

Social Entrepreneurship Support Network
of the Baltic Sea Region

RECOMMENDATION FOR PUBLIC ADMINISTRATION ON MUNICIPALITY LEVEL IN TERMS OF EFFECTIVE TOOLS STIMULATING DEVELOPMENT OF SOCIAL ECONOMY START-UPS



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Recommendation for public administration on municipality level in terms of effective tools stimulating development of social economy start-ups

The Social Entrepreneurship Development in the Baltic Sea region is executed under the Erasmus+ programme and co-financed by the European Union.

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“How to stimulate Social Economy Start-ups in the Baltic Sea Region”

Recommendations for public institutions and social entrepreneurs.

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"Our fortunes rise together, and they fall together. *'All men are brothers'*, said the Analects. We have a collective responsibility - to bring about a more stable and more prosperous world, a world in which every person in every country can reach their full potential."

Christine Lagarde

Managing Director of the International Monetary Fund

I. INTRODUCTION

The obvious fact is that people strive to prosperity, security and permanent development alike in their private, individual lives as well as in the community and nation, or as mankind as a whole. The question is, if we all have this same aim why is it so difficult to reach it? Led politics, existing economic systems and social relations determine the reality in which we all live. Decisions taken in these areas and processes occurring in them influence the level of life, either allowing the provision of the aforementioned basic human needs or, in the case of failing to provide these things, cause frustration and social discontent.

The economic and social crises that Europe has been experiencing and is still being affected by, due to permanently repeating trends like rising inequalities among citizens, lack of social responsibility among market actors, and reliance on public budgets to deal with the consequences, only confirms that new approaches, new mechanisms and behaviours in terms of people solidarity, promoted economic system and political decisions are necessary.

The European Union in the Europe 2020 Strategy published in 2010 put a very clear development path for Europe which should transfer **into a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion**. What is more important the European Commission also gives guidance on how to reach this ambitious aim. One of the proposed solutions is supporting the development of the social economy sector which lies between the market and the State. The sector which is very often associated with terms like “third sector” or “non-profit sector” but in last few years is strongly enriched by the entrepreneurial spirit and should be represented by social enterprises rather than by non-profit organizations.

The hope laid in the social economy sector is based on a combination of entrepreneurial dynamics and civil initiatives concentrated on social purposes. Fusion of this two elements is a base to establish social enterprises which are often engaged in the delivery of social services and work integration services for disadvantaged groups and communities, whether in urban or rural areas, and moreover play an important role in terms of both territorial cohesion and new solutions of social problems especially in the case of fighting against poverty and exclusion. Presented above types of social enterprise activities and the fact that the main aim of their existence is to have a social impact rather than make a profit for the owners; that gained profit is reinvested in social purposes and that it is managed in an open and responsible manner only shows that social enterprises definitely can be one of the most efficient ways to fight the economic and social crisis.

In light of the high expectations regarding social enterprises expressed above, it's important to define the biggest challenge standing in front of the social economy sector. On a macro level the biggest challenge for the whole social economic sector is creating an effective solution for social inclusion and a more socially responsible economic system. While on a micro level for particular social enterprises it can be a case of choosing the best path to keeping the balance between social purpose and sustainable economic independence.

These difficult challenges cannot be reached without reasonable and effective support. In its related presentation the European Union gave clear guidelines as to which direction this support should take as well as provided tools to implement this support as dedicated to social economy development funds. But the most important changes and activities have to be made on a grass-roots level where the social economy entities exist.

There is no doubt that the development of the social economy sector is conditioned, among other things by the quality of the cooperation with local governments and other public institutions dealing with social inclusion. The perception of the social enterprises by the environment in which they operate is also of great importance.

How to build an effective cooperation with local or regional authorities? How to convince decision makers that it's worth supporting the development of social enterprises? How to create a positive image of social enterprise among business partners and individual clients? How can we transfer the European Strategies and understanding for supporting social economy development into local realities?

Those questions and thoughts accompanied partners of the project "Social entrepreneurship development in Baltic Sea Region" implemented with the support of the Erasmus + Programme and co-financed by the European Union, who had a belief that there is a necessity to strengthen the regional network and cooperation between organisations that supports social enterprises in the Baltic Sea Region to find correct answers.

Representatives of institutions, mostly NGOs from the seven Baltic Countries: Denmark, Estonia, Finland, Latvia, Lithuania, Poland and Sweden involved in social economy development set themselves a goal, creating recommendations for public institutions and social entrepreneurs entitled "How to stimulate social start-ups in the Baltic Sea Region". So we invite you to familiarize yourself with these recommendations which was based upon an in-depth analysis of existing documents, reports and legal acts, surveys among representatives of social enterprises from all project partner countries and on focuses on interviews with experts.

II. METHODOLOGY OF THE RESEARCH

1. OBJECTIVES AND ISSUES OF RESEARCH

The research was as a starting point of preparing the recommendation „How to stimulate social economy start-ups in Baltic Sea Region” the main subject **was sector of social economy, in particular social enterprises** in the project partner countries: Denmark, Estonia, Finland, Latvia, Lithuania, Poland and Sweden.

Due to the fact that among project partner countries there is no unification in terms of social enterprise legal forms or even its definition during the research we applied the definition of the European Commission (Social Business Initiatives, 2011) which incorporates the three key dimensions of a social enterprise:

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

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

- *The organisation must engage in economic activity*: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services;
- *It must pursue an explicit and primary social aim*: a social aim is one that benefits society;
- *It must have limits on distribution of profits and/or assets*: the purpose of such limits is to prioritise the social aim over profit making;
- *It must be independent*, i.e. organisational autonomy from the State and other traditional for-profit organisations; and,
- *It must have inclusive governance*, i.e. characterised by participatory and/or democratic decision-making processes.¹

The main aim of the research was the identification of factors: barriers and facilities (solutions, tools, mechanisms, approaches, attitudes) **determining the development of social enterprises in the Baltic Sea Region** due to the most recommend, most needed and most effective solutions to public administration in terms of supporting social start-ups, as well to potential social entrepreneurs in terms of good preparation in the beginning of their business activity.

¹ A map of social enterprises and their ecosystems in Europe, European Commission, Brussels 2014

There were four specific issues, aspects of the research:

- Legal framework
- Human resources
- Supporting mechanisms
- External image.

In terms of **legal framework** we were diagnosing the existence of specific legislation dedicated to social enterprises, its transparency and cohesion. We were mapping and assessing the strengths and weaknesses of various legal forms available for social enterprises in project partner countries. The next important issue was defining legislative obstacles and difficulties which discourage people to establish and run a social enterprise.

In terms of **human resources** we were trying to diagnose relevant barriers or weaknesses in terms of human resources which hinder the functioning or development of social enterprise. We were pointing out necessary competences of social entrepreneurs and wondering if in our reality representatives of this social economy sector have them. It was also important to recognize need for support in terms of human resources development.



In terms of **supporting mechanisms** we were focused on mapping and assessing availability in project partner countries support provided by the public (on different administrative levels) and private institutions, both financial and substantive. Moreover we were trying to define most effective mechanisms and social entrepreneurs supporting tools.

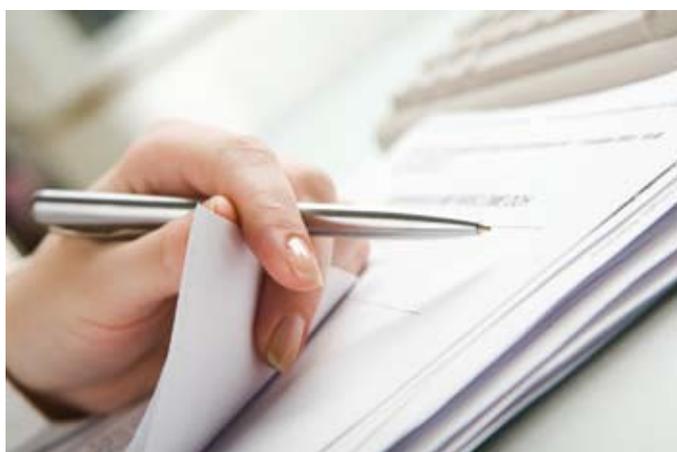
In terms of **external image** we were concentrated on the public perception of the social economy sector, especially social enterprises as providers of products or services. The second important element of research in that matter was the level of cooperation between social enterprises and different stakeholders, including public institution and potential business partners.

2. METHODS AND TECHNIQUES OF THE RESEARCH

The research was based on the triangulation principle, including the application of various complementary methods and tools. In particular stages of the research different techniques and tools were used, including:

- Desk research
- Survey among representatives of social enterprises across project partners country
- Focus group interview or individual interviews with experts in the social economy topic.

The desk research was based on available national and local documents, legislations, reports about the condition of social economy entities in particular countries and experiences of the project partners. An important element was also the analysis of the first Intellectual Output prepared by the project partnership in the beginning of 2015: "Social Enterprise Sector Snapshot around the Baltic Sea. Stakeholders, Education, Impact Analysis."



The desk research shows general trends of activities, identifies good examples of stimulation development of social enterprises but also points out gaps in the legal regulation, challenges standing in front of social enterprise in terms of human resources, the difficulties in building a positive image of social enterprises in public.

The survey was conducted by an online platform in English. In this research we were focusing on the opinion of potential supporting beneficiaries. We asked about their biggest challenges and lack (internal and external) in terms of establishing

and running social start-up as well as the most relevant and needed support. The survey can be found in the attachment for this document.

The focus group, or individual interviews, was conducted in all 7 project partner countries according to one scenario. Questions to experts were based on the 4 elements presented before (legal framework, human resource, supporting mechanisms and external image). The opinions from the perspective of experts familiarized with situation of whole social economy sector were important, as well as current trends of the studied elements in each participating country. The scenario of the focus group interview can be found in the attachment for this document.

3. RESEARCH SAMPLE

The sample selection in the case of the surveys and interviews was purposeful, so relied on the intended emergence.

The surveys were conducted among 100 representatives of social enterprises² from all 7 project partner countries. To ensure reliability of survey results we ensured a diversity of respondents in terms of diversity of legal forms, and the period and subject of business activity. Based on the fact that "representative set" per country does not reach necessary statistically valuable level, it is categorised as an expert view and the data has to be considered as an expert analysis. While analysed together as "representative set" of the Baltic Sea Region, the data set is statistically representative and on some topics can make valid reflection.

The focus group interviews took place in all 7 project partner countries. We invited experts to the focus interviews (academic researches, representatives of social economy supporting centers, members of advisory bodies in terms of social economy development, experienced social entrepreneurs). Due to the fact that it was not always possible to gather everyone at one time and place, all invited guests were given individual interviews.

² Definition recalled in section The object and issues of the research

III. ANALYSIS OF FACTORS AFFECTING SITUATION OF SOCIAL ENTERPRISES IN 7 BALTIC SEA COUNTRIES

Social economy development is stimulated and supported in all countries within European Union. Also the European Commission proposes common social economy policy and solutions on the European level. However, the level of social enterprises development differs in every country. It depends on history, heritage in the field, experiences, law makers and their interests, meaning of social economy etc. Also a level of public trust is a pivotal factor influencing social economy situation in different countries. Thanks to the project we can review and compare Baltic Sea countries, which have completely different political and economic background for the social economy.

1. DENMARK Legal framework

Law on registered social enterprises

The lack of a legal framework was previously seen as an important challenge for social enterprises starting up. But as part of the recommendations from the Committee of Social Enterprises to the Danish Government a law on registered social enterprises (http://www.folketingstidende.dk/RIpdf/samling/20131/lovforslag/L148/20131_L148_som_vedtaget.pdf) has been adopted by the Danish Government in June 2014, and since January 2015 social enterprises have been able to register, if they meet the 5 Criteria for being a social enterprise set in the law.

<http://socialvirksomhed.dk/en/about-social-economy-idenmark/the-criteria-to-be-labelled-a-social-enterprise>).

Social enterprises must meet the following five criteria to be labelled a social enterprise:

- **Social purpose** - the enterprise must have a primary purpose that is beneficial to society with a social, cultural, employment-related, health-related or environmental aim.
- **Significant commercial activity** - The enterprise must sell either goods or services. This activity must constitute a significant element of the revenue generated by the enterprise.
- **Independence of public authorities** - The public authorities must not have any significant influence on the management or operation of the enterprise.
- **Inclusive and responsible governance** - The enterprise must involve employees, customers, partners and stakeholders. In addition, the company must be managed responsibly in accordance with the social objectives.
- **Social management of profits** - The enterprise must spend its profits on social objectives or reinvest the funds. However, a limited share of profits may be distributed as dividends to investors or owners. Profits should be reinvested in the enterprise, invested in other registered social enterprises, donated to charitable organisations or distributed as dividends to owners and investors to a limited extent.

As it is apparent from the criteria above, there is no particular type of business entity needed to become a registered social enterprise, and among the approximately 80 social enterprises that have registered till the beginning of December 2015, there are many different types of business entities. As a whole the criteria formulates a very broad definition of social enterprise, and is in that way not a barrier,

that would prevent social start-ups from considering getting registered. Rather the paperwork and documentation that the social enterprise has to provide for each of the 5 criteria to register, might feel like a barrier to some smaller social enterprises. However in general perspective the mechanism is friendly and easy, what was confirmed by experts during the focus interview: "The procedures to register are quite easy and logical and are not time consuming. The registration scheme is flexible in terms of choice of company form, so a social enterprise can choose a company form fitting their activity. And likewise a social enterprise will not have to change company form to register." Moreover The National Centre for Social Enterprises has been offering information and support for businesses who want to register. After the Centre will close from January 2016 this support will be available from The Danish Business Authority. The scheme has had a slow start, but it seems that the interest to register is on the rise. It still remains to be seen if the registration will have a positive effect for the social enterprises that register. For example different municipalities and public authorities have mentioned that they will prefer to cooperate and trade with a registered social enterprise instead of one that is not registered. Talking about the cooperation with local authorities it is important to mention an obstacle which was pointed out by survey respondents as the most relevant, namely lack of experts, competent public officers in the field of social economy registration and functioning in Public Institutions. Other opinions stated that a significant barrier in terms of legislation is the fact that legal acts considering SE are inconstant, and mutually exclusive.

Rimelighedskravet. (A specific rule in the Danish employment legislation) Relating to the legal/regulatory framework, some social enterprises, particularly WISEs, have experience barriers due to the restrictions that are placed in relation to employment regulations. This applies to the employment regulations in relation to active labour market activities (§48 and §62 lov om enaktiv beskæftigelsesindsats), which are too restrictive and act as a constraint on growth. The specific rules about how many individuals that an enterprise can employ on special conditions ("rimelighedskravet") is particularly a barrier in this regard. Due to this rule an organisation can only employ one individual with a wage subsidy for every five individuals with an ordinary employment contract (although organisations with 50 employees or more are only allowed to take on one individual on a wage subsidy). For social enterprises this means that they have to say no to many disadvantaged people, people to whom they could actually offer a meaningful occupation. Since October 2013 it has been possible to make exemptions from "rimelighedskravet" in relation to social enterprises and individuals on early retirement. The employment legislation has still not been regulated, but a specific group in the ministry of employment has been working with the issue. Also the experts during focus interview saw "Rimelighedskravet" as a large barrier preventing social enterprises from employing more disadvantaged people. As there is several different agendas involved in the issue the problem must be resolved jointly between trade unions, employers' associations and politicians.

This barrier is mentioned both in the rapport from the Committee on Social Enterprises and in the rapport from SFI.

Public tendering and public procurement

Most social enterprises would like to be able to compete on market terms and also to better be able to target their goods and services to the public sector. But it is difficult for social enterprises to compete for contracts to deliver public services for a number of reasons. Among those are the large contract sizes of many Government and municipal contracts, prequalification and specification requirements which inhibit competition by requiring long track records or a very strong financial position, which is difficult for most social enterprises to live up to, as many social enterprises are small and tends to be new market entrants. Also most public bodies focus on price as opposed to quality, social and environmental benefits, and as many social enterprises employ marginalised groups, they are often less "productive" (in a quantitative and material sense) than other enterprises and as such, it can be difficult for them to compete on price.

Another barrier to obtaining public contracts can be that social enterprises are often perceived as competitors to existing public activities and interventions.

A new law for Public Tendering will be in effect from October 1st 2015. In regard to social enterprises the law will make it possible to make special reserved contracts that will give the public authorities the possibility to limit participants in the tendering to at special group of organisations. It will be a condition that the organisation only offers services within the area in question, and that the organisation reinvests profits in its social purpose and that it is based on cooperated ownership or active involvement of staff, user or stakeholders. All conditions are very similar to the criteria for a registered social enterprise.

Further the new law will make it possible to split large contracts into more and smaller contracts, which will make it easier for social enterprises to participate in future public tendering.

Still it remains to be seen, if this will make it easier for social enterprises to obtain public contracts.

Human resources

As stated by the Committee on Social Enterprises and in the report from SFI lack of business skills are a large barrier for many social enterprises. Most social enterprises are established by a person with strong social competences and extensive experience of social issues, but many of them have limited experience in running a business. And the fact that social enterprises focus on creating both social and economic added value, by integrating disadvantaged and marginalised groups as well as delivering a product and/or services that meets market needs, means that social enterprises are generally more complex to run than traditional enterprises. In the focus interview the need for a large range of competences (professional, social and commercial) in the field of running a viable business within the framework of being a social enterprise was stressed by most experts. As well as lack of business skills among social enterprises, which was mentioned by many interview participants, "It is not enough to have a big heart and a good social course to succeed. It also won't work with social enterprise leaders that only have business skills. A special mixture of skills is needed." This opinion of lacks in professional and business competencies also visible in the survey results were respondents pointed out areas where their staff need a support. Those are: legislation system than sales techniques, management of the organization and PR and marketing.



In the survey respondents were also asked to point out other barriers which affect social enterprise development. As the 3 most relevant they pointed out: legal regulations related to the employment of the staff, specificity of work with socially excluded groups and low levels of competences and professional qualifications of the staff. The experts in the interview also mentioned that "the recognition of the extra HR costs in social enterprises on work integration is very important since it's a big cost and since that's the explanation for the social enterprises not being anti-competitive."

There is therefore a need for support measures, such as business idea development and business start-up, designed specifically for social enterprises. As mentioned below in the section on support mechanisms some efforts to support capacity building for social enterprises have already been initiated in Denmark, but they have limited capacity and in most cases only a small number of social enterprises will benefit directly from the effort.

It is essential that the traditional business support that is offered by the public authorities learn to understand how social enterprises work and their potential. The need for capacity building for social enterprises is one of the five main recommendations in the rapport from the Committee on Social Enterprises.

Supporting mechanisms

Danish Government

In 2012 the Danish Government set aside 42.6 million DKK for social enterprises in the years 2012-2015. In addition to the establishment of the "Committee of Social Enterprises", the money was set aside to build up knowledge and intelligence in this area and to follow up on the recommendations of the Committee on Social Enterprises, one of which was the establishment of the National Centre for Social Enterprises. The National Centre has run a large range of efforts to support social enterprises. Among those were:

- Developing a tool kit for measuring and documenting the social impact of social enterprises.
- Social Entrepreneurship Award 2015, to create awareness of social entrepreneurship and the social enterprise format and to support the development of ideas and establishment of new social enterprises.
- An online guidance tool for the special opportunities and challenges involved in operating a social enterprise.
- "The growth challenge", to improve the access of social enterprises to networks and knowledge sharing in the traditional corporate sector.
- Information activities about social enterprises aimed at the public industrial promotion system.

On a higher level the Centre works to strengthening local authority work on social enterprises and possibilities to create a social finance market in Denmark.

In November 2014 some of the above mentioned funds were made available through the Danish Agency for Labour Market and Recruitment for 2 initiatives. Both are one year initiatives that will run in 2015: "Partnerships between social enterprises and private businesses" 4 million DKK available. 300,000 DKK per applicant <http://star.dk/da/Om-STAR/Puljer/Pulje-til-SOEV-ogprivate-virksomheder.aspx>. The purpose of the initiative was to create larger, stronger partnerships between social enterprises and traditional businesses. In January 2015 11 projects received funding to create partnerships, that would strengthen the business development for social enterprises and improve sales to the private sector. Partnerships that would also hopefully create more jobs for disadvantaged people. "Municipalities that want to support social enterprises" 7 million DKK available 500,000 DKK per applicant (<http://star.dk/da/Om-STAR/Puljer/Satspulje-styrketsamarbejde-socoekonomiske-virksomheder-kommuner.aspx>). This initiative supported municipalities that want to start working with and support social enterprises in their local area, with the overall purpose of creating more jobs for disadvantaged people. 17 municipalities received funding in January 2015, and a large number of those has used the money to employed extra staff and strengthen the efforts locally to support social enterprises in different ways. However the effect of the two above mentioned programs has not yet been evaluated.

Larger public funding not targeted directly towards social enterprises has also been available for them through applications such as SATS-puljen (This funding that every year until now has been set aside for social purposes will most likely change in the near future). Tips- og Lottomidlerne (Danish Lottery – some of the funds are available for organisations and projects with a social purpose).

In relation to support available for social enterprises, more experts during the interview mentioned, that there are too few in Denmark. But few others experts also mention, that if you take the size of

the sector into consideration (300 social enterprises) there are actually better support mechanisms for social enterprises than for regular SMEs in Denmark. The respondents of survey also assessed the available supporting system rather reservedly, at the national level opinions were equally divided that available support is satisfying and that is dissatisfying and for this same group of respondents it was neither satisfying nor dissatisfying. At the local level opinions were more diverse, with one third of survey participants saying that offered support was neither satisfying or dissatisfying but what is more important a quarter of them believe that offered support is dissatisfying, so we can see how important is to spread information about available supporting mechanisms.

Detailed support mechanisms provided by municipalities are mentioned below.

Municipalities

Danish municipalities have shown a growing interest in supporting social enterprises within the last few years. A growing interest for social enterprise has also been revealed in a recent survey of municipalities carried out by CABI that showed that two-thirds of Danish municipalities are cooperating with “social enterprises”. (CABI, 2012). It is not possible to explain these efforts in detail in this report but below are some examples of efforts in different Danish Municipalities:

The Municipality of Roskilde

The Municipality of Roskilde has 8 selected efforts to support social enterprises in the municipality. Link to 8 selected efforts: http://roskilde.dk/sites/default/files/fics/DAG/2656/Bilag/status_paa_8_konkrete_indsatser_socialoekonomisk_strategi.pdf

The municipality:

1. is screening people, who receive the Municipality’s general business advice for potential social economic entrepreneurs so they can be offered special advice on starting a social enterprise.
2. wants to offer a mentoring for social entrepreneurs in cooperation with local business associations and The Confederation of Danish Employers (DA) and The Confederation of Danish Industry.
3. supports relevant social economic pilot projects in cooperation with entrepreneurs and actors in health, culture, recycling, environment, residential, urban renewal and development.
4. cooperates with the local Volunteer Centre to advise volunteer associations on possibilities to start social enterprises.
5. wants to develop partnerships with social enterprises in order to purchase of services, cooperate and to try to locate subsections of existing social enterprises in the municipality.
6. informs potential entrepreneurs in Roskilde via the Municipality’s website about social enterprises and also share relevant contacts in the field.
7. wants to initiate social economic networks and facilitate annual networking event.
8. Wants to try to create a three-year PhD scholarship together with Centre for Social Entrepreneurship at Roskilde University.

On top of these efforts Roskilde has also launched a Social Entrepreneurship Prize of 1300 euros that was awarded in October 2015 for the first time. More info on the Prize: <http://roskilde.dk/nyheder/roskildedk/roskildes-sociale-ivaerksaetterpris-2015>

The municipality of Silkeborg

The Municipality of Silkeborg supports the start-up of social enterprises by offering all its employees leave with full pay the first 3 months – if they want to start their own social enterprise. More info at: <http://silkeborgkommune.dk/Erhverv/Nyheder-Erhverv/Ivaerksaetterorlov-med-loen>

The Municipality of Copenhagen

The municipality of Copenhagen states in an evaluation of its efforts, that there is a growth potential for social enterprises if start-ups and social entrepreneurs are supported. And the municipality has actively tried to support social enterprises. In 2010 the municipality chose one specific contact person, through whom social enterprises could contact the municipality, to make life easier for social enterprises.

In the business centre of the municipality entrepreneurial advice to social enterprises is offered and here the municipality also tries to facilitate cooperation with other departments such as Social Security or Employment Department.

- Since 2011 the municipality has looked at the extent to which and how it would be possible to cooperate with social enterprises in regard to legislation.
- In 2014 and 2015 the municipality focuses on skills development. In autumn 2014 a program began that will run until January 2016. There will be cooperation with some Copenhagen agencies, both in terms of advice, network (creation) and mentoring. This includes:
 - SBMC Workshops: Introduction to Social Business Model Canvas
 - Mentor Course: focusing on qualifying business model, business development etc.
 - "Start Up KPH": Lean start-up course for social entrepreneurs
 - "Ready for Growth" - qualifying courses identifying growth potential and challenges for social enterprises.
- The municipality has looked into municipal procurement and tender policy because the municipality wants to be better at focusing on social concerns in relation to procurement and supply.
- From 2014-16 the municipality has run a programme together with stakeholders in the field in Copenhagen to offer counselling, network and mentoring for social enterprises.

The Municipality of Ikast-Brande

The Municipality of "Ikast-Brande" In 2013 the municipality of Ikast-Brande introduced a strategy to strengthen the environment for private and socially responsible businesses and to create more jobs for disadvantaged people. Part of the strategy is the project "Vision Vestergade", an ambitious project which should gather and encourage the private and municipal efforts for social enterprises, and create a more inclusive labour market. The purpose of the project is to create 100 jobs in social enterprises in the municipality of Ikast-Brande by the end of 2017. The project will be situated in the street of "Vestergade" in the city of Ikast and will create a living and inspiring environment for social enterprises, associations and citizens of the municipality. Among others the project will include an organic market garden, a riding centre, a communal house with a cafe, office space and the sales of products and services from social enterprises.

In the autumn of 2014 the National Centre for Social Enterprises carried out a survey with 25 Danish municipalities. The survey resulted in a small guide with 5 good pieces of advice on how social enterprises can be promoted in municipalities:

- Find the local story
- Create political focus and a dedicated leadership
- Involve the local society

- Have a special contact person that social enterprises can contact in the municipal administration
- Expand the view on where social enterprises can emerge
See more here: <http://socialvirksomhed.dk/Samarbejde/samarbejdemed-det-offentlige/seks-Ingredienser-som-fremmersocialokonomi-i-kommunerne>

Social Growth Programme

In 2013 the Social Capital Fund launched the Social Growth Programme (“Det Sociale Vækstprogram”) <http://www.densocialekapitalfond.dk/det-sociale-vaekstprogram>. The programme is run by the Social Capital Fund on behalf of the Danish Agency for Labour Market and Recruitment (formerly the Danish Agency for Labour Retention and International Recruitment), who funds the programme. The programme period is April 2013 to July 2016. As of December 2015 27 social enterprises have completed the programme, and around 5 more will have done so by the end of the programme in 2016. The Social Growth Programme provides support to social enterprises that work with the most vulnerable unemployed (and that meets the other criteria for social enterprises, based on the 2010 National Civil Society Strategy). More specifically, it provides an intensive support programme for social enterprises that aim to grow and expand their business so they can employ and/or create work integrating activities for more individuals.

The Social Growth Programme activities run for five months and include:

- Help from an experienced and dedicated business advisor, who and helps to develop and test new business opportunities.
- Training – to use the new tools for business development and acquiring new knowledge in the field, including training and advice in relation to sales and marketing, access to new customers/markets and cooperation with local authorities.
- Networks and partnerships-including matchmaking of municipalities, companies and organisations
The main aim of the Social Growth Programme is to help social enterprises to develop and grow so they can employ more people and create opportunities for several vulnerable groups on a financially sustainable basis.

As of August the programme has involved 22 social enterprises. And will involve a further 10 social enterprises till the programme ends in 2016. Since 2015 the programme provides additional opportunities for support for participation in the Social Growth Programme, as well as opportunities to apply for funding to act on the activities developed through the programme.

Overall The Social Growth Programme is a very professional and intensive scheme that has already shown positive effects. Social enterprises that participated have improved business results and they have employed more disadvantaged people. The positive results of the scheme can serve as



inspiration for other social enterprises and for traditional businesses, who want to take on social responsibility. One of the weaknesses of the scheme is that it is very expensive, and only a small number of social enterprises in Denmark will benefit directly from the effort. The programme also runs for a limited period of time (until 2016) – what also will limit the long term effect. On the other hand the participating social enterprises can serve as best practice and role models for other social enterprises. And since the programme is evaluated on a regular basis,

the learning from the programme will be available for both social enterprises and other actors in the field.

Link to the evaluation report from the first and second rounds of The Social Growth Programme: http://www.densocialekapitalfond.dk/wpcontent/uploads/2014/09/SVP_erfaringsrapport_2014.pdf

The activities presented above look like an answer for a social enterprise's needs, respondents of the survey was asked to pointing out most relevant supporting tools and the professional substantive help was seen as more important. Below you can find a list of excepted support presented according to number of indications:

- Business advisory and coaching (long term coaching dedicated to development of economic activity, creating business plans, selling strategies, etc.);
- Advisory (basic legal, procedural help, providing clear and exact information according to social enterprise need);
- Social clauses in public procurement;
- With this same importance: Professional, expert advisory – marketing expert, lawyer, accountant, HR expert etc); Regular networking activities (among social enterprises), Regular promotion of social enterprises offer – among public institutions and local communities, Grants for increasing employment in already existing social enterprise;
- Other financial support as preferential loans or bank guarantees.

Other available supporting activities

Social Start-up

Social Start-Up (<http://www.densocialekapitalfond.dk/social-startup/>).

In 2014 The Social Capital Fund launched Social Start-Up, which is Denmark's first accelerator for social entrepreneurs, who want to employ excluded people without a job. The Social Capital Found launched Social Start-Up because this kind of support for social entrepreneurs has been absent in Denmark till now. The first round of the programme was launched in August 2014. Social Start-Up is funded by "VELUX FONDEN" with 2.7 million €. As of December 2015 13 social start-ups have taken part in the programme. Over a 5 month period selected social enterprises have received help to get started. This includes intensive professional support, seed capital and access to a substantial network of experts and specialists. The purpose of Social Start-Up is to establish and develop a social enterprise that creates jobs for excluded people and is economically sustainable. The programme is dedicated to potential social entrepreneurs and mutual due to stablish companies and organizations in the early stages with focused on the best way to go from setting up the business to sustainable running a company. The participating businesses can apply for seed funding of up to 100,000 DKK (13.400€), funded by VELUX FONDEN. The best among the participants will be offered a further 12 months of support during the development process. These businesses will also be able to apply for further seed funding where there will be a total of 1 million DKK available for every round of the programme. Participation in Social Start-Up is free and most travel expenses will be paid for. The Social Start-Up programme is built on experiences from the Social Growth programme also run by The Social Capital Found, and is inspired by the LEANstartup-method and Social Business Model Canvas. Social Start-Up, like The Social Growthprogramme, is a very professional and intensive scheme, and participants have given very positive feedback. But again the scheme is very expensive, and only a small number of social enterprises in Denmark will benefit directly from the effort. Social Start-Up also runs for a limited period of time (until 2016). The impact of the Social Start-Up has not yet been evaluated, but will be in the end of 2015.

Reach for Change

Reach for Change, (RfC) www.reachforchange.org, Programme: "Game Changers", <http://denmark.mtggamechangers.com>.

Reach for Change is a non-profit organisation founded by the Kinnevik Group to improve the lives of children and youth. The organisation started its activities in Denmark in 2014. And the first effort of "Game Changers 2014" was launched in the autumn of 2014. The programme selects 4-5 social enterprises a year. All receive business support for up to a few years. One social enterprise is financially supported with up to 450,000 DKK a year for up to 3 years. Reach for Change evaluates the selected social enterprises every year and decides if the support (both financial and non-financial) should be extended for one more year. The first 4 social start-ups for the programme was selected and awarded 8th December 2014. The winner was the organization "Fit for kids". RfC's schemes is very attractive as the chosen social enterprises get substantial funding that will enable them grow and develop, but only very few social enterprises and social entrepreneurs can be reached and supported through this scheme. In general it is too early to say much about the effect, the work of RfC has on social enterprises in Denmark. But overall it is positive that a private company gives so substantial sums to social enterprise start-ups. This might inspire other private companies to contribute to the development of social enterprises. Furthermore RfC will most likely expand the scheme in Denmark.

Alternative banks and large foundations

A few alternative banks including the Merkur Cooperative Bank www.merkur.dk and Folkesparrekassen (www.folkesparekassen.dk) specifically targets companies, institutions and projects that work with social, environmental and cultural sustainability, some of which are social enterprises.

A few foundations have given large donations to organisations that have targeted efforts for social enterprises, e.g. to The Social Capital Fund, who invests in social enterprises, and to the social enterprise support scheme Social Start-Up, which is also run by The Social Capital Fund. Foundations have also given substantial donations to individual social enterprises within the last few years (5-20 million DKK). Foundations tend to focus investments in older and proven organisations. Social enterprises in the Start-Up phase are not so likely to be able to secure investments from large Danish foundations.

Regarding this the Merkur Cooperative Bank has pointed out the need for a Social Enterprise investment Fund that can provide venture capital and accept smaller returns than normal capital funds, but on the other hand achieve a larger social impact and create more community value than traditional investors do. The Social Enterprise Investment Fund should take on the important task to act as the intermediary between businesses and investors, and if the fund provides venture capital Merkur and other banks could concentrate on helping with working capital, a model that would help enterprises to develop and grow to the benefit of everyone.

Crowdfunding

The potential of crowdfunding in relation to financing social enterprises is still fairly unknown and not used by many social enterprises in Denmark. In 2011 the first Danish crowdfunding platform was launched and the area has experienced a massive development in the last few years. The development has been so great that the Danish tax authorities have launched a guide with rules to follow for when a business wants to use crowdfunding to raise capital.

Non-financial support

Apart from the above mentioned support mechanisms non-financial support is also available from a spectrum of very different organisations. Among organisations that provide non-financial support to social enterprises and social entrepreneurs are Kooperationen, Social+, KBH+, Sociale Entreprenører i Danmark (Social Entrepreneurs in Denmark) and since summer 2014 also the non-profit housing organisation BL.

Support for Danish social enterprises is also available from the global organisation Ashoka through Ashoka Scandinavia, which is situated in Sweden. In general Denmark is missing a supportive infrastructure for social entrepreneurs and social enterprises. Apart from particular interest groups like Kooperationen and SelvejeDanmark that organise some of the social enterprises in Denmark, SocialeEntreprenøreriDanmark (SED) is one of the only national organisations that tries to provide such an infrastructure. But as the organisation is mainly run by voluntary workers and has few resources it is difficult to develop this effort.

External image

Social enterprise is still a relative unknown phenomenon among the general public. And there have never been any larger public campaigns to promote social enterprises.

In the final report from the Committee on Social Enterprises 2013 one of the main recommendations was to initiate a national information campaign referring to good experiences from England and Sweden with general information campaigns on social enterprises.

National efforts

The National Centre for Social Enterprises has, due to limited resources, concentrated its efforts on making a short animation film on social enterprises (<https://youtu.be/q06zxqe9YV4>), a survey among social enterprises, employees in Municipalities and employees at the public regional business centres and in September launched a database with registered social enterprises in Denmark. For the time being there are no resources available for a general national campaign. The National Centre for Social Enterprises in August 2015 conducted a survey on general knowledge about social enterprises among social enterprises, employees in Municipalities and employees at the public regional business centres.

The survey in general showed that the majority of the respondents knew about social enterprises and had a very positive image of them, but also showed that there were some misunderstandings about social enterprises, e.g. that they do not have to be run professionally and on market terms.

In the survey the following answered that they knew social enterprises:

- 84.4 % of employees in municipalities
- 93.8 % of employees at the public regional business centres
- 90 % of social enterprises –this actually means that some social enterprises do not know that they are in fact a social enterprise.

The survey indicates a need to create more awareness, understanding and share more knowledge on social enterprises so municipalities will be able to work more focused with social economy.

Municipalities

Several Danish municipalities have made smaller efforts to increase awareness of social enterprises locally by making events and conferences about social enterprises and have also conducted markets where products from social enterprises are shown and sold.

As experts during the interview mentioned decision-makers and municipalities, who are the main potential customers of Danish social enterprises, are generally very aware of social enterprises and their potential. Thus awareness and image is not so much the issue. However, dealing with social enterprises – i.e. buying their products, buying placements/internships for disadvantaged citizens or providing business support – sets new demands in terms of governance, cross-sectoral collaboration and risk-taking, which local governments are rarely ready for. Welfare services are traditionally carried out by

the public, but to support social enterprises, the public authorities would have to be ready to give welfare service contracts to social enterprises also. As of now public authorities see great challenges in outsourcing tasks to social enterprises, and also there is a mistrust that social enterprises are able to deliver.

The opinion of social enterprises is surprisingly completely different, as in our survey they pointed lack of knowledge about social enterprises among local authorities and public officers as the most relevant obstacle in terms of good cooperation on local level. Third recognised by social enterprises representatives important barrier was negative or indifferent attitude of public officers to cooperation with SE.

Support organisations

Most of the support organisations for social enterprises help spread knowledge on social enterprises through webpage and newsletter, but this mostly targeted a smaller group of people, who are already interested in and aware of the subject.

Social Enterprises

Social enterprises themselves have limited resources to enhance the general awareness of the concept, but nevertheless many of them, now and again, manages to have local papers and local television make feature and in that way contribute to a larger public awareness on the concept.

The social enterprise Media-Now has made a marketing platform for social enterprises called "KøbSocialt", <http://koeb-socialt.dk/> (Buy Social). As of December 2015 a little more than 100 Danish social enterprises are presented on the platform and those who have products to sell can do so through the online shop on the site.

2. ESTONIA

Legal framework

There is no special legal form for social enterprises in Estonia. Most social enterprises are registered as civil society organisations: non-profit associations (governed by its members) or foundations (governed by its board). There are also a few limited liability companies identifying themselves as social enterprises. Most social enterprises have chosen to be non-profit associations. However, the number of members is usually small, reflecting the number of people who are actually active in an organisation as members of management board and project managers.

In order to achieve more favourable taxation conditions, a solution used by some social entrepreneurs has been combining two organizations (e.g. a non-profit association and a limited liability company) to form a social enterprise.

Rationally, there is no one clear preferable form for social enterprises in Estonia, as both (non-profit and for-profit) options offer certain advantages as well as downsides.

Lack of existence of a special legislation dedicated to social enterprises was also mentioned by survey participants but again it was not seen as a meaningful barrier or obstacle in terms of running a social enterprise, especially that NGO can establish and hold 100% of shares of a limited liability company. However during the experts' focus interview one argument in favour of creating a separate legal form for social enterprises appeared. Part of interview participants stressed that none of current forms fully addresses the need of a business that strives for explicit public benefit.

Registering as a non-profit is practically a default option for public benefit initiatives in Estonia. Those who are operating as for-profits complain that community members and cooperation partners treat them suspiciously, even if they have voluntarily given up paying dividends.

In 2014-2018, Estonian Ministry of Justice will codify Estonian laws of association (covering all for-profit as well as non-profit entities). Estonian Social Enterprise Network has already managed to get the goal of finding a legal consensus / solution about legal status for social enterprises into the documents of the Ministry but the final decision is not known yet.

Currently, the only example of defining social enterprise in Estonia is related to membership criteria of Estonian Social Enterprise Network. Currently, the network uses an inclusive and flexible interpretation of the concept of social enterprise. **A clear social/societal purpose** forms the centre of the definition, while the other important aspect is having **a financially sustainable business model**. The network also requires social enterprises to **reinvest their surpluses**, but that aspect will most probably be hotly debated in coming years.

In general running a business in Estonia is easy, confirmation of this fact can be found in the International Rank "Doing Business" prepared by the World Bank Group. Estonia is 16th place in the world of the 189 assessed countries.³ So in terms of running a business there are no differences for social enterprises or any other one. For example the process of reporting annual accounts is very easy in Estonia. Organisations do it electronically at Company Registration Portal that includes e-annual reporting environment which can be used for compiling, signing and submitting annual reports digitally.

There are no additional difficulties related to legal affairs in addition to those that have already been mentioned. The only minor difficulty that has been present at social enterprise start-up programs: "Which legal form to choose as a would-be social entrepreneur if there is no special legal status designed for it?" The choice has always been made after analysing the strengths and weaknesses of the three main legal options mentioned previously.

³ <http://www.doingbusiness.org/rankings>

Human resources

As it was presented in previous section social enterprises sector in Estonia mostly consists non-governmental organizations. Naturally it means that the representatives of these NGOs are social leaders, people empathetic, concentrated on providing help for others but not necessary businessman. In many cases leaders of these NGOs have social, educational, youth work, disability, etc. background and no previous experience with business activities. In the moment when associations and foundations have ambition to become social enterprises they have to face lack of knowledge and experience of their staff needed for successful enterprise set-up. Very often the people in these organisations are used to the project-to-project style of operation, not market based activity. The challenge is not only how to provide knowledge for them, but how to change their approach, way of thinking and in consequence their way of behaving.

The authors of an article *Dreamers With Their Eyes Open: Social Enterprise Movement in Estonia* had a similar opinion: "most of the organisations who identify themselves as social enterprises have a clear social purpose. Often, they also produce something that is (at least potentially) valuable for customers. However, in most cases there is a serious lack of skills of product or service design as well as of branding, marketing, sales, and related financial management. The main reasons are the non-business background of social enterprise leaders and their inability to bring in respective expertise. The low level of entrepreneurial capacity of social enterprises is among the crucial factors that prevent them from fulfilling their potential in creating positive change individually and becoming a strong sector collectively."

This was also recognised by experts during the focus interview as all participants agreed that many social enterprise leaders need to develop their leadership and management expertise, especially related to business administration, market-oriented product or service design; sales-oriented marketing and communication; financial management. Survey respondents also pointed out support in terms of PR and marketing, sales techniques, human resources management as the most relevant and needed for social enterprises staff.

The next important characteristic of social enterprises human resources is the average number of their employees. Typically, social enterprises in Estonia are micro enterprises, with 1-9 employees but some examples are considerably bigger (e.g. 30+ employees).

A significant number however are represented by no full time staff, depending solely on one leader (usually the person who started the enterprise or has been running it for a long time) usually engaged in the social enterprises only part time. Many social enterprises also include voluntary staff in their activities, unfortunately very often due to lack financial capacity. Survey representatives also noticed the low level of salaries and dependence on external, project financial support as one of the biggest barriers of social enterprises development. Next challenge standing of front of social enterprises, especially ones providing public services based on public tendering is the burn-out syndrome, when due to win the public order they give lowest possible price what that de facto require overwork, volunteering and do not enable investing into training staff or other development work).

So what motivates NGOs to become despite of all difficulties a social enterprise? On the one hand it can be the feeling of having fun in the moment of dealing with the new challenges - running an enterprise. On the other hand it can be a desire to grow the business, expand the activities and gain financial independence and sustainability. Those feelings are something that those social enterprise leaders who have business background usually point out as their main drivers. On average, exactly they are more successful in running social enterprises than those who do not have any previous experience in business.

Supporting mechanism

Estonian civil society organisations have had access to a variety of funds in recent years primarily via the National Foundation of Civil Society that is a state financed (Ministry of the Interior) civil society fund established in 2008. Its support has reached the social enterprise sector mainly in two ways by financial and substantive support.

In detail NFCS provided many grant-programs and calls for proposals, all focused on either developing capacity within NGOs or making change happen within civil society organisations impacting on active citizenship.

Concerning social entrepreneurship support NFCS have done:

- Special open calls for proposals for social entrepreneurs (NGOs in this case), firstly they have supported them financially to draw up a sustainable business plans and then provide grants to implement plans.
- The NFCS also operate the Swiss-Estonian NGO fund – supporting co-operation between NGOs and public sector in providing public services.
- The NFCS has supported the founding of Estonian Social Enterprise Network (ESEN)⁴ – <http://sev.ee/eng>
- The NFCS has also supported Estonia's first social entrepreneurship incubator SEIKU located in Tartu, South Estonia – <http://http://seiku.ee/en/>

In Estonia there is also a County Development Centre network consisting of 15 organisations located in each county providing a free-of-charge consultation service to companies, local governments and NGOs. They are also consulting social entrepreneurs to develop their knowledge and understanding of social enterprises. The quality of the consulting service is variable depending on the county, but the basic consultation support is available everywhere – it is a universal service.

Participants of the focus interview had very diverse opinion of the available support and its sufficiency and adequacy to social enterprises' needs. The consensus was more or less the following: business support measures have mostly neglected social enterprises; there is a need for stable, regularly-provided measures both for social start-ups as well as for those who need resources for growth. What is interesting the respondents of the survey asked about assessment of the available support answered that or they didn't know about any available support or in their opinion there is no support provided, both on a national and a local level. But when we asked them about the supporting tools which could help in development and enhancement of social enterprise the list was long an in bigger part of options was connected with providing business advisory and coaching, experts advisory (PR, accountancy, HR), social clauses in public procurement and regular promotion activities. Nevertheless it is obvious that only adjusted to specific social enterprise needs, long-term, professional substantive support concentrated both on internal growth of social enterprise (staff competences, skills) and financial support providing investment capital.

Non-profit public benefit social enterprises can also belong to so-called "Public benefit list" that allows for some tax benefits under Income Tax Law (originally designed for traditional charitable / voluntary organisations).

Still, there are certain weaknesses that social entrepreneurs point out in relation to operating as non-profits. Primarily, the access to finance specially tailored for business development is very limited. All start-up programs support only for-profit organisations. Non-profit organisations are also ineligible for non-financial support from Enterprise Estonia, even if they would qualify as exporters and would be able and willing to pay a fee for participation like everyone else from the business community.

Often social entrepreneurs also mention that while the concept of social enterprise has become better known, still many community members and cooperation partners expect them to offer their services for free because they are registered as civil society organisations. So definitely support in terms of promoting the idea of social entrepreneurship is needed.

External image

Social entrepreneurship at a national level is well known and recognizes especially The Ministries of Interior and Social Affairs which is responsible for cooperation with this sector. A confirmation of that fact is the whole system of support and the establishment of the National Foundation of Civil Society presented in previous section.

The **National Development Plan for Civil Society 2015-2020** (approved in February 2015 by the Estonian Government) includes “social entrepreneurship, public services and social innovation” as one of its three chapters. The Ministry of Interior is in charge of the Plan. The Estonian Social Enterprise Network has been chosen as **a long-term strategic partner** for the government for implementing the Plan.

The Ministry of Social Affairs has supported **a year-long accelerator** in 2015 for starting up new social enterprises (also as new branches in existing civil society organisations) and designing new public services (also in existing social enterprises). Most probably the Ministry will continue supporting such programs strategically in following years also.

Concerning politicians, the awareness is still rather low, although as a result of the Estonian Social Enterprise Network’s advocacy efforts three out of the four main political parties in Estonia chose social enterprise development as one of the topics in their **election platforms for the Parliamentary elections** that took place on the 1st of March 2015. Thus, the coalition agreement included the topic as well.

The fact of the low level of understanding the social entrepreneurship concept is similar on a local level among local authorities – both among decision makers and public officers. In the survey respondents’ opinions reflected the low level of awareness of local communities about social enterprises activities, lack of knowledge of public officers (public institutions employees) about the specifics of social economy and social enterprises and the common belief regarding the low quality of services and products offered by social enterprises are the biggest barriers in social enterprise development and enhancing a cooperation among different actors of economic and social reality.

To change this attitude especially on a municipality level, social enterprises must demonstrate their ability to create and keep jobs, provide a real social impact measurement and communicate to the public that they provide “good services, products that help to transform the world to a better place” and / or to make services available to those that municipality is obliged to but cannot reach. The fact is that until now the public sector has actually wanted cheap services, so one of the biggest challenges is to convince them to use the “Best Price-Quality Ratio- BPQR” which takes under consideration also social criteria to be weighed, together with the price or cost and other criteria such as quality and environmental considerations.

If we tackle the private sector or individual customers as a potential client, a possible partner for the social enterprise sector, we again have to be aware that even with the term of social enterprises it is recognised that the common understanding of the concept is not so obvious. However current trends show that private sector is becoming more interested in cooperation with social enterprises sector. But as experts during the interview mentioned there is no consensus as to whether it’s a good thing as the main interested companies who have been keen on linking their CSR strategy with social enterprise sector so far have been casinos, international banks, and more recently, multinational alcohol producers.

3. FINLAND

Legal framework

In terms of legal framework in Finland, there is not such a thing as social enterprise mentioned in any law. However, this does not mean that one could not establish a social enterprise if one wanted to do so. In fact, one can establish a social enterprise legally by choosing a different company form by law. Basically this means that legally it does not matter whether a business is a social enterprise or not. Whether or not this is easy depends on the person whom one asks. Overall there do not seem to be major problems or challenges in establishing a social enterprise (or any enterprise for that matter) in Finland. However the government is aiming at lessening the bureaucracy when establishing new businesses⁴.

When the term social entrepreneurship became more widely used than before an interest in Finland approximately five years ago, some studies then estimated that the number of social enterprises in Finland to range roughly between 5,000 and 12,000 depending on the definition of social enterprise used⁵. According to a study done by the Finnish Institute in London in 2009 the estimation of approximately 12,000 social enterprises' share of all companies revenue in Finland was about 7 billion.⁶ According to some studies, there is quite an amount of social enterprises in Finland who are not aware that they could use this term.⁷ In 2015 it is still difficult to say what the exact number of social enterprises is in Finland, partly due to lacking of an agreed common term⁸. The most recent study by Etna in 2015 (<http://bit.ly/1Qynnvb>) claims that there are over 19,000 social enterprises in Finland, employing over 125,000 people.

In general, social enterprises can take any organisational form. Most of them are limited companies, but some can also be foundations, associations or cooperatives. At the moment it seems that the status quo when talking about potential organisational forms is satisfactory. There does not seem to be any public debate anymore about whether or not social enterprises should have their own legal form.



Because the term social enterprise is not mentioned in Finnish legislation, the Social Enterprise Mark was created. The Ministry of Employment and the Economy has been a driving factor in making this Social Enterprise Mark happen. The managing of the Mark and the managing of the registry of the Mark holders was given to the Association of Finnish Work. This association governs and manages the Finnish Social Enterprise Mark but the actual Mark is given by a committee that is formed of independent experts.⁹

⁴ See for instance Government Program of 2015, Finland. Can be read in: <http://bit.ly/1UfnDDI> (30.8.2015)

⁵ Lilja, I. and Mankki, J. 2010: Social enterprise: an creative and integrative way of doing things (*Yhteiskunnallinen yritys: luova ja yhdistävä toimintatapa*) and Karjalainen, Antti & Syrjänen, Elina: Are there any social enterprises in Finland (*Onko Suomessa yhteiskunnallisia yrityksiä?*) The Finnish Institute in London 2009.

⁶ Karjalainen, Antti & Syrjänen, Elina: *Onko Suomessa yhteiskunnallisia yrityksiä?* Suomen Lontoon instituutti 2009.

⁷ The Finnish Institute in London conducted a survey in 2009 (Karjalainen & co. 2009) The survey they conducted said that 30 % (1 141) of those who answered to the survey felt that their companies' goals and mission had a lot to do with answering to societal or environmental challenge a lot or very much. 15 % (568) of those who answered to the survey felt that in addition to this their companies also invest the profit back to the company to answer to this societal or environmental challenge. Approximately 4 % (146) of those who answered to the survey thought that their companies' goals had extremely much to do with answering to a societal or environmental challenge.

⁸ See for instance: Tykkyläinen Salla: Social Entrepreneurship (Yhteiskunnallinen yritystoiminta), page 150-151 in book *New Forms of Economic* (Talouden uudet muodot 2015, edited by Mikko Jakonen and Tiina Silvasti)

⁹ The Association of Finnish Work's webpage: <http://bit.ly/1F9DfvV>

There is still some debate¹⁰ over what is it really the definition of a social enterprise in Finland and what the criteria of the Social Enterprise Mark should be. The main criteria for the Social Enterprise Mark by the rules at the moment are the following:

- “The primary objective and aim of a social enterprise is to promote social well-being. A social enterprise acts responsibly through business.
- Limited distribution of profits. A social enterprise uses most (over 50%) of its profits for the benefit of society either by developing its own operations or by giving a share of its profits to charity according to its business idea.
- Transparency and openness of business operations.”¹¹



The general public still seems to be mostly unaware of the term social enterprise. There are in total now 76 Social Enterprise Mark holder companies¹². In any case, as there are only 76 registered Mark holders; this implicates that either the Mark is not attractive enough for to register, it is too expensive to apply for the Mark, it is too difficult to apply for the Mark, it is hard to get the Mark, social enterprises do not know the Mark exists or something else. The independent opinion of the author is that it is a combination of all of these things. In any case, the initiative is interesting and should be enhanced. Experts during the focus interview also underlined that entire social enterprises sector is responsible for building its positive image and recognition. One of the tools to reach this aim can be a well-known, effective Mark. There are no doubts that the branding of social enterprises should be promoted due to get more publicity, with time gain trust and through it make the public more aware of the idea of social economy.

Legally thinking, only the co-operative as a business form can have other than economical goals that are also mentioned in the co-operative law¹³. Even so, this does not mean that another business form could not be a social enterprise, if they would choose so and to write these in the company statutes (or a similar document).

The business forms to choose from are a limited liability company (*osakeyhtiö*), co-operative (*osuuskunta*), limited partnership (*kommandiittiyhtiö*), a general partnership (*avoin yhtiö*) or one's own trading name (*toiminimi*).

The actual process of starting your own business is quite simple and resembles other countries. Once you choose which kind of business form you want you need to register your business with the Trade Register (PRH).

The most common business form in Finland is the limited liability company¹⁴. In the limited liability company law (*osakeyhtiölaki*)¹⁵ it states that the goal of a limited liability company is to make profit for the shareholders, unless otherwise stated in the company statutes. This leaves room for any limited company to establish themselves as social enterprises if they wished so. One only needs to state this in the company statutes.

The only term related to social entrepreneurship that the Finnish legislation recognizes is the term social firm (another way to call this is work-integration social enterprise). The law of the social firms was implemented by law in year 2004 in Finland. Because of this, there was little bit of confusion regarding the term, as social firm (*sosiaalinen yritys*) was already reserved and used as a term despite possibly

¹⁰ This being said even though I said there is a debate, the debate is not going on very strongly in public or anywhere else (at least it seems so). But there are people in the field with different opinions of the criteria still.

¹¹ The criteria of a Social Enterprise Mark in Finland: <http://bit.ly/1ic6J7k>

¹² The Association of Finnish Work's webpage on 10.12.2015: <http://bit.ly/1JunUKm>

¹³ The co-operative act in Finland (421/2013, 16th Chapter, 10 §), www.finlex.com.

¹⁴ There can be two kinds of limited liability companies: the private limited liability company and the public limited liability company.

¹⁵ Limited Liability Companies Act, 5 § (624/2006, www.finlex.fi)

being the most suitable to use, so there therefore needed to be another word invented for a social enterprise. The term chosen in Finnish language (*yhteiskunnallinen yritys*) basically means a societal enterprise.

A social firm is basically an enterprise that employs the long-time unemployed or handicapped.¹⁶ These can in fact be also social enterprises but it does not cover the whole term. This has so far not been proven to be very effective in terms of numbers to say the least; so far there are only 59 registered social firms in Finland.¹⁷

It could be also argued that the many non-governmental organisations and some foundations could also be included under the social enterprise term in Finland as their work is often thriving for similar aims as social enterprises and in many cases they also conduct business activities. Some NGOs have also chosen to establish a social enterprise themselves that is 100% owned by the NGO to conduct the business activities and return the profits of the business back to the NGO.¹⁸ There are also Social Enterprise Mark holders in Finland that are NGOs: the key issue is that whether or not they are conducting business activities or not.

In regarding to financial reporting and accounting responsibilities of a social enterprise: these do not differ from other enterprises in Finland. These responsibilities have a long tradition and they seem not be difficult to make correctly by the Finnish legislation. What is difficult and not regulated regarding social enterprises is choosing and implementing how to measure one's social impacts. There are multiple ways of doing this and therefore it seems that there are as many ways to do this as there are social enterprises. However as social enterprises are not legally obligated to do this, this is not legally a problem at the moment, but more of a challenge for social enterprises as they usually eagerly want to prove to clients (and so forth) their social impacts. Any single standard or general practice for measuring impact has not emerged yet in Finland. For social enterprises, reporting impact is not even among the primary criteria of the Finnish Social Enterprise Mark.

The topic of social impact measurement was also mentioned during a focus group interview where all experts agreed that it is crucial to have a systematic approach to this issue. In their opinion it is necessary to create the "system of impact assessment", meaning well-prepared tools, methods which are easily available, recognisable and understandable, both for social enterprises (measuring their own effectiveness) and public (seeing real benefit from social enterprises activities). However the system won't be successful if we will not put a lot of attention to education in two dimensions: raising awareness of the social impact existence and importance of its measurements and providing technical know-how of how to do it for example by organizing training courses, providing guidelines, etc.

Human resources

Social enterprises are often "grass roots" initiatives. What is common to social enterprises is that individuals get active and solve current needs of the society through establishing a business and acting with other people. In their action they thrive for sustainability, locality and enforcing the local vitality.¹⁹ A certain characteristic often used when talking about social entrepreneurs is perseverance; or stubbornness, in other words. Social entrepreneurs are willing to take a financial risk to protect their company's mission in every way they can.²⁰

¹⁶ A company can be registered as a social firm in Finland if at least 30 % of the company workforce are long-term unemployed or handicapped (see the Law on Social Firms, 1351/2001, 4§). The goal of a social firm is to make profit to its owners. It is not stated in law that a social firm should have a social aim or goal itself.

¹⁷ The webpage of Ministry of Employment and the Economy 17.8.2015: <https://www.tem.fi/index.phtml?s=2567>

¹⁸ Some examples of the companies that are owned by NGOs: Invalidiliiton Asumispalvelut Oy and Helsingin Diakonissalaitoksen Hoiva Oy.

¹⁹ Troberg, E. 2012: Social enterprises as providers of new economical services at the countryside (*Yhteiskunnalliset yritykset yleisiin taloudellisiin tarkoituksiin liittyvien palveluiden tuottajina maaseudulla*, FinSERN1 - *Avauksia yhteiskunnallisen yritystoiminnan tutkimukseen*)

²⁰ Social enterprises part in creating innovatively value—research (*Yhteiskunnalliset yritykset innovatiivisessa arvonluonnissa—tutkimuksen case-esimerkit*), case examples by Pasi Syrjä and Helena Sjögren, Lappeenranta University of Technology. Presentation on 20.5.2013, Helsinki.



There can be a few motivational aspects or characteristics that set a person to become a social entrepreneur. These include a strong sense of one's identity, an own experience that they experienced strongly, community, meaningfulness of the work, willingness to make an impact. As all listed elements are definitely crucial in terms of social entrepreneurial spirit we have to be aware that running a business, including one with social aim, also requires business skills and competences. The representatives of few Finnish social enterprises who filled in our survey underlined that areas where

their staff would need a support are connected with: PR and marketing, legislative issues, finance and accounting. The experts during the interview also mentioned that more complex support for the social enterprises staff is needed especially in the field of business planning and gaining management skills.

In Finland there is a need for more stories of great social enterprises and social entrepreneurs: there is a need for real success stories in order to make establishing a social enterprise more appealing. At the moment the atmosphere in whole of Finland in regarding to establishing new enterprises is very positive, especially when you look back to about a decade ago when young people did not consider starting their own business appealing as people consider it to be today. However the credit is mostly going now to the start-up scene (which does or can involve social entrepreneurs as well, naturally) which is technology-centered and doesn't focus so much on the social side of business, but there are also exceptions, for instance Impact Iglu²¹. It seems that making meaningful work is also becoming a more of a trend now in Finland.

Also the research of social entrepreneurship looks like it is still in its beginning and for instance trying to debate about the definition of the term social enterprise, which seems to be usual at this point²² – so far it is difficult to find research on the subject of what kind of people are establishing social enterprises in Finland (excluding case studies).

Supporting mechanisms

Basically it is the same situation within the financial support mechanisms as it is with the Finnish legislation: a social enterprise can apply the same financial supports as any other company. These include many different tools: loans, start-up grant, aids and so forth – these are numerous. To put it briefly: no specific funds have been allocated to social enterprises so far. This does not mean that the situation is bad as there are many different channels, but to say the very least it is difficult for any company to decide which channel to choose. For a start-up entrepreneur especially the start-up grant seems to be working. The start-up grant is a grant that one can apply when starting a company and is granted directly to the entrepreneur for the living costs, mostly for 6 months, after which one can apply for an extension. There are also some challenges as at the moment (August 2015) in many areas of Finland the start-up grant money is already gone for the rest of the year. In addition to this, there has been some discussion that the start-up grant criterion is not suitable for every entrepreneur. For instance you can only get the start-up grant if you have not started your business.

A couple of initiatives have been launched regarding impact investing, namely by Sitra and Aalto University, who don't exclusively focus on social enterprises but all enterprises that seek to generate social and/or environmental impact. Sitra has been researching and introducing impact investing to Finnish stakeholders since autumn 2014 and they are organising an Impact Accelerator

²¹ <http://impactiglu.org/>

²² See for instance: Houtbeckers, E. (2014): Different actors in the field of social entrepreneurship in Finland (*Yhteiskunnallisten toimijoiden kirjo Suomessa. Tieteessä tapahtuu, Vlo 32, N:o 23*)

(“Vaikuttavuuskiihdyttämö”) program for 2015-2016. Aalto University has also integrated impact-related themes in a large-scale start-up conference SLUSH and launched a valued-driven start-up community named Impact Iglu, focusing especially on the emerging markets. In addition to these Demos Helsinki has launched in 2009, “Peloton” (in Finnish: fearless) clubs. Peloton “supports different industries and organisations in developing products, services and social innovations to help make resource smart low CO2 choices and to generate new profitable business opportunities for organisations”.

In regards to support and training in this situation, it is somewhat similar to legislation and financial support: a social enterprise can use the same services as any other enterprise. There are multiple services like these and many of them are free, provided by the state (especially the services of TE-centre). There has been some training courses aimed at social enterprises offered by for instance Kasvuhuone co-operative/Social Entrepreneurship Academy of Finland co-operative and KSL Civic Association for Adult Learning, but it has been a challenge in finding a workable solution of who’s paying the costs of this kind of training specifically aimed at social enterprises. Regarding training it seems that it is quite easy to get into a training session that is not very costly (or even free) aimed at any entrepreneurs but it’s rather difficult (or even impossible) to get into a training that is aimed directly at social entrepreneurs at the moment.

Fact of no profiled, dedicated to social enterprises support mechanisms or tools in Finland was mentioned either by experts during interview and social enterprises representatives in the survey. Moreover both respondent groups underlined that this kind of support is needed as working as a social enterprise has its specific challenges – cooperation with excluded people, focusing on social services and social purposes, etc. Providing more suitable resources to social enterprises and needs support would not be meaningless for the development of the whole sector and would make it more professional. Most expected support mentioned by experts and social entrepreneurs was: business advisory and coaching; professional advisory in the field of PR, sales techniques, accountancy, law; regular promotion of social enterprises products and services; and grants for establishing social enterprise or to increase the number of employees. Experts were also underlining the crucial role of socially responsible public procurement procedures where social criteria and impact assessment should be taken more often into consideration by public administration. Other tools proposed by experts were also connected with financial support, e.g. social impact bonds.

It seems that at the moment the biggest lobbyists of social enterprises in Finland are the Finnish Association for Social Enterprises (ARVO) and the Association of Finnish Work (the organisation who manages the Finnish Social Enterprise Mark). ARVO is a rather new organisation, so its influence remains still to be seen in the future and the influence power of the Association of Finnish Work seems to be divided between all the other marks the Association holds.

External image

Social entrepreneurship is not yet widely known term in the general population in Finland. That being said, social entrepreneurship is already a wider known term than it was for instance five years ago. New supporting organisations have been established, as well as the Social Entrepreneurship Mark. Especially The Finnish Association for Social Enterprises (ARVO) as a new interest group for social enterprises seems to make an effort for raising awareness and put value based businesses on the map in Finland.

The public sector officials – for instance the Ministry of Employment and the Economy, the Association of Finnish Local and Regional Authorities, also some municipalities (for instance the city of Tampere and the city of Espoo) - have been somewhat interested in adjusting their public procurement processes so that social enterprises would be taking into consideration when making public procurements. However there is not a lot of public debate and public discussion on the topic, which basically means that for instance the politicians are not very interested in the subject. However, the general public still poorly understands the concept of social enterprise. The government has not been active in encouraging the

development of social enterprises. As the EU Report states: "Interest from the national authorities to implement policies to support the development and growth of social enterprises is currently lacking in Finland."²³

Locally there are some good examples already: as the Finnish municipalities retain a high autonomy, if they choose to do something there is a lot they can do. This also means that no one can force the municipalities to do anything, but rather encourage by good examples and impacts. In addition to this if there would be any extra financial benefits for co-operating locally with social enterprises, the municipalities would be – for sure – more willing to do so. This however does not seem very likely in this economic climate that the country (and the whole of Europe) is in at the moment.

Confirmation of this rather reserved attitude of local administration to social enterprises we can find in opinion of survey and focus interview respondents. As the biggest barriers of cooperation they mention is lack of awareness of decision makers about the idea of social economy, lack of knowledge among public officers about the specifics of social enterprises and their indifferent attitude. Not without meaning is also the lack of already tested and available tools and instruments of cooperation which clearly shows a need to provide good examples and spread information about good practises in that matter. Moreover in terms of external image we should not forget about other actors of economic and social reality. As experts mentioned social enterprises should build a great and positive picture of the sector to invite for cooperation not only their natural allies like NGOs and public administration but also private companies.

²³ <http://bit.ly/1Kmxm6d>

4. LATVIA

Legal framework

The official work on legal framework for social enterprises in Latvia was initiated from March, 2013. That year the Ministry of Welfare formed a specifically-dedicated working group to deal with the further development of social entrepreneurship in Latvia and the drafting work of a concept and a pilot project has been started. The path towards the legal definition of a “social entrepreneurship started within the document created by the Ministry of Welfare called the Concept: “The introduction of social entrepreneurship opportunities in Latvia” (to be referred to from now on as a “Concept”). It was submitted to the governmental State Secretary meeting in February, 2014 and further on the process of the governmental review was finalised only in October, 2014. The Ministry of Welfare will launch a pilot project of support activities starting from 1st of January 2016 up to 31st of December 2018. Afterwards, based on the results of the pilot testing and in collaboration with related ministries, the ministry will prepare and submit a draft law on social entrepreneurship framework. For social enterprises it will be a long journey to getting a legal framework in place, but at the same time a positive aspect is the piloting process, which will allow assess in practicing different support mechanisms for potential social enterprises. Taking into account the fact that there are no official statistics about social enterprises in Latvia, possibly that piloting process, will be able to serve the majority of potential social enterprises, hence finally providing some financial, information and knowledge support. The registration procedure for social enterprises will be developed in parallel with the piloting process, testing specifically dedicated social enterprises register. The lack of legislation dedicated to social enterprises was also mentioned by the survey respondents as the biggest obstacle in terms of sector development and found by experts during the focus interview as the most critical points, but at the same time, one of the most discussed in Latvia.



Currently self-claimed social enterprises operate under the legal form of non-governmental/not-for profit and Limited Liability Company. These legal forms are not very favourable, but at the moment are the most reasonable for economic activity realisation of social enterprises in Latvia. None of the existing legal forms can serve the needs of social entrepreneurship, but as there is no other choice, some forms have to be adapted. Social enterprises who have chosen the legal form of the limited liability companies, currently have to work on the same terms as “classical, for profit” enterprise and pay the same taxes. Social enterprises acting as not-for profit organizations cannot develop active entrepreneurship due to this constraint of legal form. The not-for-profit organisations are allowed to have economic activity only as supplementary to the main purposes organisation is established for.

Dobele L. (2014) in her PhD thesis proposed a functional scheme for social entrepreneurship. She indicates that there are several sub-categories of potential candidates, who might apply for the status of social entrepreneur. See image 1.

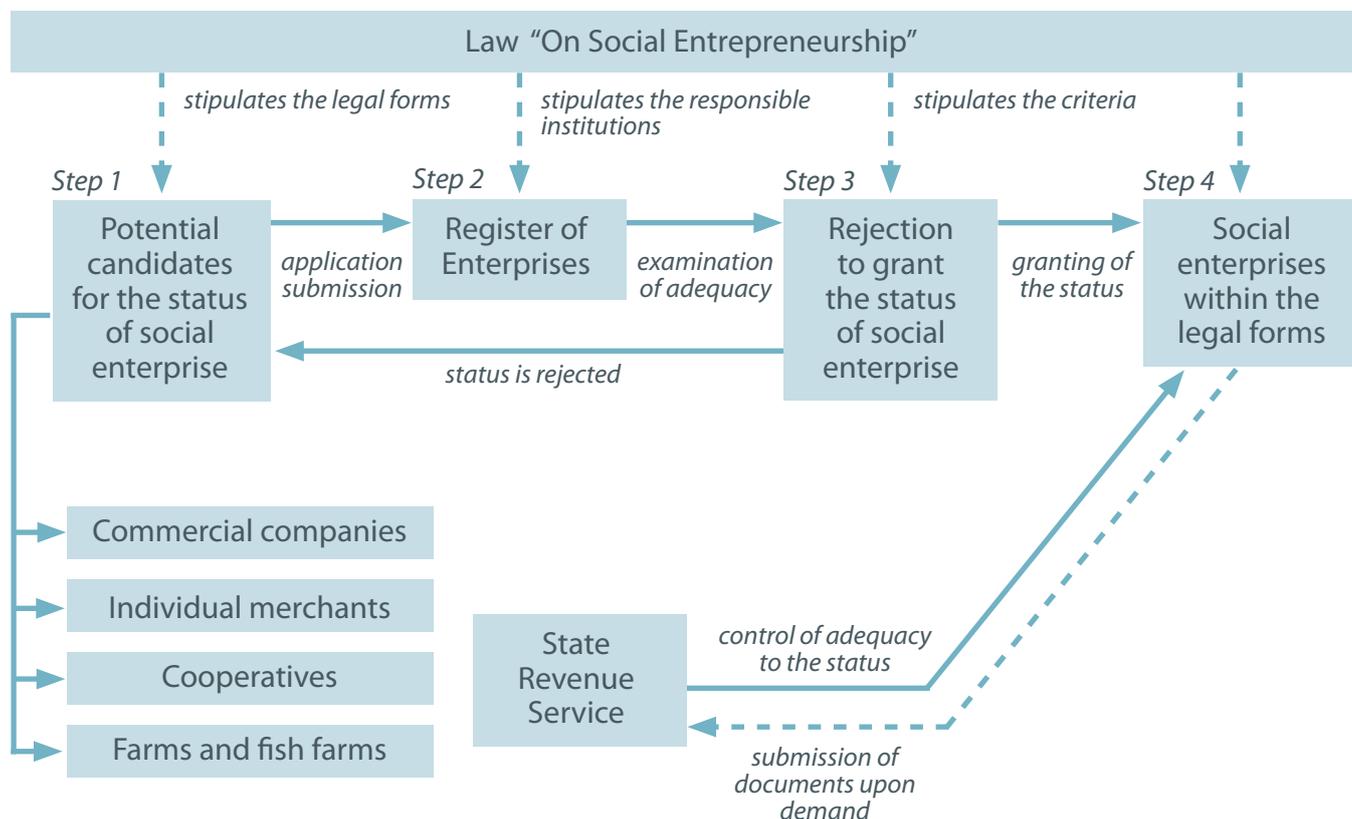


Image 1

Proposal of functional scheme of social entrepreneurship in Latvia.

That registration procedure will possibly be tested in the proposed or a different format during piloting process, starting from 2016.

The largest barrier in Latvia (in 2015) regarding the development of social enterprises is the lack of legal framework, and hence also support mechanisms, from the government. There has even been an attempt from SE stakeholders to make a legislation path faster (in October 2014, several social entrepreneurs composed a letter to the Prime Minister with a plea to reconsider the taken decision), the process of legislation has not been changed. The original path stayed the same - piloted support actions as testing mechanism for supports starting from 2016 and later on development of proper legislation 2018-2019.

Human resources

Social enterprises number of employees, recruit volunteers, management model

As social entrepreneurship does not have a legal framework, there are difficulties to measure statistical values of self-claimed social entrepreneurs. In 2013 the Latvian Chamber of Commerce developed a methodology called, "United methodology for the research of social enterprises" and carried out a survey to identify potential social enterprises among conventionally registered companies. The sample size consisted of 1,296 conventional business companies. In total 1,164 replies have been received, standing at a 89.8% response rate. Only 3% or 34 companies mentioned that according to their understanding, they carry out social entrepreneurship. Hence analysing general for-profit companies with the aim to understand human resource capacity in Latvia is not reasonable, due the small percentage of potential social entrepreneurs registered under this legal form.

Another study, concentrated on the nongovernmental organisations as social enterprises, has been carried out in 2014 by A. Lesinska and group of experts, called "Social enterprises – nongovernmental organisations in Latvia". The survey consisted of 4 thematic parts, where one of them was dedicated to understanding and researching employees, management and management models. However, only 25 replies have been received. The results indicate that Latvian social enterprises are small enterprises. In 2013 only in 6 organisations the number of employees varied from 10 to 20 employees, in the other organisations it was smaller. Only 3 organizations have indicated that the number of employees is more than the 20 in respective organisation. Information concerning workload shows that mostly full time employing is applied for no more than 10 employees. Only one participant pointed out that the company employs over 150 full-time employees. During the survey, it was found that there are social enterprises that carry out their activities without any full-time employee. That means that the implementation of the activities is done combining it with other work duties in other organizations or involving volunteers. All surveyed social enterprises for realisation of activities have involved volunteers.

Surveying organizations about management models, it was found that in 4 organization's management model has been described as the sole, while 21 organization - as a collegiate. In general, supporting non-governmental forms in Latvia, where the main idea is to have collegiate relationship, it is relevant to have in majority of cases collegiate management style. Describing the organization's management has been identified in the following:

- **Gender split:** 21 organizations are headed by women and only 4 social enterprises run by a man;
- **Age distribution:** 6 organizations are led by people of 25-35 years; 12 organizations by people aged 35-50 years; 7 organizations led by people over the age of 50 years;
- **Level of education and specialisation:** 23 leaders had a higher education, 2 - secondary education. 8 leaders had a pedagogical education, 2 have studied political science, 5 - economy and finance, 2 - humanities and other areas such as law, psychology, drama, social science. The findings indicate on the relatively high level of education of managers and the dominance of social science education.

In summary, it has to be admitted that social enterprises have a legal form of association or foundation and employ no more than 10 people. Three relatively "large" social enterprises (with the majority of employees) in 2013 employed a total of 637 employees, while the rest of the organizations together employed 61 employees.

The "average social entrepreneur" is a woman between the ages of 35-50 years old, with a higher education possibly in pedagogy.

During the focus interview experts listed 3 groups of potential start ups of social enterprise: members of NGO's, who already have a social mission and see social entrepreneurship as a possibility to reach the aim. Second group - youth, who want to be in entrepreneurship, but with some meaning, what is positive, that youth see the form of social entrepreneurship and third group: the people who at certain period of their life re-value their system of values, not necessary young. These are often "burned out" people, often from the business sector. People from conventional business can more easily understand how to make a social business sustainable due to previous experience and there is a larger chance that start-up will survive.

In the opinion of survey respondents the most important barriers hindering functioning or development of social enterprise are equally dependence on the employment level on external financial support and legal regulation related to the employment of the staff. Other relevant challenge are low salaries in the sector also specificity of work with socially excluded.

The most lacking skills in Latvia for social enterprises knowledge of possible business model, which can be successfully implemented to make the activities of organisation sustainable. Even these findings are not scientifically proven by research, it is found out, by observing and discussing obstacles and difficulties by personal discussion with some of the local social enterprises. There is also still the misunderstanding that social entrepreneurship can be anything that is related to social help. Sometimes, there is misuse of the term, doing social work, social initiatives, grant support, considering that it is a social entrepreneurship.

Currently (2015), there are no limitations for establishing social enterprises under the forms of non-profit or for-profit companies' legal status, but during the piloting process the initiation is to grant only those companies which have a clear social mission or another group is disadvantaged unemployed - long-term unemployed, older unemployed (over 54 years), the unemployed with dependents and unemployed persons with disabilities. The challenge of allowing to establish social enterprises for these groups (based on already tested experience from Poland) may lead to a low level of success rate due to the lack of professional skills to lead a social enterprise. The lack of business competences and basic knowledge about legislation connected with running a company among social entrepreneurs was also visible in the survey results. As to the key areas where social enterprises staff needed support the respondents pointed out:

- Sales techniques
- Specific qualifications connected with products or services offered by social enterprises
- Legislative systems
- Finance and accountancy
- PR and marketing.

Supporting mechanisms

The assessment of the available support, both on national and local levels made by respondents of the survey was very rough but it is not surprising due to the fact that a systematic approach in terms of supporting of social economy development in Latvia is still in process.

National level (financial support)

As stated before, national level support for social economy sector will start from 2016. However, there are some support programs, oriented towards the integration of unemployed persons and help towards business development. One of the State employment agency's (SEA) supported activities in the field of employment are subsidised workplaces. These places can be created in the enterprises employing the disadvantaged unemployed. The subsidy consists of one year co-finance of the salary for the employee, extra payment for the manager, who works with the special needs person, and coverage of costs related to the adjustments, if needed for the work place. The activity for subsidised jobs has been going since beginning of 2015 with the support of the EU structural fund and by 2023, it is planned to involve around 4,700 unemployed people. Almost 30 million is allocated for the realisation of this plan.

Another support mechanism for decreasing unemployment is done by business development. The SEA implements support for the unemployed who want to start a business, including the unemployed with disabilities. The activity aims to provide advisory and financial support measures by training and guiding launched and successfully operating companies for not less than two years. SEA provides advisory assistance and financial support to start a business. The maximum grant should not exceed EUR 3,000 in accordance with the approved business plan. Also, a monthly grant at the early stages

of implementation is granted at the level of the national minimum salary. It should be stressed that the companies applying for subsidised job programs cannot be automatically considered as social enterprises. However, the system of support for unemployed people starting a business can be one of social entrepreneurship activity.



Another form, which can be used for the support of social entrepreneurship at a national level is LEADER. From a policy perspective, it is one of the four European Community (EC) initiatives financed by EU structural funds. LEADER is a targeted and mutually coordinated set of activities aimed at fostering rural development, encouraging rural inhabitants' search for new solutions of existing rural problems. LEADER was developed with the intention to improve the quality of life for people in rural areas, both thinking about the economic, social improvements and environmental conservation opportunities. The initiative is one of the tools for the financial support of different economic and social ideas, specifically for the local community. The grants for the programming period 2007-2013 are announced several times per year and are varied, on average up to 15,000 EUR per project. Both for-profit and not for-profit were eligible to apply. There is a network of 40 regional entities responsible for the establishment of a rural development strategies and managing LEADER activities, and the network covers 100% of Latvia. For the programming period 2014-2020 the intensity of support will vary from 70-90% and the maximum grant will be up to 50,000 EUR with some exceptions of up to 100,000 EUR. In the assessment analysis called "The Rural Development Programme 2007-2013 LEADER events and Measure 3.2.1. The results (as far as possible including the 2004- 2006 period) and their impact on business development in rural areas" stated that over the programming period 2007-2013 there have been a total of 3,603 projects approved in Latvia, falling into 3 main groups: rural economy with 801 projects (including social entrepreneurship with 27 projects granted); development of society with 1,577 projects granted and rural infrastructure with 1,225 projects granted. The criteria for social enterprises is defined as "designed to solve a specific social problem" and in wider context stated that Social Entrepreneurship is determined by the will to provide a service or manufacture a product intended for sale in the market and generate income, but in addition, solving local-level social problems. The total amount granted to social entrepreneurship projects is 227,000 EUR. However, it is possible that not all rural economy projects have been properly classified and it might be that the number of social enterprises is higher. In total the number of social entrepreneurship projects makes 3% of total rural economy projects. The LEADER programme is a relevant and successful example of indirect social entrepreneurship support for small, rural areas, serving the needs of specific communities. The assessment shows that the approved LEADER projects affected the wider business development. They create demand for locally-produced goods, generating income for local producers of approximately 13.3 million EUR value (2007-2013). The programme has also created 68 new places of work, while 420 places of work were preserved.

Private support (financial)

The support since 2014 has been done by the private organisation "Reach for Change". In the autumn of 2014, "Reach for change" made a call for the competition of ideas to support different ideas on how to improve the lives of children in Latvia. The competition was specifically children-related. In total almost 100 ideas were submitted and 7 of the best interviews were presented for public voting. The goal specified in the public communication states the necessity to find, support and inspire the Latvian social entrepreneurs who work in the area of improvement of children's lives. A social entrepreneur is a person who has identified a problem in society and offers innovative solutions. The winner received financial support (EUR 15,000) and support from the media and consultancy for a period of 3 years.

The positive aspect of the competition was the impressive media campaign on TV, the internet and other sources, indirectly promoting social entrepreneurship as positive feature. The created image of the campaign was positive and motivating. In Latvia, the initiative was the first of its kind in terms of financial support, openly declaring the need for social entrepreneurs. A gap of the competition might be the lack of and support of educational programmes for the participants, to motivate those to search for solutions and finance, even not being winners. Reach for change continues its activities in 2015 as well.²⁴

The initiative “Brigade”, 2010-2013. The Latvian Centre for Contemporary Arts and the Soros foundation of Latvia have created a financial and informative support programme called “Brigade”. The grant competition was held in 2 parts: the first attempt was in Riga in 2011 and 12 projects were granted, while the second round was organised in 2013 and available for Riga and regions with 29 projects approved. The positive aspect of the initiative is a combination of financial and educational support and continuity. The positive aspect is also the sustainability of granted projects. These kinds of initiatives, with a combination of sustainability, educational and financial support might be taken as the models for social entrepreneurship support in Latvia, however concentrating to a wider range of social challenges and not exclusively art or craftsmen and culture-dedicated. A positive factor was the fact that municipalities outside Riga co-financed projects and were also involved with practical assistance in the implementation of projects. For example, the municipality of Cesis, based on the positive experience of the Brigade initiative, decided in 2014 to implement a similar grant programme. As acknowledged by the project implementers, engaging in the programme was not only an opportunity to gain financial support, and meet other project implementers, but the support gained from the media was particularly significant.

The approaches presented in these two private supporting initiatives seem to be the most suitable for social enterprises representatives as respondents of the survey underlined importance of both substantive and financial support. Regarding the most relevant support they highlighted (list made according to number of responses):

- Grants for establishing social enterprises and grants for increasing employment in already existing social enterprises;
- Business advisory and coaching (long term coaching dedicated to development of economic activity, creating business plans, selling strategies etc.);
- Professional, expert advisory – marketing expert, lawyer, accountant, HR expert etc) and Regular networking activities (among social enterprises).

This combination of financial and substantive support was also mentioned by experts in focus interview, who underlined that grants and mentoring have been found as being a good support mechanism, while only grant giving has been found as a bad practice with lack of sustainability. The competence of mentors is very important in the support. The lack of social investors in Baltic region has been found as weak area.

Municipal level (both financial and other)

Since 2013, the discussions among local governments, policy makers and experts regarding social entrepreneurship law and social entrepreneurship development in Latvia have been triggered. There are two opposite views – one part defends the idea that local governments should not be engaged in social entrepreneurship as entrepreneurs, on contrary, the others strongly support local governments’ engagement in it. There are several laws and legal acts regulating local governments work and power, thus, at the moment there is no clear view as to how local governments could enhance social entrepreneurship development. Even by the end of 2014, the agreement on local governments’ role in

²⁴ “Social Enterprise Sector Snapshot Around The Baltic Sea. Stakeholders, Education, Impact Analysis.” 2015

social entrepreneurship at the national level was not reached, debating over their role as being either a supportive or an active one. Hence, the researchers have made an attempt to collect the opinions from Latvian municipalities to understand the current situation, the existing support and possible future trends. Latvia is a unitary state composed of 110 municipalities and 9 cities with the role of regional centres. The local council is the local authority's legislative body. Its members are councillors elected by the direct universal suffrage for a period of four years. The council elects the chairman of the local council and the members of the standing committees from within its councillors. Both the finance committee and social education and culture committee are mandatory. However, local authorities are free to set up other standing committees, all of which are composed of politicians and local experts. Standing committees prepare draft decisions for the local council. The chairman of the local council is elected by and from within the local council for a four-year term. He/she chairs the local council and the financial committee.

Development of questionnaire. The questionnaire was created in 2014 and led by the Social Innovation Centre in cooperation with the Ministry of Environmental protection and the Regional development of the Republic of Latvia, as well with the contribution from the students of the BA School of Business and Finance. The development of the survey took place from June to August 2014, while the data was collected over the on-line local platform www.visidati.lv during August and September 2014. There are 19 questions included to reflect the situation and role of municipalities within social entrepreneurship development in Latvia. The approbation of the questionnaire was performed by the Latvian Association of Municipalities' Representative, as well as by 2 representatives from the Ministry of Environmental protection and Regional development of the Republic of Latvia. The questionnaire is conditionally divided into two parts, where the first part contains the descriptive data about municipalities, while the majority of questions are included in the second part of it, reflecting the opinions about social entrepreneurship. The survey was sent to all 119 municipalities in Latvia. In total, 64 replies were received.

Characteristics of sample set. The set is representative due to a high percentage of respondents: 36% of respondents were municipalities with the number of inhabitants ranging from 4,001 to 10,000; 24% with the number of inhabitants from 10,001 to 30,000, while 20% of municipalities were either below 4,000 inhabitants or above 30,000 inhabitants. Hence, it could be relatively observed as an equal split of municipalities represented in the survey. There were several types of respondents: 56% of replies were provided by a development department manager or a specialist, 24% by an entrepreneurship specialist, 14% by a chairman or a deputy, while 13% were submitted under category the category of "other". To justify the selection of respondents it has to be admitted that primarily the people providing replies were indicated to be development department managers/specialists or entrepreneurship specialists. The selected group, consisting of 80% of total respondents is homogenous in sense that functions area of their responsibility is directly related to at least one, but in most cases both areas: planning and follow up of municipality's social and economic development (including entrepreneurial development). Even there is difference in the mentioned position; the main scope of the tasks is strictly defined. In a similar way the chairman or deputy situation should be mentioned. In smaller municipalities, where the function of entrepreneurship specialist or development manager is non-existent, the replies were mainly provided by a chairman or deputy. Hence, there is no major impact on the research results, as functions of the major or deputy, also includes overall development of territory, including social and economic development. From the respondents group "social workers" have been intentionally discharged based on the previous practical experiences of researchers.

At the same time, the more specific split by respondent groups would not be statistically valid and would not provide any important findings. Hence, decision was to analyse replies as a single dataset.

Results of analysis. One of the main aims of the survey was the identification of social entrepreneurship support mechanisms provided by the municipalities of Latvia. Respondents were asked whether they

were currently supporting social entrepreneurship activities in a respective municipality and 40% of respondents replied affirmatively but 60% negatively. Accordingly, it can be stated that in the majority of cases social entrepreneurship was not supported by the Latvian municipalities.

The next question addressed was whether social entrepreneurship was included in the municipality's development planning policy documentation and 44% of respondents replied affirmatively, while only 14% negatively, though 42% replying negatively added that they were planning to include it in the following 3-year time period.

While assessing the main support mechanisms and resources provided to social entrepreneurship by municipalities multiple choice questions were included and the results are presented in the form of a table (see table no. 1).

Table no. 1 Support mechanisms and resources available

Support mechanisms	Total replies number	Percentage
Informing inhabitants about SE in the local newspapers	42	65.6%
Providing premises for free or on favourable conditions	32	50%
Consultations about social entrepreneurship and accessing finance	13	20%
Financial support provided to social enterprises' start-ups (grants on temporary basis)	12	18.8%
Educational events about social entrepreneurship	8	12.5%
Other	7	11%
Financial support provided to social enterprises' start-ups (on permanent basis)	3	4.7%

Source: based on the survey results

Reference: percentage were calculated towards the total number of respondents

Analysing support mechanisms, it can be clearly seen that basically the support was provided in two forms, firstly, informing inhabitants via the local newspapers and secondly, offering to social entrepreneurs free of charge or on favourable conditions premises. There is no doubt that building up an infrastructure for social enterprises is an important factor, though it also includes other elements such as providing education and financial support. For this reason, several research projects and guides, including the "Social economy and social entrepreneurship" Social Europe Guide Volume 4 (2013) indicate that among the key challenges of social economy are: the lack of visibility, specialised training, support network and infrastructure and access to finance. Therefore, it might assumed that access to finance and financial support, likewise educational, training and consultations possibilities are exactly the measures that have to be developed and ensured, so that social enterprises could have a necessary supportive ecosystem in Latvia.

After being asked to define socioeconomic issues municipalities would be eager to solve, 76.5% indicated the level of unemployment; 37.5 % stated the need of enhancing social and rehabilitation services; 29.6% chose the development of sport and cultural activities; 26.5% placed people's well-being improvement, while only 15.6% mentioned environmental issues and 4.7% ticked the option "other". The following question was an open type one, where respondents shared their thoughts regarding kinds of support requested to social enterprises. In short, the needed support could be classified into 3 main groups: financial, premises and consultations. To be exact, comparing the support provided

versus needed, only premises offered by municipalities to social enterprises met their needs, whereas financial and consultative types of support were not sufficient at all. Municipalities were also asked to assess their support towards social enterprises using a scale from “very weak” to “very good”. The maximum level equalled five points, while the minimum was one point and the average assessment constituted 3.08 points. Consequently, this self-assessment indicated a moderate support level provided to social enterprises by the municipalities.

One of the aims of the questionnaire was to assess the opinion of municipalities taking an active role as SE agent. In total 44 responses were received as the question was not obligatory and 34 of them mentioned that a municipality had to have rights to establish a social enterprise, while 7 respondents denied such a possibility and 3 expressed a neutral view on it. While asked to justify the selected choice, the main comments were regarding the functions of municipalities to provide social services, improve socioeconomic conditions, since social enterprises still were not able to be self-sustainable and in that regard municipalities were aware of the challenges. On the whole, 77% of municipalities in Latvia believed that they should be entitled to establish social enterprises, which is an absolutely opposite view comparing to the established under the Ministry of Welfare working group on social entrepreneurship. Hence, municipalities’ vision is opposite to the current direction of a pilot project and legislation, which is underway.

Other types of support:

The lack of legal framework leads to the lack of proper educational support. The weaker side of the social entrepreneurship support in Latvia is a lack of a permanent social entrepreneurship support centre, offering constant knowledge and information. There are several nongovernmental organisations providing informative support on project based approach. For more detailed educational support, “Social Enterprise Sector Snapshot around the Baltic Sea” is a recommended read. The summary is that there are few higher education institutions and non-governmental organisations dealing in the field of formal and non-formal education. In the field of non-formal education, the activities are fragmented and project based, not sufficient enough to cover the information and knowledge needed. The weak side is also that there is no nationally-supported source of information, e.g. a national webpage dedicated to social economy or entrepreneurship; hence all information in national language is based mainly on EU grants or private initiative.



An important remark made during the focus interview about support tools was about Social investors and tax exemption. Unfortunately these support actions are not easy to provide for either public or private institutions. In terms of first proposal problems there is financial capital. An answer to this issue could be encouraging private sector business angels or social responsibility programs in large enterprises to invest in social enterprise, but it is not an easy task. In terms of the second proposal legal procedures have not yet been formed.

Taking into account that situation with the speed of legal status cannot be changed, it is important to provide as many support activities as possible during the piloting process. Applying the right support methods, it would be possible, not only to test support, but to also considerably support social enterprises already during piloting process.

External image

According to the report “A map of social enterprises and their eco-systems in Europe – Country report Latvia” (2014), key supporters, as well as stakeholders, can be classified into the following major groups:

- Policy makers and public institutions (mostly involved in the legal framework development);
- Role models or in other words successful social enterprises;
- Higher education and research institutions.

More detailed description can be found in the study “Social Enterprise Sector Snapshot around the Baltic Sea” (2015).

As admitted in the report, as well as in the presentation by Social innovation Centre during Social Entrepreneurship Forum 2014, the drivers (supporters) of social entrepreneurship are self-proclaimed social entrepreneurs.

The overall external image for social enterprises in Latvia rather can be classified as socially oriented social services, often without clear sub-division of advocacy, social services and similar activities from social entrepreneurship. Partly, this can be explained due to fact, that social enterprises are often operated under non-governmental, not for profit organisations, aiming to act in the areas, which are not directly related to the social entrepreneurship.

The assessment of knowledge of public officers towards social entrepreneurship can be classified into two groups. At first, the ones operating in the area of legislative development are very well informed about social entrepreneurship concept; however, their views may be opposite. Taking into account that the aim of these recommendations concentrates on the social entrepreneurship support at a municipal level, the same survey “Development of social entrepreneurship in the municipalities of Latvia” (2014) has been used to assess the level of knowledge of municipal officers towards social entrepreneurship and related issues. To clarify the level of knowledge regarding social entrepreneurship in a respective municipality among public officers, states that only 46% of respondents were confirming fact that they have gained some knowledge about social entrepreneurship and support possibilities, while 54% had no knowledge, nor information. Among those, who had gained some knowledge about social entrepreneurship, these public officers have been asked to indicate, where exactly knowledge has been gained. See table no. 2.

Table no. 2 Knowledge gaining sources by municipal officers, towards social entrepreneurship

Knowledge gaining source	Total replies number	Percentage
Forums or conferences concerning social entrepreneurship	16	25%
Trainings and seminars	20	31.3%
Study trips abroad with aim to visit social enterprises	9	14.1%
Visits in Latvia to the socially oriented companies or non-governmental organisations	5	7.8%
I did not get any knowledge	7	10.9%
Other	7	10.9%
Total	64	100%

Source: based on the survey results

From the survey results it can be concluded that major knowledge-gaining sources have been conferences, seminars, trainings and seminars. The final question was based on the ranking approach to analyse the training and education possibilities for promoting social entrepreneurship in municipalities. Four choices were offered and the split of replies among them was relatively equal, however the priority was given to the option of the Latvian social enterprises' experience exchange visits, followed by the option of organising workshops and/or seminars, while the least popular option among respondents was to visit social enterprises abroad.

The opinion of respondents of survey conducted for this document also clearly shows that main obstacle in terms of cooperation of social enterprises and local authorities is lack of instruments, tools and legal possibilities to enhance cooperation. Other significant barriers in the respondents' opinion are a lack of knowledge of local authorities (decision maker) and public officers (public institutions employees) about the specifics of social economy and social enterprises. Focus interview participants also underlined that significant for local authorities to understand that current social and economic problems cannot be solved any more solely in the social sphere with previously created methods, intersectoral cooperation is not only inevitable but is primarily more efficient and has a stronger impact on real change.

Very meaningful also are the results of our survey in terms of previous experience in terms of cooperation with different local and regional actors. The best experiences social enterprises had with cooperation were with other social enterprises; in most case they were satisfied or rather satisfied. Other very well assessed cooperation partners were local media as well supporting institutions and social welfare institutions. What in case of the last ones is letting us to be optimists in terms of providing complex support for excluded groups, both by public institutions and social economy sector. In the case of local authorities opinions were extreme; almost half of asked social enterprises were satisfied or rather satisfied with previous cooperation, but almost the same number was dissatisfied.

Experts during the focus interview pointed out that one of the main barriers for municipalities to enter into regular cooperation with social enterprises is fear. Fear of being punished for helping social enterprises by using some of the resources of the municipality without enough legal statement. In many public administration institutions nothing can be done without strong justification in legislative documents. The law interpretations are usually quite strict; meaning what is not mentioned in legal act word-for-word cannot be done. So it is crucial to find open-minded municipalities which will have the courage to implement new tools and show a new approach in terms of supporting social enterprises. Nothing is more convincing that good practices and examples of successful and legally-correct solutions.

5. LITHUANIA

Legal framework

Law on social firms established in 2004 has outlined the criteria for adopting the status of a social firm as well as incentives provided to those companies. In order to qualify the social firm needs to employ at least 4 people from a vulnerable group and they need to comprise a minimum 40 percent of the total work force of the company. However no additional criteria common to our understanding of the social enterprise have not been adopted. Once the company is granted the status of a social firm by the National Labour Exchange it can qualify for state support in creating new jobs for the vulnerable groups and use public procurement incentives.



However, as the concept of social enterprises is wider than the definition of a social firm, legislation process dedicated to provide definition of social enterprises in Lithuania was started by the Ministry of Economy. Due to prepare a holistic system the Ministry established The Commission with a wide representation of public and private institutions (mostly third sector), which was responsible for elaborating The Concept of social entrepreneurship in Lithuania and providing input into the action plan. The Concept was approved in April 2015 but unfortunately even if

it is an important document, it is not sufficient enough an element while developing a legal framework for the establishment and growth of social enterprises. Both ministries in charge of coordinating the implementation of The Concept – Ministry of Economy and Ministry of Labour and Social Affairs, have not agreed on sharing responsibilities and adopting an action plan. As experts during the focus interview underlined, it is also a fact that The Commission is infrequent and inefficient. The supporting system is not yet developed and the body that is going to identify whether a company is a social enterprise has not been identified yet either.

Lack of legal framework dedicated to social enterprises was also mentioned by survey participants as the biggest obstacle in terms of sector development. Secondly they pointed out lack of experts, competent public officers in a field of social enterprises registration and functioning, which confirms a need of providing rising awareness activities about The Concept of social entrepreneurship.

Nevertheless it is important to mention, that in Lithuania exists a legal form of public non profit company (viesoji istaiga in Lithuanian) that can be owned by individuals, NGOs and public institutions in Lithuania. According to the law of public non profit companies such an entity must reinvest its operational profit back into its activities and can carry out commercial activities. So, generally speaking, this legal form is quite close to the common understanding of the definition of social enterprise, since it is already complying with several of the main criteria.

Since the status of the social enterprise has not yet been legally approved, we cannot really comment on the size of the market and number of social enterprises in Lithuania. However, based on our research and knowledge of the sector, there are at least 30 companies that have all the features of a social enterprise.

Human resources

Until now there haven't been coordinated attempts to provide comprehensive education and professional training to managers, founders and employees of social enterprises. On the other hand public officials as potential partners and organisers of public service tenders have not been trained and have not been made aware of the benefits of social entrepreneurship either.

Lack of business skills is one of the barriers for many social enterprises due to the fact that the largest interest in the sector comes from NGOs. Due to the fact that the sector has not been well understood and measured it is premature to draw deep conclusions in terms of the quality and quantity of the labour force. Also survey participants pointed out the most important barriers and weakness of social enterprises development in terms of human resources as being: low level of salaries that can be proposed to employees, insufficient management competences and low level of competences and professional qualifications of the staff what can confirm problem with finding a professional managers and competent works for social enterprise.

Generally speaking, it is obvious that the sector needs dedicated training programs and expertise linked with the dynamics and needs of the social enterprises at all stages of company growth. As survey respondents mentioned, some of the public support and project based funding that was provided to the sector was linked with the development of new skills and training in general, but this is not enough due to fragmentarily of those actions. It is undeniable that social enterprise staff need a very diverse and wide range of competences and knowledge, survey respondents asked about the areas where they need the biggest support and pointed out: PR and marketing, specific qualifications connected with products or services offered by social enterprise and sales techniques.

The working group needs to consider how to engage existing business support service providers and other stakeholders like universities, business schools, etc., in provision of adequate skills and advise to social entrepreneurs.

Experts during the interview also underlined that social enterprises are being established by people coming from different sectors, both private, public and NGO. However due to the fact the general level of awareness about the social entrepreneurship is low, new social businesses lag behind in understanding key principles of social impact and there literally no resources that they can use in order to supplement that missing knowledge.

Supporting mechanisms

Lithuanian Government

Until now there has been little or no financial support provided to social enterprises in Lithuania due to the fact that such an entity has not been defined and accepted by the Government. However the rudimentary social enterprises - social firms, in operation since 2004, have been receiving around 8 million EUR a year in the form of subsidies for job creation for vulnerable groups. Nevertheless, in the current programming period of the EU structural funds, the number of measures is designated to directly or indirectly support social entrepreneurship and social innovation in general and social enterprises more specifically. Although we should admit, that the absorption rate and effectiveness of the funds that have been earmarked for this sector might be quite low due to delay in setting up the legal framework and favourable ecosystem for social entrepreneurship.

Potential support for the social entrepreneurship is spread amongst different ministries: the Ministry of Economy is concerned with business set up, financial engineering and promotion as well as social innovation, the Ministry of Interior is coordinating support for urban communities, the Ministry of Agriculture is supporting rural communities and social entrepreneurship initiatives, the Ministry of Labour and Social Affairs is going to provide funding to social service providers, inclusion initiatives and NGOs. In September 2015 there was a slight delay in the implementation of the designated measure, and it is therefore too early to judge the effectiveness or results of the EU/public sector financial support to the social entrepreneurship.

Survey respondents regarding the most important supporting tools which could help in development and enhancement of social enterprise pointed out: grants for establishing social enterprise, secondly professional, expert advisory (for example meetings with marketing experts, lawyers, accountants, HR

experts, etc.) and in the third place they mentioned: regular promotion of social enterprises offer – among public institutions and local communities; social clauses in public procurement and training courses for social enterprise staff (about social enterprise functioning, legal restrictions, management systems, etc.).

Municipalities

Lithuanian municipalities have been procuring some services and goods from social firms, however they are not yet aware of the concept of social entrepreneurship and the potential for social innovation on the ground in partnership with NGOs, social enterprises and other stakeholders.

Public tendering and public procurement

Social firms can currently enjoy a 5 percent advantage in procurement of public services. It means that public bodies must tender at least 5 percent of its total value of procured goods or services from social firms. However this does not apply to social enterprises for the reasons explained before.

Most social enterprises would like to be able to compete on market terms and also to be better able to target their goods and services to the public sector. But it is difficult for social enterprises to compete for contracts to deliver public services for a many reasons. Among those are the large contract sizes of many Government and municipal contracts, prequalification and specification requirements which inhibit competition by requiring long track records or a very strong financial position, which is difficult for most social enterprises to live up to, as many social enterprises are small and tend to be new market entrants.

Also most public bodies focus on price as opposed to quality, social and environmental benefits, and as many social enterprises employ marginalised groups, they are often less “productive” (in a quantitative and material sense) than other enterprises and as such, it can be difficult for them to compete on price.

Another barrier to obtaining public contracts can be that social enterprises often are conceived as competitors to existing public activities and interventions.

A law on Public procurement in Lithuania allows the public sector to add additional selection criteria for the tenders, thus enabling them to consider social impact measurement as an option. However public entities need to be trained, educated and supported in using this criteria during the tendering process.

Lithuania 2030 strategy

In 2013 the government approved the Lithuania 2030 strategy that was drafted by a wide range of public private and NGO stakeholders. The strategy outlines key priorities for the social and economic development of Lithuania for the next decade and beyond. In addition to other aspects, the strategy emphasises need for social innovation and also dedicates a special role to social entrepreneurship as a tool of change.

Socifaction

Socifaction is a startup accelerator for young social entrepreneurs from Latvia and Lithuania funded by the ERASMUS program in 2014-2016. The programme aims to train 60 young would-be social entrepreneurs in total.

Reach for Change

Reach for Change, (RfC) www.reachforchange.org, Programme: “Game Changers”, Reach for Change is a non-profit organisation founded by the Kinnevik Group to improve the lives of children and youth.

The organisation started its activities in Lithuania in 2014. And the first effort of “Game Changers 2014” was launched in the autumn of 2014. The programme selects 4-5 social enterprises a year. All receive business support for up to a few years. The winner of the competition in Lithuania established the new primary educational institution democracy school in September 2015.

Crowdfunding

Several crowdfunding initiatives have not been so successful and widespread due to the lack of funding, promotion and demand.

Non financial support

The British Council has supported the annual Social Enterprise summits in Lithuania in 2014 and 2015 in partnership with the Ministry of Economy and local NGOs. The summits were dedicated to widening the discussion on social entrepreneurship.

Social enterprise is still a relative unknown phenomenon among the general public. And there have never been any larger public campaigns to promote social enterprises.

In the final report from the Committee on Social Enterprises 2013 one of the main recommendations were to initiate a national information campaign referring to good experiences from England and Sweden with general information campaigns on social enterprises.

External Image

As Artūras Vasiliauskas – British Council Director Lithuania wrote in the Social Enterprise Summit Report, “Perception of social enterprise in Lithuania is blatantly underdeveloped and the concept is understood with difficulty. (...) It is hard to predict if Lithuania is ready for social enterprise. The concept of social enterprise is not widely spread and is scarcely known in the country. The state currently identifies only one model of social enterprise – the employment of target groups in social enterprise companies. However, the growing interest of citizens and non-governmental organizations in the opportunities provided by social enterprise encourages the search for advanced measures and new forms of activity.”²⁵

There is still a need to focus on national and local information campaigns to raise the general awareness and understanding of the concept of social enterprise in society at large and among employees in municipalities and public business counselling. Survey respondents identified the biggest barrier regarding social enterprises as being the negative or indifferent attitude of public officers to cooperation with social enterprises, as well as lack of instruments, tools or legal possibilities to enhance cooperation between the public sector and the social economy sector and in low awareness of local communities about social enterprises activities, mission, etc. It clearly shows that there is too little public understanding and support for social enterprises in Lithuania. The sector is at the beginning of its existence, with too few prepared and professional actors involved in sector development. What is even more crucial in terms of external image is the fact that social economy actors do not coordinate their activities and undeniably lack both human and financial resources in the whole sector.



²⁵ http://www.britishcouncil.lt/sites/default/files/ses_report_eng.pdf

Subsequently, social enterprise can be a very important measure for the development of the whole country. "Social enterprise reacts to market changes more flexibly and is more sustainable than traditional business. In addition, it promotes progressive growth by social investment. Furthermore, it also creates opportunities for increase in employment and new long-term labour places and, as a result, it decreases budget expenditure on social benefits. Moreover, social investment decreases social exclusion and environmental problems. Social enterprise also pays much attention to human resources and promotion of social inclusion. Finally, it establishes opportunities to create innovative solutions to social, economic and environmental problems in various sectors including education, healthcare, environment protection, business development and the judiciary."²⁶

The public sector has to embrace social entrepreneurship and social innovation more openly and systematically. Without state support social entrepreneurship cannot grow organically due to the shortage of resource and general lack of awareness.

Start-up support and counselling services need to be developed and launched in parallel with a nationwide awareness campaign that would educate potential founders and customers as well. More and different funding opportunities should be created and made available to social enterprises and with this support they can have an influence on local community reality and with time build a positive image.

²⁶ http://www.britishcouncil.lt/sites/default/files/ses_report_eng.pdf

6. POLAND

Legal Framework

Polish social economy has a long tradition. However the development of the modern Polish social entrepreneurship sector was started in 2006 with the Act on Social Cooperatives, which indicates that the main objective of cooperatives is bringing people at risk of social exclusion and people of low employability back to the labour market by running common enterprises, and allowing professional activation of the unemployed.

At that time decision makers were looking for the best solutions to grow and to develop the social economy sector and discussed which entities can actually be recognized as a social economy entity and which ones as a social enterprise. There were a lot of concerns regarding the legal framework and definition – what exactly is and what can be a social enterprise?

In July 2013 a special Unit for system solutions in the field of social economy established by the Prime Minister presented a proposal of new legislation dedicated to social enterprises: An Act of social enterprise and support of social economy. However the Polish Parliament suspended the process of working on proposed legislation due to a fact of simultaneous work of accepting by Council of Ministers “The National Programme for Social Economy Development.” This National document was adopted by the Government in August 2014 but for continuation of work on the Act of social enterprise and support social economy we had to wait until June 2015, when the PMs of The Civic Platform (PO) submitted to Parliament the bill of mentioned Act. Unfortunately the work on the legislation was again suspended in September 2015 due to the results of public consultations (postulate of social economy sector) and fact that since October 2015 in Poland we have a new Parliament.

In this situation the most relevant document where we can find definition of social enterprise is “The National Programme for Social Economy Development, 2014”. In the document we can read:

“Social economy is an area of civic activity which, by means of economic and public interest activities, contributes to: professional and social integration of persons at risk of social marginalisation, job creation, provision of social services of general interest and local development.”

According to the above definition, social economy entities operating within the social economy can be grouped into four main categories:

- **social enterprises**, which constitute the foundation of the social economy;
- **reintegration entities** which support the social and professional reintegration of people at risk of social exclusion, i.e. Vocational Activity Establishments, Occupational Therapy Workshops, Social Integration Centres and Social Integration Clubs; these organisational forms will never be social enterprises, but they might prepare people to run a social enterprise or work in a social enterprise, or they might be run as a service for local community by social enterprises;
- **public benefit purpose entities**, which run a business activity and employ people, although their activity is not based on the economic market. Public benefit purpose entities are non-governmental organizations carrying out chargeable and free public benefit activities; these entities may become social enterprises, provided that they undertake full economic activity and fulfil their statutory tasks in relation to profit distribution;

- **economic actors** which were established to fulfil a social objective or a social objective of common interest underlies their commercial activity. These entities do not display all the features of a social enterprise. This group may be divided into four sub-groups:
 - non-governmental organisations conducting an economic activity, the profits from which are used to support their statutory tasks; Vocational Activity Establishments;
 - cooperatives targeted at employment;
 - other cooperatives of consumer and mutual nature."²⁷

The pivotal issues in terms of establishing a social enterprise in Poland is choosing the most relevant legal form. Decisions about running a social enterprise brings some opportunities but also some limitations in the following areas:

- goals of its social actions and services,
- opportunities and limitations in conducting business,
- opportunities and limitations in business profit's distribution,
- principles of financial liability for economic activities,
- access to public funds and support,
- methods of management.

Running a social enterprise (SE) is not the easiest thing to do in Poland. A variety of legal forms imply different law and tax interpretations of accountancy. The fiscal policy and law acts in Poland have been a great challenge for social economy. Despite the existence of the system of tax exemptions for some social enterprises (mainly cooperatives) the procedures of receiving that are complicated. The accounting and annual reporting system is expanded and again complicated. In general the legal and fiscal system in Poland for running a business is assessed as NOT friendly. In the report "Polish tax system in assessment of the participants of the Congress KPMG Tax and Accounting - Edition 2014" we can find opinion that that the law is unstable, and the legislature belatedly informs about the planned changes. Problems also create intricate interpretation of the legislation and fact that in the case of tax disputes officials are not receptive to the arguments of enterprises. From the maximum score of 5 the Polish system received 2.3.²⁸

Remembering that SE are often established and led by people with fewer opportunities, or mainly social leaders cooperating with staff with fewer opportunities we have to consider fact that they do not have a professional knowledge in terms of taxes and accountancy. In the survey respondents was asked to assess how friendly the legal system is and almost half of them said that legal system in neither friendly nor unfriendly but one third admit that system is unfriendly of rather unfriendly.

The detailed legislative challenges were listed in another part of our survey research. Respondents pointed out the biggest obstacle in terms of legislative system as being complicated procedures related with functioning the social enterprise as well the bureaucracy associated with establishing new social start-up. Moreover in their opinion a significant weakness of the Polish system is lack of experts, competent public officers in a field of social SE registration and functioning in Public Institutions (registration court, municipality offices, tax office).

²⁷ „National Programme for Social Economy Development”, Ministry of Labour and social Policy, Warszawa 2014

²⁸ <https://www.kpmg.com/PL/pl/IssuesAndInsights/ArticlesPublications/Documents/2014/Polski-system-podatkowy-styczen-2014.pdf>

Human resources

Due to the availability of a variety of legal forms of social enterprises generally anybody can establish and develop one. It can be even an individual creating a foundation, but most of the legal forms imply the cooperation of at least two legal persons or a group of people. Very often, in some kinds of SE as social cooperative the people with fewer opportunities such as the long unemployed or disabled, have to be employed and/or involved as members. It is a big challenge, because there is a gap in the key competencies such as management, team work, social skills, conflict resolution, leadership, business etc. It happens also very often that social enterprises are run by social leaders, people previously connected with the NGO world, meaning people with big hearts and sensitivity for people's problems, leadership and social skills but not always people who have business competences. For social enterprise it's necessary to combine these two worlds of social empathy and entrepreneurial spirit what is a rare phenomenon. During the focus interview one of the experts said that an SE leader "has to be a bit of a psychologist, coach and manager". In the focus interview it was also mentioned that there are not many people who have all that features and willingness needed to run an SE. One of the participants said: "Each conscious leader, entrepreneur, rather than bother with social enterprise, will set up his own company. You have to be in a very specific situation, to say that together with other people, especially with fewer opportunities you want to establish and run business. There are not many people ready to take on this challenge."



It shows very clearly that good preparation, high and very diverse competences, skills and knowledge are fundamental for SE leaders/workers. In our survey we asked in what topic and areas SE staff need support – meaning where SE staff has big lacks blocking hindering development. Respondents pointed out the areas and topics most needing support as being: finance and accountancy, legislative issues, PR and marketing and specific qualifications connected with products and services offered by SE. What was quite surprising was that they do not need so much support in terms of sales techniques, management of organization or human resources management.

In the survey we also asked about other barriers or weaknesses in terms of human resources which hinder the functioning or development of an SE. In the respondents' opinion a crucial obstacle is low salaries that can be offered to social enterprises employees and just after that with this same importance they pointed out 2 more barriers: dependence of the employment level on external financial support like grants, financial support from labour offices, etc. and specificity of work with the socially excluded.

The next challenge is connected with an internal structure of SE which has a great impact on its way of acting. Way of management, roles of members and/or workers in SE depends on the legal form chosen. There are a lot of challenges in clearly defining liabilities, rights and workers' involvement in decision making processes. The board has to have an impact on day-to-day management, but social entity very often requires a control authority. It is very important to split a function in the board or some control commission and professional subordination. It is not efficient for the worker to control the board that decides about his/her job contract. This is very difficult and challenging especially in the social entities that imply either membership or job contracts. The complicated decision-making process especially in terms of

interrelationships between members, workers and managers may bring many conflicts and delays in proper functioning. Below you can find a table presenting the internal structure of different legal entities.

Table no. 3 Internal structure and decision making processes according to legal forms²⁹

	Foundation	Association	Non – profit company	Work cooperative	Social cooperative
Membership of individuals	No	Yes	No	Yes	Yes
Membership of legal persons	No	No	No	No	Non – governmental organizations, local governments, church legal persons
Supreme authority	Founders or established authority	General assembly	All shareholders	General assembly	General assembly
Authorities	The board, council of founders, control authority	The board, general assembly, control authority	The board, general assembly of shareholders, board of directors, control authority,	The board, general assembly, the board of directors	The board, general assembly, the board of directors
Shareholders	No	No	Individuals, legal persons	Members	Members
Shareholders/ members in decision making processes	not applicable	One member = one vote	The vote depends on the shareholder	One member = one vote	One member = one vote

Speaking about the decision–making process we should highlight how many groups can influence social enterprise:

- workers,
- members,
- recipients,
- clients,
- donors, investors, sponsors,
- founders,
- taxpayers,
- local government,
- volunteers,
- the local community.

²⁹ Anna Sienicka „Wybór formy prawnej przedsiębiorstwa oraz planowanie struktury”, August 2011 www.ekonomiaspoleczna.pl

The presented above list clearly shows that in social enterprise we speak about the participatory decision-making process, which has two sides. On the one hand it builds closer connections between people and an SE, its mission and goals. Everyone feels an ownership and this can bring a bigger engagement and sense of responsibility for the common work. Also the involvement of other actors from the local community, asking for their opinions and expectations increase the chances of acting efficiently. On the other hand we have the “dark side” of wide participation – the decisions can’t be made quickly and without consultations, the board has to take everybody’s opinions and ideas into consideration. Conflict resolution skills become an essential competency of the board but also of the members and workers. The general assembly also can make the decisions that the board whether like them or not, has to implement and take responsibility and legal liability.

Support mechanisms

Since 2014 Poland has the National Programme for the Development of Social Economy (KPRES), which describes a support system for representatives of the social economy sector. The mentioned system is implemented through specialized institutions or consortia of institutions, so-called Social Economy Support Centres (OWES) which operate throughout the country and had to be accredited and gain a certificate confirming fulfilling the guidelines presented in KPRES standards. Their main task for OWES is to assist in the creation and development of social economy entities (mainly social cooperatives and non-governmental organizations engaged in economic activities). According to the provisions KPRES, regional development plans and regional operational programs OWES’s play an important role in strengthening the sector. It concerns the activities of an advisory service, but above all, speaks of facilitating access to financial capital. Its widespread lack is one of the main causes of the weaknesses of quantitative and qualitative of social economy. Also our respondents in the survey had a possibility to choose the 5 most relevant supporting tools among different kind of solutions and in terms of financial support most popular/seen as needed were:

- grants for increasing the number of employees
- credit guarantees
- grants for establishing new social enterprise
- preferential loans.

What is very interesting also in terms of financial mechanisms that many respondents also pointed providing social clauses in public tendering as a crucial element of SE development.

As previous experiences in Poland show financial assistance for social enterprises should be closely linked with substantive support such as training and advisory services. Only the combination of these 2 elements can bring efficient results.

So according to this rule OWESs provide two types of support: technical and financial. The substantive support is profiled as educational, business and advisory services, dedicated to the effective functioning of social economy entities, including raising the professional qualifications of social enterprise staff and fostering the creation and sustainability of jobs in the area of social entrepreneurship. Particularly this support includes:

- training, such as: the establishment of SE, taking into account the various legal forms and types, business activities and registration of the SE, organization management, strategic planning, financial management, human resource management, legal aspects, financial, accounting activity in the social economy, creating business plans and marketing (including market research, pricing strategy development, customer acquisition, etc.), restructuring activities, establishment and operation of reintegration institutions, social skills, competence needed due to working with

people at risk of social exclusion; vocational training according to the profile and needs of business customers for its services;

- specialist advice includes: legislations, accounting – tax systems, personnel issues (management of the organization, employees, conflict resolution, leadership skills), finance and marketing;
- business consulting includes: advisory support related to the subject of conducted business activity, finding potential partners, identifying market niches, data preparation and tender preparation and work on the business plan, negotiations with financing institutions.

Proposed by OWES substantive support seems to be almost the perfect answer for the needs of social enterprises, at least for our survey respondents who made a list of the most needed substantive support (list in accordance with the number of indications):

- business advisory
- basic advisory
- specific, professional experts advisory (lawyers, HR, marketing, accountant)
- regular promotion activities and regular networking activities
- training courses
- vocational training.

The second type of support provided by the OWES is mentioned before financial support. It is available for those who are excluded or at risk of social exclusion and want to try their social and professional reintegration through social economy entities. Financial support includes grants for the establishment of SE and support for existing SE in the creation of additional working place. This support can be distributed in the following forms:

- non-repayable financial assistance (grants) to create a new working place for the socially excluded person in a new SE or in an already existing one. Funding may be used to finance key (necessary and justified) costs related to business activities;
- bridging financial support: non-repayable financial aid granted in the form of monthly grants for SE. The amount of interim financial support to the SE to cover mandatory costs associated with their activities (in particular in the form of social security contributions and health insurance, and to cover other mandatory expenses related to the activities of the social enterprise).

In addition to direct technical and financial support to social enterprises OWES's lead animation activities concentrated on establishing new and promoting existing local social enterprises, conducting local partnerships gathering public and private stakeholders in terms of supporting the development of the local social economy sector as well as enhancing social participation and the incubation of social services.

Social enterprises, besides support from OWES, can benefit from other financial support instruments dedicated to them. These are primarily loans and grants for the economic development of the existing SE offered by financial institutions, but also financial support from the Labour Offices.

It is known that in 2015 the government wanted to create the National Fund for Social Entrepreneurship, aimed at providing loans and grants. The fund will be financed by the European Social Fund, 1% corporate income tax, and private sources. The fund will be placed in a bank or another financial institution elected by the Minister of Labour and Social Policy in consultation with the Ministry of

Regional Development. The Fund will be possible to use various instruments feedback such as:

- short-term loans (up to 2 years) to maintain liquidity (e.g. Bridge, under assignment, etc.)
- medium and long-term loans (up to 5 years) with the objective to develop, investment, to build assets
- subordinated loans up to 5 years intended to increase its own funds
- Social capital fund - "social venture capital"
- pledges and grants.

As it was said before SE can also benefit from financial support of The Labour Offices. Labour Offices have several possibilities in these terms:

- **grants** for the establishment of a social cooperative and new jobs in existing cooperatives. The amount of allocations shall not exceed 4 times the average salary for a founder member cooperative and 3 times the average wage per member acceding to it after the founding of the cooperative;
- **refund of social security contributions** from the Labour Fund – elements of social care assurance, which is part the employee pension. This refund can be made in the full amount for a period of 24 months from the date of employment and halfway up the next 12 months, up to the amount corresponding to the monthly premium amount, based on size is the amount of the minimum wage.

All these mechanisms were very well known to participants of the focus group interview, and all had a common opinion – we need time to see benefits from implementing the programme. The main conclusions would be: the previous supporting system implemented mostly by European Social Funds was concentrated on establishing new social cooperatives of individuals from excluded groups what were not very effective. We could observe the consumption of millions of euro on social enterprises which were doomed to fail after the expiration of a supporting contract. Now we have new opening, and a new supporting system but still we cannot forget about lobbying for social economic development and support on a local level. The European money will be finished sooner than we think and we have to use these next few years to convince local governments to take a responsibility for enhancement social economy sector. We can show Warsaw as a good example in terms of social clauses in public tendering. Standard in Warsaw is to provide social clauses in each public tendering, if the department, public officer want to open a tendering without the social clause a special permission is needed with very strong arguments. Maybe in the next few years it will be a common behaviour of local authorities?

External image

Identity and recognition of social entrepreneurship and the social economy sector is an important but still not well developed issue in Poland. SE should be more visible and considered as a pivotal part of society. The biggest challenge for an SE is to build trust and widespread awareness about social economy and its values. Labelling and certification by the European Commission would increase the recognition of SE. It is also important to promote social enterprise among the younger generations. The problem is that for example traditional businesses do not value the experience of SE workers or volunteers, because they are unfamiliar with the business sector. This makes young people reluctant to start a career in social economy. Moreover the very consumptive and self-concentrated model of leaving do not encourage to dedicated own skills and competences to work for or with excluded groups of society. It's extremely important to instil in new generation idea of common good and responsibility for all society other ways the gap of level of life between people will become bigger and will bring social frustration and real, massive problems.

Identity and recognition of social economy is a weakness in Polish but also in European reality. Brands' creation, quality, promotion, marketing and building widespread awareness require more focus and support. Convincing the buyers, the investors, the decision-makers that services and products of social economy can be high quality and have an added value is long process of informing, promoting and learning. Also it's important that the social enterprise sector will recognise itself as important and proud part of economic system. Also SE have to invest in their branding and use all the marketing channels available other ways someone else will take their place in the market. During the focus group interview a very significant example of a negative opinion was quoted: "One of members of social cooperative told me that they do not admit in public that their social cooperative is running a hostel because they feel that when people hear 'social cooperative' they don't see hostel anymore but a doss house." It clearly shows how important it is to create a more positive image of SE.

The Polish government create tools to develop social economy sector and promote products of SE (National Programme of Social Economy Development). There are also private initiatives, for example the Foundation for Social and Economic Initiatives created a brand [eS] – Social Enterprise which is a quality certificate given to well- functioning ES in annual contest. But still it is more recognised in the sector than in public.

"Social enterprises have difficulty finding **funding**, for which their needs vary according to their level of development (conceptual support, development of pilot projects or prototypes, large-scale development). Constraints concerning the redistribution of profits or employment of vulnerable workers often give the impression to creditors or potential investors that they are higher-risk and less profitable than other businesses. Investors therefore do not have a clear enough idea of the real social impact of some solidarity investment funds. Access to public funds is frequently impeded by systems that are too rigid or too bureaucratic. For example, social enterprises may find it difficult to obtain access to structural funds if the managing authorities finance only short-term projects. The large number of different programmes at both national and European level makes them difficult to access for small organisations. This phenomenon is reinforced by the **low degree of recognition** of social entrepreneurship. The lack of interconnection between stakeholders from different regions or countries prevents dissemination of best practices, creation of partnerships and discovery of new opportunities."³⁰

Regarding the goals of SE, that are not only business but also social, the communication about the benefits of social economy should be strengthened by the new measurement tools showing social impact, not only economic growth. The social impact measurement tool adapted to Polish conditions was created for example by The Malopolska School of Public Administration, Cracow University of Economics, called Esometr but is still not very popular or well known to the wider public than people engaged in social economy sector.

However we can also mention an interesting example of good Polish practice, which is brand "WellDone" introduced by Foundation "Być Razem" from Cieszyn. This social enterprise proposes high quality, intelligent and funny products created and packed in cooperation with professional designers. They have prepared a complex and comprehensive marketing strategy based on simplicity, quality, natural resources and utility. The interesting thing is that they rejected the strategy based on the lowest prices, however the prices of the products are still attractive.

In spite of those few initiatives we have to admit that SEs are still marginalized as a subject of economic concern, therefore the governmental input in highlighting the role of the social economy could be stronger and more visible.

³⁰ Communication from The Commission to the European Parliament, The Council, The European Economic and Social Committee and The Committee of the Regions „Social Business Initiative. Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation”, Brussels, October 2011

The relationships between SE and their surrounding are not very satisfying. As the results of survey shows the SE as one of the most important obstacles in development of their cooperation with local authorities point out low awareness about social economy among public officers and decision-makers, just after that we can find indifferent or negative attitudes toward SE and lack of tools or legal solutions enhancing the cooperation. This opinion is not very optimistic, especially seeing as close cooperation between local governments and social enterprises can bring real social change and solve many local problems. Only quarter of survey respondents admitted that they were satisfied or rather satisfied with cooperation with the local authorities, and not much less of asked SE representatives were dissatisfied. The cooperation with other public institutions was a little better assessed. In the case of labour office more than half of responded was satisfied or rather satisfied from the previous cooperation and in case of social welfare also bigger part of respondents was satisfied or rather satisfied. Interesting are also the opinions of respondents due to cooperation with other local actors for example almost half of survey participants had a positive experiences in cooperation with local business and other social enterprises but local media was not assessed as good partners, almost half of respondents were neither satisfied or even dissatisfied from cooperation. What is also important to mention many respondents never cooperated with important institutions/social economy actors like SE networks or social economy supporting centres.

In the survey we also asked about the barrier and weaknesses in terms of social enterprises cooperation with surrounding and most of answers was dedicated to lack of awareness among local communities of SE activities, mission, etc., and just after that respondents mentioned difficulties in cooperating with local authorities caused in their opinion by lack of knowledge of public officers about specific of social economy and SE, their negative or indifferent attitude for cooperation and lack of instruments, tools of legal possibilities to enhance cooperation between public and SE sectors.

However the experts during the interview underlined that maybe it is not a common behaviour of public administration to keep close connections with SE from their area, but if this cooperation is established the results are rather positive: "When I spoke with few local municipalities and showed them possibility to outsource some services to local social enterprises, especially when the municipality can be its creator, sometimes their eyes opened, and they saw potential in subcontracting with local SE which is reinvesting benefits in local community. Many local governments begin to feel it, but there is still much to do."

7. SWEDEN

Background Swedish Social Enterprise

Over the last years the field of social enterprise and social entrepreneurship is growing in size and interest and in the understanding of the phenomenon as well. Other concepts are also increasingly being referred to by policy makers and academics alike such as societal entrepreneurship and social innovation, which, to a considerable extent, overlaps with social entrepreneurship and social enterprise in concept. (Wilkinson, 2014) As of November 2015 there were 347 registered as WISE (work-integrated social enterprises) in the database. A few studies outlining the social enterprise landscape have been done over the last years. Among others the SELUSI Study from 2010 indicates that the mean age of the sector is over 15 years; the study also shows that there is a trend of new small social enterprises appearing. A majority of them are 1-4 years old, have no or small revenues and are active in most branches. There are approximately 2,500 people employed and another 6,000 people participating in active labour market initiatives. (Tillväxtverket, 2012).

Legal framework

So far there is no specific legal form for social enterprise in Sweden though there is a legal form called "Aktiebolag med särskild vinstutdelningsbegränsning" (SVB) which some social enterprises are registered as. SVB was intended to become a legal construct that would keep potential profits in the company and thereby secure its existence. Maximum dividend is state rent + 1 percent a year. In November 2015 that would mean about 2 percent is possible to give out as a Dividend to shareholders. As of March 2015 there are 63 companies which uses this legal form (last published date) which is seen by experts as a low number. The reason is likely that the legal form does not provide enough incentives to shareholders to use and invest into it.

In general social enterprises use several legal forms such as limited companies, non-profit, economic associations, non-profit organisations or foundation. The majority of social enterprises are non-profit organisations. A smaller share have taken the legal form of foundations. Cooperatives are common among WISE (work-integrated social enterprises), supported by the Organization Companion (see below) who is an institutional actor in social economy and the social enterprise field. Limited companies are also used as a legal form among social enterprises. The argument as to why social enterprises are used as a legal form has often to do with the fact that they are seen as business entities among investors. Among established social enterprises hybrid legal solutions are rather common. In that way they can both receive grants and pay salaries.

In the opinion of survey respondents the fact that there is no specific legislation dedicated to social enterprises can be seen as a weakness in the development process of the sector. As the most important barrier in terms of legislation they pointed out bureaucracy – a very dragged-out and complicated procedure of social enterprises registration, as the second mentioned before lack of clear legal framework and as third most relevant obstacle is too many and very complicated legal procedures related to regular functioning of SE (reporting obligations, accounting systems, etc.).

Human resources

In general there is a lack of competence in social enterprise and the wider social economy sector. Several ESF (European Social Fund) projects over the last years have worked on improving the situation. Skills that are needed and are lacking are overall business skills and not the least how to develop the product offering and selling competences. A lot of social enterprises and social entrepreneurs are struggling with finding customers and selling their products. Confirmation of this statement is visible in the results of the survey. Its participants have chosen areas where their staff need extra support; in other words the biggest lacks of knowledge and competences. They pointed out finance and accounting, management of the organization, PR & marketing and legislation system.

Going back to the topic of finding customers, a possible solution could be the general public as a market sector but it's rather difficult for social entrepreneurs and social enterprises to get contracts to deliver public services and there might be different reasons for that. Among those are the large contract sizes and quality requirements. Another hindrance for social enterprises is the requirement for a solid financial position which can be difficult to fulfil for most social enterprises as many of them are small and tend to be quite new in the market. Also most public bodies focus on price as opposed to quality, social and environmental benefits.

In the opinion of survey participants next big barrier, an obstacle for social enterprises in terms of human resources, is dependence of the employment level on external support, such as grants or other financial subventions (e.g. From labour office), other relevant weaknesses in that matter are legal regulations related to employment of staff and the low level of salaries that can be proposed to employees.

Another big challenge for social entrepreneurs is showing the value they are creating. There's clearly an increasing interest in the field but until they know and can communicate the "true" value of services, often beyond economic rationalizations and finding out what the society gains, it will be difficult to scale the sector.

Support structures

There are no direct ministries responsible for social enterprises and social entrepreneurship in Sweden. However, there are a number of government agencies supporting the development of the social economy sector. Foremost the Swedish Agency for Economic and Regional Growth (Tillväxtverket), VINNOVA (Innovation Agency of Sweden) and the Swedish Public Employment Service (Arbetsförmedlingen) as well as The Swedish Agency for Youth (Ungdomsstyrelsen).

Not the least in the development of WISEs The Swedish Agency for Economic and Regional Growth has been an important actor. In addition to national support the social enterprise sector has also been supported by ESF (European Social Fund) through its structural funds. A report from The Swedish Agency for Economic and Regional Growth, 2011 shows that 12 out of 137 entrepreneurship and enterprise projects were granted ESF funds in the years of 2008 and 2009 focused on WISE. (Tillväxtverket, 2011).

Over the last few years several new initiatives and funding opportunities have been established including new models, platforms aimed at increasing the availability of capital for social enterprises. Microfund West is one of the initiatives, a funding organization owned by civil society organizations focusing mainly on cooperatives and social enterprises. It is also supported by Business Region Gothenburg who provide 5 million Swedish Crowns to the fund out of which 350 000 has been granted to Social Enterprises as of November 2015. Though small, the fund can be seen a role model for micro financing initiatives that are expanding across Sweden. To date two initiatives exist; Micro Fund Z (Jämtland County) and Micro Fund East (Stockholm County). The funding for the micro funds comes from a combination of public and private organisations. Other important channels for funding of the social enterprise sector are Regions and Municipalities.

Leading the development is the Western region of Sweden and the region Skåne. Both have supported the sector through social investment funds. Primarily they provide seed-capital and the funds are often directed to interventions for children and youth, but also to job creation and homelessness and recently to ideas in how to solve the refugee crises. At the moment there are no new grants one can apply for in the regions, but there are ongoing projects being financed.

Among the municipalities Norrköping, Umeå and Ale stand out as pioneers. According to a study by the Forum for Social Innovation 46 of the 290 municipalities have had some type of social investment funding in 2013. There are also two social banks operating in Sweden, The JAK Bank and Ekobanken,

focusing on businesses with a clear focus on social and ecological value creation. In addition, it's worth knowing that these social banks together with Coompanion and the Association "Hela Sverige ska leva" incorporating more than 4,700 local development groups have initiated and are promoting the emergent micro-finance sector. A recent phenomenon is also providing a new source of funding for social enterprise. Today, there are at least 4 available Swedish platforms. FundedByMe (with 60 000 capital providers, November 2015), Polstjärna, Crowdcube and Crowdculture. (Wilkinson, 2014).

Other initiatives related to funding of the social enterprise landscape Impact Invest Scandinavia impact investor network in Sweden which connects promising social enterprises with impact investors. Idéer för Livet, a project with its base in Skandia Insurance, provides seed money funding for projects related to youth and children. Since it started in 1987 it has funded more than 3 000 projects. (Alamaa, 2014) Uppstart Malmö is a foundation which has drawn investments from a number of private investors who have contributed around 30 million SEK in total. Uppstart Malmö also supports entrepreneurs with its extensive network of partners and advisors. Hjärna Hjärta Cash provides seed-stage equity investments for for-profit social ventures. It also provides business development support.

LSV is a non-profit limited company, a philanthropic arm owned by the Laurent Leksell family. LSV invests in economically sustainable and well-governed initiatives with effective models for measurable social impact. LSV offers credit, financial guarantees and equity investments of up to 8 million SEK, as well as grants on a limited basis. The total capital for investments is 50 million and is divided into 6 areas that among others address social and economic marginalization, for sustainable community development and for an improved ecosystem for social innovation in Sweden. A new round of 8 million Swedish crowns was recently announced and is to be closed by early 2016.

Reach for Change is a non-profit with a mission to support individuals, companies and organizations focusing on improving children's lives. Reach for Change's core products are its programmes. Among others they offer campaigns where they seek to raise awareness on the vulnerability of childhood. An



important aspect of the programmes is engaging the business entrepreneurs of the Kinnevik group as mentors. They also provide enterprises with funding. Every year Reach for Change have a Call to Action campaign which encourages people to submit their ideas on how to change the lives of children.

Coompanion is an important support organization for the social economy and social enterprise. Since 1984 they have supported organizations that are run primarily on cooperative principles. Organizations can be both non-profits and for-profits. Coompanion works with education, skills and business development which makes it easier to start and develop a social enterprise. Coompanion offices exist across Sweden in 25 regional offices. Over the years they have become one of the biggest support structures for Work Integration Social Enterprises (WISE). Moreover, VINNOVA (The Swedish Innovation Agency) has appointed Coompanion as an administrator of innovation checks (for up to 100 000 SEK) and is responsible for such checks in cooperative organizations which often have a social mission. 60 innovation checks were given out in 2014, (last update 6 million Swedish crowns).

The Swedish Inheritance Fund provides grants to organisations to test new ideas for activities for children, young people and persons with disabilities. Examples of projects would be those focusing on producing materials and pilot studies; others have been more related to targeting marginalized people with educational activities. For example people who suffer from some form of physical disability. There is no categorization in how much funding is supporting social enterprise specifically but a report from

2013 says that 67 projects were financed between 1994-2012. Total funding was 12.4 million Swedish crowns. (2013, Gawell).

Apart from the above mentioned support mechanisms non-financial support is also available from a spectrum of very different organisations. Among organisations that provide non-financial support to social enterprises and social entrepreneurs are "Forum for Social Innovation (MSI)" which is a platform for academia, industry, government and non-profit organisations in Sweden who want to take part in the development of the fields of social innovation and social entrepreneurship. The objective of the Forum for Social Innovation (MSI) is to be a national knowledge hub for the development of social innovation and social entrepreneurship. Together with stakeholders cross sectors they build a capacity for innovation that meets societal challenges. The forum contributes to the field in actively monitoring what is happening, disseminating reports and organizing various activities together with stakeholders to share knowledge. The main focus areas within the field of social enterprise are: A) How to collaborate and co-produce in new ways, B) How to finance and measure impact, C) How the field of social enterprise relates to CSR and commercial business, D) How to research the field.

Another support organization for social enterprise and social economy in general is "Centrum för Publikt Entreprenörskap" (CPE) which can be seen as a new type of social innovation providing support for people and organisations who have ideas for social development. CPE supports socially innovative initiatives coming from civil society organizations, public administrations and individual citizens throughout Skåne (in the very south of Sweden) by offering mentorship programmes, advice and guidance regarding funding, organization, project management, communication and access to cross-sector networks – all free of charge. The overall objective has been to support projects that encourage citizen participation in both local as well as regional development, and to help build cross-sector networks that can increase collaborative governance. Since 2009, CPE has supported the development of more than 220 projects which have generated a lot of local commitment, development potential and cooperation between associations, enterprises and public administration bodies throughout the region. Over the years CPE has drawn some conclusions about supporting and building the emergent field of social enterprise, and civil society in general: 1) To be successful it's important to have a strong local presence. One has to respond to the local needs and build communication in order to solve them. 2) It is expensive and time-consuming to build structures for support. As a consequence one has to develop local support structures by connecting and build relationship with actors who have an interest in the field. 3) Education and to increase knowledge about the field is vital. Not the least it's important to disseminate the knowledge of an emergent field into existing institutions as local and regional authorities.

A third support platform is The Centre for Social Entrepreneurship Sweden (CSES) was founded in 2011 with the aim of supporting social entrepreneurship in Sweden and supporting entrepreneurs who address social challenges with economically sustainable business models. The main activity of CSES is to support social entrepreneurs with an incubator programme. CSES also holds seminars and connects entrepreneurs with investors.

As is presented above there are many very diverse support mechanisms and different institutions providing these kinds of services which is a very positive and promising fact. Moreover also crucial is the fact that available support and proposed helping mechanisms are real answer for social enterprises needs. In the list of most wanted, most needed in the opinion of social enterprises supporting tools they pointed out: loans of preferential terms, regular promotion of social enterprises offer – among public institutions and local communities, whole system of advisory alike: business advisory and coaching, basic advisory in terms of establishing and running SE and professional, expert advisory (meetings with marketing experts, lawyers, accountants, HR experts, etc.), and last but not least well developed social clauses.

External Image

As said initially there is clearly a growing interest in the social enterprise landscape and with increasing environmental and social challenges there is a need to find solutions and tools to solve them. It's not sustainable to develop the welfare system if we don't find new innovative solutions to that. Also noted in the survey respondents' opinions, biggest barrier in building a stable cooperation between social enterprises and its surrounding is lack of instruments, tools, and legal possibilities to enhance cooperation between public sector and social economy sector. Following those factors is a weakness in terms of the relationship between social enterprises and local community respondents pointed out that the lack of knowledge of Local Authorities (decision-makers) and public officers (public institutions employees) about the specifics of social economy and SE and well low interest of private sector to establish cross-sectoral cooperation what clearly shows that action in that matter should be taken and enhanced.

One such solution that can boost the sector in the coming years is through the new financial vehicle that has raised substantial interest in Sweden, Social impact bonds which is a new approach for the public sector to attract financing from new sources (e.g. private foundations and investors) and social entrepreneurs can be the providers of new solutions. An important part of the design is that only successful projects are paid for by the public sector meaning that the risk is transferred to other actors which in turn is thought to encourage innovative initiatives that otherwise would have difficulties in finding financing. An instrument like this can be vital for a country like Sweden with its large welfare sector. It can be the incentive for innovations and finance. Public contracts in procurement add up to 700 billion SEK yearly which says something of the potential.

As said earlier it's also important to raise awareness about the value that social enterprises are bringing as service providers. If the sector can be seen from more of a holistic perspective and long term investment it will gain to society and not a cost. One way to do that is to develop the framework of Social Return on Investment (SROI). Today the concept is still in its early days and with several challenges to solve before it can become an effective tool for measuring value creation of social enterprises. For example the method needs to be able to as to monetize saved public expenditure as a result of an activity. It's also important in an easy way to communicate the results to stakeholders.

IV. RECOMMENDATION

1. RECOMMENDATION FOR PUBLIC ADMINISTRATION ON MUNICIPALITY LEVEL IN TERMS OF EFFECTIVE TOOLS STIMULATING DEVELOPMENT OF SOCIAL ECONOMY START-UPS

Stimulating the creation of new social enterprises, creating conditions for their formation (permanent mechanisms of incubation) require complex interventions in many areas. For most of those areas the local administration can have a strong influence. Although it is a very ambitious and demanding task for local authorities we would like to encourage them to take this effort as it is really doable and worthwhile. Whether social entrepreneurship will become more important and strong, impetus to the development of the social economy sector depends largely on local authorities' attitude and actions. In the first place



we want to dispel the myths about the topic that were negatively verified through the project.

MYTH 1.

The development of the social economy in each country has a unique character.

Fact: Problems concerning the individual countries of the Baltic Sea are very similar, for example the still insufficient use of the mechanism of social clauses in public procurement, and lack of social leaderships with well develop business

competences. The development of social economy faces surprisingly similar barriers, while the progress of sector development is different from country to country. Each country has a deficits and good practices so all can learn some solutions from other.

MYTH 2.

The social enterprise legislation plays the most important role in the development of the social economy.

Fact: The law is not a key element in the development of the sector, nor is it a most important barrier. The existence of appropriate legislation favors of course, the functioning of social enterprises. The information gained from the project shows that the most developed legal solutions exists in Denmark, Finland and Poland. This does not mean, however, that legal system was the starting point for social economy development and that social enterprises in those countries don't face less relevant problems and obstacles than in Estonia, Lithuania or Latvia. Sometimes existence of too many legislation can bring chaos, misunderstanding among social entrepreneurs, inconsistent interpretations of the law among public officers and in the end become a barrier instead of facilitation.

The basis for social economy development in the light of presents situation seems to be a conscious political leaders and individual members of society that understands the idea of sustainable development and in the situation of the consumer, both public ones as well the individual ones is guided not only by the price but also sees long-term profits, not only economic ones.



What then should be implemented, what we can recommend to decision-makers or public officers in the countries around the Baltic Sea?

First of all, we would like to highlight the fact that the term social enterprise is not well known or understood and knowledge about the idea of the social economy sector is fragmentary, not only among public opinion but also among public officers and political leaders (from a national level to very local).

In United Kingdom, for example, the social entrepreneurship sector exists and develops mostly due to open minded leaders and a well prepared legal system; in Scandinavia in turn we can observe more conscious and socially responsible society open for the social economy idea. In post-communist countries, even though there is long tradition of the ideology of the cooperative or joint work, very often it's perceived negatively as it associated with the previous political system. So it's obvious that still **work in terms of spreading the spirit of social economy have to be done.**

At the European Union level the need of supporting development of social entrepreneurship was presented in detailed way in 2011 in a document Social Business Initiatives, but it took time to bring it from European Commission to level to each country. For the last few years, many national directives appeared in Scandinavian countries as well in Poland or Lithuania, where the systems of support are continuously expanding. Among others we can call the example of national programmes/strategies dedicated to social



economic development, including financial support mechanisms, and the whole infrastructure of substantive support. In many cases these processes are stimulated by the European Funds and these trends are also visible in Estonia or Latvia where the creation of programs and strategies is in process.

It clearly shows that on the level of experts who prepare strategic plans awareness of necessity to support development of social enterprises exists and have a well planned structure. But the biggest challenge always is to transfer the national programs into action on a local level; it cannot happen without knowledge and belief in the sense of social economy.

Therefore, we recommend that local authorities regardless the size of the local governance unit, in the entire region of Baltic Sea should begin with social campaigns and education. Of course taken activities should be adequate to unite resources and adapt to local conditions and potential but still even among small community raising social economy awareness activates are the key to sustainable development. The undertaken activities should be both internal and external matter, alike:

Awareness-raising activities profiled to the specific audiences divided into: the local administration (internal actions), the private sector (external activities) and individual consumers (external activities).

Each of these groups has completely different expectations, and each of these groups may gain something else for the development of social entrepreneurship so the key to success is to define their need, meet their expectations. In case of the consumers it can be a unique product, e.g. in an eco-friendly style. In the case of local municipality the main gain will be connected with minimization of social problems and execution of public tasks by representatives of society (fulfilling the principle of subsidiarity). For business it will be gaining a service users or good suppliers, cooperators.

An example of untapped potential can be situation of very popular in Poland market of design, crafts and local products. Unfortunately, few of local producers heard about the idea of social economy, not to mention the lack of knowledge about pretty rich opportunities for cooperation and financial support for such activity. If there would be any stimulation or impulses from local administration in terms of spreading information about social economy the individuals could create a strong cooperative able to produce more, hire more local employees and enter wider market.

Possible activities in terms of awareness-raising:

Internal:

- Providing educational materials, information about new trends and policies dedicated to social economy topic for the decision-makers (both mayors, deputies of the municipalities as well members of councils).
- Provide statistics of efficiency/effectiveness of social enterprises at the local level (impact on labour market, providing social services, impact on social inclusion. Municipality department responsible for social policy can analyse data collect by labour offices and social welfare institutions as well collect information from local social enterprises) to show the benefits, profits of social economy mechanism. If no local statistics is available, use neighbourhood or economically close countries for comparison.
- Organize regular consultation meetings among high rank public officers (directors of departments) dedicated to social economy topics, including providing information about local social enterprises, the results of their work and presenting statistics mentioned above.
- Delegate public officers to participate in seminars, forums, conferences dedicated to social economy topics.

External:

- Organizing seminars and conferences promoting idea of social economy, showing the potential of social enterprise as the answer for social inclusion, and a way of bringing disadvantage groups to the labour market or as the providers of social services organized and delivered on a local level with engagement of local resources.
- Promote the idea of socially responsible purchase among citizens, encouraging them to buy services from local social enterprises underling the wider benefits for local community development.
- Promote local social enterprise services, products among citizens during events organized by local authorities, e.g. Christmas or Easter markets, leisure time events for citizens, e.g. concerts, picnics etc. What is crucial to mention that this activities have to be organized with maintain the principle of competitiveness and transparency in public administration support.
- Promoting the idea of social economy and specific social enterprises among local business, including promotion of CSR (Corporate Social Responsibility).

Education – at this point, we will focus on the training of public officers and decision - makers in such areas as the use of social clauses, working with small business and the impact of local government activity on the local market.

In the book "If Mayors Ruled the World – Dysfunctional Nations, Rising Cities" Professor Benjamin Barber (Yale University Press, 2013) cites data which show that in the so-called megacities number of jobs dependent on local administrations varies from 14% in New York to over 20% in the cities of Europe and Asia. Thus, the effect of self-government on the local labor market, but also the local economy far exceeds the common imagination.

In my opinion (Piotr Masłowski, Deputy of the Mayor of the City Rybnik, co-author of recommendations) *"Among political leaders, there is a lack of social economy ambassadors. From my own observations I know it's not a matter of lack of will, but lack of elementary knowledge. I experience such situations when looking for a solution identical to the social economy, while decision makers are not aware of existing opportunities - especially in terms of ordering services from local producers and involvement in this way different groups requiring support. Social entrepreneurship, especially social clauses / socially responsible procurement, or even of CSR issues are new. Political classes often are older (often lack knowledge about new trends), and by nature are more conservative and cautious"*.



Note, however, that the need for training courses and gaining knowledge in the indicated ranges need to be awakened, through promotional campaigns. A public officer, decision - maker involved in the activities under protest will become an anti-ambassador the idea of social entrepreneurship, rather than a promoter.

Another issue related to education is lobbying at all levels of education to introduce the topic of social entrepreneurship. A crucial thing is to add social economy as a part of economic studies, but also we should not forget about to the economic

vocational education (for which the local authority can have an impact) or less system solution like organizing competitions in school about social economy, promoting among children and young people the ideology of cooperatives so that future potential employee could grown with understating of social economy spirit.

Possible activities in terms of education:

Internal:

- Delegate public officers for training courses about social clauses, working with social enterprises.
- Organize an internal educational meeting, peer to peer learning among public officers in the topic of social economy start-up support.
- Organize working groups, working-educational meeting with other municipalities employees to share experiences, knowledge in term of dealing with social economy development.
- Provide updated information for decision–makers (mayors, deputies and member of the councils) about trends, legislations, solutions in terms of social economy sector.

External:

- Organizing educational talks at schools.
- Lobbying for or implementing (if a municipality has those competences) in the studies program elements dedicated to social economy, especially at secondary schools and universities, at faculties dedicated to both social inclusion as well economics. In other words it means building partnerships and tightening cooperation with other stakeholders responsible for education, both formal and non-formal: schools, universities, ministries, other public institutions, private education institutions, for example NGOs.

The responsibility for implementation of these activities depends on each local authority unit and specifics of each country legislation system. However we recommend that in each Local Authority should be a specific department responsible for activities dedicated to social economic development. The aim is that we link social economy with social welfare or social policy departments so we advise making these departments responsible for monitoring the situation of social economy development. Lists of detailed responsibilities in that matter should be adjusted to local reality; nevertheless it is



crucial to provide clear information to the public regarding which department is most relevant to deal with social enterprises and at the same time to give clear information of public officers that it's their responsibility to have knowledge in the mentioned topic.

Parallel to raising awareness and educational activities local authorities should approach to the topic in more systematic, wider and long term planning way. It is crucial to look at this point from 2 perspectives. One concentrated on the social economy sector and the necessity of preparing together in a wide partnership (other stakeholders, representatives of social economy sector, experts etc.) a complex plan of supporting social economy sector development on a local level. A plan, which will be adjusted to local conditions, capacity and needs. The second perspective is connected with the procedure of including social economy in strategic plans of local authority as important element of local growth, social inclusion and building labor market. Taking under consideration this two perspectives the recommendations in that matter are simple:

Strategic planning - a poorer part of the European Union is painfully touched by the lack of long-term thinking. There is a strong concentration on problem-solving instead of dealing with their source.

The actions are made ad hoc without a moment for reflection on how to avoid similar problems in the future. Here we use the example of smog, which particularly affects southern Poland and the city where these recommendations are written. Poland and Bulgaria are struggling with the worst air pollution in Europe. The problem stems from economic issues (expensive district heating and gas, much cheaper coal, the cheapest waste from its production), the strong position of the mining industry (especially trade unions) and cultural factors (the current situation has been continuing for several generations, so many people see it as the norm). At the same time Poland is a country with a relatively low number of cooperative producing energy in Europe. "The almost complete lack of energy cooperative in Poland is becoming a phenomenon in the European Union - says Ilona Jędrasik for the portal [Ekonomiaspoleczna.pl](http://ekonomiaspoleczna.pl)³¹. Germany, in 2013, operated 888 energy cooperatives. Some even have several hundred members. Cooperatives dependent on the production, transmission and distribution of energy are also a common form of association in the United Kingdom, Denmark, the Netherlands, Sweden and Belgium, and recently also in France, Spain, Croatia and Greece".

Unfortunately, in discussions on solving the problem idea of energy cooperatives is unnoticeable. There is no broad debate on the subject, the lack of goal setting and strategic thinking in the form of answers to the problems underlying source. In developing countries the business (not just local) often follows the rapid consumption of the profits, regardless the geographic location the third sector very often follows the call for proposals rhythm instead of own development strategy, while the political class - the length of the cadence.

We recommend, therefore, strategic planning with a big commitment to the social partners, and breaking the existing stereotypes, search for new partners to diagnose and solve local problems or face the challenges.

Possible activities:

- Include social economy sector in local strategic documents for example connected with social inclusion, local development, entrepreneurship development, enhancing the labor market.
- Diagnosing social situation of citizens together with other stakeholders interested in the topic as well with representatives of social enterprises or potential social entrepreneurs (for example NGOs leaders).

The next type of activities that should be taken by local administration are related to direct support mechanisms which should be the tools to achieving the strategic goal proposed in local development documents. In that matter we see few elements and recommend providing:

Financial support in the form of grants, concessional loans and other financial mechanisms.

Developing business, especially in the case of persons belonging to groups at risk of exclusion or enterprise where this group of people should find an employment or in case of enterprise dedicated to providing social services, requires financial support. What's interesting - business systems in the form of micro-loans or micro-donations performing better in the poorest countries and highly developed than in developing countries such as new EU members³² (an example can be the development of Grameen Bank of Muhammad Yunus, Nobel Peace Prize winner in 2006). Such forms, which are small grants or repayable instruments, seem to be the better option, than other cases like high grants where the real threat is that the received money will be used just for current consumption (risk of creating social enterprises just to receive a grant which after the expiry of the granting contract stop its

³¹ (<http://www.ekonomiaspoleczna.pl/wiadomosc/1674038.html>)

³² Definition according to International Monetary Found

activity). Currently, without a doubt, one of the main incentives for the development of social enterprise sector in our project partner countries is the financial support for such enterprises offered by European Fund or national system of grants. This situation is ambiguous and on the one hand gives a strong impetus to the development of such entities and focuses attention of potential social entrepreneurs, on the other hand, it is related to bureaucracy and brings with it the risks mentioned before: a high risk of creating social enterprises as a response to the call for proposals, not as an answer to local needs.



The obvious fact is that besides financial capital an important factor of social enterprise success is human capital – meaning well prepared, professional management staff, ready for education and gaining new skilled workers, both dedicated to social enterprise sustainability and to development. Good social startups require independence from a social entrepreneur, a well-prepared leader, manager who will be able to combine social and business skills. If we would like to present competences of the social enterprise manager the catalog would be long and very diverse, so just to give few examples: creativity, leadership skills and charisma, readiness to share power – providing participatory decision mechanisms, conflict management skills, strong ethic principles, sensitivity for social problems, readiness to take a risk, flexibility, innovation, ability to find business niches, ability to build business relationships with partners and stakeholders.³³ Without any doubt the proposed list of competences is not closed but it clearly shows that a social entrepreneur is a peculiar hybrid of social activist and businessman.

The role of the local government should be primarily the creation of a climate for their establishment, search and bringing together interesting solutions, pairing potential partners and in some countries also becoming one of the shareholders of social enterprise (establish a social cooperative of legal entities, establish a non-profit company). This will strengthen its role and commitment to local growth. Certainly local authorities should not have the role of the parent or controller as a social start-up should be an independent entity but its duty is inspiring, stimulating and supporting initiatives contributing to better quality of life.

In terms of financial support we should not forget also about socially responsible public procurement, as nothing influences the financial sustainability of social enterprises than a stable, solvent business partner.

In that manner local authorities should take under consideration the Directive 2014/24/EU of The European Parliament and of The Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.³⁴

One of the Directive's greatest achievements is the shift from using the lowest price criterion to assess bids, to the Best Price-Quality Ratio. With BPQR, contracting authorities will be able to integrate quality, social and/or environmental considerations in the award criteria.³⁵

³³ „Cechy i kompetencje menedżera społecznego” Martyna Wronka-Pośpiech, *Ekonomia Społeczna – półrocznik*, 2014

³⁴ http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.094.01.0065.01.ENG

³⁵ Public procurement for social progress. A Social Platform guide to the EU Public Procurement Directive, Social Platform, 2015



Other important elements are social clauses, which allows that public contracts can now be reserved for sheltered employment undertakings whose aim is to bring employment to disabled or disadvantaged persons (including long-term unemployed or members of disadvantaged minorities), where this category of employee makes up over 30 percent of the staff. For certain health, social and cultural services, contracts of a maximum length of three years can be reserved for non-profit undertakings pursuing a public service mission.

What is also important to underline is a fact, that recalled above Directive have to be implemented to all European Union Member States legislations till 18th of April 2016 so sooner or later it will be common process of public procurement.

Possible activities in terms of financial support:

- Provide an opportunity for social enterprises to receive by local authority bank guarantees for investments.
- Implement social clauses in public procurement.
- Implement socially responsible public tendering (modify the criteria for tendering including not only criteria of prices but also social benefit aspects and favors for financially sustainable organizations.)
- Bringing to local level institutions, instruments providing financial support grants for social enterprise development, close cooperation with these institutions (centers of supporting social economy, socially responsible financing institutions for example: loan funds, cooperative banks who deliver preferential loans, credits, social bonds) or at least providing complex information about possible mechanisms at national level (European Social Funds, national or regional instruments of social inclusion) and European level (for example Program EaSi – Employment and Social Innovation, Progress).
- Participate in public-private partnerships with social enterprises due to better and more efficient execution of public tasks.
- If national legislation allows providing a mini – grants system dedicated to capacity building of social star-ups.

Creation of a comprehensive system of substantive support (advisory, trainings, etc.) for those who are interested in the social economy development, advisory services for potential social enterprise leaders.

In none of the countries around the Baltic supporting system is not universal and what is more important is not well recognized by potential beneficiaries. Task for local authorities, as one who knows the best local business conditions and social problems arousing the strongest emotions in terms of substantive support is providing basic information about the social economy sector, possible path of establishing social enterprise, connecting interested in the topic leaders with supporting institutions, etc.

Carry out systematic monitoring of current status of local social enterprises, their needs, lacks to provide more adequate support but in the same time to have information of their potential and capacity.

Carry out systematic market research and analysis on the need for local social services. It's an area that should definitely depend on local authorities. In the current situation, even if the representatives of the local government have the will to support the presence of social economy entities in local market typically do not have a verified knowledge of the social services market size, potential and specifics. As far as local authorities know the answer about housing shortage, what is the shortage of places in nurseries and kindergartens, as quickly aging society is, we observe the lack of diagnosis, updated information, whether the service has a chance to be sold on open market or payed by municipality or rather launch this services will be needed in nearest future and which method of its provision is most efficient. The database of the demand for social services is the best clue for start-ups what economic activities they could start.

Necessity of testing innovations and new paths of development - the flowering of social entrepreneurship requires open minds. Local authorities interested in ensuring that in their territory such social enterprises are incubated should provide conditions for conferences, training and seminars on economics sharing, social innovation and similar new trends.

Possible activities in terms of substantive support, researches and innovations:

- Appointment a department and public officer at the local municipality office responsible for social economy development (officer with at least basic competences in the topic of social economy and social start-ups).
- Providing clear information for potential social entrepreneurs, business partners interested in cooperation with social economy entities, etc. to whom in municipality office they can approach in terms of receiving support.
- Cooperation with national, regional or local institution of support for social enterprises providing basic and specialized support.
- Providing and distributing educational materials for free, prepared by supporting institutions for potential social enterprises, in terms of establishing, running social enterprises as well in terms of new trends and innovations in the field of social economy.
- Initiate conferences and seminars about innovative approaches to social economy or at least providing and distributing information about that kind of events through public communication channels.
- In case of no access to external supporting institutions providing a basic advisory in terms of establishing social enterprise, delivering sources of more information.
- Providing and updating data base of demands for social services, what can be inspiration for social start-up in terms of subject of sustainable economic activities.

Initiate cooperation between business and social leaders. The recipient of this research should be firstly social entrepreneurs and businessmen, nevertheless the positive climate of cooperation, and tools can also apply to the local administration. The researches and other statistics, show widespread problems based on the fact that social enterprises are usually established by social leaders, those who are guided by social ideas, willingness to help, but without business knowledge. In a few cases social enterprises arise from the initiative of people prepared to run the company. We can observe the lack of balance in that terms so local authorities should take possible steps for changing this situation. One of the possibilities is initiating the meeting of social leaders and businessmen to share knowledge, experiences, break the stereotypes or even share an idea for business to receive a feedback or gain a potential investor.

Possible activities in terms of enhancing cooperation between business and social leaders:

- Organizing a platform of exchange like: business fairs (initiated by local authorities, local economic, etc.); formal and informal meetings.
- Inviting local businessmen to become a Social Business Angel (organizing presentation of business ideas at meetings for potential sponsors or just advisors).



This presented recommendation probably for many local authorities will be estimated as too demanding. Of course there is no obligation to implement all proposed solutions. The most important is willingness for supporting development of social economy sector and providing the right atmosphere and conditions; this is the best medium for all social start-ups. But remember only ambitious goals and systematic attempt to achieve them can bring a real, stable and long term social change.

Local authorities units are one of the most important actors on the stage of development of the social economy. But do not forget that first and foremost the responsibility for success, for survival on the market, for winning customers and for building a good team, etc. is of course on social enterprise, its creators, members, employees, board members, directors, managers, the internal organs of control.

2. RECOMMENDATIONS FOR SOCIAL ECONOMY START-UPS IN TERMS OF CHOOSING AN EFFECTIVE PATH FOR DEVELOPMENT

Regarding the recommendations for social start-ups, they are for those in the process of formation but also those social entities that have existed for a long time. But we focused mainly on aspects analyzed in the framework of this publication, meaning: legal environment, external support, human resources and creating the image.

MYTH 1.

Services offered by the social enterprise must be cheap because they are of low quality, so price competition is the only way to conquer the market.

Fact: Initiators of creating a social enterprise have to be ready to take a risk. The biggest challenge is to create a coherent product strategy and being determined to its consistent implementation. It is indeed a challenge for the whole social economy sector, to build the image and strengthen the belief in the high quality of the products and services offered by social economy entities. Public awareness based on reliable knowledge and transparency is one of the critical success factors of a social enterprise.

MYTH 2.

Social enterprises have little in common with “real” business and the people working there are not full professional employees and their managers are social leaders without business acumen.

Fact: Running a social enterprise in part of running the business is not much different from the running an “ordinary” company. Requirements for managers of social enterprises are no less demanding, on the contrary, and the range of expected competence is much broader. Since it is assumed that they must have not only the ability to conduct business, but also high social skills, the ability to work with specific group of people, conflict resolution, team building, as well as a wide range of skills related to external fund raising such as grants and subsidies.

What then should be implemented, what do we recommend to social start-ups initiators in the beginning of their social enterprise existence to provide an effective entry to the open market?

In terms of legal framework we recommend:

- Take the time to gain greater knowledge of the social economy sector and the multitude of legal forms that can be a social enterprise. The choice of legal form affects the management system, billing, possibility of obtaining external funding. Legal form also implies a way of making decisions, the existence of the membership of the management and control bodies operating within the social enterprise. Therefore, the time spent on a good diagnose of own resources, consultation with an attorney, accountant, advisor for social enterprises and also benefit from the experience of other social entrepreneurs, will certainly not be lost.
- Explore the possibilities of the chosen form of the legal terms of obtaining external funds and the use of other forms of public support.
- Explore the possibilities of social franchising – using already-working mechanisms.

In terms of human resources:

- Remember about clear and specific separation of roles, duties and responsibilities, particularly in the social enterprise, in which the role of member joins the role of the employee. Determine how decisions will be made and provide mechanisms of respecting this rules.
- Provide for the social enterprise management team constant self-development mechanisms, training for management staff in the fields of business: management systems, teambuilding, customer service, streamlining processes, sale, improvement of the quality, etc.
- Provide for the social enterprise working team constant self-development mechanisms regarding their professional skills, providing vocational trainings, and if needed training about social competences, etc.
- Enhance among the team skills related to the resolution of conflicts and the building of harmonious co-operation.

In terms of external support mechanisms:

- Carry out research about available supporting and development mechanisms like advisory, financial services and define the institutions that provides those services, starting from local authorities.
- Participate in local, regional and national sectoral meetings during which decisions are made or are made recommendations for the highest levels of government in terms of supporting social economy development, participate in the creation of new legal and practical solutions for social entrepreneurship.
- Establish contacts and cooperation with local government units, NGOs, social economy, as well as commercial enterprises first at a local level.
- Find and update information about local social clusters, and social enterprise networks.
- Treat time spent by employees on consulting and training as an investment, not a cost.
- Learn how to gain external funds and how to use it in proper way, and combine different types of financing activities.

In terms of image creation:

- Create a coherent and integrated strategies for the social enterprise and its communication with the environment, creating brand strategy and consistently implement them.
- Take action with the feeling of responsibility for the development of the local community.
- Work on the self-esteem of social enterprise, especially in terms of cooperation with business and local government. Showing the benefits of social economy, creating a brand based on quality and aiming to financial viability.
- Not to build the image of the entity, which requires constant external support and special treatment due to its noble goals, regardless of the team engagement or its financial and business results.

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METHODOLOGY ATTACHMENT (SURVEY, FOCUS INTERVIEW SCRIPT)

LEGAL FRAMEWORK

I. How do you assess legislation system in your country in terms of establishing and running a social enterprise?	There is no legislation system	Legislation system is friendly or rather friendly	Legislation system is neither friendly or unfriendly	Legislation system is unfriendly or rather unfriendly
Please select with X most relevant answer.				
II. Please select with X 3 most relevant in your opinion barriers or weaknesses in terms of legal framework dedicated to social economy entities:				
1	There are NO such barriers or weaknesses			
2	Lack of legal framework – there is no legislation dedicated especially to social enterprises functioning			
3	There are so many legislations considering social enterprises that social enterprise is facing legislative chaos and can NOT find proper information			
4	Legal acts concerning social enterprises are inconsistent, mutually exclusive			
5	Very expanded and complicated procedure of social enterprise registration (bureaucracy)			
6	Too many and very complicated legal procedures related to regular functioning of social enterprises (reporting obligations, accounting system etc.)			
7	Lack of experts, competent public officers in a field of social enterprises registration and functioning in Public Institutions (registration court, municipality offices, tax office)			

HUMAN RESOURCES

III. Please select with X 3 most relevant in your opinion key areas where your social enterprise staff would need a support				
1	Our Social enterprises staff do not need any extra support			
2	Legislation system			
3	Finance and accountancy			
4	Management of the organization			
5	Human resources management			
6	PR and marketing			
7	Sales techniques			
8	Specific qualifications connected with products or services offered by social enterprise, for example:			
9	Others: please mention:			
IV. Please select with X 3 most relevant barriers or weaknesses in terms of human resources which hindering functioning or development of social enterprise				
1	There are No such barriers or weaknesses			
2	Legal regulations related to the employment of the staff			
3	Dependence of the employment level on external financial support (grants, financial support from labor office etc)			
4	Low level of competences and professional qualifications of the staff			
5	Insufficient management competence			
6	Low level of salaries that can be proposed to employees			
7	Specificity of work with socially excluded			
8	Others, please mention what:			

SUPPORTING MECHANISMS

V. How do you assess available in your country supporting mechanisms dedicated to development of social enterprises? Please select with X most relevant answer.	There is NO support available	We don't know about any available support	Offered support is satisfying	Offered support is neither satisfying nor dissatisfying	Offered support is dissatisfying
VI. How do you assess available in your local authority supporting mechanisms dedicated to development of social enterprises? Please select with X most relevant answer.	There is NO support available	We don't know about any available support	Offered support is satisfying	Offered support is neither satisfying nor dissatisfying	Offered support is dissatisfying
VII. Please select with X 5 most important in your opinion supporting tools which could help in development and enhancement of social enterprise					
1	Business advisory and coaching (long term coaching dedicated to development of economic activity, creating business plans, selling strategies etc.)				
2	Advisory (basic legal, procedural help, providing clear and exact information according to social enterprise need)				
3	Professional, expert advisory – marketing expert, lawyer, accountant, HR expert etc)				
4	Training courses for social enterprise staff (about social enterprise functioning, legal restrictions, management system etc.)				
5	Vocational training courses for social enterprises staff (for raising the professional qualifications)				
6	Regular networking activities (among social enterprises)				
7	Regular promotion of social enterprises offer – among public institutions and local communities				
8	Grants for establishing social enterprise				
9	Grants for increasing employment in already existing social enterprise				
10	Loans on preferential terms				
11	Credit guarantees on preferential terms				
12	Social clauses in public procurement				

EXTERNAL IMAGE

VIII. How do you assess effects of your social enterprise co-operation with presented actors ? Please select with X one answer for each category. If there was no cooperation please select category: "we were NOT cooperating with this entity"	We were NOT cooperating with this entity	We were satisfied or rather satisfied with the cooperation	We were neither satisfied nor dissatisfied	We were dissatisfied or rather dissatisfied
1	Local authorities / municipality			
2	Regional authorities (if exists)			
3	Labour offices			
4	Social Welfare Institutions			
5	Local media			
6	Business			
7	Other social enterprises			
8	Social Economy Networks			
9	Supporting institutions for social enterprises/ starts-ups			

IX. Please select with a X 3 most relevant barriers or weaknesses in terms of social enterprises cooperation with surroundings (for example actors mentioned in question above):

1	There are NO such barriers or weaknesses	
2	Lack of knowledge of Local Authorities/municipalities (mayors, city council – decision – makers) about specifics of social economy and social enterprises	
3	Lack of knowledge of public officers (public institutions employees) about specifics of social economy and social enterprises	
4	Negative or indifferent attitude of public officers to cooperation with social enterprises	
5	Lack of instruments, tools or legal possibilities to enhance cooperation between public sector and social economy sector	
6	Low awareness of local communities about social enterprises activities, mission etc.	
7	Common belief about low quality of services and products offered by social enterprises	
8	Unwillingness to cooperation between social enterprises (competitive attitude)	

STATISTICAL INPRINT

Legal form of your social enterprise:	
Since when your social enterprise exists:	
How many employees have your social enterprise:	
What is the main type of your economic activities, what can of services, products you are offering?:	

FOCUS INTERVIEW

Questions for focus interviews:

1. What are the biggest challenges, obstacles standing in front of new social enterprise³⁶ in terms of:
 - a) legal framework (if there is one clear definition of social enterprises, what is your opinion about procedures of registration, available legal forms etc.)
 - b) human resources in social economy entities (specific group that can establish SE or can be employed in SE, challenges connected with management system, availability of experts, professional staff who have knowledge and experience in running SE etc.)
 - c) supporting mechanisms (both financial and substantive; if there are any, if they are suitable to real needs, what about availability of those mechanisms – condition that must be fulfilled to be beneficiary etc.),
 - d) external image (level of knowledge about social economy among public officers, decision makers, society; opinion about SE of potential partners and clients; readiness and openness for creating local partnerships with SE)?
2. What are the biggest amenities for social economy start-ups available in your country on national, regional and local level (if there is any differences)? Please share a good practise how establishing or functioning of SE start-ups can be supported.
3. What arguments can encourage public administration, especially on municipality level to support development of social economy starts-up?
4. What support mechanisms (both substantive and financial) should be implemented by public administration, especially on municipality level to stimulate development of social start-ups? Please share a good practise and try to indicate why it was successful (what conditions must be fulfilled) and would you recommend transferring this mechanism to other countries, if yes on what conditions?
5. What support mechanisms should not be implemented by public administration to stimulate development of social start-ups as they were not effective? Please share a bad practise and explain why it was not effective.
6. What arguments can encourage private sector (business) to:
 - a) buy services and products from SE.
 - b) create partnerships with SE start-up?
7. What arguments can encourage private customers to choose SE products and services?
8. What strategy of promotion, external image new SE should choose to build positive picture, raise the efficiency of activities and bring more incomes ?

³⁶ definition of social enterprise according to national legislations

