.kfo.se, www.coompanion.se

INVESTMENT PRIORITY 5:
ADAPTATION OF WORKERS, ENTERPRISES AND ENTREPRENEURS TO CHANGE

Equipping managers to meet new needs

Adaptation to change is a key challenge for most enterprises and so it is for the social economy. In the case of Andalusia, one key line of development has been the role of leadership. This is a role that cannot be addressed in the same way as within profit-maximising, individualistic enterprises. The sector and the government realised the need to set up a highly innovative instrument to address the multifaceted nature of leadership and change in social economy organisations. This is how the Andalusian School of Social Economy was born in 2002. It is a top-level education institution managed by a foundation set up by CEPES-Andalucía (the umbrella organisation representing the social economy in this Spanish region) and FAECTA (the regional federation of workers' co-operatives) and funded by the regional government. Its headquarters is a restored 17th century convent in Osuna, in the centre of Andalusia, where it can accommodate more than 25 people. In its more than 12 years of history it has set up a range of training programmes:

- FIDES for Senior Managers (FIDES Directivos y Directivas): an MBA-type programme to prepare senior managers and officials to respond to the changing conditions in society.
- FIDES Entrepreneurs (FIDES Emprende): for start-up social entrepreneurs, paying special attention to collective entrepreneurship.

- FIDES tutors (FIDES Tutor) to train alumni from ‘FIDES for senior managers’, as coaches and teachers. It also serves to keep the school in contact with its alumni.
- FIDES leaders (FIDES Rector) aimed at leaders of organisations representing social economy in Andalusia. The speakers are first-level figures in the subject such as former prime ministers, leading journalists, top officials both national and from other countries, etc.
- Social Economy and Care (FIDES Economía Social y Dependencia): an MBA-type programme for senior managers of social enterprises in the social and health care sector.

http://www.escueladeeconomiasocial.es/

Investment priority 6:
Active and healthy ageing

Tackling the challenges of the new welfare

In Italy, Legacoop has recently launched an intersectoral project on health, responding to demographic changes and new needs of the population (active and healthy ageing, new models of care services). The project aims to create a network among the various actors in the co-operative and mutual sectors in order to integrate the supply of care and health services. Collaboration with the public sector is crucial to the reform of the welfare system. Cooperation among the different actors will promote more efficient services and a new culture of a sustainable welfare system based on “fewer hospitals – more prevention, home care and management of chronic diseases”.

http://www.legacoop.it/VisualizzaPagina.aspx?idpagina=123

Welfare Italia Servizi is a social enterprise created in 2009 by the CGM Consortium, Intesa Sanpaolo and Banco Popolare, to propose an innovative model of welfare in the health services. Welfare Italia is a network of medical and dental practices offering high-quality services at affordable prices. Welfare Italia is organised through a franchising system based on values such as the central role of the person and the family, a welcoming environment, and paying special attention to people in difficult situations. Welfare Italia has so far opened 12 clinics in different parts of Italy.

www.welfareitalia.eu

Investment priority 7:
Modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility

Going abroad for new business ideas

In 2009 the European Commission launched Erasmus for Young Entrepreneurs, an exchange programme that helps new entrepreneurs to acquire relevant skills for managing a small or medium-sized enterprise by spending time (1 to 6 months) in an enterprise managed by an experienced entrepreneur in another European country. The co-operative movement participated in the programme with the consortium COOPERASMUS, led by Cooperatives Europe and involving partners from 6 European countries. Co-operative umbrella organisations from UK, IT, SE, BG, BE and ES have been selected as intermediaries

to help new and host entrepreneurs to get in contact and to assist them during the relationship. The programme was a great opportunity for the co-operative movement. Firstly, this project responded to a need which co-operative businesses have expressed several times in the past: new entrepreneurs/co-operators, especially in the start-up phase, need to exchange experience with experienced entrepreneurs. Secondly, it was another official recognition of co-operatives as key actors in the current market context.

Thirdly, it constituted a great chance to foster the creation of new co-operative businesses and to enable co-operatives to gain an international dimension. The members of the CoopErasmus consortium collected some 100 applications and succeeded in organising 20 successful relationships and one failed relationships, involving 22 entrepreneurs.

http://ns39179.ovh.net/~coopsue/spip.php?article753

Investing in education, skills and lifelong learning

What is the challenge?

Education and training has always been a primary policy goal in the European Union, but in the current situation of crisis and austerity measures this objective is even more relevant. Sometimes the short-termism brought on by the crisis situation makes it more difficult to align the key actors behind these long-term, structural objectives.

Furthermore, in an era characterised by "liquidity", or rapid changes in paradigms and in solid references, the tools provided by solid education and training play an even more necessary role, as the joint progress report of the Council and the Commission on the "Education & Training 2010" work programme[18] acknowledges. However, education is not only a tool for employment but also a factor of full participation in society and this is something the social economy understood from the very beginning, as the fifth of the Rochdale Principles (or Co-operative Principles) states: *co-operative societies provide education and training to their members and the public.*[19] On the other hand, the crisis and rising unemployment can favour a return to school and a reduction in school dropouts, and therefore there is also an opportunity that should be seized. However this depends on a reversal of the worsening conditions in the labour market (in terms of less job security for example) which may affect the capacity to upgrade the skills and competences of the workforce.

Nevertheless, figures for early school leaving in the EU remain high: over 14% (over 15.5% for the euro area) of the population aged 18-24 have at most lower secondary education and are not in further education or training (2010).

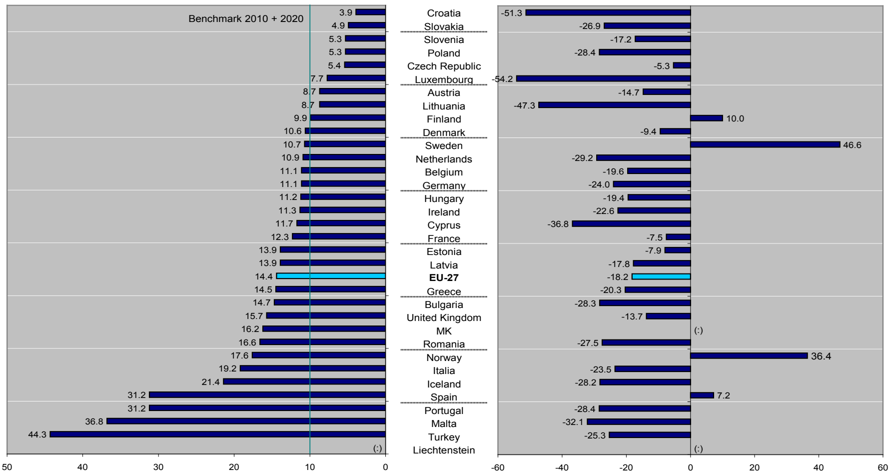
In relation to lifelong learning the situation is worsening rapidly: in 2010, the proportion of persons aged 25 to 64 in the EU receiving some form of education or training in the four weeks preceding the labour force survey was 9.1%; a share that was 0.7 percentage points lower than the corresponding share for 2005, which makes it more difficult to achieve the 2020 goal of 15%.

Nevertheless, here again figures are very different depending on the country, varying from 1.3% in Romania and 3% in Greece to 32.8% in Denmark.

Finally, as the Commission states, it is worth noting that "the EU has around 80 million people with low or basic skills – benefiting less from lifelong learning than more educated people".

[18] *Key competences for a changing world*, Official Journal C 117 of 6 May 2010.
[19] The Rochdale Principles are a set of ideals for the operation of co-operatives. They were first set out by the Rochdale Society of Equitable Pioneers in Rochdale, England, in 1844, and have formed the basis for the principles on which co-operatives around the world operate to this day.

Chart 1: Percentage of the population aged 18-24 with at most lower secondary education and not in education or training (2009) and trend 2000-2009 (% relative change)



EU policy in this area

In relation to EU policy the main reference is the strategic framework for European cooperation in education and training (ET 2020) which sets out the long-term strategic objectives of EU education and training policies:

- making lifelong learning and mobility a reality
- improving the quality and efficiency of education and training
- promoting equity, social cohesion and active citizenship
- enhancing creativity and innovation, including entrepreneurship, at all levels of education and training.

As for the relation of these policies within the Europe 2020 strategy, the Smart Growth priority includes the aim of "encouraging people to learn, study and update their skills" and Inclusive Growth that of "helping people of all ages anticipate and manage change through investment in skills & training".

As we have already pointed out, this is a policy issue with a long-standing history in the European Union. This can be seen in the existence of several programmes (some with an outstanding tradition such as Leonardo, Youth, Erasmus, etc.). The two flagship initiatives of the Europe 2020 strategy in the area of education and training are "Youth on the move" and the "Agenda for new skills and jobs".

Finally, in many European countries the social economy has taken initiatives in training and education. Some of them are quoted in the good practices included in this document, such as the intersectoral plans for the social economy in Spain, which have been active for more than a decade now.

The role of the social economy

In relation to upgrading the skills and competences of the workforce, social economy companies are widely recognised as sustainable vehicles for workers and entrepreneurs. This is for several reasons:

- As people-centred organisations they tend to allocate more resources to their development;
- They develop several strategies to make employment sustainable, which is the basis for any strategy to upgrade skills and competences;
- Many co-operatives include even in their legal obligations a minimum allocation to education and training.

The issue of early childhood education is closely related to access to employment for women and the reconciliation of professional and personal life. The social economy has played a key role in countries where the welfare system does not provide a public solution for this issue, such as Spain or Italy. In these countries the social economy is a key actor in childcare, especially in areas which are under-served by the public and private sectors, as we can see in some of the examples included here. The EU is paying growing attention to this stage of education[20] and its role in tackling social and cultural inequalities.

In relation to tertiary education, the social economy is playing an increasing role in promoting entrepreneurship, in post-graduate education and in some countries has even set up universities and equivalent education institutes as a way of increasing participation (as for examples Mondragón University in the Basque Country or Florida Co-operative Group in Valencia[21]).

Investment priority 8:

Reducing early school-leaving and promoting equal access to good-quality early-childhood, primary and secondary education

Entrepreneurship education provides instructions for life

Mainland Finland's ESF operational programme for 2007-13 totals €1.4 bn, of which €544.5 m to the national programme. This is mostly made up of 23 'national development programmes'. These support clusters of projects pursuing strategic objectives, and one of these is for entrepreneurship education. This makes Finland almost unique in using ESF funds for education purposes.

The €8 m National Development Programme Driving Change through Entrepreneurial Education and Competence is managed by the Finnish National Board of Education (FNBE). It is an ambitious programme with 85% ESF funding, and fits perfectly into national policy. It contains 7 projects, whose goals are to:

- develop teachers' and head teacher's competence in enterprise education
- create regional networks
- build learning pathways (primary to higher education)
- develop learning environments & teaching resources

[20] http://ec.europa.eu/education/school-education/childhood_en.htm

[21] This is a co-operative group born in the first half of the 1970s that now runs several educational institutions and has demanded the regional government's approval to set up its own university.

The programme's rationale is that entrepreneurship education and entrepreneurial skills provide young people with the resources to cope in a world of continuous change and ever greater complexity. In addition, these projects highlight creative and innovative aspects, alongside the willingness to take risks in education, as well as the ability to plan and manage activities in order to achieve one's goals.

The long-term effects of the projects enhance growth, competitiveness, productivity and finding employment. As a country with a welfare system, it is important to Finland that its young people view entrepreneurship as a valued career option. It is also vital that they participate in creating new entrepreneurship opportunities and business activity for Finland.

The experience is transferable as all Finland's ESF operational programmes have an objective for teacher training, and this can be used for enterprise education.

http://www.rakennerahastot.fi/rakennerahastot/tiedostot/esitteet/TEM_National_Development_Programmes_lores.pdf

Investment priority 9:

Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels

Masters degrees in the social economy

Spanish policy for social economy has always paid attention to knowledge-related measures and it has realised that masters degrees can open up access to post-graduate education for potential social entrepreneurs. As a result, this type of programme has a longstanding tradition and they are present throughout the country. In Spain there are three different types of masters degree:

- Those taught by universities such as the Master in Social Economy at the universities of Valencia or Barcelona
- Those taught by social economy organisations (universities or not) such as those from Mondragón University or the Andalusian School of Social Economy
- Those taught by other types of tertiary education institutions not directly related to the social economy, such as business schools like ESADE or EOI (both among the four best business schools in Spain) or university institutes such as IGOP in Catalunya.

In **Italy** several universities deliver MBA-type programmes, often in cooperation with social economy umbrella organisations. Often co-funded by the ESF, they focus either on management of non-profit and third sector organisations or on co-operative studies. Social economy companies offer internships for trainees.

In **Poland** several universities use the ESF to fund post-graduate courses on social economy, namely Warsaw University (Institute of Social Policy), Wrocław University (Institute of Political Studies), Kraków University (Małopolska School of Administration). There are also some courses not connected with the ESF, such as those offered by Lublin University (Maria Skłodowska-Curie University) and Bydgoszcz Higher School of Economy.

INVESTMENT PRIORITY 10: ENHANCING ACCESS TO LIFELONG LEARNING, UPGRADING THE SKILLS AND COMPETENCES OF THE WORKFORCE AND INCREASING THE LABOUR MARKET RELEVANCE OF EDUCATION AND TRAINING SYSTEMS

Training in partnership

On the one hand, lifelong learning plays a key role in the social economy. On the other hand, the social economy has long been accepted as a strategic sector for the Spanish economy, so one would expect to find specific measures for it in the national plan for lifelong learning. The public authorities have included the Intersectoral Plans for the Social Economy within it.

These are special plans exclusively for workers in social economy organisations and enterprises. The national programme is co-funded by the ESF (it represents less than 8% of the total funding) within the Multiregional Operational Programme (Adaptability and Employment) and so are the regional plans. They are managed in partnership, with the national and regional umbrella organisations sharing the management and even providing part of the training either themselves or through specialised social economy enterprises. In 2011 the budget for all national intersectoral plans was €44.9 m, of which €7.3 m went to the social economy ones. A similar amount is allocated to the regional plans. The national Intersectoral Plans for Social Economy trained 20,371 people for 908,000 training hours.

http://www.fundaciontripartita.org/orientacion/planes_de_formacion_financiados_economia_social.htm

PROMOTING SOCIAL INCLUSION AND COMBATING POVERTY

What is the challenge?

According to the Joint Report by the Commission and the Council on Social Inclusion, social exclusion is:

> *… a process whereby certain individuals are pushed to the edge of society and prevented from participating fully by virtue of their poverty, or lack of basic competencies and lifelong learning opportunities, or as a result of discrimination. This distances them from job, income and education opportunities as well as social and community networks and activities. They have little access to power and decision-making bodies and thus often feel powerless and unable to take control over the decisions that affect their day to day lives.*[22]

The crisis is producing a sharp rise in inequalities in Europe as the daily lives of many social entrepreneurs attest. This deterioration can be seen in several indicators, such as the Gini coefficient (see below), growing financial exclusion and over-indebtedness, and the increasing social and political exclusion of vulnerable groups such as the Roma and migrant communities.

These trends are challenging the basis of the welfare state in some EU countries and they affect the social fabric of many communities.

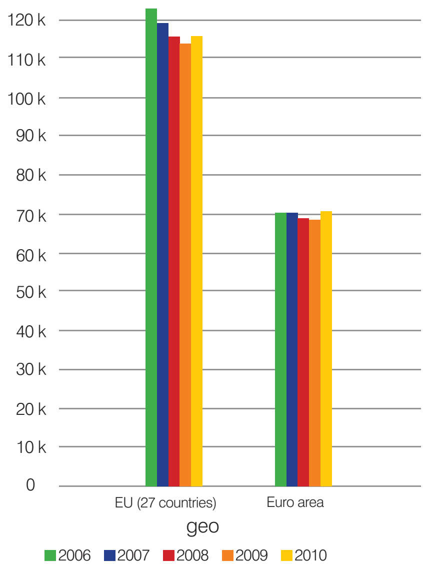
Nevertheless, we should not only consider this to be a conjunctural issue. There were other negative trends prior to the crisis which are also a major concern, such as in-work poverty (see below).

Furthermore, the austerity measures are also posing a major challenge for social services. These have been affected in many countries by severe cuts in public spending as the Commission states:

> SSGIs in all Member States have come under serious pressures as a result of the economic and public budget crisis. The contracting economy has led to the growth of the need and demand for social services and, at the same time, has significantly constrained the financing basis in public budgets.[23]

People at-risk-of-poverty or social exclusion % and 1000 persons

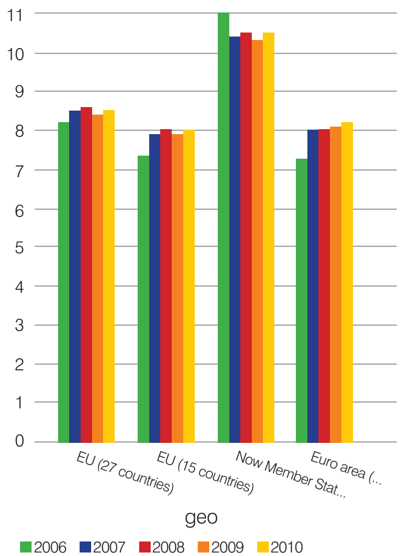
1000 persons



Source of Data: Eurostat

[22] Joint report by the Commission and the Council on social inclusion. 7101/04, 5 March 2004
[23] Second biennial report on social services of general interest. Commission staff working document. SEC(2010) 1284 final, 22 October 2010

In-work at-risk-of-poverty rate (Source: SILC)
Total



Source of Data: Eurostat

EU policy in this area

With respect to EU policy we should mention that this is also an area of mere open coordination. The main overarching instrument is the Social Agenda, which was renewed for the last time on 2008 but has not been updated since it expired in 2010. In the new strategy (Europe 2020), there is no separate chapter on social inclusion. Nevertheless it has been intertwined into the main theme of inclusive growth and it is one of the five general targets, but in this case this is somehow reduced to its economic dimension.[24]

In relation to the Flagship Initiatives within Europe 2020, there is one that deals solely with social inclusion and combating poverty: the "European platform against poverty". Social inclusion is included in many European programmes and financial instruments in the social field (ESF, EGF, Progress, SBI) and also in related areas (Daphne, Youth and some actions in regional policy such as the Regional Policy DG's pilot project on Pan-European Coordination of Roma Integration Methods).

Nevertheless, we should keep in mind that social inclusion is a multifaceted problem with non-economic dimensions. Social and political inclusion is also of high relevance and the social economy has always tried to address them in a complex and systemic way.

The role of the social economy

Much could be said in an area where the social economy is more widely recognised for delivering solutions. Firstly, at a time of crisis, we might be tempted to disaggregate and separate the objectives and think could tackle one, because it is more important, and then tackle the other at a later stage. Social economy has shown its significant capacity to address several challenges at once. Thus, we can see initiatives in the area of financial inclusion, income generating activities, social inclusion of vulnerable groups, social services, health services, community-led initiatives, etc. and also many addressing all or most of those goals at the same time.

Secondly, at a time of crisis and austerity, a business-like actor, with a long record of

[24] The three indicators used to assess this target are of an economic nature: "People living in households with very low work intensity", "People at-risk-of-poverty after social transfers" and "Severely materially deprived people".

social innovation and **sustainability** in terms of new proposals and delivering results to old problems, is a key partner for public authorities.

Member States are increasingly focusing on **active inclusion** to strengthen social integration. There is a clear trend towards making benefits more strictly conditional on active availability for work, and improving incentives through tax and benefit reforms.

For those people who are furthest from the labour market, some Member States have put in place policies such as in-work support for job retention and advancement, on-the-job training and a rise in minimum wages to ensure that work pays.

The social economy is an important source of **jobs** and **entrepreneurship**, including for people with poor qualifications or whose capacity for work is reduced. It can enable the most disadvantaged to exercise some kind of gainful activity or to create employment in areas without mainstream companies and employers (peripheral areas, remote rural areas). It also provides vital **social services** and assistance that are often overlooked in the market economy and plays a key role in involving participants and European citizens more fully in society since stakeholders – i.e. workers, volunteers and users – are as a rule involved in management. Social inclusion calls also for a political inclusion that could be even more relevant in these times. One easy example is the provision of voice and vote to citizens and/or workers in social services. Many projects have shown the relevance of multi-stakeholder participation in key aspects of social services provision (design, implementation and evaluation) such as the TQS project[25] from REVES funded under the Progress programme in the area of social service quality or the *Piani di Zona* (mentioned in the SRPP chapter in Part 2).

Finally, the social economy is a key **local development** actor, whose role has been highlighted by several actors. It facilitates the mobilisation of endogenous resources, the local cohesion which is fundamental for local development, and the inclusion of excluded groups which may be even more necessary in times of scarce resources. It has shown its capacity to build long-term sustainable partnerships (even accepting its role in mobilising financial resources), and it does not relocate to lower-cost regions.

Within the broad galaxy of the social economy a specific kind of social enterprise has played a major role in the fight again social exclusion: those aiming at the social and professional integration of disadvantaged people. A specific term has emerged in recent years in Europe to refer to **work integration** initiatives within the social economy: *Work Integration Social Enterprises* (WISEs). WISEs are autonomous economic entities whose main goal is to help poorly qualified unemployed people who are at risk of permanent exclusion from the labour market. These enterprises integrate them back into work and society in general through productive activity. They offer either transitional job opportunities for workers needing to train or update their skills before going back to the general economy, or permanent and adapted jobs for the most disadvantaged categories (mentally ill or physical handicapped people, etc.). As demonstrated by the Progress WISE project, WISEs play a major role in achieving many of the European Union's objectives and policies.[26]

[25] The objective of the TQS project was to develop mechanisms for a participatory (re-)definition and measuring of local quality standards for social services of general interest (SSGIs) which would respond to local needs and provide an orientation to service users, services providers, local authorities and the local community. More info: http://tqs.revesnetwork.eu/

[26] http://www.diesis.coop/images/stories/publications/guidelines_for_EU_Policy_makers_EN.pdf

Investment priority 11:
Active inclusion

Le Mat: travelling with social entrepreneurs

Le Mat is a brand and a social franchise system of social entrepreneurs in tourism. Le Mat officially started in 2004, through an EQUAL project, by distilling good and sustainable practice from Trieste in the north-east of Italy. Il Posto delle Fragole (Le Mat founder member) is a worker-owned social co-operative composed of young psychiatric patients, artists, drug addicts, physicians and sympathisers, that has managed a small hotel in Trieste since the late 1980s. As Le Mat developed further, the EQUAL project distilled more than just one model
– a 30-room hotel in main cities, near transport links, completely accessible and usable by people with disabilities – but there are many different ways to be a Le Mat Special Place. Even if there are common quality elements, each Le Mat is different and unique, there are variations in culture, geography, architecture, entrepreneurship and social aspects. Thanks to a bottom-up process, Le Mat social entrepreneurs discover and share interesting and innovative practices in inclusive tourism, hospitality and sustainable local development, identifying needs, demand, processes and quality standards. Step by step Le Mat distils the different experiences it knows and meets, extracts the most significant quality elements and it tries to replicate them. Le Mat is working to become a well-known brand for travellers who are curious to know the world of social entrepreneurs: special places, special people, special values!
Le Mat is owned in Italy and in Europe by social-co-operatives. In Italy it is a consortium (a co-operative society of social co-operatives), owned by 9 social co-operatives, 3 consortia of social co-operatives, the Le Mat Travellers Association and Coopfond, a co-operative development agency. At the European level Le Mat is also a co-operative owned by Le Mat Italy and Le Mat Sweden. Presently, in Italy there are 18 approved Le Mat Special Places. In Sweden at the moment there are two Le Mat B&Bs. Nowadays Le Mat is growing up also in UK and in Bosnia – Herzegovina.

http://www.lemat.coop/

Investment priority 12: Integration of marginalised communities such as the Roma

Green job opportunities for Roma

In the Odry region, the Czech ESF is supporting a project to help the socially excluded Roma minority (which represents a significant share of the inhabitants) and, at the same time, to promote the development of the Odry nature conservation area. The work integration social enterprise "AC AERO s.r.o." was established to offer gardening services (in private houses, town parks and company premises) and to cultivate vegetation in the countryside. AC Aero also builds, maintains and repairs smaller buildings. The income earned is invested in the development of the company (widening its activities, mechanisation and marketing) and in establishing further jobs for members of the target group.

The key project activities are individual consultancy and support to help Roma employees to change their attitudes to work and life style and to improve their financial situation. The management holds regular group discussions with the employees to solve problems on either side. These discussions could result in changes in work organisation and conditions, which lead to improved quality and productivity, and generally to more positive working relations. Support services and management of the firm is provided by a highly motivated team, experienced in garden design and working with the target group.

Thanks to the project, 17 Roma people have been employed by AC Aero since the start of the project on 1 January 2011. The present number of Roma employees is six.

http://www.esfcr.cz/projekty/ac-aero-kultivace-krajiny-oderska

Investment priority 13: Combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation

U Pana Cogito

About 400,000 people are estimated to suffer from schizophrenia in Poland. It is extremely difficult for them to find a job. At the end of the 90s, representatives of non-governmental organisations, local government units and Kraków schools were invited to Edinburgh to witness how Six Mary's Place, a guesthouse employing people with psychic disturbances, functioned. The idea to undertake a similar venture in Kraków occurred. An NGO from Edinburgh, along with two Polish associations, applied jointly for a grant to the National Lottery Charities Board in Great Britain to acquire funds for the investment. They were successful! In 2000–2002, the grant covered the administration costs and assured financing of 20% of the costs for the investment. Scottish NGOs supported and supervised completion of the project. Funds were also acquired from private sponsors and public resources. As reflected in the marketing analysis a three-star guesthouse was the most suitable for the guests visiting Kraków. It was decided that the hotel should operate as an institution of vocational activation for the schizophrenia patients. The Kraków authorities offered a historical building needing renovation on a 40-year lease. Opening of the guesthouse cost 1.2

million PLN (€300,000). PFRON (the State Fund for Rehabilitation of Handicapped Persons) granted 40%, and the remaining part was acquired through grants.

In 2003, 'Mr Cogito's' guesthouse opened its doors. Before it happened, the association organised courses for employees, kitchen help works, reception asset works, cleaning services etc. Later on there were catering courses as well as computer literacy courses, internship and apprenticeship organised in cooperation with Kraków hotels such as Holiday Inn and Regent, and Fundacja Kawiarnia "Hamlet" (Hamlet Foundation) and Occupational Therapy Workshops. About 40 people with the past mental illness were trained. 21 people suffering mainly from schizophrenia work in the guesthouse.

The entire income is allocated for rehabilitation of the workers, subsidised medicines, rehabilitation camps, and additional training sessions. After 2 years, in 2005, the association opened the second facility, a social enterprise in the form of a limited liability company, supporting the work of the guest house. Start-up costs were financed by the ESF (430 000 PLN €108,000 – 52% of the total investment).

Recently the association has also developed other activities such as bicycle hire and catering services for conferences, training, outdoor events, and private events.

http://www.pcogito.pl/language,4,english.htm

Investment priority 14:
Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest

Capitalising social co-operatives

JEREMIE ESF Lombardy (IT) is designed to promote easier access to credit to micro, small and medium enterprises and access to employment and education to disadvantaged people. Under the JEREMIE initiative, the ESF Lombardy Regional Operational Programme makes loans to shareholders belonging to social cooperatives or workers' cooperatives that employ at least 30% of disadvantaged members, in order to enable them to buy shares in the social cooperatives that employ them. This extra working capital strengthens the enterprises' capacity to provide services and employment.

The local financial intermediaries provide loans to disadvantaged people amounting to €4,000. The JEREMIE contribution is 50%, configured as a 'bullet component', a 5-year interest-free loan, with a single repayment. The above-mentioned local financial intermediaries provide the rest, also in the form of 5-year loan, but with a fixed interest rate and monthly repayments. The JEREMIE fund, worth €20 million, is managed by Finlombarda, a public financial institution, through selected financial intermediaries. After the first call in 2010 Banca Popolare di Bergamo and Federazione Lombarda BCC received €5 million each, and in 2011 Banca Popolare di Bergamo, Banca Popolare Etica and Banca Popolare di Sondrio obtained €3 million each.

www.finlombarda.it

In the Czech Republic, the "**Investment support for the social economy" global grant**, part of the ERDF integrated operational programme, provides start-up capital for social service providers, employers and other social economy organisations. Grants range from €12,000 to €200,000. In parallel, the "**Social economy" global grant**, part of the ESF Human Resources and Employment Operational Programme, supports the creation and development of new social businesses. Grants range from €4,000 to €200,000 (under the de *minimis* regime).

www.socialeconomy.pl

Investment priority 15:
Promoting the social economy and social enterprises (systemic approach, policy co-ordination)

Coordinated cooperation

Poland's high-level working group on the social economy enables different ministries to co-ordinate their policies. In 2008 the Polish Prime Minister constituted the Social Economy Working Group for Systemic Solutions, with 21 members nominated by the Minister of Labour and Social Policy. They include six vice-ministers and representatives of the ministries, representatives of other public bodies, along with representatives of social economy organisations, the Trilateral Commission and academics. The group's main task is to discuss strategies and proposals to foster the development of the social economy and to make sure that it is taken into account in the government's strategic documents such as strategies for regional development, social capital, human capital, an efficient state, innovativeness, and sustainable rural development. It has four sub-groups dealing with legal issues, financial infrastructure, education and strategy, so as to create synergies and coordination between different policies and tools affecting the social economy. The group's first strategic document is a draft Social Economy Pact for the Modernisation of the Polish Social Model 2030, as a contribution to the Poland 2030 report. But the most recent achievements are the drafting and consultation on a new law on social entrepreneurship and social enterprise (ready to be submitted to the Parliament) as well as a policy paper on Long-Term Social Economy Development.

In **Scotland** the social economy goes back hundreds of years, but the first national strategy was launched only in 2007, with cross-party support. It aims to reduce poverty, create jobs and develop businesses.

Andalusia was the first region in the world to sign a tripartite document with a comprehensive and detailed policy programme for the development of the social economy back in 2002. Since then, two new versions have been signed (2006 and 2011) and it has inspired similar policy instruments in other contexts such as the Małopolska Pact (2008). There are differences due to the different political contexts, but both are based on a partnership approach and develop a set of concrete measures. In the first case, the signatories are the regional government (which has extensive political competencies), the trade unions and the recognised unique representative of the whole social economy in Andalusia (CEPES-Andalucía). The Andalusian Pact includes a follow-up system which foresees a session in the regional parliament to assess it. In all the sessions the assessments from all parties in parliament were highly positive asking the government to pursue them. Andalusia has become the leading region in terms of number of social economy enterprises, employment in social economy enterprises and in budget allocation, and it is recognised at world level for its policy framework for social economy.

Investment priority 16: Community-led local development strategies

Revitalising local retailing through work integration

CAP Märkte (CAP Markets) are medium-sized neighbourhood supermarkets in Germany employing disabled people. Each unit is typically run by a local disablement association, but the brand is owned by a co-operative of sheltered workshops. As well work integration under good working conditions, they revitalise empty retail sites and provide a cherished community service, especially for less mobile residents.

The first CAP Markt opened in Sindelfingen, near Stuttgart, in 1999. Using the social franchising principle, the chain has grown steadily to nearly 90 shops across Germany. They provide some 1,200 jobs, of which 650 are for severely disabled people.
CAP Markets provide multiple benefits to multiple stakeholders. A CAP Markt not only provides satisfying work for disabled people, but also supplies staple foodstuffs within walking distance of people's homes, reduces car use (which has health, energy

and congestion benefits), and regenerates the local economy by recirculating money locally. They counter exclusion by offering services such as home delivery of meals or post office services.

They also demonstrate synergy between different families within the social economy – the shops are usually operated by local disablement associations, the brand is owned by a co-operative of sheltered workshops and supplies come from a retailer's co-operative. The chain is still growing steadily, and as demand from local authorities across Germany shows, it has so far only scraped the surface of the potential demand that is there.

http://www.cap-markt.de

Enhancing institutional and administrative capacities (Convergence regions only)

In this chapter we are not dealing with a specific problem or challenge. This is somehow a more instrumental objective so we cannot keep the same structure as for the other three. Nevertheless, we would like to address here an issue which is closely related to the objectives and methodological approach of the ESF: the issue of partnership. As we have already mentioned above, partnerships are crucial for local development and at the same time they offer the best conditions for mutual capacity development. There is a growing consensus among local development practitioners and researchers on the benefits of the networking/partnership approach and on the basic strategy of building the capacity of territories by working on the mutual reinforcement of public and private actors. In this area the European Union can claim a leading position since it has very early identified the relevance of partnerships but also given the fact of its prevalence in the most relevant policy documents. One of the latest examples of this is the Commission staff working document "The partnership principle in the implementation of the *Common Strategic Framework Funds – elements for a European Code of Conduct on Partnership*"[27] which starts:

> *Action for growth and jobs requires both ownership at the top political level and mobilisation from all actors across Europe. Partnership has therefore been identified as key to delivering the Europe 2020 Strategy.*

In a context of diminishing public funds, the need for higher efficiency is even more pressing and demands the development of innovative approaches such as the use of public procurement in a more coherent and comprehensive way to achieve multiple goals.

Policy networks are born in a context where a wider or narrower range of stakeholders can collaborate to address complex problems. Their most efficient results are partnerships which ensure a certain degree of sustainability. Such partnerships have been in action in Europe to address various challenges: environmental ones (Agenda 21), rural development (PRODER and LEADER) and R&D (technology parks). They have also been active in employment and social policy, the primary example being the partnerships within the cohesion policy funds (ESF being the most relevant one).

In the area of social economy development, the experience is also quite relevant, as the examples mentioned in this publication show (Andalusian Pact, Małopolska Pact, Scottish PSP, etc.). Furthermore, an accumulated practice exists in the field of social economy/social entrepreneurship in Europe thanks to the REVES network, a unique network made of public authorities and social entrepreneurs which celebrated its 15th birthday in 2011.

These and other patterns may also demand the development of the institutional capacity of public administrations and public services, so as to be able to harness these changes. Enhanced capacities for coordination, management of the

[27] Brussels, 24.4.2012. SWD(2012) 106 final

participatory process, quality assessment, etc. are also needed. A particular issue is the need to develop new approaches to evaluation, for instance methods of measuring social value (see the good example on this below).
Furthermore, as we show in the examples of good practice, there are several regional examples in different countries and contexts that show this. There are also national strategies like the one in Spain or the Social Enterprise Strategy in the UK.

Capacity building on specific issues

In a more specific way, there are several issues where capacity building may be of special significance, for example some of the themes that the BFSE network has been working on: social value, socially responsible public procurement, financial instruments and social services of general interest.

In the first case, **social value**, enhancing the capacity of a political system in terms of quality assessment and indicators is of even greater significance in a situation of diminishing resources available to public policy. Social value is one of the strands of an international trend to improve measurement instruments such as the Stiglitz commission in France, the Happy Planet Index, and social return on investment (SROI). This is linked with the recent development of impact finance, which requires the measurement of the social goals and results of the investment. The growing relevance of private funding with social and environmental aims makes more desirable the development of policy to build financial ecosystems that foster social innovation and social entrepreneurship.

This is a policy area (financial instruments or financial engineering) where public actors and public funds can have a considerable impact. But this requires capacity building based on partnership with social economy actors.

In the case of **socially responsible public procurement** it is also very clear that capacity building on both sides (public authorities and social economy) is fundamental for it to deliver results. SRPP is a complex policy instrument that requires adaptation from both key actors – public authorities and the social economy sector. The EU cohesion funds have already addressed this task – as the BFSE network in the case of ESF or the PASE project[28] in the case of ERDF show.

Finally, in the case of **social services of general interest**, the social economy has played a role in developing many of them (childcare, training, social inclusion, elderly care, marginalised groups, equal rights, etc.) and many examples of this can be seen in this publication. Furthermore, these developments came with an enhanced capacity for local and regional administration to deal with complexity. Many of them brought in more complex management systems, or more open systems, which stimulate to social innovation. The EU funds have also been in the front line, for example the *Territorial Quality Standards in Social Services of General Interest* (TQS) project shows. This is one of eight Progress-financed projects on social services quality and it provided instruments for a participatory definition and measurement of local quality standards, applicable to any social service at local and regional level, mainly in the field of long-term care and related health services. Thus, it provides partnerships with highly innovative and complex instruments to develop more resilient local welfare systems.

[28] Public Policies and Social Enterprise, an Interreg IV C Project completed in 2011. http://www.pase-project.eu/

Investment priority 17:

Investment in institutional capacity and in the efficiency of public administrations and public services with a view to reforms, better regulation and good governance

Regional support centres for the social economy

In Poland the ESF Human Capital Operational Programme 2007–2013 includes a specific priority (implemented regionally) for the promotion of social integration, whose objective is to strengthen and develop the social economy sector. Measure 7.2. (Counteracting exclusion and strengthening the social economy sector) has a budget of €435 million devoted to projects addressing people threatened by exclusion, social economy institutions, and institutions supporting the social economy environment (public-social partnerships, pacts, local authorities).

In order to build the support system for SE institutions at the regional level, the programme has funded the creation of Social Economy Support Centres (SESCs) in each region. Appointed through a call for proposals these institutions:

- provide legal, bookkeeping and marketing services
- work as advisory centres / points, social economy incubators
- provide training on how to start up and lead social economy entities
- help building local partnerships for social economy development
- promote the social economy as a source of employment.

The same OP measure also supports individuals planning to start up social co-operatives through grants of up to 20,000 PLN/€5,000 per person.

Up to now the programme has supported 292 Social Economy Support Centres which have served about 5,400 social economy organisations, thus permitting the creation of 1,500 jobs in the sector.

A mid-term evaluation of the programme shows that the number of appointed social economy support centres was too big and support was too short. It will be better to fund one SESC per sub-region for at least 24 months. A major strength of the programme is the multidimensional and integrated support (training, grants, advisory, and partnership) and its capacity to influence regional authorities and strategies in order to build local/regional coalitions for social economy development.

Investment priority 18:

Capacity building for stakeholders delivering employment, education and social policies and for sectoral and territorial pacts to mobilise for reform at national, regional and local level

Tools to measure social valuen

As an activity during the BFSE network, the **Lombardy Region** worked on the creation of a tool for evaluating the social value produced by social enterprises. The main aim of this work was to provide public authorities (as well as other potential investors both public and private) with a practical tool they could use when taking decisions concerning funding allocation. The tool in fact allows for an assessment of the social value produced by both a social enterprise as a whole and by a specific project/intervention. Moreover, the tool has been conceived with a high degree of modularity so that it will be possible to adapt it to specific regional, local or national contexts. The main goal was in fact to create a tool which would be as close as possible to the actual needs of the players involved and would be applicable in their everyday life. While a detailed description of the tool is provided in Part 2 – Chapter 3 Measuring Social Added Value – of this publication, it is important to highlight here that instruments of this type are increasingly becoming an important support for public authorities. For example, in February 2012 a new law was passed in the UK – the Public Services (Social Value) Act – which established, for the first time, that all public bodies in England and Wales (including local authorities, government departments, National Health Service Trusts, fire and rescue services, housing associations etc.) will be required to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area. This new legislation is very important and it will inevitably bring local authorities in the UK to introduce specific tools and procedures for evaluating social value in their daily working life. More information concerning this new initiative is available at:

http://www.socialenterprise.org.uk/uploads/files/2012/03/public_services_act_2012_a_brief_guide_web_version_final.pdf
http://www.wikipreneurship.eu/index.php5?title=Social_value

What the social economy

Improve the ecosystem for the social economy by addressing key obstacles to the birth and scaling-up of social economy enterprises

Specific

Training for workers and managers

Training for public officials (public procurement)

Braided business support

Awareness raising

Spread social franchises

NEEDS FROM THE ESF

MEASURES

- Networking
- Financial tools and partnerships
- Coordinated strategies
- Measure social value
- Improve knowledge base (statistics, models, etc.)
- Trans-national exchange

Improve the capacity of local systems and territories to produce social innovations

A better future

Results of the BFSE network

Part 2: Thematic recommendations

Social franchising

1. The policy context and current issues

Social franchising (see below for a more detailed definition) is primarily a method for transferring knowledge from one established social enterprise to another that wants to achieve the same social and financial goals. Social franchising is one of the clear successes of ESF funding. The EQUAL initiative (2000–2008) has been the single most important financial resource for social franchising. This programme contained a phase in which applications could be made for separate dissemination projects and social franchising was the main issue in some of them. For social franchisors, this participation in EQUAL made financing the development phase possible and that should be a lesson for future ESF, or any other cohesion policy programmes. From this point on, it is desirable for future programmes to contain the opportunity to disseminate projects that have been successful earlier.

Social franchising has also been included in some ESF operational programmes in the 2007-13 programming period, such as the OP for England and Gibraltar. Nevertheless, given its nature, it has not been mainstreamed into other EU policy, although it has attracted the attention of relevant EU institutions such as the European Economic and Social Committee:

> *3.2.2 Social enterprises are often locally based, and expansion is not always an obvious interest or priority. Rather than competing or expanding their model, they often prefer other approaches to growth. This must be considered when exploring cross-border social enterprise initiatives. The EU and Member States should fund and support the setting up forums, trainee exchanges, 'social innovation camps' and* ***social franchising****, which may be a better way of encouraging new ideas and cross-border cooperation.*[1]

Furthermore, social franchising is a strategy for scaling up and replicating social enterprises and social innovation. Thus it fits well in those initiatives and priorities related to this, such as the Social Business Initiative and the Social Innovation Europe. Thus, in the first case we find:

> *Dedicating efforts to exploiting expertise and resources across Europe will generate significant value added, e.g.* ***by scaling-up proven businesses and business models across the EU****, establishing EU-wide platforms and networks of businesses, investors and providers of business development services.*[2]

In the case of social innovation, scaling-up is one of the main themes. In both cases, a tested entrepreneurial instrument with a proven record in replication and scaling-up social enterprises and social innovation can play a relevant role.

In addition, social franchising is a way of disseminating solutions to other local or national contexts. Although many of the business ideas behind social enterprises respond to the needs of local markets, and they are often based on national regulations such as salary contributions or work in a market for social services formed by local or national governments, it is also true that

[1] Opinion of the European Economic and Social Committee on 'Social entrepreneurship and social enterprise' (exploratory opinion). (2012/C 24/01)
[2] European Commission, Memo/11/735. Brussels, 25 October 2011

many of the ideas and solutions from social enterprises could be successfully transferred to other countries. Proof of this is the example of Le Mat, the Italian network which was transferred to Sweden with the active participation of the ESF. The ownership of the Le Mat brand is now in the hands of Le Mat Europe, which is attempting to establish the brand in further countries. The process of extending Le Mat to Sweden was financed entirely by the ESF (the development phase by EQUAL, and the start-up of the Göteborg hotel using mainstream ESF). Other examples are:

- Future Clean, run by Pluss (UK), also funded by the ESF, has been able to set up a franchise in France;
- Dialogue in the Dark (DE), has been spread to 16 countries all over the world;
- In a project funded by the ESF, CASA, the UK social franchisor of domicile care, is to spread to Sweden.

1.1 Why should we foster social franchising?

In the work carried out by the social franchising strand of the BFSE network, social franchising has been defined as follows:

In a social franchise both the social franchisor and franchisees are social enterprises (i.e. businesses that trade and have a social purpose) sharing the same values.
In a social franchise there are:

- an organisation that replicates a social enterprise business model – the social franchisor
- at least one independent social franchisee that has been replicated by the social franchisor
- a common brand under which the social franchisees operate
- an interchange of knowledge between members
- an agreement that regulates rights and obligations and secures the sustainability of the franchise as a system

Social franchising is a recent phenomenom that has achieved a rapid expansion and impact in the EU. In a a web-based questionnaire during spring 2011, 63 social franchises across Europe were identified. They are spread across the continent and exist in 12 European countries. The UK leads in terms of numbers of social franchises with 31, followed by Germany with 11.

Ten of these 63 social franchises are still not confirmed as franchises. It may be that they have a model which does not fall within a strict definition of franchising or do not perceive themselves as franchisors. However, the general idea is that there are more social franchisors than those already identified in the research. For example, as it was conducted in English, some existing franchises may have been missed in countries such as France or Spain (in this case the fact that this country is not a member of the BFSE network may have also had an impact).

When that research was carried out, 50 possible social franchisors had been identified, 19 social franchisors were operating 20 social franchises (one organisation provided results for two social franchises) and four aspiring social franchises responded and completed the survey.

Social franchises are having a significant impact in a short period of time. The results for the 19 existing social franchises show that:

- They employ 6,766 employees;
- 65% of their employees are disadvantaged in the labour market (e.g. have a disability);
- They have a combined turnover of € 200 million;

- They have in total 324 social franchisees and the average social franchisor has 21 franchises.

From this research, and though no reliable data exist, we can can assume that there are over 10,000 employees in the social franchise sector in Europe.

Evidence from the survey indicates that the promise of rapid growth is beginning to be realised. Most social franchises are relatively new and have thus grown relatively rapidly, with 40% of our sample having established their first franchise in the last five years and over 80% in the last ten years.

But in order to deliver, some issues need to be addressed. Thus, in the survey's opening questions, several respondents expressed the opinion that the greatest difficulty was financing expansion. One respondent expressed it thus: "We need to reach a high number of franchisees in order to become sustainable as a franchisor. The social franchisees are weak and so the franchising processes is very slow if there is no development money we can provide to them. We would need a huge European project to develop more quickly, and with more risk capital in order to more quickly reach break-even."

2. Good practices

AETES Environment

AETES Environment provides cleaning services to businesses. The company started in 2009 by linking together Augias, a company offering cleaning services located in Yutz in north-eastern France, and A.S.P.P Association de Sauvegarde et Promotion de la Personne, an organisation focusing on helping people far away from the labour market, disabled children, adults and families based in Augen, France. The reality of AETES is typical. Since the franchising concept at AETES is still in the start-up phase, it is run by one person. Jean-Pierre Lloret is both manager and person responsible for the setting up and support of new franchisees. In addition he provides administrative help if needed. *"It is a lot of work but the start-up is important for the future. I want to give the new partner conditions that are as good as possible. When up and running, the franchisee needs to focus on the services he provides his clients."*

http://www.socialfranchising.coop/uploaded/Aetes_ESFN_Case_Study_8.pdf

Care and Share Associates

Care and Share Associates (CASA) was established in 2004 to provide essential support services to older and disabled people, through developing a franchise network of majority employee-owned social care providers. It is based on the award-winning Sunderland Home Care Associates model, which has been delivering quality domiciliary support since 1994 (350 employees). CASA has developed five CASA franchise companies operating across six territories with 270 workers.

Core funding for CASA in its development phase was provided by the European EQUAL-funded project INSPIRE, while each new business requires an initial investment of € 175,000 from local funders and a commitment from the local authority to purchase a specified number of hours once the company is established. In addition, CASA has an ongoing relationship with a social finance provider, which has made loan agreements with each new unit to contribute towards working capital.

CASA is now completely self-financing. Once franchise companies achieve break-even, they pay CASA a royalty/licence fee of 4.2% of their turnover.

http://www.casaltd.com/

Komosie

Unlike many social franchises, the business operation of the biggest social franchisor in Europe, **KOMOSIE**, predated the formation of the franchise. In the early 1990s a number of second-hand shops were set up to provide employment for disadvantaged people – at that time there were 14 organisations with 15 shops. However, they began to recognise that they were facing increasing competitive pressures and that they needed to speak with a common voice when talking to government.

They accordingly came together in 1994 as a federation (KVK – Koepel van Vlaamse Kringloopcentra) and from this set up KOMOSIE. With a three-year grant of € 50,000 per year from a philanthropic foundation, they developed the brand of 'De Kringwinkel' which 65% of their members adopted on its launch in 2002. Now 95% of their second-hand shops in Flanders are branded De Kringwinkel.

Over time, KOMOSIE provided more and more support to those operating under the Kringwinkel brand. It developed a shop format to improve shop layouts, provided marketing support, created quality standards and carried on a range of other activities.

Although KOMOSIE did not recognise it at the time, they had effectively set up a social franchise with members paying KOMOSIE to manage the Kringwinkel brand and to provide support to its members.

This support transformed the impact of members and led to the rapid growth of the Kringwinkel brand.

When KOMOSIE and the Kringwinkel brand was set up, the 39 organisations ran 93 shops with a turnover of € 14.2 million and employed 1,831 people. Now they employ 3,861 people and have a turnover o € 28.5 million.

http://www.komosie.be/

Vägen ut!

There are some 60,000 drug addicts in Sweden, and the idea of starting halfway houses for recovering addicts sprang from their own personal experience. In 2003, some of the people from these self-help organisations opened the first halfway house, Villa **Vägen ut!** Solberg. This is a cooperative that is member of the consortium Vägen ut! kooperativen, which consists of ten workers' co-operatives. Vägen ut! wanted to spread this successful halfway house concept and decided to use social franchising to do so.

Villa Vägen ut! Solberg and some of the other cooperatives were started within an EQUAL partnership. The development of the franchise was also done in a project funded by EQUAL and promoted by Coompanion, which made a special call for projects to give the opportunity for the dissemination of good practice. Working from scratch to set up the halfway house franchise system, the consortium and Coompanion in Göteborg distilled the experience and know-how obtained from the pilot into a set of key documents: the handbook, the quality handbook, the final franchise agreement and a training package. During this project, some initial work was done with some franchisee prospects. However, the future franchisees in three locations applied for their own standard ESF projects, and the ESF became an important financier, primarily for training the new entrepreneurs, who came from social exclusion caused by criminality and addiction.

http://www.vagenut.coop/

Barka Foundation

For twenty years, the Barka Foundation has been working in Poland with excluded and vulnerable people. Among its many projects, Barka has developed vocational schools for the unemployed (Centres of Social Integration), numerous social and economic enterprises, and a programme of accessible housing and self-sufficient communities in the countryside. Similar needs are everywhere in Europe. Since 2007 when Barka started in London, it has been approached several times by different actors in large European cities. Today Barka is in the process of starting centres in Stockholm, the Hague, Utrecht, Berlin and Bremen. Barka first adopted a franchise model in 1989-2008 within Poland, establishing 20 associations and 20 social cooperatives in a network. Barka has recently been working in 40 sub-regions of Poland on a franchising basis, creating partnerships with councils and entrepreneurs as well as organisations within government projects. In every sub-region, Barka creates social integration centres and cooperatives. Barka started to develop the franchising model outside Poland in 1995 when starting new Barka Associations in France, the Netherlands, the UK and Ireland, but within a very specific "business area": helping excluded and vulnerable people back to a decent life and in many cases a socially accepted life.

http://www.barka.org.pl/

3. Recommendations

As we have seen, the ESF has played a very important role in the financing of the first social franchisors. In order to be capable of playing this role in the future, there are above all two things that are crucial. In the first place, the successful completion of the development phase, i.e. reaching the point where dissemination is possible. And secondly, working in partnership with other financers.

1. Emphasise growth!

As well as their use in starting social enterprises, ESF programmes can now have a greater impact on unemployment and exclusion by replicating successful models. Social franchising is one model, and even though the method does not suit all social enterprises it can provide inspiration. Social franchising produces results – 10,000 jobs have been created by social franchisors. ESF is the most important source of funding for these jobs.

There are no structures or actors to implement innovative social enterprise projects except for the enterprises themselves. They have scarce resources for expansion. Support for replication is as essential as support for innovation.

- Include social franchising and replication in operational programmes by highlighting it as a means of generating employment and social inclusion.
- Managing Authorities must build links with support and expert organisations and stimulate them to work with social franchising and other replication techniques.

2. Facilitate the growth of good examples by designing programmes with better opportunities for replication.

The ESF could reduce the financial gap when a successful project enters the development phase prior to its growth phase. This can be done:

- If ESF programmes had a phase of development in which the tools for dissemination could be created with few or no requirements for co-financing. If such an option existed, the investment already carried out in experimental projects will give better results. This would turbo-charge the effect of the investments made by the programme.
- If capacity-building networks for future social franchisors were funded and funding was available for mentoring by existing networks of social franchisors.
- By actively engaging potential social franchisors in forthcoming transnational programmes

3. Play an active role in making finance available

To reduce the financial gap in social franchising ESF could play a more active role by:

- building networks with financial actors to create a mix of finance for franchising. National authorities, ESF and ERDF need to work together with financial intermediaries to create partnerships for financing franchisors. This includes Managing Authorities' active involvement in the creation of national Social Entrepreneurship Funds following the Social Business Initiative funding mechanism for these funds.
- Increase competence within Managing Authorities.

4. Reduce suspicion

There is a natural suspicion among actors and potential entrepreneurs towards all franchising. Actions to overcome this include:

- Supporting the creation of a widely known code of conduct and quality standards developed by the social franchisors of the European Social Franchising Network (ESFN), and convincing projects to adhere to this code once it exists. Working together with the ESFN to develop this code.
- Highlighting good practice and successful social franchises.
- Matching evidence of impact of social franchising with measurement of social added value

5. Employ social franchising as a means of transnationality

The aim of transnationality is to spread from one region to others learning that could be useful in overcoming European challenges. Social franchising is a way of spreading solutions to other sites.

- Social franchising can be a means of enabling effective transnationality and should be declared a natural part of forthcoming transnational programmes.
- Make use of the ESF network to spread social franchises developed with the support of the ESF to potential entrepreneurs or project promoters.

Financial instruments and mechanisms of fund allocation to social economy

1. The policy context and current issues

In its Social Business Initiative[3] the European Commission states that it considers that the funding system for social enterprises is underdeveloped compared with that used by other businesses. Different financial tools and an appropriate regulatory framework are necessary in order to establish equal access to capital for social enterprises.

Social enterprises constitute an emerging sector in the EU. They are undertakings whose primary objective is to achieve social impacts, rather than generate profits for shareholders. In achieving these impacts, social enterprises seek to build on business techniques – including business finance. The sector is characterised by rapid growth. According to the Global Enterprise Monitor 2009 report, between 3% and 7.5% of the workforce in selected EU Member States were employed in various forms of social businesses.

The social mission of social enterprises correlates with a strong focus on sustainable or inclusive development, and on tackling social challenges across EU societies: this means that investment in social enterprises is likely to have a greater positive social impact than investment in SMEs generally. J. P. Morgan suggests that social investment could grow rapidly to become a market well in excess of € 100 billion, underlining the potential of this emerging sector.[4]

Ensuring that this sector continues to grow and flourish would therefore be a valuable contribution to meeting the objectives of the Europe 2020 strategy. The sustainable growth of the EU's social enterprise sector depends on drawing on a wide range of investment and financing sources. The EU level has just taken some initiatives and others are on the way.

For example, the Commission has proposed a microcredit initiative for social enterprises as part of the Programme for Social Change and Innovation, which is to start in 2014.[5] This programme includes a funding instrument for the start-up, development and expansion of social enterprises. The aim is to provide approximately € 450 million in microloans as well as approximately € 100 million dedicated to direct support to social enterprise development.

Another financial instrument is the regulation for the European Social Entrepreneurship Fund (EuSEF)[6], proposed by the Commission at the end of 2011. The aim is to facilitate access to the financial markets for social enterprises by harmonising rules for investment funds. The objective is to stimulate the creation of dedicated funds, enabling them to be active across the whole EU single market.

Even if all these instruments are welcome in order to improve the supply of appropriate capital for social enterprises, more is needed. These initiatives need to be regarded as

[3] COM(2011) 682, 25.10.2011
[4] See J.P. Morgan, Impact Investments: An Emerging Asset Class, 2011.
[5] http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1093
[6] COM(2011) 862, 7.12.2011

the first step towards tailored financial instruments that still need to be explored.

It is also important, when designing an appropriate financial framework, to look at existing investment instruments specifically developed and adapted for social enterprises. These include social investment funds, cooperative banks[7], ethical and social banks[8], commercial banks with social programmes[9], innovative instruments such as "social impact bonds"[10] and favourable tax-funded solutions. Such instruments could be used as part of a hybrid capital approach, which is often seen as the most appropriate model for financing social enterprises.

As investment priorities for the 2014-2020 programming period, the European Commission has proposed "Support for social enterprises" in the ERDF and "Promoting the social economy and social enterprises" in the ESF, in order to provide a clear legal basis and an inclusive approach to diverse financial instruments targeting social enterprises.[11] This is further developed in the Commission working paper "Common strategic framework for implementation of structural funds 2014-2020".[12]

In addition to the most welcome initiatives of financial instruments for social enterprises there is a need for further actions to be taken when implementing EU programmes with regard to financial instruments, especially in the areas of:

1. cooperation between the financial sector, NGOs and the public sector in providing funding for social enterprises
2. integrated support schemes
3. strengthening capacity.

1.1 Cooperation between different sectors in providing funding for social enterprises

Financial market imperfections weaken the ability of social enterprises to obtain appropriate resources on the open market. The reasons usually presented are a slow return on investment, lack of own resources for co-financing, lack of property as a guarantee for the loans and in some cases, short business history. Private financial institutions have traditionally been very conservative in assessing business opportunities and very risk-averse. The implementation of the Basel II and Basel III rules will greatly affect banking practices and will result in a re-tightening of lending rules. This development will have an adverse impact on funding of social enterprises. Borrowed funds are often covered by several collaterals. This policy, however, significantly reduces the chance for social entrepreneurs starting up to obtain loans on the financial market.

Another aspect is the market situation in the segment of financial intermediaries. In many countries there is a wide range of small and large banks, credit cooperatives, municipal unions and other financial institutions operating nationally or regionally, which, owing to high competition in the market segment, are able to distinguish their products according to the special needs of target groups. A different situation concerns oligopolistic markets controlled by large banks, which have little interest in dealing with small interest groups, or investing in the development of a new segment of financial products.

[7] www.eurocoopbanks.coop.
[8] www.triodos.be. 9 For example www.bancaprossima.com, https://www.unicredit.it/it/chisiamo/per-le-imprese/per-il-nonprofit/universo-non-profit.html and www.ubibanca.com/page/ubi-comunita
[10] www.socialfinance.org.uk/sib
[11] http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_fr.cfm
[12] http://ec.europa.eu/regional_policy/what/future/index_en.cfm

Another factor influencing the decision of financial intermediaries to finance social enterprises is corporate strategy based on CSR. It is possible to demonstrate examples of products for social enterprises closely linked to marketing and promotion policy. On the other hand, for a number of large banks, creating special products for social enterprises and their financing is too expensive that they do not find these strategies.

In countries with a strong tradition of civic engagement by civil society, non-governmental or mutual organisations operate in order to provide equity or lending capital. These entities focus on mobilising citizens in order to provide resources for financing investment by social enterprises, usually in social services. However in many countries these organisations are not financially strong enough to provide financial resources to start social enterprises on a larger scale. Another problem is the scarce experience of these organisations in providing financial services.

The public sector reacts to this situation in different ways. It can contribute to creating alternative financial mechanisms to provide investment resources for social enterprises. Public authorities traditionally create grant mechanisms whose aim is to provide initial capital for start-ups, which complement the range of commercial tools on the market.

It may focus its activities on the financial intermediaries, influencing their decisions on the financing of business plans by reducing credit risk and portfolio risk, or by providing additional financial resources for low interest rate loans and microcredits. It uses the mix of tools that are supported by the public sector, but are implemented by private financial intermediaries. A typical example is providing guarantees for loans, providing capital to create new financial instruments administered by financial intermediaries or providing additional capital for a joint financial product. This form of support might encourage financial intermediaries to create a range of other products tailored to the needs of social enterprises.

The structural funds – ERDF (guarantees, loans and resources for the JEREMIE initiative) and ESF (microcredits, JEREMIE in Lombardy) play an important role. These examples show that the creation of favourable conditions encourages local banks to solve the specific needs of their clients. In providing these loans, they represented an opportunity to supplement the existing range of products and to reach new customers.

1.2 Integrated support schemes

Social enterprises, like all types of businesses, face the need to obtain funds at various stages of their business development. They need initial capital for starting up and stabilising the business, working capital for continuous operations and funds for further corporate development. Moreover, specific needs for social finance for start-ups have been identified in countries with a short social economy tradition, where it is first necessary to create a functional social economy sector. An important aspect of this is to identify and create financial intermediaries that understand the value orientation of social enterprises and their specific financial needs. It is unrealistic to think that the future development of social enterprises will be based solely on income from their operations.

Smaller financial institutions operating in the regions have greater understanding of the needs of social enterprises. These mutual financial institutions, credit unions and ethical banks know the local business environment and business opportunities well, and can usually better reflect local needs. Although the procedures for assessing business plans and applications are similar and result from efforts to reduce risks, greater knowledge of the social environment, personal contact with the applicant, close familiarity with his or her situation and possibilities, as well as the ability to appreciate his or her social capital, increase the chance of receiving funds. Ethical banks, in addition to assessing the financial and business risks, examine the consistency of the business plan with their values and those of stakeholders. There is also an opportunity to invest available funds of savers only into narrowly-defined thematic areas.

Local financial intermediaries are more willing to provide a wider range of financial products (particularly different types of loans) for social enterprises, and to flexibly respond to changing requirements. They are able to meet most of the financial needs that arise in the life of a business. In situations where this is not possible, under existing conditions, to provide an investment loan, there is an opportunity to establish cooperation with the public sector. The possibility of using knowledge of finance, professional staff and the existence of distribution channels for the provision of preferential products is a big advantage.

The importance of these financial institutions is in providing short-term funding and liquidity to social enterprises. They provide funds that supplement current income from the sale of goods, charges for services etc.

Another source of financing the investment needs of social enterprises is venture capital – seed and venture funds. The accumulated capital is contributed by private investors, banks, government (unclaimed assets, dormant accounts), capital injections from public institutions indirectly controlled by the government or a combination of these sources. Funds are then used directly for social enterprises, or to capitalise financial intermediaries.

The possibility of using the ESF and ERDF to kick off these financial instruments is important. Legislative support for the establishment of European Social Entrepreneurship Funds or European Venture Capital Funds (as proposed by the European Commission) can then create the necessary institutional framework for the functioning of these mechanisms.

1.3 Strengthening capacity

Like all businesses, social entrepreneurs face many problems when starting up. Moreover, in social enterprises, enthusiasm all too often goes along with a lack of realistic assessment of business opportunities (setting up a sustainable business strategy) and limited access to capital to realise their ideas and plans. Since the main driving force behind the business is often societal change, in many cases business experience and knowledge of the business environment, including the regulatory framework, is limited.

Successful start-up business must overcome this handicap. It is therefore important to invest in human resources, strengthening their ability to operate in the changing business environment, and enabling them to capture business opportunities. Strengthening the capacity of social entrepreneurs before starting and when developing their business is an important step towards a successful business. It is a necessary prerequisite for the initiation and operation of a sustainable social business. Furthermore, to increase the efficiency of support for the development of social entrepreneurship it is necessary to see all aspects of the business cycle. Therefore a chain of interconnected, complementary measures is needed that will also focus on skills development.

Knowledge of the specificities of social entrepreneurship among financial institutions is generally weak. Most of them do not distinguish between traditional small and medium-size enterprises and social businesses and therefore they apply the same scoring and evaluation rules when they assess business plans. Resources could be used to strengthen the capacities of other actors such as local financial intermediaries, so that they may better understand the needs of social enterprises and adapt their products and services for this business segment.

The ESF represents a unique tool that can address most of these problems. It may be used to strengthen the capacity of social entrepreneurs and their employees in such areas as marketing, management, financial management, business planning and professional knowledge. Resources can also be used for capacity building of providers of these services.

2. Good practices

2.1 A good practice in cooperation between different sectors in providing funding for social enterprises

JEREMIE ESF Lombardy (IT) is designed to promote easier access to credit to micro, small and medium enterprises and access to employment and education to disadvantaged people. Under the JEREMIE initiative, the ESF Lombardy Regional Operational Programme makes loans to shareholders belonging to social cooperatives or workers' cooperatives that hire at least 30% of disadvantaged members, in order to enable them to buy shares in the social cooperatives that employ them. This extra working capital strengthens the enterprises' capacity to provide services and employment.

The local financial intermediaries provide loans to disadvantaged people amounting to € 4,000. The JEREMIE contribution is 50%, configured as a 'bullet component', a 5-year interest-free loan, with a single repayment. The above-mentioned local financial intermediaries provide the rest, also in the form of 5-year loan, but with a fixed interest rate and monthly repayments. The JEREMIE fund, worth € 20 million, is managed by Finlombarda, a public financial institution, through selected financial intermediaries. After the first call in 2010 Banca Popolare di Bergamo and Federazione Lombarda BCC received € 5 million each, and in 2011 Banca Popolare di Bergamo, Banca Popolare Etica and Banca Popolare di Sondrio obtained € 3 million each.

http://www.finlombarda.it

2.2 Good practices of integrated support schemes

In the Czech Republic, the **"Investment support for the social economy" global grant**, part of the ERDF integrated operational programme, provides start-up capital for social service providers, employers and other social economy organisations. Grants range from €12,000 to € 200,000. In parallel, the **"Social economy" global grant**, part of the ESF Human Resources and Employment Operational Programme, supports the creation and development of new social businesses. Grants range from € 4,000 to € 200,000 (under the de *minimis* regime).

http://www.eesc.europa.eu/resources/docs/presentation-by-linda-marsikova.pdf

Ekobanken is a Swedish ethical bank where the public good and the benefit of members are the main driving forces and the reason why Ekobanken finances initiatives within the social economy. Loans varying between approximately € 2,000 and € 250,000 granted primarily to initiatives that involve the social economy or have ecological aims.

http://www.ekobanken.se/?id=2951

Trividend is a Belgian cooperative that provides venture capital to organisations with a social value. It is a public-private partnership created by the Flemish government and stakeholders from the social economy, and its name refers to the "triple bottom line": people, planet and profit. Trividend invests money, in the form of risk capital and subordinated loans, but also offers business support in the form of guidance (shaping the business plan), support and monitoring. Trividend provides direct equity investments of up to € 150,000 per customer, becoming a minority shareholder with the right to appoint a director to the board. Exit is usually after a maximum of six years, but this can be extended. Trividend also provides subordinated loans to companies and associations, whose maximum duration is normally 10 years.

http://www.trividend.be/

The **Social Investment Fund** (SIFO) in Belgium offers a solution to a market deficiency, in that traditional banks are not interested in offering loans to the social economy at a rate that is acceptable by social economic organisations. SIFO offers funds at a discounted rate to intermediary financial organisations that meet certain criteria. These organisations can combine these funds with their own finance to offer social economy organisations loans at a discounted rate. The target group is organisations that are part of what in Flanders is called the inclusion economy and are recognised as such by the Flemish government. SIFO aims to support organisations in all phases of entrepreneurial development and offers co-financing of up to € 200,000.

http://www.belsif.be/default aspx?ref=ACAAAY&lang=EN

2.3 Good practices in strengthening capacity

Human Capital Operational Programme Poland's ESF **sub-measure 7.2.2 of the human capital operational programme** is entitled *Support to social economy* and makes it possible *inter alia* to provide grants for advice and training to individual and groups. The focus is on the knowledge and skills necessary to set up and run social cooperatives. The sub-measure focuses on building the support system for social economy institutions at the regional level, and is based on a call for proposals for existing institutions (at least 2 in each region) which provide legal, bookkeeping and marketing services, advice centres, social economy incubators, training on how to start up and lead social economy organisations, building local partnerships for social economy development, and promoting the social economy as a source of employment. The initiative has led to 292 social economy support centres being created. 5.400 social economy organisations have received support and 53,129 people within the social economy have been reached. Furthermore, 1,500 jobs have been created as a direct result of the initiative, and the share of own revenues in the income of the social economy organisations has increased up to 45%.

3. Recommendations

1. **Co-operation** between the financial sector, NGOs and the public sector in providing funding for social enterprises is necessary.

From this perspective, local financial intermediaries need to understand the role and needs of social enterprises and recognise their financing as a business opportunity. Policy-makers and Managing Authorities should understand the constraints of financial intermediaries so as to strengthen their capacity to work with the social economy. The lack of capital or increased risk of lending can then be remedied by involving public resources – primarily in the form of guarantees – with a fair distribution of risk.

2. It is necessary to set up **integrated support schemes** allowing the use of various types of financial instruments and their combination (grant mechanisms, loans using financial engineering instruments). The aim is to make funds available for the **different stages of development** of social enterprises. Besides the initial capital investment it is also necessary to consider the availability of working capital to ensure the sustainability of social business.

3. It is efficient to couple the investment in social enterprises with investment in human capital. The ESF should be significantly focused on **strengthening the capacity** of social entrepreneurs and their employees, using already existing or developing new **business support services** for coaching and mentoring of social enterprises. Ensuring access to capital without the corresponding business services (advice, coaching, mentoring) only partly helps the development of social enterprises.

4. Finally, it would be appropriate to continue to **strengthen the ability and capacity of Managing Authorities and other policy-makers** to create integrated financial mechanisms co-funded by the ESF or ERDF. It would be fruitful to continue to promote the exchange of experience among Managing Authorities regarding the provision of support for innovative solutions in ensuring resources for social enterprises.

Measuring social added value

1. The policy context and current issues

Social enterprises are increasingly recognised as key economic actors in Europe. In the introduction to the Communication on the Social Business Initiative,[13] the Commission underlines that

> *"social enterprises contribute to the Europe 2020 strategy through smart growth by responding with social innovation to needs that have not yet been met; they create sustainable growth by taking into account their environmental impact and by their long-term vision; they are at the heart of inclusive growth due to their emphasis on people and social cohesion."*

Many communications relating to social enterprises in Europe emphasise the social impact that these enterprises produce. Still, in order to support the argument in favour of social enterprise development, very often quantitative data are the only sources used (e.g. the social enterprise sector employs around 11 million people in EU countries; it represents one in four European businesses and it stands for €100 billion in future investment potential).

As emphasised in the Social Business Initiative, a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for its owners or shareholders: it is indeed important not only to recognise the quantitative and purely economic impacts of social enterprises, but also to recognise, measure and underline that the core of social business is represented by the social value and social impacts it produces. Social value is in fact one of the key measures of the success of social enterprises, together with other undoubtedly positive results such as financial turnover, number of employees, economic growth or innovativeness.

Similar arguments can be found in many recent EU documents, where the measurement of social added value, social change or social impact seems to be a precondition for the successful implementation of directives, programmes or activities. For example, European Social Entrepreneurship Funds, proposed by the Commission at the end of 2011,[14] are based on the possibility of measuring social impact at three levels: firstly of the enterprises in the portfolio set up for investment funding, secondly of the social fund itself and thirdly of the EU instrument of funds for social enterprises as whole.

This striving after one measurement method that would answer all efforts to capture social added value was mentioned in 2009, in the European Commission's *Beyond GDP* initiative,[15] which aimed to develop indicators that could be as clear and appealing as GDP, but more inclusive of environmental and social aspects of progress. In 2010, a commission led by Nobel Prize winner Mr Joseph E. Stiglitz was created by the French government with the aim of collecting best practices related to measuring economic performance and social progress.[16]

[13] COM(2011) 682, 25.10.2011
[14] COM(2011) 862, 7.12.2011
[15] http://www.beyond-gdp.eu
[16] http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf

In recent decades, several initiatives and projects (also financed through the EU EQUAL Initiative), have developed different techniques and instruments for measuring social added value and social impact. These include Social Accounting, Social Reporting, quality standards like EFQM (European Framework for Quality Management) and SROI (Social Return on Investment). Even though a detailed description of all these techniques would be beyond the scope of this chapter, it is important to describe briefly at least two of these techniques since they are at the basis of most (though not all) of the best examples presented here.

Social Accounting attempts to broaden the scope of accounting (and particularly of financial accounting) by introducing additional elements into accounting processes. It starts from the idea that enterprises in general have impacts on and interactions with local society which go beyond what is normally measured in financial terms by standard accounting. Therefore, accounting processes should take into account social aspects and not only financial ones, so that companies can be better accountable for the effects they produce. To do this, the technique involves a larger number of stakeholders of any given company – the classes of people affected by its activities – to assess the results they obtain (positive or negative). Through the elaboration of specific indicators, social accounting allows for the monitoring of the social performance of enterprises as well as the comparison and benchmarking of results with other enterprises. Hence, social accounting represents a very good model for linking economic profit to social (and environmental) objectives.

SROI – social return on investment – is a way to measure and account for the value created by any type of activity. Like other outcomes approaches, SROI also contributes to managing and improving services, and it is especially useful if the funders of an activity require outcomes information in financial terms. SROI is different from many other approaches in that it values outcomes by using financial proxies, so that they can be added up and compared to the investment made. While the ratio is important, SROI is about much more than this. It presents a story of change in a compelling way and provides information to help organisations maximise their outcomes.

Most of the best examples presented in this chapter are based on these two techniques. All these techniques, practices and instruments represent very positive developments, even though fundamental progress is still needed in order to find a way to measure social added value that is fit for purpose.

Social value and social impact are widely perceived as being difficult to account for: the concept of ‘social value or impact’ refers to the idea that goods or services can have an additional dimension or value (besides the economic one), which represents a benefit for society, but one which is not normally captured by purely financial measurement. This is what economists call a ‘positive externality’.

The work carried out under the *Measuring social added value* strand of the BFSE project has tackled this difficulty and made a useful contribution towards the introduction of practices which could account for social value. The case in favour of the introduction of such practices at different levels (certainly regional and national but also European) relies on a number of arguments.

The first key aspect is **access to capital and funding** for social enterprises. The Commission acknowledges in various recent publications that "above all, social enterprises have difficulties finding funding"[17]. Among the causes of this difficulty, the Commission finds that investors often believe that social businesses are too risky to invest in. Yet perceived risk decreases as potential benefits increases. It is therefore clear that a system which could measure the social value produced by social enterprises may well have a very positive influence in terms of a change of attitude among investors (both private and public). A second important aspect concerns the evaluation of social value in the context of the transformations currently occurring in national and international welfare systems. In a context of rising needs and, at the same time, scarce resources, it becomes a priority to improve the **efficiency and effectiveness** of public authorities' and social enterprises' decisions. Effective social added value measures may provide better conditions for the development of welfare systems, nationally and internationally.

Furthermore, there are several reasons for the introduction of evaluation practices of social value within public systems. Firstly there is a need for **strong governance** in the implementation of inclusion policies and intervention programmes. Secondly, there is a need to **contain the costs** of inclusion policies and services, as well as the need to justify choices and investments on the basis of the **results** achieved. Thirdly, there is a need to guarantee quality levels in service delivery, by measuring and comparing performance and efficiency as well as costs.

Together with macro-level aspects of measuring social added value, it is important to consider micro-level aspects. In fact, social enterprises strongly need to monitor performance and curb costs in order to improve organisational processes and management. At the same time, evaluation processes allow social enterprises to show their identity as well as to improve and affirm the **distinctive value** of their actions. With the aim of making the use of social value measurement tools accessible to social enterprises, a number of initiatives, interventions and policies could be put in place at different levels.

2. Good practices

Social added value can be measured in different ways, and different methods and concepts exist to do this. In this section, a few common approaches are mentioned and exemplified via concrete examples of good use.

The BFSE Tool

The *Measuring Social Added Value* strand of the BFSE network (led by the Lombardy Region) has elaborated a practical tool to be used by potential investors (and particularly public authorities) as a support in deciding funding allocation. The work done is based on wide-ranging desk research, questionnaires filled in by project partners, and in-depth interviews with selected stakeholders such as social enterprises and credit institutions.

With the aim of building a tool which is comprehensive but at the same time relatively simple, the model was created with a high degree of modularity. Modularity means that the tool is highly flexible and that it gives the opportunity of not using all of its parts while still obtaining coherent and significant results. The first key element of

[17] e.g. COM(2011) 682 & COM(2011) 862

modularity is its structure. The evaluation system introduced in the model is in fact made up of two parts which can be used jointly or separately, as needs dictate.

Part 1 – Evaluation of the overall social added value produced by social enterprises

This part of the tool was built largely on the basis of the **social accounting** reporting experiences developed in recent years at national and international levels. It contains objective indicators covering 11 dimensions (e.g. economic and financial stability, professional resources, equal opportunities, socio-occupational integration, environmental sustainability) to help grasp and quantify aspects of the social value added produced by social enterprises. Thus, it is a cost-effective way of getting a broad picture of the status and development of aspects that are assumed to lead to social added value. The tool's structure allows for a partial use of this part – i.e. the selection of dimensions and indicators to suit specific needs and hence build specific measurement tools. This aspect is very important since it contributes to the modularity (and hence applicability) of the model. Users can adapt the model to their own circumstances.

Part 2 – Evaluation of the social added value produced by single projects or interventions

The BFSE tool suggests the use of **SROI** (social return on investment) techniques to evaluate the social impact generated by projects and interventions. SROI is a very flexible tool in itself since it allows for specific applications, which could be more or less complex or detailed depending on the context, project or enterprise in which it is applied. Project stakeholders asked for a simple, user-friendly and accessible tool, so the tool applies SROI only to single projects and interventions and not to entire enterprises. This approach has been taken in order to promote the application of SROI techniques to a large number of organisations in the context of funding allocation.

The tool (parts 1 and 2 together) has a relatively complex structure which takes into account as many dimensions of social enterprises' activity as possible – their quality, social responsibility, interventions, projects and the impact they produce.
On the one hand, by applying the entire evaluation model, investors (public or private) obtain a complete and detailed picture of the social added value and the impacts produced by each social enterprise examined. On the other hand, to allow for a simplified and prompt implementation, the measurement tool also has a high degree of flexibility which allows it be adapted to local, regional or national contexts. It provides investors with a "European Toolkit" from which each investor, public authority etc. can extract one or more tools relating to specific economic contexts, sectors and types of social enterprises.

For more information or to download the tool it is possible to visit the network website: *www.socialeconomy.pl*

The TESSEA project in the Czech Republic

The TESSEA project (Thematic Network for the Development of Social Economy) was funded through the Czech *Republic's Human Resources and Employment* operational programme and actively involved a wide range of experts who directly contributed to the work. Its general objective was to support the development of social entrepreneurship in the Czech Republic by raising awareness of the importance and role of the social economy and by carrying out a number of studies on key issues.

The work of the project was divided into thematic strands which covered all the key issues such as definitions, finance and communication. One strand dealt with measuring social value, and one of its main activities was an SROI (social return on investment) study of a Czech social firm. The results were manifold. On one hand, the work was very useful in terms of shedding light on the limitations and bottlenecks which hinder the development and use of measurement tools (and particularly SROI tools) in the Czech Republic. On the other hand, it has allowed a model to be built to assess social enterprises against a number of principles and specific characteristics. On the basis of such principles, the project's experts have been able to identify and classify specific indicators related to social enterprises and more specifically to work integration social enterprises (WISEs). As a consequence, two sets of indicators (one for social enterprises generally and the other for WISEs) were elaborated together with specific verification means and specific weights. Because of time and resource constraints, the project has not been able to test the model, even though TESSEA experts plan to fundraise for its piloting. However, the principles elaborated by the project have been already been adopted at national level by a foundation working on microcredit for the social economy.

While further work in the field is surely needed in the Czech Republic, the TESSEA project represents a cornerstone and a very good example of initiatives which can promote and gradually favour the

introduction of measurement tools in public administrations procedures within EU Member States.

The SOUL and DAIN projects

The Swedish ESF project SOUL (a Swedish acronym for learning and development within organisations in the social economy) trained over 170 people from more than 130 organisations in SROI. As a result, twelve SROI analyses were finalised, which gave the organisations studied an important insight into the consequences of their work. Several of them have therefore changed their processes to increase the value they create, and also focused on outcomes in their planning and follow-up. Another consequence is that by measuring outcomes, the organisations have affected their main stakeholders, making them reflect on their own personal development. In total, the participants express the importance of using a tool such as SROI since it focuses on the right aspects of the organisation. And since it is highly scalable, the organisations can choose which parts to dig deeper within, and what parts to use in a more overarching manner.

http://www.sroi.se

In the UK, several ESF projects have developed SROI or have been evaluated using the SROI method. One example is the DAIN project in the East Midlands, which aims to develop, test and deliver approaches to challenge the digital divide and help widen participation in employment and learning across the region. The DAIN project has developed an evaluation strategy with a particular focus on SROI, especially relating to the transnational dimension. SROI is of growing importance across Europe as a means to evidence impact and in particular influence policy-makers looking for solutions and actions to support. DAIN conducted collaborative development and exchange between different partners across the EU in order to pilot an appropriate process. The SROI approach has helped to define an intervention which can be used to test SROI ideas in relation to collaborative, international exchange and how it might impact on practice. DAIN is using a standard SROI process of identifying and engaging with stakeholders in order to establish the nature of their involvement, identifying the actual impact of the invested ESF money and ascribing values to different elements of the project.

http://www.dainproject.org

The SEIF experience in the UK

An important UK example relates to the Social Enterprise Investment Fund (SEIF) initiated by the Department of Health in the UK in 2007. The aim was to enhance the role of social enterprise in providing health and social care. Since then the SEIF has invested more than £ 80 million (€100m) in the sector. During 2011, the SROI Network was assigned the mission to work with 31 organisations that received funding during 2009/10 or 2010/11, to train them in SROI and conduct an SROI analysis of at least a part of each organisation. The amount of investment that these organisations had gained ranged from £62,000 (€77,000) to £3 million (€3.7m). The aim of the mission is to increase the understanding of the social added value created from the investments, both from an investor and an investee perspective. The work is still going on, but it shows that the analysis adds value for investors by helping investees achieve better indicators for decision making, creates important information to base decisions on thanks to access to real evidence rather than anecdotal stories, and it demonstrates the value of funds. From the investee perspective the initiative has for example helped them to understand the value their enterprise creates and who it creates it for, establish a framework for monitoring value in the future, and become more accountable to investors.

The examples presented of the use of SROI are just a fraction of all the good examples available from the EU countries where measuring social added value is being used and tested nowadays. It is worth noting that the use of the SROI concept is spreading quite fast across Europe. Additionally, the CSI (Centre for Social Investment) at Heidelberg University is currently doing a SROI meta-study that might provide some interesting input on impact assessment for the proposal on European Social Entrepreneurship Funds.[18]

http://www.thesocialinvestmentbusiness.org/our-funds/seif/

A Belgian experience of quality assurance

The ESF Managing Authority in Flanders has elaborated a specific tool for quality assessment of Flemish enterprises accessing ESF funding. This tool is based on the EFQM (European Framework for Quality Management) and is a self-developed quality growth model. The model takes into account nine main areas within which it has identified 22 points of attention which need to be deeply investigated during organisation-wide quality assessment. The points of attention include financial and organisational aspects (e.g. financial management, control of the key processes and governance structure) but they also touch on more social issues such as corporate social responsibility. Together with the points of attention, the Flemish quality system has determined five development phases which organisations need to go through to achieve excellence: 1-focus on activities; 2-process-oriented; 3-integral involvement of employees, departments, teams etc.; 4-externally-oriented; 5-excellence. Of these, phase 2 (i.e. process-oriented) represents the minimum threshold.

The assessment tool promotes improvement: it invites organisations not only to guarantee minimum quality but also to optimise quality (to this end coaching is provided both during and after the assessment). The quality assessments are carried out by the ESF agency through visits and interviews which assess organisation-wide quality (not single projects) in order to verify whether ESF funding was well invested.

The Flanders ESF Agency has also applied this very useful tool to social enterprises. In fact the Agency is currently implementing an ESF project on "quality management in the social economy" with the aim of professionalising the sector. The project is in its second and final year and has so far assessed 166 social economy organisations. Together with the general aim of verifying the use of ESF funding, this project has two further objectives: to draw up an up-to-date inventory of the strengths/weaknesses/opportunities/threats for the whole sector from a quality point of view, and to draft recommendations for both social enterprises and national and local policy-makers in relation to the further development of the sector.

http://www.esf-agentschap.be
Erik Conings – erik.conings@esf.vlaanderen.be

[18] https://www.csi.uni-heidelberg.de/SROI/

A Polish experience of social value measurement

In Poland, the Kraków University of Economics has drafted and tested a tool to measure social impact which looked at three aspects: social value added, social credibility and economic credibility. The aim of the tool was to assess and measure the social value produced by the organisations' processes. To carry out this assessment, the university drafted a set of indicators (specific to the Polish context) related to three main areas: social inclusion (including work inclusion), social capital and local community. In each of these areas the indicators selected were also converted into one general and cumulative index in order to create a single evaluation parameter.

The index of the social value added was supplemented with three parallel indexes that perform complementary and control functions: economic value added, social credibility and economic credibility.

The main features of the model elaborated include:

1. Multidimensionality – assessing both the economic the social spheres.
2. Comprehensiveness – social enterprises are assessed using both objective measures and recommendations (subjective approach).
3. Flexibility – the model can be used in different ways. Social enterprises are assessed using individual indicators, sub-indices or the second order indices – the operator can choose his preferred way of evaluating.

4 Comparability – social enterprises are evaluated by comparing their achievements with the achievements of reference entities (i.e. similar in terms of key features).

Once the model was drafted, the university carried out a pilot action to test it by sending social enterprises an on-line questionnaire which asked them to provide all relevant data for the indicators. The results from each enterprise were compared to the average results of all the social enterprises participating to the pilot.

This experience was the very first attempt to measure social added value in Poland. In most cases it showed that the Polish social economy is generally sceptical of the idea of measuring social value. Most social enterprises do not seem to understand the benefits that they would gain from demonstrating the added value that their work brings to local society. The work has therefore been very useful in paving the way for additional activities and initiatives to be carried out with a bottom-up approach, involving social enterprises directly so as to increase a sense of ownership of the activities themselves but also of their objectives, results and benefits.

http://swd.msap.uek.krakow.pl

3. Recommendations

It is indeed possible to use the work carried out within the Measuring social added value strand of BFSE, together with other best examples in Europe, to draw up a number of key conclusions and recommendations. These recommendations are provided from a stakeholder perspective:

European Institutions

1. Social value measurement tools could be a practice to be emphasised within the Social Business Initiative promoted by the European Commission.

2. The European Commission should promote social value as an EU horizontal issue in Structural Funds implementation (similarly to equal opportunities, environment etc.).

ESF managing authorities and other public authorities

3. In addition to evaluation systems already used in ESF operational programmes, Managing Authorities could introduce elements of social added value measurement. Such elements introduced in ESF operational programmes would be based on the specific regional and national needs.

4. Managing Authorities and public authorities could invest resources from their ESF operational programmes to fund training and capacity building so as to endow public authorities with effective evaluation systems assessing social value.

5. The Commission proposal for the 2014-2020 ESF regulation[19] states that "at least 20% of the ESF allocation should be dedicated to promoting social inclusion and combating poverty". Managing Authorities could use tools for measuring social added value to implement, verify and demonstrate the effective implementation of this new rule.

Social enterprises

6. Social enterprises can use social value measurement tools to improve the quality and effectiveness of their services, to promote stakeholders' engagement and to better communicate their business to public and private investors.

[19] (COM(2011) 607 fin/2)

Socially responsible public procurement and public social partnership

1. The policy context and current issues

Public procurement is one of the key areas currently under revision at European Union level. The Europe 2020 strategy identified procurement as one of the market-based instruments to achieve smart, sustainable and inclusive growth, and this reform is one of the 12 'levers of growth' included in the Single Market Act, with the aim of

> *"underpinning a balanced policy which fosters demand for environmentally sustainable, socially responsible and innovative goods, services and works."* [20]

The reform aims to make public procurement simpler and more flexible, to open up access to SMEs, and also to clarify the use of purchasing to achieve other policy goals. The Commission explicitly aims to ensure

> *"greater consideration for social and environmental criteria such as life-cycle costs or the integration of vulnerable and disadvantaged persons."* [21]

The directives currently in force date from 2004 when they replaced the 1993 package. They allow for companies to be required hire disabled people or to subcontract to sheltered workshops. Furthermore, they allow for the introduction in the contract performance conditions of social criteria such as

> *"to recruit long-term job-seekers or to implement training measures for the unemployed or young persons, to comply in substance with the provisions of the basic International Labour Organisation (ILO) Conventions, assuming that such provisions have not been implemented in national law, and to recruit more handicapped persons than are required under national legislation".* [22]

These so called social clauses have allowed for a certain degree of experimentation in the field of social economy policy – but with uneven results.

Therefore, during the current process of reform, many voices, coming from public authorities as well as the social economy, have called for the introduction in the new package of some elements to foster SRPP.

Among these efforts, some have been addressed at clarifying the social criteria mentioned in the regulations, so as to elevate them to the same level as the environmental ones, for example the United Kingdom response to the European Commission Green paper states:

> *"We also consider that the Directives should provide clarification and clearer guidance on how social and environmental issues can be taken into account, how they can help to achieve value for money, and in what circumstances they may be considered relevant to the subject matter."* [23]

[20] http://ec.europa.eu/internal_market/smact/docs/20110413-communication_en.pdf
[21] Press release IP/11/1580, 20 Dec 2011
[22] Directive 2004/18/EC, recital 33
[23] http://www.scotland.gov.uk/Topics/Government/Procurement/policy/procurecombenefits

Another relevant issue, but less successful for the time being, is the introduction of elements to achieve greater coherence between public procurement and broader public authority policy, especially at the local level, for example the community benefit clause, as proposed by some UK public actors.

Finally, most actors (including the European Commission) have in view the need to increase the participation of the social economy in public procurement, although they may not always agree on the best way to achieve it. As a result, the current proposal focuses on further enhancing "the element of quality in awarding contracts"[24], leaving the other issues mentioned unresolved.

Nevertheless, the European Commission has made significant efforts to foster socially responsible public procurement, such as the *Buying Social* guide, included in the 2007-13 Progress Programme[25]. Here we find the following definition:

> *"SRPP means procurement operations that take into account one or more of (…) social considerations."*

and the statement that:

> *"SRPP can be a powerful tool both for advancing sustainable development and for achieving the EU's (and Member States') social objectives."*

Furthermore, EC documents identify a number of inherent deficiencies in the existing mechanism. The Social Business Initiative points to the following major barriers to the participation of social economy businesses in public procurement:

1. significant differences between legislations applicable to the social economy on the European level and in individual Member States;
2. "gold plating" (going beyond what is strictly necessary) and problems with taking full advantage of public procurement directives;
3. the directives' failure to emphasise adequately the possibility to apply social and environmental criteria in public procurement, or to use the innovative potential of social services.[26]

As we have pointed out, the current reform proposal makes some improvements, clarifying the social considerations to be included in public procurement and widening the room for the application of a special regime for social services – for example, they may include the services provided for by trade unions (see Chapter I, Art 74 ff and Annex XVI).

Though the reform package has moved in the right direction to allow for a public procurement system that is more capable of taking into consideration the potential of the social economy as a partner in achieving multifaceted goals (both economic and social), there is still room for improvement. This is also the direction shown in the recent Commission communication Towards a Job-rich Recovery:

> *"Social economy actors and social enterprises are important drivers of inclusive job creation and social innovation and require specific support, including through public procurement and access to finance"*

Such an improvement may be facilitated by the advance in social added value for example. This will permit organisations

[24] Although the Social Business Initiative also calls for working conditions to be taken into account in the contract performance conditions, little change has been made on this issue in the proposed directive.
[25] http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=978
[26] COM(2011) 682 Social Business Initiative, op. cit. p. 12

in the social economy other than those addressed by the directive (mainly WISEs) to play a more relevant role in SRPP. The potential is clear in certain areas of public policy (different from Social Public Procurement addressed in Chapter I, Art 74 ff of the reform proposal) such as housing, agriculture & fishing, culture, tourism, rural development, etc.

Currently, there seem to be some problems in assessing social added value though it is commonly agreed that there is often a 'social added value' to be gained from organising the delivery of public services through social economy enterprises, which stems from their participative and locally-rooted nature. The benefits that they provide extend beyond the simple delivery of a service into the quality of the social relations that are implicit in its quality. For example in the area of care the recently finished EU-funded project PRE.VIO has produced results showing that the cooperative form is better prepared to address issues such as hidden violence against the elderly, burn-out, and the participation of workers, other stakeholders and the extended community. Furthermore, the quality of a social care service cannot be measured purely in terms of hours of work; it also depends on the client having some degree of power – for instance being able to choose his or her carer – and also on the sense of engagement of the carer – as expressed in the quality of their terms of employment and the rate of labour turnover. Other experience suggests that co-operative and participative forms of organisation excel in these areas.[27]

Why should we foster SRPP with the improved participation of the social economy?

Social economy policy offers numerous examples of fruitful cooperation between public authorities and social economy enterprises, and some of the most successful stories are based on the leading role of coherent strategies, including public procurement. Many of the astonishing achievements in advancing local welfare, producing social innovations and creating more inclusive societies through the use of social cooperatives in Italy are related to the strategic use of thresholds, reserved contracts, supporting measures, co-production and a whole set of policy measures at the disposal of local authorities. In recent years the growing interest in making better use of public procurement for strategic local development has highlighted the role of the social economy in these policies. European Union initiatives and cohesion funds have played a key part in many of them, as the PASE project and the above-mentioned *Buying Social* guide show.

In the current situation SRPP could be even more relevant, given the need to make a more efficient use of the public funds available. Social economy organisations can demonstrate that they are trustworthy partners with a long history of delivering in local development. Their ability to combine social goals with economic sustainability, their capacity to mobilise endogenous resources and to reinvest in their communities, and their record of producing significant employment impacts (from the point of view of both quality and quantity) with less investment than

[27] See for example the case of Sunderland Home Care Associates – Sharing the Caring Model – at http://ec.europa.eu/employment_social/equal_consolidated/activities/etg2.html

other types of companies recommend their participation in the strategic use of SRPP.

Public funds are intended for the good and development of territorial units. Success or failure is dependent upon: a) physical factors: the infrastructure, urban fabric, etc. and b) the strengths and weaknesses of territorial communities: the quality of civic society, social capital, governance, social integration, initiatives and self-help.

Social economy is about investing social capital in development. Its key features are democratic governance, reinvestment of surpluses in achieving the common goal and restrictions on the rewards paid to anonymous (external) capital.

More in line with ESF we could also signal some other elements which play a role in giving the social economy enhanced relevance in SRPP:
(a) it helps the absorption of the Structural Funds;
(b) it increases the sustainability of projects by obliging promoters to take a more businesslike approach;
(c) it provides a framework for resilient partnership;
(d) it mobilises all actors available;
(e) it structures and furthers the accountability and participation of the local population.

2. Good practices

Opening Markets – Scottish Integrated Socially Responsible Public Procurement Plan

In 2011 the Scottish government decided to set up a programme with two clear aims:

- increasing public sector understanding of the third sector; and
- increasing the capability and the capacity of the third sector to bid for and win public sector contracts.

This is a very straightforward example of an integrated approach to develop an SRPP strategy. It has put in place the following measures:

(1) Increasing public sector understanding of the third sector:

Developing Markets for Third Sector Suppliers. This a service to assist the public sector involved in commissioning and procurement to:

- improve their understanding of third sector suppliers and thereby open markets;
- strengthen understanding and use of Community Benefits in Procurement; and
- encourage routine use of co-production in the design of public services and support the development of Public-Social Partnerships.

Public-Social Partnerships (PSPs). This a local system which involves third sector organisations in all three stages of public services (design, implementation and assessment). The Scottish government published guidance on developing and running Public-Social Partnerships in July 2011.

Community Benefits in Procurement. This is another initiative in the area of enhanced participation of Social Enterprises in Public Procurement or Socially Responsible Public Procurement.

Supported Businesses in Scotland. This is a programme to extend reserved contracts for Supported Businesses (Sheltered Workshops).

(2) Increasing the capability and capacity of Scotland's enterprising third sector to bid for and win public sector contracts:

Just Enterprise Programme. The Scottish government has put in place a new national programme to provide business support for enterprising third sector organisations and this includes a range of activity for organisations with the greatest potential to grow and develop sustainably – that could be in terms of income, employment or contracts secured. This service offers four main themes, and organisations may register for programmes on business support, procurement, start-up and learning & development.

Supplier development. Scotland's Supplier Development Programme (SDP) is a local authority partnership programme established to offer small and medium-sized enterprises (SMEs) the opportunity to grow and diversify through procurement. It helps SMEs to improve their performance in winning contracts with public sector organisations. Scottish government funding enables third sector organisations to benefit from the programme no matter where they are based. The programme offers information, support and training events to help unravel the tendering process.

http://www.scotland.gov.uk/Topics/People/15300/enterprising-organisation/Opening-Markets

Flemish Action plan for sustainable public procurement [28]

These plans shall specify in great detail the rules for implementing sustainable public procurement. They give detailed instructions for planning and implementing public contracts in various sectors, and a schedule for cooperation between institutions dealing with individual components of an action plan. They set out the tasks and subtasks, the initiators of the tasks and subtasks, the affiliates, and financing of the project. Tasks are assigned to partners from different sectors and the diversification of funding sources is specified. Each part of the Action Plan includes a preliminary analysis of the problem and proposed solutions, which are included in a table containing the detailed description of the steps, implementers, cost and time.

In 2007, the **VVSG** (Association of Flemish Towns and Municipalities) developed a set of guidelines on 'social tendering' that supports local authorities in the integration of social criteria in their tendering policy.

Ghent's social services department put the cleaning of its windows out to tender. In the specifications, it included an employment performance contract condition. For the duration of the agreement, a†semi- or unskilled worker will be employed full-time as a window cleaner. Major success factors were good cooperation between the training and employment centre linked to Ghent's social services department, and the strong commitment of the buyer and the policy-makers. The choice of a shortage occupation in the selection of the contract led to the project's success.

By using a similar employment clause, the city of **Kortrijk** was able to link the outsourcing of minor repair works to social employment.

The social services department in **Beringen** included in its specifications for the supply of bread to an old age people's home that the position of baker/supplier should go to

[28] ESF Agency Flanders questionnaire

a student in part-time education. Beringen also used the social preference principle and reserved a contract for the construction of a gate to shut off a former local road for a company from the social economy".[29]

Criteria for sustainable procurement must comply with generally applicable national and Community law, in particular:

1 the principle of non-discrimination: the participation of bidders from other member states cannot be blocked or obstructed by national regulations.
2 the principle of equal treatment: all bidders have the right to a fair assessment and equal opportunities to make an offer based on the principle of competition.
3 the principle of transparency: measures of a public body must be logical, reasonable and transparent.

In 2009 the Flemish department of work and social economy set up pilots using the 'new style contract performance clauses' regarding construction and maintenance of social housing infrastructure.[30]

Illustrative co-planning of local activities, Italy

The framework law 328/2000 provides for a specific planning method to create an integrated system of interventions and social services, define minimum welfare levels, ensure the use of the services by families and people in general, and underline the contributions that third sector bodies (as defined by article 1 of the law itself) will provide. The law also identifies three specific tools to accompany and promote the whole process: one at national, one at regional and one at local level.

The "Piani di Zona" is the local tool which favours the reorganisation, empowerment and networking of services and interventions so that they are programmed and implemented as an integrated system. It is the standard tool to manage the process of adapting services, providing more opportunities to people, families and disadvantaged persons. It is a strengthened tool of collaboration between different subjects in public and private social sector. Its strengthening comes from both its contents and its development.

A very important element introduced by law 328/00 is the process known as "co-planning". This element is an interesting procedure. In fact, this method of awarding a contract for a social welfare service introduces the possibility for social enterprises to implement a plan with objectives related to the territory and designed within synergies established with local services.The 'institutional coordination' is generally made up of: an Institutional Coordinator, the Piani di Zona Coordinator, all the mayors involved in the plan, the President or the representatives of Mayors' Consortiums (where existing), a manager from the Local Health Authority ('ASL'), representatives of Mountain Communities (if relevant to the Piani di Zona) and delegates from the third sector.

Małopolska and Andalusian Pacts for Social Economy (Spain and Poland)

Andalusia was the first region in the world to sign a tripartite document with a comprehensive and detailed policy programme for the development of social economy back in 2002. Since then, two new versions have been signed (in 2006

[29] ESF Agency Flanders questionnaire
[30] ibid.

and 2011) and it has also inspired similar policy instruments in other contexts such as the Małopolska Pact (2008). There are differences mainly due to the different political contexts but both are based on a partnership approach and develop a set of concrete measures. In the first case, the signatories are the regional government (with extensive political competencies), the trade unions and the recognised unique representative of the whole social economy in Andalusia (CEPES-Andalucìa). In the second it is signed by a platform of support for social enterprise, with more than 30 institutions.

The assessments of the pacts done by actors (or, in the case of Andalusia, also by the regional parliament) have shown their benefits in terms of policy development, mobilisation of resources, awareness raising, etc.

In the former case, it is worth noting that Andalusia is now the leading region in Spain in almost all figures related to social economy (25% of all social economy companies, 20% of employment, budget allocated by the government, level of co-production of policy, etc.).

Com-Com Zone, Poland

The Com-Com Zone Development Centre is a multifunctional sports and recreation facility of about 6,000 m^2 in Nowa Huta (Kraków), run by the Siemacha Association, which specialises in the social integration of young people in difficulties. The "Com-Com Zone" Development Centre is a good, but unfortunately infrequent, example of joint business and social activity and effective public-social-private partnership. It is a win-win situation: the city has completed this recreational project which is now managed by a good operator, Siemacha Association has a reliable source of income, while the company has recreational facilities for its employees. More importantly, both Kraków residents and association's clients benefit from that. Siemacha offers services to the local population at competitive process, and uses the surplus to cross-subsidise services for disadvantaged children. In this way it reinvests 2 million zlotys a year (10% of sales). It relies on a public-private partnership, and is supported not only by local authorities but by ArcelorMittal, owners of the Nowa Huta steelworks.
The city of Kraków provided the building, and the association also bids competitively for council contracts.
This link with the city gives the association legitimacy.

Specialised unit introducing socially responsible procurement practices, France

The authorities of the town of Angers appointed a specialist legal adviser on environmental procurement. His task was to promote socially responsible procurement practices with a view to introducing them city-wide. The adviser delivered an internal training course for his colleagues, which raised awareness as well as transmitting technical and legal information. During the training, needs were identified, tender documents prepared and announced, tenders analysed and evaluated in close collaboration with enterprises.

Angers considers public works and services to be priority sectors for socially responsible procurement, especially the construction and maintenance of public buildings, roads and green spaces.

Two tools for sustainable procurement: a prioritisation methodology and a flexible framework

The UK's Sustainable Procurement Task Force (SPTF), in charge of social and environmental protection issues, was established in May 2005 and published its Action Plan on July 2006. The Action Plan analysed the cost-effectiveness of sustainable public procurement, recommended specific actions in six broad areas and provided two tools. The first, a prioritisation methodology, is a risk analysis-based tool which helps agencies and institutions to focus their efforts and resources. Rather than relying solely on expenditure data, this methodology enables users to consider environmental and socio-economic risks, the ability to influence suppliers and existing sustainable growth improvement capabilities. The second, a flexible public procurement framework, helps users to recognise the steps that should be taken regarding organisations and processes in order to improve public procurement procedures and ensure their sustainability.

3. Recommendations

1. Strategic partnerships have demonstrated their role in the development of coherent strategies including SRPP, as shown by solutions such as regional contracts (including the French Contrat de Plan or Contrat de Projet). The local partnership effect should be strengthened by preparing a methodology for strategic partnerships between public and social parties. Partner cooperation between public and non-governmental sectors should develop the forms and qualities of sustainable cooperation on the national policy or strategy level. The experience of the Andalusian and Małopolska Pacts and the British Compacts should be drawn on.

2. It is necessary to develop and disseminate in Member States a contract methodology which specifies the role of social economy in territorial policy implementation.
   Ensure that the entire social economy sector contributes to the development, social integration and quality of life of every resident. The exclusion of various parts of the sector by uncoordinated regulations should be avoided. Periodic assessments should be made of social economy participation in public procurement, and appropriate measures should be put in place to guarantee access to public contracts on a basis of equality. Implementation of the new public procurement directive should be monitored.
   Social clauses and SRPP in general should be inserted in a coherent and strategic policy framework with the above-mentioned objectives. This strategy, in line with the objective of enhancing quality in public procurement, should include instruments such as exemptions for low-value contracts, appropriate use of thresholds, reserved contracts, community benefit clauses, etc. National legislation, for example clauses excluding certain categories of bidders, should be reviewed. Guidelines on this should be published.

3. The links between the social economy and public procurement should be monitored. An evidence system should be created and the EC should include a monitoring system in the reform proposal.

4. Promoting the assessment of project (not only product) life cycles into SRPP:

although this tool, included in the reform proposal, seems geared towards the use of environmental consideration, it can also serve the introduction of social considerations. Thus, with the launching of new projects, establishing support units and contracting should be associated with responsibility for their future (continuation), product life cycle and evaluation of these parameters. This should be the matter of evaluation and/or measurement.

5. The EC should develop a multiannual programme to develop a model for a single-purpose public-social partnership (PSP), drawing on the lessons of public-private partnerships (PPPs).

6. Promote the use of competitive dialogue and any other instruments that allow the social economy to play a proactive role in the initiation of the process. Another instrument with the same objective could be the introduction of a procedure similar to the Italian "private initiative" for PPP (which enables a private entity to initiate, under specific terms and conditions, the procedure of PPP formation, if the public entity fails to take action), or the American "unsolicited proposal" procedure.

State aids and social services of general interest

1. The policy context and current issues

The issue of state aids and SSGIs is a "hot" topic at European level. The Europe 2020 growth strategy recognises the role of state aid for growth and its capacity

"to actively and positively contribute to the Europe 2020 objectives by prompting and supporting initiatives for more innovative, efficient and greener technologies, while facilitating access to public support for investment, risk capital and funding for research and development".[31]

On 8 May 2012, the Commission set out an ambitious state aid reform programme.[32] Modernised state aid control should facilitate the treatment of aid which is well designed, targeted at identified market failures and objectives of common interest, and least distortive ("good aid"). This shall ensure that public support stimulates innovation, green technologies, human capital development, avoids environmental harm and ultimately promotes growth, employment and EU competitiveness. Such aid will best contribute to growth when it targets a market failure and thereby complements, not replaces, private spending.

The Commission proposals include:

- To identify **common principles** for assessing the compatibility of aid with the internal market, across various guidelines and frameworks
- To revise, streamline and possibly consolidate **state aid guidelines** to make them consistent with those common principles (first, the guidelines on regional aid, research & development and innovation, environmental aid, risk capital and broadband; followed by other guidelines)
- To revise the **block exemption regulation** and the Council enabling regulation (and, possibly, the de *minimis* regulation)
- To clarify and better explain the **notion of state aid**
- To modernise the **procedural regulation** with regard to complaint-handling and market information tools.

1.1 The European Social Fund and state aid

ESF Managing Authorities have the responsibility to ensure that all operations comply with state aid rules. Council regulation 1260/99 art. 29 s.3 and s.4 require that state aid rules are applied when resources from the ESF are granted.

Since resources from the ESF are considered state resources they may constitute state aid.

[31] Commission Communication "Europe 2020 – a strategy for smart, sustainable and inclusive growth", COM (2010) 2020 final, 3.3.2010, p 20.
[31] Commission Communication "EU State Aid Modernisation (SAM) ", COM(2012) 209 final, 8.05.2012

Making a proper assessment of the state aid issues is becoming an increasingly important and frequent aspect of policy-making right across government. Failing to take proper account of the state aid rules can have major implications for the delivery of government policies, including stopping a scheme from being implemented, damaging the overall objectives of the policy or, in the worst case, requiring funds paid under a scheme to be recovered. However, an over-cautious approach to state aid can lead to unnecessary delays in policies being implemented, or to sub-optimal policy-making. It is therefore important to consider state aid issues properly before policies are implemented.

To decide whether ESF funding can be considered state aid, the following four criteria should be met:

1. Transfer of state resources
ESF grants are considered state resources, so the first criterion is satisfied. Even if it is not the public authority itself that grants the aid, for example the grants are given by private or public intermediate bodies, it is still considered as a state resource.

Second, the financial transfer can take many forms, for example loan guarantees, accelerated depreciation allowances or capital injections.

2. Economic advantage
The aid should constitute an economic advantage that the undertaking would not have received in the normal course of business.

The term *undertaking* is to be interpreted in a very broad sense. Following the Court of Justice it is ‘any entity which exercises an activity of an economic nature and which offers goods and services on the market, regardless the legal form and the way of financing of the entity’.

If an entity is not profit-oriented, state aid rules will apply as long as it competes with companies that are profit-oriented.

The fact that the activity in question is termed ‘social’ is not of itself enough for it to avoid being regarded as an ‘economic activity’. The activity will be considered economic if it is provided in a market environment. The economic nature of certain activities can therefore differ from one Member State to another.

3. Selectivity
State aid must be selective and affect the balance between certain undertakings and their competitors.

Selectivity is also satisfied if only part of the territory of a Member State is considered.

Since some of the ESF programmes are on a regional basis this criterion is also met in these cases.

4. Effect on competition and trade
The criterion is already fulfilled if an aid has a potential effect on competition and trade between Member States. If it can be shown that the beneficiary is involved in an economic activity and that it operates in a market in which there is trade between Member States, it is sufficient for it to be considered to have an effect on competition and trade.

If these four criteria are met simultaneously, the aid, grant, etc. is considered state aid and the scheme should comply with state aid rules and be provided as compatible aid.

The Structural Funds regulation sets out generally applicable ceilings on the contributions of the funds as a proportion of eligible project costs. The state aid ceilings may differ from the ceilings set in the Structural Funds. The state aid ceilings take precedence over the ceilings in the Structural Funds when one of the four criteria is fulfilled.

1.2 The social economy and state aid

Social economy organisations in the EU Member States take different legal forms and undertake different activities.

According to the European definition of the social economy, approved in March 2002[33], it is already clear that social economy organisations are active in different sectors and that they can be economic in nature. Social economy organisations generally act in the market and therefore can be considered 'undertakings' as defined above. If a particular social economy organisation is an undertaking then Member States should be aware that state aid rules apply when providing funds to it. The fact that an activity of a social economy organisation is termed 'social' is not in itself enough for it to avoid being regarded as an 'economic activity'.

ESF Managing Authorities should therefore always check if funding from the ESF can be considered state aid when dealing with social economy organisations.

1.3 Compatible state aid

The Commission has declared a range of aid measures to be compatible with the state aid regulation.

1. The General Block Exemption Regulation[34]

This gives automatic approval for a range of aid measures. When applying the GBER the Member States is relieved of notifying the Commission. The regulation authorises aid in favour of SMEs, research, innovation, regional development, training, employment and risk capital. It also authorises environmental protection aid, aid measures promoting entrepreneurship, such as aid for young innovative businesses, aid for newly-created small businesses in assisted regions, and measures tackling problems – such as difficulties in access to finance – faced by female entrepreneurs. These measures should allow Member States to focus their state resources on aid that will be of real benefit to job creation.

2. De *minimis*[35]

The de *minimis* rule was introduced in order to exempt small amounts of aid. It sets a ceiling below which aid is deemed not to fall within the scope of Article 107(1) TFEU and is therefore exempt from the notification requirement laid down in Article 108(3) TFEU. Aid of no more than €200,000 granted over a period of three years is not regarded as state aid within the meaning of Article 107(1) TFEU.

[33] "The organisations of the social economy are economic and social actors active in all sectors. They are characterised principally by their aims and by their distinctive form of entrepreneurship. The social economy includes organisations such as cooperatives, mutual societies, associations and foundations. These enterprises are particularly active in certain fields such as social protection, social services, health, banking, insurance, agricultural production, consumer affairs, associative work, craft trades, housing, neighbourhood services, education and training, culture, sport and leisure activities". - Charter of Social Economy, published in 2002 by CEP-CMAF (European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations) the former name of Social Economy Europe.
[34] Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Article 87 and 88 of the Treaty (General Block Exemption Regulation)
[35] Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid

3. Services of General Economic Interest[36]

The 'SGEI Package' defines the conditions under which state aid in the form of public service compensation can be considered compatible with the EU rules.

In its communication of 20 December 2011[37] the Commission clarifies the basic principles of the state aid regulation, allowing an insight into its interpretation of the application of the Altmark criteria. If the aid complies with these Altmark criteria the aid will not be considered state aid.

The decision states the conditions under which services of general economic interest are exempt from notification and are compatible with the internal market. SGEIs meeting social needs as regards health and long-term care, childcare, access to and reintegration into the labour market, social housing and the care and social inclusion of vulnerable groups are within the scope of the decision as well.

The principles set out in the framework apply to public service compensation only in so far as it constitutes state aid not covered by the decision of 12 December 2011. Such compensation is subject to the prior notification requirement under Article 108(3) of the Treaty. The framework spells out the conditions under which such state aid can be found compatible with the internal market pursuant to Article 106(2) of the Treaty.

Practice in the Member States shows that the de minimis rule is widely used because it is easy, flexible and the Member States do not have to notify the aid being given.

However for the beneficiary de minimis poses several problems. First of all the beneficiary cannot predict the amount of aid they will get over a three-year period. Secondly the de minimis aid can come from multiple donors which makes it more difficult to manage. And last but not least if there is an infringement the aid will be withdrawn.

The GBER is not fully compatible with the reality in which social economy organisations operate. The GBER does not fit all activities performed by social economy organisations. For example guidance of disadvantaged workers cannot be provided under the GBER, only wage subsidies. Guidance however is a very important part of the reintegration process into the labour market.

The definition of disadvantaged workers as laid out in the GBER does not fit all vulnerable groups targeted by social economy organisations, for example addicts and ex-offenders.

The intensity and the eligible period do not always reflect the needs of the most vulnerable groups.

The new SGEI package clarifies a lot of issues raised by the former communications, but for ESF Managing Authorities and ESF operational programmes the SGEI package is too difficult and not suited to the smaller scale of the projects

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[36] Communication from the Commission on the application of the European Union State aid rules to compensation granted for the provision of services of general economic interest – Official Journal C8, 11.01.2012, p. 4-14

[37] Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest - Official Journal L7, 11.01.2012, pp. 3-10d

2. Good practices

Flemish ESF Agency – state aid checklist

The Flemish ESF Managing Authority takes a two-step approach to the control of state aid. The quality handbook sets out a specific procedure for the control of state aid at two levels: (1) during the preparation of a call for proposals; and (2) at project level.

(1) **When drafting a call for proposals** the four criteria for state aid are checked:

- transfer of state resources
- economic advantage
- selectivity
- effect on competition and trade

If the four criteria are met simultaneously we are dealing with state aid and therefore the call should comply with the state aid rules.

The first step then is to see if the call can be placed under the general block exemption rules. The call should in that case specify under which regulation it operates.

If the call does not meet the criteria of the GBER de minimis, a public procurement procedure and SSGIs are considered:

- In the first case the beneficiary has to sign a statement undertaking not to exceed the limits of de minimis and in the contract with the managing authority an article is written on de minimis. Also the call has to refer to de minimis so that the beneficiary knows beforehand that the financial aid is considered as de minimis aid.
- In the case of a public procurement procedure the market will be consulted according to the regulation in force.

Flanders does not yet have any experience of SSGIs. However specifically for the social economy sector a new regulation is being worked out on the basis of the SSGI package.

If none of the above options is suitable, a notification will be considered.

(2) **On the project level** Flanders has four possible moments in time at which state aid will be considered:

1. Evaluation of the project: GBER: check that the ‘maximum allowable aid amount’ and the ‘aid intensity ceiling’ are not exceeded. *De minimis*: check if the beneficiaries have signed the ‘statement’.

2. At the start-up meeting: the beneficiaries will receive information through a presentation on the GBER or *de minimis*.

3. Desk control: GBER: check that the ‘maximum allowable aid amount’ and the ‘aid intensity ceiling’ are not exceeded. *De minimis*: check if the beneficiaries have signed the ‘statement’.

4. Audit: GBER: check if the beneficiary is not combining multiple sources of finance for the same costs and as a result exceeding the limits. *De minimis*: check for other sources of *de minimis* aid and check if the ceiling is not exceeded

3. Recommendations

1. Recognition of the social economy

The European Commission should accept the specific role of the social economy and the added value of social economy enterprises and act accordingly when reforming state aid regulations. This starts with assessing the impact certain decisions have on social economy enterprises.

2. Risk-based analysis of state aid

For Member States to take a risk-based approach to state aid and not use de minimis as a solution for all types of support to 'undertakings', there should be specific training of ESF Managing Authorities in the matter of state aid. Only then can Managing Authorities really assess the impact of a scheme.

3. General block exemption regulation (GBER)

For the social economy to have a maximum impact the GBER should better reflect its reality. This means:

1. Adjusting the definition of disadvantaged and disabled persons to better reflect the people benefitting from social economy activities;

2. Including guidance, social innovation etc. as eligible activities;

3. Increasing the intensity and the period of the aid for activities targeted to disadvantaged and disabled workers

4. Services of general economic interest (SGEIs)

The experience of local, regional and national governments with the application of the Altmark criteria is rather limited. It would be useful to support the exchange of practices throughout Europe and set up a network of practitioners. The Commission could provide examples of how the compensation should be calculated, etc.

Since it is unclear which control mechanisms the European Commission will use, it is difficult for Member States to assess the risk of engaging in SGEIs.

When calculating compensation, not only economic criteria should be taken into account, but social criteria as well.

The Commission should clarify the interrelationship between SGEIs and the procurement rules.


Jak dbać o

List of abbreviations

BFSE	Better future of social economy
CSR	Corporate Social Responsibility
DP	Development Partnership
EC	European Commission
EES	European Employment Strategy
ERDF	European Regional Development Fund
ESF	European Social Fund
GBER	General Block Exemption Regulation
GDP	Gross Domestic Product
MA	Managing Authority
MS	Member State
NGO	Non-governmental organisation
NRP	National Reform Programme
OP	Operational Programme
PPP	Public Private Partnership
PSP	Public Social Partnership
SROI	Social Return on Investment
SRPP	Socially Responsible Public Procurement
SGEI	Services of General Economic Interest
SSGI	Social Services of General Interest
WISE	Work Integration Social Enterprise

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