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CENTRAL EUROPE

**SENTINEL**

## **Joint report on SE support services and network initiatives**

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**Elaborated by the TRENTINO FEDERATION OF COOPERATION**  
**Executive summary by Social Impact GmbH**

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## 1. EXECUTIVE SUMMARY

Social economy and social innovation are crucial in disadvantaged regions of Central Europe (CE), where market forces do not automatically boost economy. Social enterprises (SEs) are often leaders of such innovations and key actors in social inclusion and work integration. However, in these regions, similarly to small and medium-sized enterprises (SMEs), SEs face shortage of skilled labour force and negative effects of demographic change (brain drain, shrinking population) and additional external and internal barriers.

10 partner organizations from 6 Central European countries (Italy, Hungary, Czech Republic, Germany, Poland and Slovenia) joined forces to implement a transnational ‘Sentinel’ Project aimed at developing and testing tools and methods for helping SEs in less developed regions. As a result, the project aims to support SEs in turning their innovative social ideas into viable and sustainable business models, making CE’s regions better places to live and work.

One of goals of the project is to identify and develop competences and skills necessary for the management of SEs, by establishing and operating support mechanisms. To achieve this aim each of the partner countries were invited to provide an assessment and identify the following research tasks in a country report:

- To provide insights on the socio-economic and institutional context focused on the partner countries’ territories,
- To highlight the overall picture of the social enterprise support services and social enterprise networking initiatives via SWOT Analysis
- To make a case study analysis of the social enterprise support services and social enterprise networking initiatives.

This Joint Report – was implemented by Trentino Federation of Cooperation (FTC) instead the Executive summary by Social Impact gGmbH. In addition, the outcomes of all country reports were analysed and synthesized by Social Impact in this chapter which aims to provide a condensed regional overview and a better understanding of the country analyses concerning the social enterprises support services and network initiatives.

This joint report compliments the other Joint report on support demand of social enterprises operating in less developed regions of Central Europe. These two Joint reports will serve a basis of the compilation of the Handbook for the creating and operation of managed networks and the definition of Social Business Mentoring Services.

Each country report with a particular territorial focus consists of a common structure composed of 4 sections: The first section of the reports explores the socio-economic and institutional aspects of

social enterprise ecosystem with a view to comparing the role played by a number of key factors, namely: the main economic sectors (both in terms of wealth generated and in terms of employment); new and potential business related to local resources; the main challenges to face in the area and local resources and key factors.

The second and third sections provide detailed descriptions of the social enterprises support services and network initiatives in relation to business sectors, status of the related organizations and their resources used to provide the services. An analysis of key factors enabling and hampering the SE support mechanism and network initiatives were conducted through a SWOT analysis. Finally, the last section reviews good practices about SE support services and/or networking initiatives in each partner country.

## KEY FINDINGS:

Before looking at the characteristics of the supporting services and networking initiatives in the respective partner countries and regions, the country analyses highlight these following key findings in terms of the socio-economic institutional context of the SEs ecosystems:

### **The social enterprise sector in the partner countries is dynamic and yet is still nascent stage.**

Context and evolution of the social enterprise sector in the partner countries vary greatly and are shaped by the political, legal, historical and socioeconomic environments. Especially due to various socio-historical features and different territorial focus and perspectives of the country analyses, comparing the SEs sectors across the partner countries is a great challenge. Furthermore, almost all partner countries stated that there is a lack of availability and consistency of statistical information on the field of SEs – therefore the scale and characteristics of the sector is not well known or understood.

However, one can confirm that the social enterprise sector in the six partner country is substantially dynamic. Within the recent years there has been a growing interest and noticeable increase in awareness of the emerging ecosystem of SEs. In some countries such as Italy, Germany and Poland, given the long presence and history of social economy, an enabling environment, to a certain extent, exists for social enterprises even though there's no common and consistent definition of SEs. Furthermore, in other countries such as in Hungary, Slovenia and Czech Republic the social enterprise sector is relatively new and less embedded in the economy and society. While governments in Hungary and Slovenia have a growing tendency to promote SEs in the employment and work integration policies, in Czech Republic, SEs are not yet sufficiently attractive and politically marketable. In Czech Republic SEs thus rely heavily on EU financial support, especially in the start-up stages. Last, the development of social enterprise sectors has taken varying and difficult paths and there are still many challenges that SEs face. In this context, national and (especially) local authorities can play an important role in not only developing policies to enable them to overcome the barriers they face but also creating an ecosystem that SEs can flourish.

### **While some partner countries adopt a variety of legal forms and statuses for SEs, in some of them the status of SE's are not clearly framed. In addition, there is no universal definition of social enterprise.**

The analysis of Italy focusing on the case of two Italian regions (Trentino and Friuli Venezia Giulia) shows that the Italian cooperative movement has a long history and appears to play a key role in promoting the growth of the social enterprise sector, by creating specialized legal structures and forms in both national and regional level. Similar to Italy, Poland taking into account the

Podkarpackie region, has a separate, new legal form for social enterprise, in analogy to the cooperative legal form. As such, the importance of social economy was recognized by both state and regional authorities. Furthermore, in Hungary and Czech Republic, the social cooperatives are recognized in their existing legislations covering cooperatives. However, in both countries social enterprises are not supported by either the public authorities or the community. There is an absence of a unified vision and goals for the development of a SE ecosystem. Looking at Slovenia's analysis, the country has recently adopted the Social Entrepreneurship Act which provided a definition of social entrepreneurship and social enterprise. However, the country report states that the rigid legal framework for SEs has neither fiscal nor legal benefits so that most SEs do not chose to adopt those legal forms.

In Germany given the lack of a formal and universally applicable definition of SE there is also no specific legislation on SE in place. This void concerning a specifically dedicated legal form for SEs has however allowed for a wide variety of legal forms under ordinary private law (non-incorporated and incorporated firms) which can be used for SEs in Germany.

**Large diversity of the sectors in which social enterprises are active. New and potential businesses for the development of a SE sector exists in some partner countries.**

According to the partner countries' assessments regarding the sectors that SEs focus on, there is a growing breadth of activities in several sectors from the traditional sectors of agriculture and welfare to the most innovative ones linked to agri-food and wellbeing, smart cities, tourism, natural heritage and landscape valorisation such as in Italy. In Poland, social economy penetrates all strategic areas with particular emphasis on education, civil society, social Inclusion and public health. Moreover, in Czech Republic, gardening services, greenery or the maintenance of public spaces are the most common areas of business for social enterprises. On the other hand, in Hungary, the primal economic role and importance of the social enterprises (and other parts of the social economy) is to increase employment and job creation among disadvantaged groups of the society. At last in Slovenia, main activities of SEs are defined as 'other activities' such as activities related to quality of life, sustainable development and social innovation etc. Additionally, education and work integration, personal social services, local development of disadvantaged areas and other (recycling, environmental protection, sports, art, culture, etc.) activities are mentioned as other important activities. Some partner countries such as Germany and Slovenia mentioned the new and potential business for the development of the SEs sector. For example in Germany, there is a considerable increase in such new-style or modern social entrepreneurship with a clear market background, e.g. in sustainable consumption, education or energy efficiency, ageing, rural depopulation, changing family structures, stronger demands for integration and autonomy (in



employment in care for the elderly etc.), ethical trade, special pedagogic approaches or care solutions that are not in the social code, hence not financed through the traditional social security or the private insurance system. According to Slovenian partner's findings, social enterprises are mainly involved in work integration programmes to employ people especially with less possibilities on the labour market. Moreover, SEs also operate in the field of personal and household services, care services, environmental area, education, tourism, construction, home and art craft, sustainable rural development and reuse of old, redundant or damaged items.

**There are various challenges associated with the socio-economic and institutional conditions in the respective countries and regions.**

In Hungary, as a result of the transformation of the economic structures, some regions are economically and socially disadvantaged. Significant layers of society in Southern Transdanubia, Northern Hungary, Northern and Eastern Great Plain are under-educated, have no work experience, and have no full capacity to work, and have many other socio-cultural disadvantages. In Germany/ Brandenburg, mostly around the agglomeration of Berlin and Potsdam, growing disparities have been developing over the course of the last decades between the rural periphery and the more prosperous areas. Rural regions such as Prignitz in the North-West or the Uckermark in the North-East of Brandenburg still suffer from extreme structural weakness in terms of their economy and significant challenges of the rural periphery in Brandenburg, i.e. static economic structure and labour market, low purchasing power among citizens. As a consequence, many people commute between their home in the rural periphery and their workplace in the rather few centres. Moreover, especially young and highly qualified people left the rural areas of Brandenburg for good. Conversely, older and poorly educated people stay in the rural periphery. They, thus, face the risk of a constant phase of unemployment and low income. As a result, in many areas it has become increasingly unprofitable to ensure some of the most important functions of the services of general public interest. This includes, for example, the local supply of food or the provision of basic services. Similarly, the Italian analysis mentioned as one of the challenges in the two Italian regions, Trentino and Friuli Venezia Giulia, the depopulation of remote villages in the mountain and more widely the challenges related to aging. The high level of long term unemployment rate and average wages are further challenges of the region. The analysis of Slovenia shows the following main challenges the country:

- A strong increase in the segmentation of the labour market, often affecting young people in particular,

- Demographic changes, reflecting in the population ageing, and reducing the potential of working population,
- Increase in demand for public services (especially social services – health and long-term care),
- Poorer life-style indicators,
- Population decrease in distant and agricultural places,
- Lagging behind in development of digital society,
- Underdeveloped creativity that originates from culture and creative industry,
- Excessive environmental burden,
- Inappropriate use of natural resources.

**Social enterprise support structures and network services exist in all partner countries albeit to a limited extend.**

The national and interregional comparison is based on the SWOT Analysis. The results are supposed to provide a better understanding of the status of the support mechanism of SEs in the partner countries. The detailed SWOT analyses are also provided in the country reports given the fact that the current situation and future possible opportunities and threats are very important for a domain such a social Enterprise sector. The partner countries' analyses show that a wide range of social enterprise support structures such as training, mentoring and advisory services exist in all countries albeit to limited extend. Most of the services are provided by public authorities, non-government organizations (NGOs) or the start-up ecosystem. Some of the country reports show that due to nascent stage of development of the sector, support and network mechanisms are not sufficient and take place at a smaller scale. Among various type of support services that can be found at national and regional level, most of them are not specialized for SEs. Another common finding considering the support services that almost all partner countries underlined is the absence of an effective system that help SEs access to finance.

In Italy, social cooperatives consortia are the most common support structure for social enterprises, they provide training and consultancy support to their members. In addition, various effective networking initiatives exist which has always been a key aspect of the cooperative movement in the country. On the contrary, in Hungary, there are a few support initiatives that support the start-up social enterprise as nonprofit activities for social-community purposes and a number of programs mostly targeted to youth and women entrepreneurship. On the other hand, business coaching and advice are another options that SEs can benefit from. In Germany, although the support structures

of SEs are promising with a good infrastructure of various services such as incubation, co-working spaces, coaching etc. the Brandenburg area lacks those support mechanisms and services. In Poland, SEs can benefit from well-defined support structure at both national and regional level. As the country report mentions, the support system is provided through specialised institutions or consortia of institutions such as the Centres for Support of Social Economy (OWES) and the Centres for Support of Social Co-operatives (OWSS). At the regional level, SEs can also benefit from various instruments including incubators, business coaching, legal aid, fairs on social economy, support services for young entrepreneurs and women, access to credit and youth support programs, legal aid and Higher education programs devoted to social enterprises etc. In Czech Republic, support services for the SE sector are only offered by the second level organizations due to absence of the governmental support. However, those services are located only in the main cities, leaving rural and internal areas underserved. At last, Slovenia's analysis shows that although there are some support services for start-ups or some local development programs, they are not specially designed for SEs.

The main **network services** provided for SEs in the partner countries include the following:

- Network opportunities that SEs benefit from (Italy)
- Network opportunities at a small scale for lobbying and marketing (Hungary)
- a number of networks, information events, cooperation platforms, self-help initiatives and competitions (Germany)
- a few financial networks access to finance for SEs via bridge loans and micro credit (Slovenia)
- Regional activities (e.g. Podkarpackie Committee for Development of Social Economy, international projects on innovation in products and services. Cluster programs, experience exchange activities (Poland)
- Second level organizations providing network opportunities for enterprises, NGOs and start-ups. (Czech Republic)

In terms of support services in the partner countries (as analysed in the SWOT), the increasing number of social enterprises, policies supporting the ecosystem as well as EU fund schemes focusing on the sector development are identified as strengths in most of the countries analysis. Especially the experience of Poland, Czech Republic and Italy shows that public institutions are making an effort to lead and develop the Sector. (OWES (Center for support of Social Economy) in Poland, joint efforts of Department of Education and Federation in Trentino Region in Italy and Ministry of Labour and Social Affairs in Czech Republic) The growing awareness and improving

on SEs support infrastructure can mainly be seen as a promising thing in the partner countries analysis.

However, the lack of access to finance and guarantee funds, the lack of supportive legislative frameworks for SE development and poor the understanding of the social enterprise concept are considered as weakness in the partners' analyses. In addition, the lack of support services tailored to SEs is another common feature considered as a weakness by the most of the partner countries. At last, the lack of innovative approaches and weak entrepreneurial skills, distrust and competition as well as difficulties of traditional small enterprises to cope with the competitiveness of bigger players and sustainability of the business models of SEs are the main threats in the region concerning the SE development.

When it comes to the SWOT analysis of the SEs **network initiatives of partner countries**, there are also some common factors considered as strengths: such as the growing number of the network opportunities to search new solutions for local developments, lobbying and exchange information. Furthermore, the possibility to build up new collaborations together with the growing number of network opportunities, the possibility to strengthen the capacity of SEs and developing policy tools for the development of SEs was mentioned.

In terms of weaknesses, the lack of necessary (financial) resources for networking, low interest and unclear support from the state and local authorities, lack of networking interest in some sectors or topics such as financing, lobbying, advising or cross-sector projects are some of the common factors. And the main possible threats of SE network services in most of the countries are a lack of financial resources, misunderstanding of the concept of SEs and networking and the lack of a policy background.

## CONCLUSIONS AND RECOMMENDATIONS:

The SE sector is evolving through the political, legal, historical and socioeconomic conditions and traditions in the partner countries. Social enterprises (SEs) are key actors in social inclusion and work integration in these regions. However, they face many common barriers at their inception phase, operation and growth phase. As SEs continue to draw attention of national governments and local authorities as well as civil society and local communities, they are emerging in numerous sectors producing goods and services, increasingly demonstrating their capacity as economic actors and contributing to the sustainable and inclusive growth and fostering social innovation. Nevertheless, recalling the partner countries' findings and conclusions set out in their country

analyses, the sector is still in the stage of development and support and networking mechanisms need further development. Moreover, the partner countries outlined underlying factors hampering the development of social enterprises in their region: The factors mentioned are the lack of coordination between stakeholders and engagement of SEs in networking activities, the absence of an enabling legal framework, low sustainability of SEs' business models; the lack of second level organizations to provide support services, low community engagement, the absence of dedicated financial instruments and networks and the lack of engagement and support from public bodies and local authorities.

This joint report aims at highlighting the key factors for developing an enabling ecosystem for SEs. These insights feed in the development of the Handbook of Managed Networks and the Toolbox for Social Business Mentoring Services. In this regard, the report therefore recommends that:

- Building a legal and regulatory framework which brings clarity, visibility and recognition for SEs.
- Strengthening entrepreneurship and competence building of SEs
- Improving financing opportunities e.g. guarantee funds, loans and investors.
- Providing more structural and coherent support and networking services with innovative methods
- Creating sustainable business models for SEs
- Promoting of social enterprise concepts to increase awareness
- Ensuring reliable and continuous alignment and participation of all stakeholders.

## 2. INTRODUCTION

During the SENTINEL project, partners from six Central European countries provided Country Reports analyzing existing SE support services and networking initiatives. The objective of this Joint Report is to provide a general overview of the current state of development of support services and networking initiatives, with a focus on comparing the country/regional ecosystems, in order to highlight differences but also similarities.

This document, together with the Joint report on support demand of SEs will serve as the main reference for two project outputs: the Handbook of Managed Networks and the Toolbox for Social Business Mentoring Services.

This document was drafted by the Trentino Federation of Cooperatives (FTC) and integrated by all partners.

This joint report presents an overview of each country situation according to this structure:

- First of all, it gives an overview of the socio-economic and institutional context of each country;
- Then it provides an analysis of current SE support services and networking initiatives, together with a SWOT analysis for each of them;
- Finally, it presents relevant case studies of best practices in the country.

This common structure allows a cross-cutting analysis for similar items that will be the base for building the Handbook of Managed Networks and the Toolbox for Social Business Mentoring Services.

## SOCIO-ECONOMIC AND INSTITUTIONAL CONTEXTS

PPs presented very different situations in their country reports. Analyzing these situations can give important insights later on, when supporting and networking infrastructures will be analyzed, about the key factors that can really help the SEs ecosystem to grow and prosper.

In Italy, more precisely in Trentino and Friuli Venezia Giulia autonomous regions, SEs have a pretty enabling environment thanks to the deep-rooted history of the cooperative movement. Over the years, the movement organized in apex organizations and local consortia, which managed to establish a relationship with national and local authorities, resulting in a defined legal framework for social cooperatives, and a recent discipline for the Third Sector, where SEs are recognized and have fiscal and legal benefits. Even though the concept of SE still lacks broad recognition in the

market and within the community, it's starting to get attention, dedicated funding and an ecosystem that fosters innovation.

In Hungary, the system is still developing, and it's receiving attention mainly to solve the unemployment crisis and work integration of disadvantaged people. There is a strong difference in development between rural and internal areas and the main cities, leaving the former without real opportunities. Moreover, SEs and more in general, social economy, are not receiving much attention from the community and from national and local authorities. There is a strong lack of understanding of SE's concepts and, more important, there's the absence of a shared vision and strategic goals in a systemic approach, with no coordination between state departments and between supporting organizations.

In Poland, in the Podkarpackie Voivodeship, social economy and SEs have an enabling ecosystem. Economic and strategic programming from local institutions gave to the system a shared vision and well-defined goals. In this systemic approach, not only support infrastructures, but also networking has a well-defined space. Even though the region is facing problems such as systemic unemployment and migration, and organizations have to face a lack of resources and must operate under a legal framework not tailored for SEs, the vision for the future is full of hope.

Czech Republic lacks a unified definition of SE, so they must operate in an uncertain legal framework. Moreover, they receive no support from PA, that is facing a lack of coordination between departments and the absence of a unified vision and goals. Moreover, all the initiatives depend highly on EU funds. In the Moravia region, there's a strong difference in support infrastructures and opportunities between city and rural areas.

In Germany, where social economy has a long history and it's mature and able to respond to social problems, SEs have to find their space, recognition and critical mass, as they are often complementors of other players in social economy. Even though there's no common definition of SE, the system is flexible and there is a vivid support ecosystem, especially in the startup and social startup environment. The main problem of the Berlin-Brandenburg area is the difference in infrastructures and opportunities between Berlin and the rest of the Federal State, even though some realities are starting to emerge as SEs grow in number and demand for services rises.

In Slovenia there's a rigid legal framework for SEs, with no fiscal or legal benefits, so most of the organizations do not chose to adopt that regime. Moreover, there's no involvement of national or local authorities. Even though cooperative movement has a long history, social economy doesn't have much space in the national economy, accounting only for a small portion of GDP and employment and focusing mainly on work integration. The country scores bad on life quality

indicators and gender and youth involvement. These are key factors that hampers the development of a florid SEs ecosystem.

It is possible to divide different country situations in two macro-categories. In Italy, Germany and, to some extent in Poland, there are enabling ecosystems, where social economy has a long history and is well established and connected with local communities, supported by national and local authorities and where there's a general knowledge of the concept of SE, even though it's still a niche into the broader context of social economy and it lacks a unified definition. In some cases, there is a legal framework in which SEs can operate but more often they lack a proper and well designed legal form. This is proven by the fact that where there is a proper legal form for the Social Enterprise, only a few realities chose to adopt it, where the majority prefers to operate in different forms, such as LLCs or social cooperatives.

On the other hand, there are developing ecosystems, where social economy doesn't have much space and support in public policies, factors that have hampered the development of supporting ecosystems for SEs. Nonetheless, in this hard environment, the solutions that arise from individual initiative are often innovative and creative and can provide interesting case studies. Moreover, as the system is still developing, it can be built on solid ground, by the exchange of experiences and best practices from other countries. This is an amazing opportunity to build almost from scratch innovative and functional ecosystems in less time, not having to face the rigidity and conflicting interests of other established players in the field.

It seems from this preliminary analysis that a key factor to enable an efficient and functional support ecosystem is the involvement of national and (especially) local authorities, together with a cohesive ecosystem that, starting from common needs, can lobby and help the authorities define a clear vision and strategic goals for development, unleash the proper resources and measure the effect of policies.



## **1. SEs SUPPORT AND NETOWRKING SERVICES**

Regarding support and networking services, it will be clear by reading national reports that where the social economy and SEs ecosystem is cohesive and lobbies effectively, it can untap the resources and build the necessary infrastructures to harness the potential of SEs.

According to national report, in Trentino and FVG regions, services and networking opportunities are provided by second level and apex organizations, born within the cooperative movement.

Support services are divided first by the stage of development of the organization and then by its sector of activity, to provide need-specific services. For the startup phase the main needs are training, mentoring and advisory services. Therefore, these are focused on the entrepreneur and on youth empowerment, such as education in schools, prizes, incubation, dedicated grants. For existing realities needs are scaling up, innovation in Business Models and operations, internationalization. Services are provided by second level organizations, mainly consortia, and are divided by sector/activity. They are technical advice, training, certifications and labels, consultancy, financial and fiscal services, accountability, administration, marketing and branding, exchange of practices, internationalization, networking, synergies, partnerships for projects, research and project development. A special mention goes to guarantee funds provided by apex organizations, which can increase dramatically access to finance.

Networking initiatives are plenty, as they are integrated in a regional innovation ecosystem, with a dedicated office in Bruxelles and well connected with international players. This network provides effective lobbying, synergy (especially on projects) and cross-fertilization opportunities with local hi-tech clusters, private companies, public bodies and local communities.

Strengths of this system are the involvement of local authorities and the existence of second level organizations to provide services and critical mass. Leveraging on these strengths it is possible to exploit the new Italian legal framework and national and EU funding opportunities. The main weaknesses are the high dependence on public policies and funding, both for services and networking initiatives. Other major problems are a scarce involvement of SEs in the network, a scarce propensity to innovation, internationalization and competitiveness and lack of resources and professional competences, which result in poor access to finance. The main threats are a scarce propensity for innovation and cultural change, that disables the competitive capacity to operate in national and international markets with bigger and more efficient players without public support. Therefore, Business Models are often not sustainable.

Case studies show good practices in social integration of disadvantaged people through the franchising of a sustainable social business model (Le Mat Europe) at European level; great support services' networks that focuses on policy level bridging social cooperatives with institutions (Consolida) and connecting local communities as a network of hubs (COSM); specialized consultancy services for the start up of cooperative enterprises (Crea Impresa Coop).

In Hungary, support services and networking initiatives are in a stage of development. Services can be divided also taking into account the stage of development of the organization. Startup phase services are few and not specifically tailored for SEs. According to national report, services such as coaching, mentoring, advising and training are directed especially to youth and women and often SEs have difficulties accessing these startup programs due to their slower pace of growth and less profitable Business Models. For established organizations, there are different opportunities such as consulting, scaling and other kind of services, which are provided mainly by private organizations. Only a small part of these are focused only on SEs and NGOs. There are no tailored financial instruments and access to finance is difficult, due to the weakness of Business Models and the absence of guarantee funds.

There are few networking opportunities. There are small networks for cross-sector projects, lobbying and marketing, but there's still nothing to help SEs access to finance and transfer knowledge from other sectors.

The main strength of the system is a diffuse professional experience in social economy and, even though the infrastructure is still in a development phase, it can be build based on the better practices and has a less barriers to innovation. The main weaknesses are the lack of a common vision and common goals, thus resulting in a lack of coordination and almost no state support. Low participation in networking and lobbying activities is due to a missing policy background, lack of resources and conflicting interests that hamper cooperation. The lack of resources, a missing policy background, the high competitiveness and a faster pace of change of the current market are the greater threats to the future of SEs in Hungary.

Case studies show that without a second level support is possible to build a social ecosystem almost from scratch, providing consultancy services, encouraging networking and fostering social impact (OFA). Moreover, networking can really provide added value and foster growth of social enterprises (Szimbiozis Foundation).

In Podkarpackie Voivodeship, dedicated policies are supporting the establishment and functioning of SE supporting institutions and the establishment of new entities, especially in the form of social cooperatives. National report shows that support services are divided in different categories:

- For new entities there are incubators, coaching, legal aid, mentoring, advising, networking. There are also dedicated services for young entrepreneurs and women, such as business plan competitions and dedicated funds;
- Services for the development of skills and training, such as clusters, higher education programs and exchange of experiences;
- Services for innovation, especially digital services;
- Internationalization support services, such as legal support and marketing;
- Social clauses in public procurements.

For networking initiatives, there's a public project running, for creating regional networks of support centers, clusters and social cooperatives, and there's cooperation between entities, resulting in a greater capability to participate in international projects and experiences exchanges.

The main strengths of the system are financial support, dedicated policies, cooperation between entities and a general interest for social economy. There are regular network meetings between different stakeholders, fostering cross-linking and a sense of teamwork. Resulting opportunities are the emerging of clusters, the implementation of EU programs and coordinated and transversal support services.

Main weaknesses are the lack of support for current activities, difficulties accessing finances, especially for investments (which is mainly due to the lack of guarantee funds) and the low sustainability of SEs' Business Models, resulting in financial breakdown after initial support from public/EU funding. The main threats are the lack of knowledge about the topic of SE and their needs, resulting in the absence of a well-tailored legal framework and the high dependence on public programming, and more in general, in an unfavorable environment. Moreover, there is a low level of participation in networking activities, a lack of durability of the initiatives and more importantly, no clearly defined network goals.

Case studies highlight how local policies can help increase cooperation among SEs through the set up of a networking facilitation structure (ROPS) and, on the other hand, how SEs can serve as a functional structure to foster self-government and the employment of disadvantaged people at a local level, spreading again through a social franchising model (JST).

In the Moravia region, where there's no real support from public authorities, due to the lack of knowledge and understanding of the concept of SE, there are second level organizations that provide services and networking opportunities, which are not tailored on SEs' needs, but more often to regular enterprises, NGOs or startups. Business incubators and co-working spaces are located only in the main cities, leaving rural and internal areas underserved. There is a low availability of

investments and capital, and limited access to finance due to the low sustainability of SEs' Business Models and the absence of guarantee funds.

The main strengths of the system are a growing number of SEs, resulting in an increased sensitivity around the topic by the general public and local authorities, and in a growing demand for support services and professionals. The opportunities are linked to this growing ecosystem, that can attract traditional investors and business, as well as other service providers, to expand their activities in the SE sector.

Main weaknesses are the poor quality of existing support services, the high dependence on public funding and the lack of legal regulation for SEs. The lack of systemic organization of the SEs' movement results in a high dependence on individual initiative, which can be positive in a way but also very inefficient. Moreover, the lack of policy measurements and a low participation in networking initiatives are a great hampering factor for a systemic approach. The threats for future development are the low financial capacity of SEs, the lack of a common vision and goals (also on the policy side) and the lack of entrepreneurial spirit among the non-profit sector, which is the main source from where SEs arise.

In the country there are good practices that shows how, in the absence of state financial support and dedicated financial services, peer-to-peer loans can be a viable solution to get funds for SEs (Zonky) and how support networks can foster the creation of SEs, their networking and serve as an effective policy tool on a regional level (BEC Družstvo).

In Berlin-Brandenburg region, while Berlin is one of Europe's leading startup and social startup hub, these services are not present in other rural and internal areas. Both on the sides of services and networking opportunities, differences between metropolitan and rural areas are sharp. Services available are incubation, co-working spaces, coaching, training, cross-fertilization. They also offer plenty of networking opportunities. According to national report, one of the biggest challenge that SEs are facing is access to credit, as often they present low profitable Business Models and there's a lack of dedicated financial instruments aside from grants. On this side, an opportunity is offered by social banks and crowdfunding platforms. There are also dedicated public financing programs that invest in equity, which are suited for growing SEs with a proven Business Model (so far it has not been used once). Other support services are those dedicated to social entrepreneurs, such as consulting services and training programs, which are present but need further development.

Networking initiatives and lobbying activities are lead by local, regional and national representations of SEs, providing financial networks linked with private investors and business angels, cross-sector projects opportunities, individual support for social entrepreneurs (such as awards and fellowships) and exchanges of practices and knowledge transfer. These organizations

have to cope with limited resources and on this side, their networking activities need further development, especially to increase access to finance and opportunities within the whole region.

The main strengths of the model are a financing system under development but steadily improving, a constant evolving support infrastructure and a growing number of networking opportunities, together with effective lobbying activities. This result is plenty of opportunities for committed individuals and established entities devoted to solve social problems by harnessing the power of the market and of ICT technologies. The main weaknesses are the sharp difference in opportunities between Berlin and internal areas, a too liquid regulatory framework, the lack of impact measurement models and the low sustainability of Business Models, combined with a high dependence on public funding.

Case studies shows how an efficient network and support services can help committed individuals to solve social problems in disadvantaged areas, acting again as a local policy tool (Dorfkümmerer). Moreover, they show how crowdfunding specialized on SEs can provide a strong community-based tool to provide finances and engagement at the same time (Startnext.com).

In Slovenia's national report is clearly underlined how local SEs' sector lacks a systemic approach and needs more cohesion. There are different support services dedicated to startups, such as coaching, training and mentoring, but these services are not specialized for SEs. Opportunities may come from municipalities' local development programs, that can include well SEs. There is also a big number of supportive NGOs that provide support services but there's a lack of competences on the side of entrepreneurship, marketing and finance, which are the main gaps that SEs need to fill to grow. There's a wide offer of training programs and business competitions, but these are often sporadic, depending on resources and demand. Innovation and internationalization services are present especially for startups and regular companies.

There are no associations or networks representing the interests of SEs within the ecosystem, nor there are marks, labels or certification systems to create identity and shared practices among SEs. There are few opportunities, such as fairs and events, to share knowledge and experiences, but they are often sporadic and they all rely on public/EU funding. On the other hand, there are few financial networks that increase access to finance for SEs, through bridge loans and microcredit.

The main strengths of the system are a financial network that increases access to resources, and a good stage of development of support services and training opportunities, which can be expanded in dedicated services for SEs. This lack of specialization is also the main weakness of the system, together with uncoordinated support mechanisms, lack of shared goals and vision both within the system and by governmental authorities, a rigid legal framework with no real fiscal benefits and a rigid banking system which does not respond to SEs' needs. The main threats for future

development are linked with access to finance and the poor sustainability of SEs Business Models and networking initiatives.

Case studies present an excellent case of dedicated financial network specialized on Social Impact (Fund 05) and an example of how good networking, involving different stakeholders can bring to the creation of effective support services for SEs (Tkalka).

## 2. CONCLUSIONS

All countries/regions present very different support ecosystems, but in general, aside from Italy, where second level organizations play a vital role in supporting the development of SEs, most of the services come either from public authorities, NGOs or the startup ecosystem. The main problems that all players face, are linked with barriers to finance. This is due to the lack of guarantee funds (in most cases), the low sustainability of SEs' Business Models and networking initiatives and the low development of dedicated financial instruments offered by banks and investment funds. Another great problem in many cases is the lack of coordination and vision among the sector and among national and local authorities, that hampers dramatically future development opportunities.

Synthesizing<sup>1</sup>, it seems that the main enabling factors to develop an enabling ecosystem for SEs are:

- Shared vision and strategic goals;
- Alignment and participation of all stakeholders;
- Multi-level networks of need-specific services;
- A clear legal framework;
- Promotion of SE main concepts to increase awareness;
- Dedicated financial instruments such as guarantee funds, loans and access to patient investors;
- Embed within SEs core competences in entrepreneurship, marketing, ICT and management;
- Sustainable Business Models.

On the other hand, hampering factors can be identified as such:

- Absence of coordination between stakeholders;
- Lack of engagement of SEs in networking activities;
- Absence of an enabling legal framework;
- Low sustainability of SEs' business models;
- Absence of second level organizations to provide support services;
- Low community engagement;

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<sup>1</sup> Please refer to the SWOT analysis presented in each country report for further references.

- Absence of dedicated financial instruments and networks;
- Lack of engagement and support from public bodies and local authorities.

These insights will be helpful to define the main contents of the Handbook of Managed Networks and the Toolbox for Social Business Mentoring Services. First of all, understanding the key factors that enables national social ecosystems to create an enabling environment for SEs, can really help build general pathways that can work for others European countries; secondly, case studies can provide useful examples, such as consortia, social franchising, community-based local policy tools and dedicated crowdfunding platforms and Social Impact funds, to be applied in similar contexts.

# ITALY – Federazione Trentina Della Cooperazione, CEI

## EXECUTIVE SUMMARY

The framework of the social enterprise in Italy derives from a consolidated cooperative experience, which has historically marked the economic and social dimension of some regions of the country. Being a country of long and consolidated experience in this sector, Italy represents a case that permits us to analyze the situation of the social enterprise in Italy in a dynamic dimension, because it not only gives us the picture of a specific situation in the current historical context, but also allows us to understand the historical process and the complex evolution. Therefore, with the aim to develop a comparative analysis within a geographical area such as that of the Interreg Central Europe Programme, the description of current characteristics and trends of the Italian experience could represent an interesting benchmarking to support future comparative study with other countries where SEs represent a rather recent experience.

The present report shows that, despite the consolidated historical path, also in Italy, as in other European countries, it's difficult to catch a clear profile of the social enterprises domain: the sector is rather complex, fragmented and sometimes chaotic. The national legislation has evolved, having however held for years only the cooperative profile, and having tried to put order in the entire social enterprise sector only recently.

As at trans-national level, also at national level the SEs sector presents substantial diversity in regional economic and welfare contexts, as well as in regional legal frameworks. Anyway, some common principles permit us to recognize a national cultural background and to define a common cultural approach.

The cooperative approach finds its first and highest recognition in the Italian Constitution (art. 45), that stresses the social function of cooperatives. The whole Italian legislation is based on this principle, starting from the Law 381/1991 that defines the social co-operatives, dividing them in two types, plus Consortia. Later on SEs are regulated by the Law 155/2005 that defines the areas of interest and the legal forms that a social enterprise may adopt: productive activities with an economic interest are crucial, according to entrepreneurship criteria (continuity, sustainability, quality), however, unlike conventional companies SEs must also have a clear social aim.

As far as social cooperatives and social enterprise are concerned, Italy has promoted different legislation in order to adapt or to tailor the existing legal forms to take account of the specific features of social enterprises. From a wider perspective, Italy approved a new law in June 2017, for



the reform of the Third Sector, which introduces significant new developments including a series of fiscal and financial levers with the possibility of establishing new forms of “social financing”.

Because of their growing in number, with different legally or institutionally recognised forms of social enterprise, it is hard to capture the ‘de-facto’ universe of social enterprise. Third sector entities are non-profit private organisations who carry out activities of general interest of solidarity, but also for civic and social utility purposes, and the new law includes associations and foundations with commercial activities; social cooperatives serving general or collective interests; social enterprises pursuing an explicit social aim. For this reason it is difficult to determine a precise number of existing SEs in Italy, also because of the lack of a unique source of data. Concerning social cooperatives there are provincial and regional registers, and according to different sources the number of cooperative varies from 80.363 to 114,629.

The present report highlights the case of two Italian region, Trentino and Friuli Venezia Giulia, that are both areas of strong interest for the SENTINEL project objectives: they present positive and consolidate experience of SEs but also disadvantaged mountain areas where innovative solutions are needed.

The evolution of the Trentino co-operative movement has been driven by the concepts of autonomy and economic development in an alpine area. The Province of Trentino was the first regional government in Italy to regulate social co-operatives in 1988. The Autonomous Province of Trento is a unique case of Regional Administration having a dedicated Department for Cooperation.

The Friuli Venezia Giulia Autonomous Region proclaimed a specific law for social cooperatives in 2006 (regional law 20/2006), with the aim to provide rules for the social cooperation domain.

In Friuli Venezia Giulia (FVG) social co-operation is well-known and consolidated, with a general positive feeling by the population. The first social cooperative in Italy, and consequently in Europe, was born in 1972 in Trieste as results of the psychiatric reform that took place in the Psychiatric Hospital.

It is problematic to obtain a statistically robust picture of what social enterprises do. However, a broad typology of activities are presented on the basis of existing sectoral classifications, going from the most traditional ones to the recent innovative sectors. In Trentino and Friuli Venezia Giulia there are social cooperatives working in several sectors, from the traditional sectors of agriculture and welfare, with organisations such as co-operative banks, agricultural co-operatives, worker and social co-operatives, consumer co-operatives, to the most innovative ones linked to agrifood and wellbeing, smart cities, tourism, natural heritage and landscape valorisation.

The system stands out particularly for the presence of consortia: inter-cooperative societies which coordinate and integrate cooperative activities, creating a second-level organisational system.

Italian cooperatives are represented, at national and regional level by: Confcooperative – Italian Cooperative Confederation, Legacoop – National Cooperative League, Italian National Cooperative Union, A.G.C.I. - General Association of Italian Cooperatives.

Networks are mainly umbrella and advocacy organisation, and they provide skills, knowledge, and information to the co-operatives which may lead to improve governance and performance.

Consortia have promoted a broad variety of business development services and support schemes specifically designed for social cooperatives and social enterprises, with different services for different kind of organization (i.e. a start-up or a big company).

Regional and local consortia are networks aimed at the direct management of services (assistance or other type of services) provided by the cooperatives. In other cases, Consortia address the needs of their members by offering mainly administrative and accounting services. Provided services can include: incubation spaces and related services, business coaching and advice, orientation in scouting financial opportunities, training to enter the job market, marketing and communication strategy, legal support, networking, co-working.

The experience of social enterprise networks and/or some form of mutual support structures shows that these can play an important role in supporting the development of the sector by offering support, guidance and advice, as well as acting as an advocate for the sector.

At the end of the report key Factors Enabling or Hampering SE support services and networking activities are listed in a SWOT analysis scheme. The main common strengths are autonomy of the regional Government enabling a closer understanding and connection with the local needs, the increasing number of social cooperatives and social enterprises and the existing policies supporting social economy as an instrument for sustainable development. The main common weaknesses are the rural and remote areas that are characterized by depopulation, localism, high dependence on public policies and resources (cut in public expenditure), lack of SE support service training.

As far as the SEs are concerned the evolution of the Reform of Social Economy and Third Sector in Italy is an opportunity but also a threat.

## **1. SOCIO-ECONOMIC AND INSTITUTIONAL CONTEXT**

A brief introduction on the legal and fiscal framework regulating social economy and co-operatives in particular is required to understand the development of cooperatives over social enterprise in Italy.

The Italian legislation stresses the social functions of cooperatives which is explicitly recognized in Article 45 of the Italian Constitution, which states: “The Republic recognises the social function of cooperation with mutual character and without private speculation purposes,” and promotes and favours its growth. This general indication is at the base of a more detailed Italian cooperative law which has undergone different changes over time and which mainly establishes the requirements needed for cooperatives to be recognized as having social purposes: i.e. the requirement of conducting at least half of its business with members; the obligation to choose between two regimens (“predominant mutuality” that is a regimen with limitation to distribute their profits and mutual obligation, or “non-predominant mutuality” that is a regimen characterized by the same obligations, but in a lighter form); and the restriction for the distribution of profit.

Further specific laws are foreseen in the Italian legal framework according to the typology of cooperative (i.e. production, worker, consumer, credit banks and social cooperatives -types A and B) as follows:

- Social cooperation is governed by Law 381/1991, promulgated by the Italian State, which regulates the constitution process and the specific activities.
- Social enterprises by Law 112/17 e Law 117/17
- Cooperative credit banks are based on 1993 Testo Unico Bancario (Consolidated Law on Banking) and on the instructions provided by Banca d’Italia (Bank of Italy), which are fully-fledged laws.
- Production and worker cooperatives relate to Law 142 April 4th 2001, which regulates the position of worker members.
- Agricultural cooperatives are managed through the regulations of both the legislative decree no.228 May 18th 2001, and of no.99 on professional agricultural entrepreneurship March 29th 2004.

The Italian legal system foresees specific regulations for social enterprises (SE). Accordingly, an SE is a private juridical subject, autonomous from public administration, which carries out production activities according to entrepreneurship criteria (continuity, sustainability, quality). However, unlike conventional companies, social enterprises act according to an explicit social aim: their main purpose is not to generate financial gains and profits but to provide goods and services either to their members, to the community at large, or to disadvantaged sectors of the society, i.e. pursuing goals other than profit, establishing a balance between a fair remuneration and the possible benefits to those using the services/products.

SEs involve different types of stakeholders (from volunteers to financial supporters), both in terms of property and management; maintain strong bonds with the local community in which they operate; and get the resources they need from a plurality of sources (public administration, charitable donations of money and work, from the market and private sources).

In Italy social enterprises are regulated by Law 112/2017 and Law 117/2017 defining the areas of interest and the legal forms that a social enterprise may adopt. Social enterprises can carry out productive activities with an economic interest, but they must also have a clear social aim. They may have different legal forms but the private limited company is the most common. The typical areas of competence are research and supply of cultural services, environmental and cooperative education, environmental protection, promotion of public assets and cultural heritage, social tourism and supply of development services for enterprises with a social purpose.

**Members and voting:** In Italy, members have 1 person, 1 vote. Non members may be part of governance bodies, but cannot vote. Non members who are directors may only vote on the board. Italian social enterprise allows non members to be part of governance bodies as well. Residency requirements vary. A minimum entrance fee is required.

The Italian law requires co-operatives to invest at least 30% of their surplus in a reserve that may not be divided among members, which contributes to self-capitalise the growth of the co-operative and encourages investments in the “social” business. Reserves are permanently owned by the co-operative, ensuring financial stability in the long term.

Other provisions regard the treatment of the surplus or net profits and the benefits of tax exemptions or reductions. The rule is that they should be invested for further job creation or local social initiatives. For this reason, the co-operatives are restricted from distributing profits among current members in favour of reinvesting towards new democratic employment or initiatives that are the consequence of the mutual nature of the co-operative as such. (OECD, 2014, The co-operative model in Trentino – Italy).

The Italian legislation establishes that any remaining profits should flow into a reserve that cannot be divided among members (asset lock) either during the life of the cooperative enterprise either in case of dissolution or if the cooperative is sold or transformed into a different type of company. Until 1993 these profits were donated to charity; since then they flow in dedicated funds aimed at the development of cooperation which are managed by its representative bodies. With regards to the conversion of cooperative banks into joint stock companies, the current reform prescribes that the coop banks (i.e. with less than €200 million in net assets) wishing to remain independent will also be required to transfer their assets to one or more mutual funds for the promotion and development of cooperation (*fondi mutualistici per la promozione e lo sviluppo della cooperazione*) established under Law n. 59/92. the question of asset lock is more complex and governed by specific laws/provisions which prescribe different rules as for example the taxation of the reserves. Nowadays as the cooperative banks are under reform, the question is not well defined

As far as taxation is concerned, cooperatives are exempted from the payment of a part of the taxes on profits or gains which are allocated to the indivisible reserve and are needed to strengthen the enterprise and its capital. For instance, the exemption from the payment of corporate tax (IRES) can vary from 30% to 70% out of the assets according with the regimen characterising the cooperative (predominant mutuality or non- predominant mutuality). Social cooperatives are totally or partially exempted from the payment of tax previously mentioned. Moreover they benefit from a reduced value added tax (VAT). Additionally, social cooperatives type B (similar to WISEs) are exempt from the payment of the social security contribution for the disadvantaged workers employed. There are also tax exemptions from private donations to social cooperatives, NGO and ONLUS organisations. Social enterprises had no fiscal benefits until June 2017 due to the new fiscal regime. In fact with the new law approved in June 2017, Italy has adopted the reform of the third sector which introduces significant new developments including a series of fiscal and financial levers in order to encourage the start-up and development of social enterprises and organisations in the third sector which didn't take off with the previous law of social enterprises considered not so satisfactory than the law on social cooperatives (Law 381/1991). Furthermore, the reform introduces the possibility of establishing new forms of "social financing". There are many novelties that the reform should introduce in relation to the current discipline and their effects will be integrated and reported during the life of this project.

As far as the size of the phenomenon of social economy is concerned it is difficult to determine a precise number of cooperative in Italy, due both to the evolution of the legislation regarding this economic field and the lack of a unique source of data. In Italy, there are provincial and regional

registers for cooperatives. Social enterprises have to register at the Chamber of Commerce and the public registry. The Italian Cooperative Society Register counts 114,629 Cooperatives (figure updated last July 2017). However, the database is continuously updated and is be easily accessible in the website of the Ministry of Economic Development <sup>2</sup>.

According to the Confcooperative report<sup>3</sup>, the number of active cooperative in Italy at 31st, December 2016 is 80.363.

Social enterprises are part of the Third Sector defined by the recent Italian legislation 112/2017, and it is worth to analyze the content and meaning of the recent law to provide the general framework that includes social enterprises.

In 2017 the Italian government has also issued the Third Sector Code (Decree 117/17), with the main aim, among several specific objectives, to provide a common framework to a sector that is growing up in quantity and quality of activities without a precise and single definition. In the last 30 years, sectoral laws have been approved but they were not linked to a common strategy. The increasing role played by the Third Sector organisations, especially in the welfare sector, required policy intervention mainly to address the need to check and verify the quality of services and activities provided, to define who are the providers and how they work. The approved Code is important because clearly defines which are the organisations of the Third sector, what they do, and for which purpose.

Third sector entities are non-profit private organisations who carry out activities of general interest of solidarity, but also for civic and social utility purposes. The limitation to the Code is related to the unclear relation with other existing laws, as the one on social enterprises (Decree 112/17) and the one on social cooperatives (L 381/91), and to the absence of implementing decrees.

The implementing decrees should be important to dwell on the value of some terms adopted in the Code, in particular the concept that the goal of the Third Sector's activities is the pursuit of the "general interest" – usually related to public organisations aim - that has been added to the already foreseen "private interest", traditionally pursued by the market-oriented sector.

The legislator indicates the Third Sector as the subject able of achieving the whole set of conditions that guarantee the concordance between the good both of the individual and of the community. This definition recognizes the potential important role of the Third Sector that for some experts overrides

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<sup>2</sup> <http://dati.mise.gov.it/index.php/lista-cooperative?resetfilters=0&clearordering=0&clearfilters=0>

<sup>3</sup> [https://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwihyt2O8v7UAhXIIMAKHeC\\_DGkQFggnMAA&url=http%3A%2F%2Fwww.reggioemilia.confcooperative.it%2FDesktopModules%2FEasyDNNNews%2FDocumentDownload.ashx%3Fportalid%3D0%26moduleid%3D482%26articleid%3D2141%26documentid%3D331&usq=AFQjCNFCKOFcXfZTd6CplZWqoZiExodLXA](https://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwihyt2O8v7UAhXIIMAKHeC_DGkQFggnMAA&url=http%3A%2F%2Fwww.reggioemilia.confcooperative.it%2FDesktopModules%2FEasyDNNNews%2FDocumentDownload.ashx%3Fportalid%3D0%26moduleid%3D482%26articleid%3D2141%26documentid%3D331&usq=AFQjCNFCKOFcXfZTd6CplZWqoZiExodLXA)



the level of the two interests (private and public) or at least is at the same level as the public one. That means that the legislator placed the Third Sector, and consequently entrusted it with high responsibility, on the same level as the Public organisations, but without defining the tools that enable the Third Sector to play this role.

The effects and consequences of the law will depend on the future actions both of the Third Sector and of the Public Administrations.

The priority will be then to strengthen the capacity building and commitment of public bodies to involve the Third Sector in the design and implementation of activities and services. Otherwise, the risk is that the Third Sector will keep working as a mere provider, focusing on emergencies and not on long-term strategies, without any common consciousness of its role and new potential responsibilities.

## FOCUS ON THE TRENTINO REGION

In the Italian panorama, a specific cooperative case is represented by the Trentino Cooperative Movement. In fact, the Province of Trento (or Trentino) is one of the European regions with the highest density of cooperative enterprises, some of which have been active since the end of the 19th century. Cooperative members amount to 270,000 people out of a population of 500,000 counting 210,000 family units. Trentino is also one of the regions with cooperatives in the greatest variety of economic sectors. Over the years, the cooperative experience in Trentino has expanded from the traditional areas of credit, agriculture and consumers, to now encompass social services, environmental management, energy production, culture and education, with the ever important role sustained by the one unique Federation engaged in innovative cooperative training and education activities.

The system stands out particularly for the presence of consortiums: inter-cooperative societies which coordinate and integrate cooperative activities, creating a second-level organisational system. The evolution of the Trentino co-operative movement has been driven by the concepts of autonomy and economic development in an alpine area. In 1951, the economy of the province of Trentino was still weak: 41% of the population was employed in agriculture and the province ranked 67 out of 90 Italian provinces, in terms of per capita GDP. Industrialisation was slowly growing was based on small enterprises operating in declining sectors. Tourism, which is now a relevant source of wealth and local development also for remote areas, at that time needed a radical

re-organisation. Also agriculture needed to enter a process of modernisation and now there are key productions that reach excellent levels at national/international level.

The Trentino Autonomous Province (PAT) has wide administrative and legislative competences over a large range of subjects. This special status<sup>4</sup> had a strong impact on the legal framework that shaped this economic development of Autonomy allowed the Region and the Province of Trento to autonomously manage its own industrial and economic development policies which required more than a decade to take effect as seen in the consistent migration out of the area up through the 1960s. This is a crucial point to understand the rise of the Cooperative movement in Trentino and the peculiarity of the Social Economy District developed in this territory. In fact, the promotion, development and supervision of co-operative enterprises were included among the autonomous region's exclusive legislative competencies. In 1954, the regional Co-operative Supervision Law assigned these functions to the Federation of Trentino Co-operatives. For the rest of Italy, the supervision of co-operatives was regulated by a national

This is still a remarkable peculiarity. In fact the Autonomous Province of Trento is a unique case of Regional Administration having a dedicated Department for Cooperation.

The strength of co-operatives in Trentino is in great part due to the role Federation has played in defining the strategic framework which allowed the rise of single co-operatives as well as consortia. Federation has chosen an internal organisation around the different sectors with the establishment of four different committees:

1. co-operative banks,
2. agricultural co-operatives,
3. labour services, social and housing co-operatives,
4. consumer co-operatives.

This type of organisation has made it possible to strengthen the collaboration among co-operatives operating in the same sector.

The consortia are the anchor of the whole system, providing the economic viability for the majority of small cooperative. This stimulated single co-operatives to adopt convergent strategies in terms of quality of production, innovation etc.

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<sup>4</sup> In 1947, the Autonomous region of Trentino Alto-Adige was created with exclusive legislative control over many key areas including agriculture, handicraft, and tourism. The autonomy of Trentino Alto-Adige roots in the situation emerged after World War I when Trentino passed from the Austro-Hungarian Empire to Italy and the centralisation and intensive Italianisation processes caused great discontent, especially among the German speaking populations. After World War II, both the Peace Treaty between Austria and Italy and the Italian Constitution granted considerable autonomy to the former Tyrol area in order to protect the identity of the German speaking population.



It is worth noting that this model is still acknowledged and the list of consortium members has been growing consistently over the decades.

“Taking a closer look at those operating in the agricultural sector we note that in 1949 the Federation supported the creation of the CCPA (*Consorzio delle Co-operative dei Produttori Agricoli della Provincia di Trento*, Consortium of Trentino Farmers) to coordinate the phases of fruit production and centralise its commercialisation on behalf of the member co-operatives. In 1951, the CAVIT (*Consorzio delle cantine sociali del Trentino*, Consortium of Trentino Wineries) was set up which since the beginning provided technical consultancy, participated in national wine expositions and fairs, commercialised wine within and outside the borders of Trentino. In the same year the CCS (*Consorzio dei caseifici sociali del Trentino*, Consortium of Trentino Communal Dairies) was also created to provide technical assistance and help farmers with maturing cheese and promoting local products. Between 1973 and 1978, the CCS contributed to the creation of a second consortium, named *Trentingrana*, to centralise the ageing, commercialisation and directs sales of grana cheese. To sum up, since the 1950s, the three most important Trentino agricultural sectors (wine, milk and fruit) benefited from the services of second level co-operatives for promoting, and improving the quality of their products.

Even when these organisations were not always successful, they laid the foundations for modernising agriculture and above all for the development of the agro-industry across the valleys.” (OECD, 2014, The co-operative model in Trentino – Italy).

FTC co-operatives are divided into the following economic categories: agriculture, consumer and retail, financial and LSSA (labour, social, services and housing co-operatives) which includes manufacturing, resource and community development, housing, tourism and recreational activities as well as social services. This last category is very heterogeneous and reflects the dynamism of the cooperation movement in the last 20 years.

### **Historical cooperative sectors:**

#### **Rural banks.**

Rural banks historically have played a pivotal role in the Trentino economy and within the co-operative system, granting loans to agriculture and retail during the 1950s-1970s, and afterwards to industry, tourism and agriculture.

**Consumer co-operatives.**

The co-operative movement developed retailing and banking sectors having the awareness that the quality of life in small communities, especially in dispersed rural areas and in depressed mountainous areas, depends also on the availability of shops and bank branches and therefore small shops and bank branches should be scattered in the whole region also in remote villages. Only the co-operative model is able to offer in 113 municipal area of Trentino shopping at normal prices, thanks to the social objectives and the economies of scale achieved through the consortium as a common buyer and distribution centre.

This is a challenge for the cooperative system because the competition with bigger player is high and to maintain small shops is more a social commitment to support local communities and avoid depopulation.

It is very important to underline that all sectors are permeated by a social commitment, namely to create the condition for a sustainable local development by enhancing different activities in different areas of the region.

Consumer co-operatives currently have 44% of the market share, and a turnover of € 430 million (figures for 2016) Including retail operations, distribution, logistic services located within the urban centres and tourist areas and 76 Famiglie Cooperative with 396 shops in the smallest communities in the valleys.

**Agricultural co-operatives.**

The promotion of agricultural cooperatives have three main implications: to enhance the quality of production, to maintain the rural environment and the agricultural tradition (it is worth remembering that Trentino is an alpine territory); to keep farmers in their valleys preventing the abandon of mountain areas.

Main agricultural productions are: wine, milk, cheese and fruit (apples and small fruits such as strawberries). One dedicated consortium was set up for each of these categories and mountain farming finally became market oriented. The two-level co-operative model separating production and marketing activities highly supported the small enterprises composing the majority of the farming structure in Trentino. At the first level the co-operative provides the farmers the technical and financial support for innovation and other forms of advancement in production. The second level consortia, created at the end of the eighties, improved the product development and reinforced the marketing function.

### **Labour, social, service and housing co-operatives (LSSA)**

Since the start in the eighties, FTC decided to merge the social objectives into four activities: labour, social,

services and housing. There is a wide diversity in size, membership and the way they function with respect to the “traditional” co-operatives.

The development of labour co-operatives in the Province of Trento began in the 1980s in relation to a dedicated policy adopted to reduce unemployment which granted incentives for hiring laid off workers and provided financing for public works under a special project, called *Progettone*.

Hundreds of people who were unable to get onto the job market were assisted and then employed thanks to an inter-cooperation strategy promoted by the social and labour co-operatives. More than 3 000 affordable homes have been built and handed over since the set-up of the first housing co-operatives. The co-operatives are mainly providing services, although some new co-operatives, still in the service sector, are seen as an

opportunity for self-employment, since they are organised and formed with a minimum membership of 3 (three) persons, usually with high technical competences.

The Federation fostered the creation of worker co-operatives and in 1987 created a second level organisation due to the fact that most of these co-operatives were small in size and specialised in low value added activities. Since then the *Consorzio Territorio Ambiente* (Territory and Environment Consortium) has helped these co-operative with long term technical and commercial assistance.

### **Social co-operatives**

The Province of Trentino was the first to regulate social co-operatives in 1988, while the Italian government waited until 1991 (Borzaga e Ianes 2006).

These co-ops are multi-stakeholder enterprises with non-profit sector origins, which bring together providers and beneficiaries of a community service under one membership. These groups are linked to the evolution of the Italian local welfare systems. As for other sectors the development of social cooperatives led to the constitution of a Trentino provincial consortium, named *Consolida*. It was created to provide member co-operatives with technical and managerial help, vocational training courses and to organise promotional activities within the communities. *Consolida* includes social co-operatives type A, i.e. that offer social assistance and educational services; and type B, i.e. that work towards reinserting people with personal and social difficulties in the workplace.

Social cooperative cover a variety of services that range from social inclusion of people with various forms of disability, to working with infancy to adolescence, working with the elderly, immigration and in social tourism.

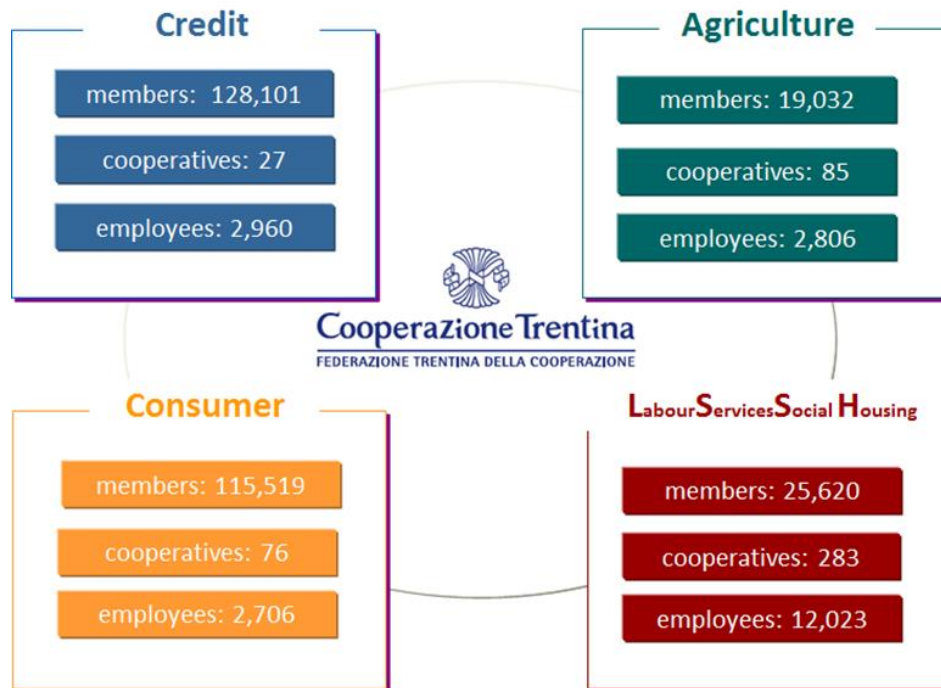
### Evolution of the co-operative sectors in Trentino (2010, 2013, 2016)

	Number of co-operatives			Active members		
	2010	2013	2016	2010	2013	2016
<b>First level co-operatives</b>	<b>517</b>	<b>508</b>	<b>463</b>	<b>273.753</b>	<b>289.069</b>	290.201
Agriculture	68	69	81	17 167	15 414	18.602
Consumer and retail	80	80	75	96 491	108 933	117.892
Financial	46	43	36	120 352	125 153	128.101
LSSA	294	289	212	24 070	24 370	25.606
Other	29	27	59			
<b>Central and Second level co-operatives</b>	22	25	32			
<b>Total</b>	<b>539</b>	<b>533</b>		<b>280 831</b>	<b>299 222</b>	

The market share of cooperative businesses in the agriculture sector is almost 90%, while it stands at 60% in the credit sector (*Casse Rurali*), and 38% in terms of consumption (*Famiglie co-operative*).

The co-operative turnover of € 2.51 billion (FTC 2016) guarantees stable employment to more than 20 000 people. The widespread presence of co-operatives throughout the province has led to the definition of Trentino as a "co-operative district" having few analogies around the world (Cattinelli 2007, Co-operative Europe 2009; PAT 2011). For its role of aggregation, direction and support, Trentino Federation has been acknowledged as a “collective entrepreneurial force” in its capacity to “rationalise and coordinate” a movement otherwise fragmented in small cooperatives (Cattinelli 2007).

### Main sectors and related figures



### New and potential businesses related to local resources

The mapping work leading to the identification of the Smart Specialization of Trentino has pointed out the following leading sectors: Energy and Environment, Mechatronics, Agrifood and Wellbeing. Among the field of Wellbeing there are several areas of interest:

- Health, wellbeing and social care
- Smart cities
- Tourism, Culture and Sport
- Natural heritage and landscape valorisation

Trentino is an alpine region with a great heterogeneity of landscapes offering an heterogeneity of tourism opportunities.

In rural areas with natural touristic resources social enterprises should be key actors to enhance these resources in the benefit of the entire local community. In Trentino many organizations for tourism promotion are cooperatives. The challenge is to combine traditional tourism flow in a sustainable perspective. An interesting example is the combination between agriculture and tourism as a combination of factors where food, landscape and tradition are key aspects for new tourist experiences.

Other tourism related topics are the exploitation of tourism facilities in low season when they are not fully used to provide alternative social and healthcare opportunities (for instance exploit spa that have therapeutic properties) and the promotion of social tourism in Alpine areas by re-using abandoned buildings and defining a common standard of services for “social tourism”

An interesting case of cross-sectoral innovation combining social care, real estate and tourism is the creation of a recreational-tourist centre in an ancient convent in a Trentino valley. The restoration of abandoned buildings in remote areas can be an opportunity to balance social and economic interest. This is a way to maintain the vitality of places that risk to become desert (especially in mountain areas), to save important buildings thus preventing their ruin and the consumption of territory for new constructions. Accordingly, this is a solution that should be pursued also for social tourism meaning the combination of tourism with health and social services (for elderly, disabled people or persons with specific needs) by using abandoned buildings in alpine areas with the effect of preserving mountainous places and enhancing them as tourist destinations with social and healthcare services.

In this reasoning the strong agricultural tradition of Trentino could play a crucial role. The sector has started a dialogue with tourism initiatives in the past few years such as didactic farms and social tourism. But this is not an easy challenge because of formal aspects (such as different fiscal regimes between agriculture and social sectors) hampering the growth of hybrid solutions. Due to the complexity of the agro-industry sector, efforts should be directed toward the creation of a favorable ecosystems that brings in a common framework different tools and cross-sectoral actors.

Agriculture is another key sector that could be highly innovative considering the new frontiers of medicine, the societal challenges concerning resource efficiency, the emerging trends in retail and consumption, consumers’ interest in greener and healthier food. In this framework it is crucial for Trentino to exploit and enhance its competence and investment in agrifood, research and technology, on the one hand, and its robust tradition of agricultural cooperatives having proved to cover relevant market shares with high quality products such as wines, apples, wild fruits, dairy products.

Economic crisis has highlighted the weakness of local SMEs, most of which are too small to compete at international level and to invest in innovation projects.

Accordingly, the challenge that FTC is facing is to promoting exchange of practices in order to stimulate the rejuvenation of traditional sectors by combining different experiences and business sectors in innovative ways. FTC will have a key role in engaging entrepreneurs and producers’ consortia to:



- mobilize public and private actors for a coherent action in the area less developed
- rejuvenate cooperative business model
- support the creation of business networks as encouraged by the Small Business Act and support regional excellences in agrifood and related industries evolving in a dynamic value chain
- strengthen cross-sector cooperation both in terms of common initiatives and in terms of co-branding policies

Another challenge that this area is facing and where social economy can give a relevant contribution is the depopulation of remote villages in the mountain and more widely the challenges relate to aging.

Social cooperatives are key actors:

- To guarantee healthcare solutions when the public services are lacking especially in peripheral areas in order to maintain a level of integration and cohesion of local communities
- To meet emerging social and healthcare needs related to active aging assuring elderly people social networks to maintain a good quality of life

#### FOCUS ON FRIULI VENEZIA GIULIA

The first social cooperative in Italy, and consequently in Europe, was born in Trieste as results of the psychiatric reform that took place in the Psychiatric Hospital in the Seventies.

The Cooperativa Sociale Lavoratori Uniti born in 1972 and later add to its name the name of Franco Basaglia, the psychiatric doctor who started the reform of the Italian system.

At the beginning the cooperative's working members were the patients of the psychiatric hospital, women and men, collaborating with nurses and volunteers in doing services and activities inside the hospital.

Following these example, other cooperatives started new activities employing and paying patients in different sectors, such as in coffee shop, restaurants, gardening, radio broadcasting, carpentry, etc.

Starting from Trieste the new idea had a wide dissemination, in all the Italian regions and also abroad, and a lot of cooperatives started their activities mainly providing social services and assistance and many of them employed disadvantaged people (patients with mental disabilities, people with physical disabilities, prisoners, drug addicted etc.)

Only twenty years later the Italian law recognises the existence and profile of this new

organisations: in 1991 the Italian law 381 was approved and gave a definition of the social cooperatives, dividing them in two types, plus Consortia:

- Tipo a) providing social, educational and assistance services;
- Tipo b) providing all type of services and goods but with the obligation to employ almost 30% of people belonging to disadvantaged categories, that were defined by the law. Disadvantaged workers should be members of the cooperatives, and the condition of disadvantage must be declared by the competent public administration office (for example social services or health department).

The law also foresaw the Consortium of social cooperatives providing services and networking activities to its members that means to social cooperatives.

Law 381 also established that social enterprises can count on a reduction for the labor costs referred to disadvantaged workers and social cooperatives type b) can sign formal agreements with public institutions/organisations, to provide services or goods.

### **Regional law on social cooperation**

The Friuli Venezia Giulia Autonomous Region proclaimed a specific law for social cooperatives in 2006 (regional law 20/2006), with the aim to provide rules for the social cooperation domain.

In Friuli Venezia Giulia (FVG) social co-operation is well-known and consolidated, with a general positive feeling by the population. There are anyway some critical positions on social cooperatives, that are accused of benefitting of reduced labor costs and not realizing the social goal that should characterize them.

The FVG Region "recognizes social co-operation as a form of self-management and direct participation of citizens in the solidarity processes of economic development and growth of the social dimension of local regional communities"; social cooperative can support emancipation of disadvantaged people and create civic networks "aimed at achieving good governance and the well-being of local communities".

In line with the national law 381 (art 9) and with the aim of supporting social cooperation, the regional government established the Regional Register of Social Cooperatives.

The Region FVG also established interventions for the promotion of social cooperation and provides the content of the agreements between social cooperatives and their consortia and local administrations.

Last but not least, regional law 20/2006 defines the principles relating to the link of social cooperation with the activities of socio-health services, welfare, education, vocational training and



employment development.

In Art 1 the Region recognizes and promotes in particular those social cooperatives that are mainly rooted in the territory in which they operate, those who are able to implement qualified and efficient work placements, working in collaboration with competent offices of public services (health, social, educational) and with the disadvantaged workers themselves. The law also promotes social cooperatives (type b)) that involve a higher number of disadvantaged individuals (more than 30% established by law 381), and who invest in innovation for improving the organization.

A specific section of the law (3) is reserved to "Interventions for the Promotion of Social Co-operation", that recognizes the importance role and the potentiality of social cooperation in the society. This part provides guidance for the establishment of a Regional Technical Advisory Committee on Social Co-operation, which has the task of promoting social cooperation. It is formed by regional leaders of cooperation, health, social, work and training sectors, and there are also representatives from the regional ANCI (national associations of towns and cities), the regional associations of the cooperative movement and the trade unions and a representative of the regional organisation of disabled people.

Art 14 foresees the ways the Region can support the social cooperatives. Contributions, for social cooperatives and their consortia, can be done for investments, consulting services and start-up support.

For social cooperatives type b), contributes could be provided also to partially reimburse costs related to salaries for disadvantaged workers, or costs for their training, transports and social inclusion.

In August 2017 FVG Region approved a new Regulation on the criteria and modalities for grants and contributions to social cooperatives. The Regulation (art 25) foresees contributions to Consortia of social cooperatives to cover the costs for providing consultancy and entrepreneurial support to their members –social cooperatives. Contributions are also provided to Consortia for projects aimed to create, to support and to strengthen networks of social cooperatives for marketing and innovative services.

Although the law established this contributions and recognised to the value of social cooperation for social development, it must be stressed the fact that the law did not indicate a fixed amount of grants and contributions for the social cooperatives. The amount is decided yearly by the Regional government, and the social enterprises are asked each year to submit a request – and of course to wait for an answer – and this often obstacles cooperatives in planning their activities and budget. The funds related to the tutoring activities for disadvantaged workers have decreased over the years,

although this still represents a remarkable activity that characterises - or should do - the identity and the role of a social cooperative type b).

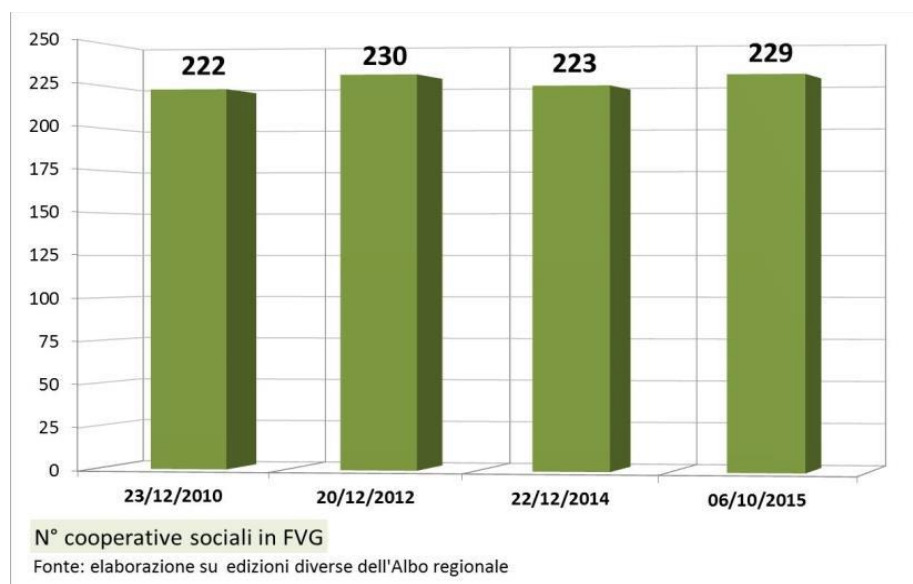
### The status of social cooperation in FVG

Table 1 shows that cooperatives a) and mixed ones grow up more than cooperative b), which are more present in the province of Udine. The number of employees is substantially stable, and in 2014 there is a small increase in the number of employees in the 'B cooperatives'.

The Consortia have grown between 2010 and 2012 but now they are less than dozen. These organisations are concentrated in the main urban areas and there is not even a consortium in the mountainous area.

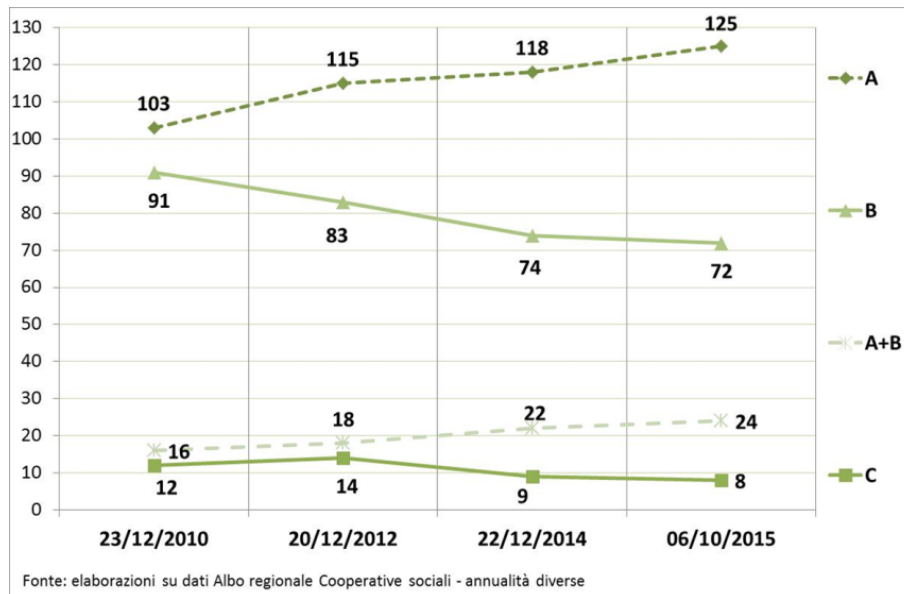
Considering the territory of Carnia, there were 7 social cooperatives registered and active in 2015, with 1.85 social cooperatives per 10,000 inhabitants. The last updated regional register of social enterprises (July 2017) counts 6 social cooperatives but for the purpose of SENTINEL project also the two social cooperatives based on other area but actually providing social services in Carnia (ITACA and Codess) and the community cooperative PanCoop should be considered.

**Table 1<sup>5</sup> Number of social cooperatives in Friuli Venezia Giulia**

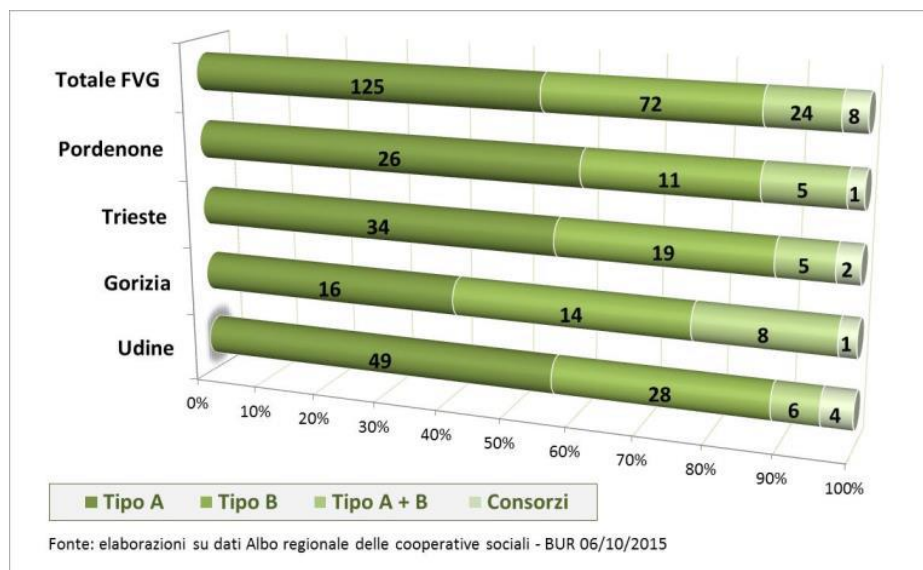


<sup>5</sup> Il terzo settore in FVG Dossier statistico 2015 I quaderni del Forum FVG n.2 A cura do Paolo Tomasin e Mario Marcolini

**Table 2 Number of social cooperative per type**



**Table 3. Number of social cooperative in the 4 Provinces**



With reference to the social cooperatives' workers, both members or not, the last available data (2014) gave a number of more than 10.000 employers and the 80% of them were employed by social cooperative type a).

In social cooperative type b) the number of employees grew up from 2013 to 2014 (source: Data from Autonomous Region of Friuli Venezia Giulia, Directorate for productive activities, commerce, cooperation, agriculture and forests).

**Table 4. Number of employees in social cooperative in FVG**

Year	Employees in social cooperative type b)	Disadvantaged employees in social cooperative type b)
2013	1204	395
2014	1453	470

Considering the Cadore area and its related regional legislation, the Veneto Region in 2006 approved the Regional Law n. 23 on promotion and development of social cooperation (Legge 3 novembre 2006, n. 23 “Norme per la promozione e lo sviluppo della cooperazione sociale”).

The legal framework is comparable to the ones at National level and in FVG, but in Veneto the law foresees that, the social enterprise/cooperatives can include not only disadvantaged people, but also vulnerable people (as defined by the art. 2, comma 1, letter f), of the CE Regulation n. 2204/2002 dated 5 December 2002) and frail people (as defined by the art. 22 of the Italian National law n. 328/2000 "Legge quadro per la realizzazione del sistema integrato di interventi e servizi sociali").

Moreover, the Veneto law provides more details on the ways of funding and the amount of available funds, although there are not mandatory.

## 2. SOCIAL ENTERPRISE SUPPORT SERVICES

The overview of support services for social enterprise cannot be detached from the kind of organization because needs vary remarkably if it is a potential enterprise/start-up or a big company aiming at enlarging or restructuring its business.

We start then with considering the services related to the first phase, that is launching a business initiative.

Start up are potential new enterprises but they are not necessary run by young people, that is why the services for youth entrepreneurship as well as women entrepreneurship have a dedicated set of services within the Federazione Trentina della Cooperazione. They are provided, respectively, by the Young Cooperators Association and the Women<sup>6</sup> Cooperators Association.

The Young Cooperators Association<sup>7</sup> contributes, in collaboration with the Trentina Federation of Cooperatives and, through it, with the Italian Cooperative Italian Confederation in Rome, to the cultural formation of young people, with particular emphasis on cooperativist education.

Young entrepreneurs need, first of all, a specific training to approach in a correct way the social

<sup>6</sup> <http://www.cooperazionetrentina.it/Donne>

<sup>7</sup> <http://www.cooperazionetrentina.it/Giovani>

economy, both in terms of values and in terms of knowledge and awareness of the functioning, norms, limits and opportunities. Accordingly, much part of the services addressed to them are training, mentoring, advisor. The main objective is the empowerment of young people. Support services include education<sup>8</sup> of the members themselves, vocational training of employees, the elaboration of policies to promote generational turnover, raising awareness among young producers, workers and students, and the establishment of new cooperatives for young people. Other related services:

- Thematic meetings with experts
- Collaboration with other local, national and international youth cooperative organizations in order to foster intercooperation, dialogue and dialogue among young people in all the cooperative sectors
- Information service (newsletters and e-mails) to report appointments and initiatives, enabling a constant update on promoted activities

Within the training initiative as prerequisite to increase entrepreneurship providing young people with basic knowledge to approach the cooperative business sector and become potential cooperators, a relevant initiative provided by Federazione is the education project carried out with schools.

Protocols of collaboration between the Federazione and the Department of Education of the Autonomous Province of Trento enabled the introduction of cooperative education in schools through two main programs :

- Associazioni Cooperative Scolastiche (Scholastic cooperative associations) for managing classroom activities acquiring basic knowledge about the cooperative enterprise characteristics
- Cooperative for students training” (CFS - cooperativa formativa scolastica) for supporting the implementation of the programma school Work-Alternation.

The School-Work Alternation Project is an education method brought in by laws within the recent Italian School Reform. The main goal of this project, which combines and integrates classroom studies with time spent at a business to learn on-the job (on-the-job training experience with real problem-solving situations), is to help young people (upper secondary schools) in acquiring not

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<sup>8</sup> Training include a deepen knowledge of both the peculiar aspects of the cooperative movement and pragmatic themes on enterprise management (strategic planning, resource organization, legal and fiscal aspects of the cooperative, duties and responsibilities of the directors). Classroom activities complement guided tours to cooperatives, also abroad to enlarge the experience and learn from exchange of practices

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only basic knowledge, but also those skills required for a successful school-to-job transition.

Within this context the Federazione Trentina della Cooperazione (FTC) has been implementing in collaboration with all schools (high schools and technical colleges) in the region, a pilot project aiming to strengthen the development of cooperative entrepreneurial competences that can be translated into a real citizenship skill. This experience includes: guided visits in cooperative enterprises, specific in-depth learning moments with coop experts, the organization of work placements, and the promotion of work/study experience.

Beyond these training initiatives to approach social economy, for potential entrepreneurs and start-up there are specific dedicated support services:

- Incubation spaces and related services
- Business coaching and advice
- Orientation in scouting financial opportunities both regional and European (bids, PCP; calls for project, awards...)
- Training to enter the job market
- Marketing and communication strategy
- Support in the preparation of documentation for accessing credit
- Networking
- Co-working (different forms, such as a position available 15 days within three months at 45 euros)

Three relevant examples of the above mentioned services in Trentino are:

1. TST <http://www.trentinosocialtank.it/> (Incubator of social enterprise).

TST encourages the development of new business opportunities, addressing businesses - already under development and start-ups - and people looking for job opportunities or professional training.

TST facilitates the recognition of talents, skills, strengths and develops strategies to overcome the limits, in order to foster business and entrepreneurial development.

2. Impact HUB <https://trento.impacthub.net/> (it is a format having various branches)

Impact Hub works as a laboratory for innovation. It is an incubator, a co-working space and a center for the development of social enterprise.

It offers an ecosystem of resources (spaces, community of experts and peers, services, knowledge, expertise) to support the development of business projects through strategic networking and dedicated services



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### 3. CREAMPRESACOOP <http://www.creampresacoop.it/><sup>9</sup>

CreaImpresaCoop is a network assisting people aiming to launch a cooperative enterprise. The support covers the phase of the definition, establishment and management of the cooperative enterprise, and the access to financial resources. People who intend to develop an enterprise project can receive information, guidance, and be guided by analyzing their specific needs.

For existing cooperatives, the main support services are to be found within the second level organization, namely the Consortia. This is because Consortia being focused on a definite field of activity can better meet specific needs of enterprises with customized services.

Accordingly, the presentation of services offered by second-level consortium will be sector-driven.

#### Services for agricultural co-operatives:

- Technical advice in harvesting, production, storage, food processing, logistics
- Training on quality and safety of products and new techniques (such as organic farming)
- promotion and sale with active marketing strategies such as the elaboration of the well known brand “Melinda”

#### Services in the dairy sector

The consortium has played and still plays different functions: marketing, storage facilities, formal quality control and technical advice.

#### Services for consumer cooperatives

- consultant services,
- training
- sales and financial services
- support strategies for small stores in peripheral areas
- innovative projects for multi-functional service centres

#### Services for social cooperatives

- research and project development (participation also in European calls)
- training initiatives for members, board members, management and workers of the co-operatives.
- To create synergies among different types of co-operatives
- To provide support to their activities, as general contractor in public tenders, or promoting access to new markets outside the province

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<sup>9</sup> See details in the case study

Besides those specific services there are some transversal actions that are crucial for the system as a whole:

- Networking: delegations, exchange of practices, study visits, European projects
- Branding and promotion in foreign markets
- Innovation and rejuvenation of traditional sectors
- Information and belonging to a community of practice

There are two types of support services for social enterprises and particularly for social cooperatives in Friuli Venezia Giulia: services related to business management, administrative and fiscal issues; strategic services concerning the enterprise's growth in both qualitative and quantitative terms.

In the administrative and accounting services the dimension of the enterprise makes the difference: larger and mature organisations tend to internalize these services by organizing ad hoc sectors. Smaller and new companies look for them outside, asking them to consortia or professionals, available on the market.

There is significant lack of involvement of social cooperatives and social enterprises in development of projects (including EU funded projects), training, promotion and communication, and synergies that promote collaboration between companies.

Many SEs experience weak capacity in planning and developing strategies: the urgency of returning accounts, managing daily emergencies and weak entrepreneurial culture are threats for growth and consolidation of SEs activities.

Social Consortia should be aimed to overcome some of described difficulties but their activities are often limited to supporting cooperatives in the participation in tenders/contracts and to provide some accounting service. In many cases, Consortia present the same difficulties of the cooperatives. According to the Regional Register of Social Cooperatives (July 2017), in FVG there are currently nine consortia: three in the province of Trieste, three in Udine province, two in Pordenone area and one in Gorizia.

Some of them are networks aimed at the direct management of services (assistance or other type of services) provided by the cooperatives. In other cases, Consortia address the needs of their members by offering mainly administrative and accounting services.

Considering the number of members, the three main Consortia providing Se support services are described here following. .

**COSM** - operational consortium for mental health - the consortium activities are oriented to support its members, social co-operatives a) and b), in finding work opportunities and to provide them support for administrative activities and for the management of tenders. It is directly involved in



works and activities such as rehabilitation, disabled people assistance, cleaning and transports, green areas maintenance, cemeteries services.

**Consortium Interland** main goal is to facilitate the aggregation of social cooperatives. It supports and co-ordinates activities to develop joint initiatives and projects between co-operatives in the sector of social integration and job placement of disadvantaged people. It provides technical-administrative, organizational, consulting services and training activities. It carries out general and administrative coordination of the activities related to grants and procurement as General Contractor.

**Il Mosaico**, located in the province of Gorizia, has currently 12 member cooperatives both a) and b). It promotes the value of social cooperation, provides services to its members and directly manages specific productive activities. It participates in several projects, including EU funded projects, involving co-operatives. It promotes and manages education and information activities and plays an active role in planning local social policies.

## SWOT ANALYSIS OF SE SUPPORT SERVICES

### Key Factors Enabling or Hampering SE Support Services in Trentino Region

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Autonomy of the regional Government enabling a closer understanding and connection with the local needs</li> <li>• Increasing number of start up in form of cooperatives/social enterprises</li> <li>• Joint effort between the public institution in charge of Education and the Federation to implement dedicated training sessions and working opportunities for students</li> <li>• Coverage of the main economic sectors with second level organizations that can provide specific support to single enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Rural and remote area that are characterized by depopulation</li> <li>• Localism: scarce awareness of European rules and opportunities</li> <li>• High dependence on public policies and resources (cut in public expenditure)</li> <li>• Poor understanding of the concept of SE</li> <li>• Lack of supportive legislative frameworks</li> <li>• Lack of access to finance</li> <li>• weak entrepreneurial attitude and professional skills for scaling up</li> <li>•</li> </ul>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Presence of a dedicated Office in Bruxelles both of the Federazione Trentina della Cooperazione and of the Autonomous Province of Trento enabling lobby, advocacy and promotion actions</li> <li>• Evolution of the Reform of Social economy in Italy (this could be also a threat!)</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulties of traditional small enterprises and retail centres to cope with the competitiveness of bigger players</li> </ul>

### Key Factors Enabling or Hampering SE Support Services in Friuli Venezia Giulia Region

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>- Increasing number of social cooperatives and social enterprises.</li> <li>- Existing policies supporting social economy as an instrument for sustainable development.</li> <li>- In marginal or disadvantaged areas, social enterprises are often the main entrepreneurial activities.</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of SE support service training</li> <li>- SE support services not fixed and lack of flexibility to adapt them to market needs.</li> <li>- Lack of economic resources to invest in support services.</li> <li>- Lack of specific recognition of SE support services that differ from other enterprises.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>- The Third Sector and social enterprises reform.</li> <li>- EU funding instruments</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of innovative approach ( no trust in new initiatives, no changes in organisation and resistance to innovation).</li> <li>- Lack of or weak entrepreneurial skills.</li> </ul>

### 3. SOCIAL ENTERPRISE NETWORKING INITIATIVES

Networking among cooperatives has always been a key aspect of the cooperative movement. There are two main forms. The first type of network is represented by apex organisations, having provincial or local agencies. The main objective is advocacy, lobbying, policy innovation: these groups represent the co-operatives instances in the social or political arena.

The largest two Italian apex organisations are the *Legacoop* (Socialist in origin) and the *Confcooperative* (of Catholic origin). In the Italian context they also provide technical, legal and accounting assistance to co-operatives, as well as supervise their accounts (since 1947, as required by Italian Law).

Italian cooperatives are represented by:

1. **Confcooperative – Italian Cooperative Confederation.** It counts nearly 20,000 cooperative societies, involving more than 3 million members and 400,000 employees. Under Confcooperative confederation, it is included an annual turnover of over 42 million euros, divided into 22 regional, 8 provincial and 5 interprovincial units. Confcooperative is structured in 8 national industry federations.
2. **Legacoop – National Cooperative League.** As far today, Legacoop counts more than 6 million members and about 400,000 workers in associated cooperative companies, with a turnover of over 45 million euros per year. Legacoop aims to the active participation of members and to the development of the equity and self-help principles. In recent years, it has seen the growth of the number of social- health and socio-assistance cooperatives alongside traditional sectors.
3. **Italian National Cooperative Union.** It is articulated throughout the national territory in 18 regional Federations, 29 Provincial Federations, 4 Provincial offices, 6 Provincial Coordination Offices and 6 Industry Associations. It carries out information, promotion, training, assistance and advice for the strengthening of the cooperative movement, depending on the growth of employment and overall development of the country through the information and Services Desk, located in the territory.
4. **A.G.C.I. - General Association of Italian Cooperatives.** It was officially founded in 1952, when a group of republican, social democratic and liberal cooperative groups emerged from the National League of Mutual Cooperatives and to create a third 'central' cooperative movement. In implementing the statutory principles, AGCI

contributes to a general development project based on the market economy and the free movement of ideas, people and goods. With the contribution of the Ministry of Labor, branches in all regions have been set up to promote the company and the cooperative enterprise in general.

Consortia (second level organizations composed of the cooperatives operating in a specific sectors) are the second type of network. Accordingly, their service are focused to meet specific needs in retailing, banking, agro-industry sector and so on, to exploit economies of scale, to achieve collective marketing and trading goals and to have access to skills and human capital not available within the single co-ops.

An example of networking activity is that provided by Trentino Federation of cooperation which is the organisation in charge of representing, supporting and supervise the growth of the co-operation movement in the province of Trento.

It is a platform enabling the process of decision making and definition of common policies inspired by the principles of cooperation.

The Federation is founded upon the co-operative values and principles as laid out by ICA (International co-operative Alliance) and upon the solid principles of the social doctrine of the Church.

The Federation combines a mix of hard and soft policies. Hard policies deal mainly with the financing of new co-operatives or strategic initiatives for the cooperation. These operations are managed by *Promocoop Trentina SPA* in its role of financial arm of the Federation (80% ownership) and *Cooperfidi SC*, that guarantees the loans to the member co-operatives granted by banks or other lenders.

Soft policies focus on cooperative values, organisational aspects, training, auditing and consultancy. The activities are designed to oversee member co-operatives and reinforce their entrepreneurial structure.

When needed, the Federation also provides services for data processing and administration support (bookkeeping, legal, fiscal, trade union, organisational, technical and financial support).

The OECD analysis on cooperative system of Trentino shows that the effectiveness of the Federation governance and its decision making process is significantly affected by the formal and informal professional and social networks built by co-operators.

Networks may be valuable to the Federation for the following reasons: first, connections with (peer) co-operatives through board members and directors enable a co-operative or consortium to gain

access to information that are especially valuable when co-operators are planning strategic alliances or expanding into new markets or businesses.

Networks do not only increase co-operator's influence but they also bring additional skills, knowledge, and information to the co-operatives and to the Federation which may lead to better governance and performance improvements. Thus, a large network reflects information, reputation and experience, and can be regarded as a guarantee of the FTC quality.

### **Networking initiatives provided by Federazione Trentina della Cooperazione**

The Federation represents its associated cooperatives and consortia, thus networking is a crucial activity to ensure a high level of internal cohesion, innovation and knowledge and a wide connection both with local stakeholders and with regional and international actors.

FTC networking initiatives are:

- Promoting inter-cooperative and inter-sectorial projects;
- Agreements for collaboration between other bodies and institutions;
- Taking part as stakeholders in controlled companies or linked to other societies;
- Formally representing in both public and private sectors at an institutional level.

In order to guarantee a continuous quality improvement and innovation in services, products and process, it is important to maintain working relationships with key local and international actors in strategic sectors.

The Federation also actively works at a local and national level, setting up protocols of collaboration with private and public institutions to promote sustainable and innovative projects.

More widely, Federation hosts a number of foreigner delegations each year in order to provide specific cooperative training programs and to enlarge and strengthen business and cooperative relationships and is involved in several European projects to help local cooperatives to get in contact with experiences from abroad. Some of these networking activities has led to MoU, Business Agreements, Project proposals.

A valuable example of networking initiative leading to a more structured agreement is the evolution of an European project meant to connect different European Countries in a Programme of cooperative learning. The establishment of a Permanent Network composed of different cooperative system ensures the ongoing use of the project tools and results beyond the conclusion of the experimentation within the project. Further, it serves to expand the use of the tools beyond the project partners themselves. This networking activity ensures the following goals:

- foster mobility
- support customization of the ECVET framework
- monitor and follow up on the implementation of the ECVET framework at the local level
- enhance cross-border cooperation
- form the basis for exploitation projects

The Network promotes mobility exchanges as a training method among the partners, coordinates training tools both developed through the CoopCampus project and elsewhere, and promotes ongoing collaboration among its members. Further, the Permanent Network will help the partners

find and coordinate other opportunities to work together and can eventually be integrated with other existing networks as well.

Within the Friuli Venezia Giulia Region the “Lega delle Cooperative” groups together 220 different members/cooperatives, for a total amount of 259.205 members/persons and 16.971 employees and a turnover of about 1,5 billion Euros. The Regional Lega Coop covers different areas of interest/fields; among these, one is dedicated to social cooperatives, grouped into categories depending on their type of activity<sup>10</sup>.

Taking into account the specific information currently available on the *Lega* website, there are 41 social cooperatives which are now members of Lega Coop and 6 of them are Consortia.

The activities carried out by Lega Coop are:

- To support and promote cooperation among members and cooperation activities,
- To provide services for its members,
- To disseminate the culture of cooperation, also through the organisation of seminars or projects in schools,
- To act as spokesperson for the needs and interests of cooperatives within the framework of local institutions and at a political level.

*Confcooperative Federsolidarietà*: Federsolidarietà F.V.G. is the organisation representing at a political and unionist level the interests of social cooperatives, providing them with assistance in legislative, technical and economical terms. In particular Federsolidarietà acts for:

- promoting the start-up of new social cooperatives;
- representing the local needs and requests of social cooperatives;
- planning and implementing training and projects for its members;
- supporting – through the dissemination of studies, plans and analyses - the spreading of cooperation activities based on values as ethic and solidarity.

By the end of December 2015, Federsolidarietà FVG counted a membership of 175 social cooperatives, distributed as follows: 42 in Trieste, 63 Udine, 29 Gorizia, 41 in Pordenone. Based on data at 31/12/2014, the total amount of turnover was 193.716.439 Euros, the number of workers was 6.480, while members were 6.887.

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<sup>10</sup> See *Lega delle cooperative del Friuli Venezia Giulia Totale dati per settore Esercizi 2010-2014*



## SWOT ANALYSIS OF SE NETWORKING ACTIVITIES

### Key Factors Enabling or Hampering SE networking activities in Trentino Region

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• The model of the Social Economy in Trentino attract delegation to come and visit the region as example of social economy district.</li> <li>• Regional innovation ecosystem (made of research institute, incubators, Technology transfer bodies, start-up...) enabling a constant cooperative and networking activity</li> </ul>	<ul style="list-style-type: none"> <li>• Scarce attitude to go international</li> <li>• High dependence on public policies and resources</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Presence of a dedicated Office in Bruxelles both of the Federazione Trentina della Cooperazione which ensure a European presence and a constant connection with other international offices and institutions</li> <li>• European projects are relevant opportunities to enlarge the scope of the business of national/regional enterprises and to enrich their knowledge</li> <li>• International delegations can open opportunities for developing Agreements, enlarging markets and establishing stronger connections among foreign countries</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulties for small realities to access international networks and bigger players at EU level</li> </ul>

### Key Factors Enabling or Hampering SE networking activities in Friuli Venezia Giulia Region



STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>- Increase of Social economy as a good practice for local development.</li> <li>- Increase of networking culture.</li> <li>- Increase in the relevance of the networks for the Social enterprises/cooperatives .</li> <li>- Increase in ICT application.</li> <li>- EU projects for social economy.</li> </ul>	<ul style="list-style-type: none"> <li>- Social cooperatives organisation.</li> <li>- Social entrepreneurship skills.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>- Develop of new profiles of entrepreneurs.</li> <li>- Strengthening social cooperative role in local development</li> <li>- Enlargement and diversification of social cooperative production and/or productive cycle (Complementary approach).</li> </ul>	<ul style="list-style-type: none"> <li>- Costs of networking initiatives: who pay for what?</li> <li>- Are existing organisation able to play as network?</li> </ul>

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## 5. GOOD PRACTICES

### CASE STUDY 1. LE MAT EUROPE

#### 3. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** Le Mat Europe
- **Key actor(s)** Social Cooperatives in Italy and in other European countries mainly Sweden, Social Enterprise Development Agencies, Self-Help Organizations, a group of professionals such as empowerment facilitators, experts in communication, hotel management experts, architects
- **Duration of the initiative (starting year)** 2005 up to now
- **Geographic size of the intervention** – The Initiative started first in Trieste up from a social cooperative called “Il Posto delle Fragole” in 1985 when was opened - and again after restoring in 1992 - a small hotel managed by a group of young people with mental health problems and drug addiction, mainly women. The Hotel marched well and became soon quite famous as it was unusual to give young marginalized people such a high responsibility in a difficult job. Since the beginning the question was which were the success factors not only for the good hotelier performance but also measuring the impact on rehabilitation, job integration and learning entrepreneurial culture and collective decision making. So after a first research and certification on the business and rehabilitation model in 1999 through a Friuli Venezia Giulia regional research organization, a group of actors (hotel experts, association of people with disabilities, social cooperatives, researchers etc) presented a project under the European Initiative EQUAL to develop the experience of Trieste. The aim of the project was to replicate the good practice and to set up a permanent network organization with the aim of enlarging the vision of social cooperatives, developing new specializations: the objective was to experiment franchising in the social enterprise domain. The project was very rich, 24 Italian partners and 5 from other countries were involved. In 2005 the network Le Mat was founded first in Italy, in 2007 also in Sweden and in 2008 finally on a European level.
- **Funding**  
The initial funding was the project budget from the EQUAL Programme. After this (2005) the network had to live on it's own efforts through different resources: the members paying the services, regional development projects, training funding.

- **Thematic focus and main sector addressed**

“Accoglienza” (reception, welcoming, hospitality)– how to welcome people from abroad in your own community is the main focus of Le Mat. Somebody simplifies calling it tourism, social tourism, responsible tourism, sustainable or community tourism, but the approach of Le Mat is wider: through the management of special places (which maybe hotels, hostels, restaurants whatever helps people to come together) we want to welcome people from abroad and want them to meet with the local community. At the beginning there is a strong empowerment process working with the excluded or unemployed members of the community to plan this activities, to learn how to take entrepreneurial risks and responsibilities, to promote the good practices in their community. Its communication, sharing, contamination of cultures.

- **Main reason for highlighting this case**

It’s a European specialized network, the first case of European Social Franchising. It comes up through a bottom up approach, managed by social entrepreneurs, empowering people and communities, working in many different European countries and quite different environments.

#### 4. SERVICE DESCRIPTION

- **Overall objectives**

- 1) Empowering excluded and unemployed people through social entrepreneurship in the field of community building and sustainable tourism;
- 2) Replicate good and well functioning practices and keep these practices together through a brand and a “social franchise system”
- 3) Welcoming people – to increase the culture of hospitality (in Italian it is “accoglienza”)

- **Description of activities/services**

Le Mat is a social brand and any social entrepreneur can call asking to become a “Special Place Le Mat”. There is a list of quality criteria that should be matched and there is also handbooks to guide the initiative. A joint process is carried out to become a Special Place Le Mat, to match the quality criteria and to plan the business and social activities. They applicant may need training, restoring, fund raising, marketing, and Le Mat offer all these services: a sort of consultancy but made jointly with the new aspiring Le Mat group, through a participatory and bottom up plan of the different activities.

- **Description of Recipients**

The main recipients of the services of Le Mat's development agency are social entrepreneurs and other development agencies at national or local level, public or private, interested in the local development of Le Mat Special Places, the inclusion and entrepreneurial training of unemployed people, the development of a local sustainable community and the use of abandoned places.

- **Resources used (kind, amount...) and financial sustainability**

The work of Le Mat is built as a network of experts, more than a fix structure. The Le Mat development depends on the number of consultancies they are asked to provide, which depends on how many organizations/people are interested in becoming part of the network. All Le Mat experts are freelance which means that we call them only if there is a paid consultancy or a special development project.. They all help to promote Le Mat and to find opportunities. So, the organisation of Le Mat is a network/franchise system based on the participation of intelligent professionals who are also social entrepreneurs themselves; in this way the network can go on and be financially sustainable. There are no fixed funds or contribution: Le Mat franchisee never will be able to pay high monthly fees or entrance fees.

- **Management and evaluation**

The management is done by a very small group that includes the people who developed the brand and the project, in Italy and Sweden. The evaluation is nothing else then the success of the Le Mat Special Places: that means that they have achieved social and economic results, they have satisfied the customers, the clients and also the workers are well and the empowering process is going well. Another important criteria for the evaluation is the fact that they are asked to transfer the experience, if there are people asking to replicate it and if the workers in the Le Mat Special Places are involved in the replication process.

- **Main outputs/ results**

- The number of Special Places Le Mat is growing and there are more and more countries asking to participate.
- The Le Mat entrepreneurs are learning a lot and working in very different environments.
- Le Mat is becoming more able to provide excellent consultancies.
- The brand is acquiring value.
- Social entrepreneurship is becoming an important issue and step by step unemployed, excluded, disadvantaged and disabled people may become their own entrepreneurs.

- **Partnerships with local, national, international organizations and institutions**

There are partnerships with the EU Institutions, the European Network for Social Entrepreneurship, the ILO – International Labour Organization, with the Swedish government, the Regions where the Le Mat Special Places are situated, the municipalities, the Labour Offices but also the Hotel and tourism organizations.

- **Replicability**

Replicability is the aim of Le Mat business

- **By-product effects**

The work on sustainable tourism products, the work on abandoned places.

- **Problems / challenges to face**

Le Mat should have a big European project to strengthen the Le Mat organization and to accelerate the development. We also would like private partners interested in a big project on Social Impact.

## **5. CONCLUSIONS: KEY SUCCESFUL FACTORS AND LESSONS LEARNED**

Le Mat main successful factor is the work done through a real bottom-up approach. The work always starts with marginalized people, their capacities, their development ideas, their passions. They achieve self-estimation and step by step they become able to plan and to manage their business.

In the replication process – the franchise approach - Le Mat learned how it is difficult and maybe useless to think in a traditional way: in this way only standard organizations can be replicated. The idea is that processes can be learned, replicated and changed, adapted to the different environments. The group-learning process is the most powerful replication methodology you can imagine. But there is no real group learning without conflicts and empowerment and without the wish to tell others about your excellent performance, your results, your increased passion. Without story telling there is no replication, because nobody can learn how to imitate the good practice. Le Mat never stops wanting to discuss and to deepen this.

## CASE STUDY 2. CONSOLIDA

### 1. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** CONSOLIDA
- **Key actor(s) :** CONSOLIDA is a consortium of 55 organizations: 33 type A cooperatives that offer social assistance and educational services, 18 type B cooperatives that deal with the job placement of disadvantaged people, 2 consortia (CSSS and Solidarity Enterprise) and 2 cooperative development organizations (Promocoop and Coperfidi)
- **Starting year:** 1984
- **Geographic size of the intervention:** Consolida is the largest network of social cooperatives of the Trentino Region established as a consortium both to support social cooperatives with dedicated service and to address the community with educational and recreational services, care and assistance, creation of job opportunities for weak or disadvantaged people. The need analysis carried out by the consortium together with the collaboration with other public and private entities enables social cooperatives to provide a sustainable and inclusive economy: sustainable because it enhances public and collective resources with a multiplier effect and it redistributes them. Ecological not only in specific productive sectors (organic food, recycling, energy savings ...), but also paying attention in many other services. Inclusive of all fragilities, enhancing talents and latent resources of people and communities. Educative as it helps active citizenship to reduce inequality.
  - Total number of employees of the cooperatives belonging to the consortium: 2.602
- Number of users of the coop system: about 18,000 figures updated 2014)
- **Funding :**
  - Total turnover of the Consolida consortia: 7.970.955,00 € at 31/12/2016
  - Total turnover of the social cooperative joining Consolida: 151.820.621, 00 € at 31/12/2016
- **Thematic focus and main sector addressed**
  - At regional level the Consortium operates in the following fields of activity: services for the elderly, young people, minors, disabled people, for disadvantaged workers
  - Social cooperatives manage these kind of services: Day Centers, Infant-toddler centres, Family support services, Youth aggregation centers, School laboratories; Animation services; House assistance; Home delivery of meals; Home educational interventions; School assistance; Post-placement support; Work placement paths; Employment



laboratories; Catering service

- **Main reason for highlighting this case:**

Consolida represents a valuable case study on support services because it gathers the main social cooperatives in the region and in this way it has a strong capacity to monitor emerging social needs and to address them in partnership with the local Government. Consolida can elaborate policy recommendations through a bottom up process of understanding the regional needs and opportunities.

## 2. SERVICE DESCRIPTION

- **Overall objectives**

The consortium aims to increase the ability of member cooperatives to provide social services for disadvantaged people thus enhancing the social, economic and cultural development of the local communities and to address territorial needs according to the principle of reciprocity.

Particularly, Consolida serves the following functions:

- 1) to guide and to accompany associated co-operatives enhancing the specific features of each one to contribute to their success, in coherence with the Consortium founding goals
- 2) to help members to interpret socio-cultural, economic and political changes
- 3) to develop policies and strategies with cooperative members and territorial actors
- 4) to spread the vision, the interests and the needs of local communities in order to support a social, cultural and political development

- **Description of activities/services**

Main areas in which the consortium has a strong tradition:

Education:

For social cooperatives education is a crucial value that affects many kind of the services and activities provided.

Education thus means to put attention to improving the way of working and addressing social needs: governance, organization, territorial alliances, networking.

An example of this objective is a joint project with the research centre for social Economy (EURICSE) focusing on the actual educative role of social enterprise within communities. Education to cooperative entrepreneurship is crucial to support the evolution and improvement of social economy.



Education within enterprise or to become entrepreneur regards the human capital dimension, but also the relationship with the economic and cultural social contexts, which implies active participation, democracy, sustainability

#### Employment:

Social cooperatives are interested to the wider effects of employment not only in economic terms but also for the wellbeing of families and collectivity. For this reason the consortium has elaborated tools, project and skills to support social inclusion and social cohesion.

In the last decades Con.solidà and its related cooperatives have developed methodologies to include disadvantaged people with dedicated job opportunities. This approach will be extended to integration of migrants, who are vulnerable groups that represent a delicate issue to maintain social cohesion.

To this end, in the context of the Trentino solidarity economy, Con.Solidà has launched a research involving social cooperatives in the experimentation of projects focusing on cultural and multi-ethnic integration and encouraging the process of certification of knowledge and skills. The best practices identified for this experience will be extended to other subjects adhering to the discipline of the solidarity economy, in different sectors.

#### Health and wellbeing

The knowledge and skills gained by social cooperation in social care and education can also be useful in other areas, particularly in healthcare. The growing investment of Consolidà and its associated cooperatives in this field responds, besides the coherence with its mission, to a multiplicity of factors: the emergence of increasingly differentiated needs in which health is highly interwoven with social bonds, the quality of places and lifestyles; prevention as a way to preserve people's health, but also to reduce health expenditure; the need to protect the right to health in the principle of equality

- **Description of Recipients:** Being a Consortium of Social cooperatives, the main recipients of Consolidà are its associated cooperatives working in the broad field of welfare services
- **Resources used (kind, amount...) and financial sustainability:**
  - Membership fees
  - Social Active labour policies (Provincial resources addressed to agencies and organizations working for job placement and social )
  - Provincial Strategic Fund specifically dedicated to cooperatives type B. This measure is meant to finance innovation development projects and start-up support

- Social Housing Fund to cover projects addressed to disabled people to
- European Social Fund
- FON.COOP: This educational training fund provides resources for training and updating of workers in cooperative organizations. This fund collects the compulsory contribution paid by all the cooperatives to the Social Security. The consortium has activated a Group Training Account at FON.COOP to encourage the training of its members. Members of this Fund can use the resources partly to cover compulsory training and partly for the purchase of training paths through individual vouchers.
- Law 15/1988 for training initiatives dedicated to associated cooperatives
- **Partnerships with local, national, international organizations and institutions**
  - At regional level Consolida
    - is member of Federation Trentina of Cooperation (FTC)
    - has signed Agreements with local institutions defining collaboration framework
    - has a partnership with Euricse (European Research Institute on Cooperative and Social Enterprises) on strategic topics related to welfare and local development
  - At national level Consolida is member of CGM (Gruppo Cooperativo Gino Mattarelli)
- **Replicability**
  - The best practices identified in each project will be extended to other subjects adhering to the discipline of the solidarity economy, in different sectors.
- **By-product effects**
  - The strength of Consolida is to connect different services thus creating synergies among social cooperative to address emerging social needs
- **Problems / challenges to face**
  - The main challenge is to strengthen and enlarging business networks to create a solid social trust that allow them to access to credit and invest in innovation projects
  - Accreditation systems that allow the provision of services become a limit because they change quite often due to political decisions
  - The entrepreneurial attitude of these cooperatives is still weak and they rely too much on public funding

### 3. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED

Successful factors to promote the so called 'generative welfare' are:

1. Supporting welfare actions that are able to regenerate available resources, empowering people who receive help, in order to increase the impact of social policy interventions for the benefit of the whole community
2. Experimentation of this approach within cooperatives in order to create relationships based on trust both with internal and external interlocutors, activating "free" resources such as volunteer members and non-members
3. Co- planning between actors belonging to the third sector, the private sector and institutions in order to share the guidelines, adapt the devices and distribute the resources

An important lesson learned is to improve the capacity to reconnect stakeholders, to build relationships of trust and to strengthen the non-profit-making dimension. The added value that social cooperation can give to corporate welfare is the capacity developed to be connectors between different needs.

## CASE STUDY 3. CREA IMPRESA COOP

**1. BACKGROUND INFORMATION**

- **Title (name of the project/ cooperative, territory...) CREA IMPRESA COOP**
- **Key actor(s):** Federazione Trentina della Cooperazione, Impact Hub (ccoperative), Cassa Rurale di Trento (bank) Promocoop Trentina spa (development agency for cooperation business)

Among the consortium, the Federation is in charge of scouting funding opportunities at provincial, national and European level and providing legal, fiscal and labor advice by means of a dedicated consultant as the contact person in support of the project development. Moreover in this first step, interested parties can have information on the opportunities offered by the cooperative network, i.e. by second level consortia, by cooperatives operating in similar sectors, by productive districts, by cooperative credit instruments, and by national partnerships and International.

To facilitate access to credit, at the counter of the Cassa Rurale di Trento, are available information on banking services dedicated to companies and on specific projects supporting the creation of new businesses for young people. To this end a specific tool has been activated during the start-up phase of the service to support the creation of new companies: 'Let's give us a future'. This is a fund that finances start-ups, fueled by the members and customers of the institute who give half of their interests to a specific deposit account. Applicants can benefit from a maximum loan of 50,000 euros with a duration of 5 years. The evaluation of the project by qualified subjects (Scouting) allows young entrepreneurs to be aware of the goodness or not of their proposal. Only in the first year of the start of the project are the results very significant: 140 customers of the Cassa Rurale di Trento subscribed the account, for a total ceiling of 3.3 million euro and accrued interest for 20,000 euro. This allowed to finance eight companies, after an assessment of over fifty projects.

To support highly innovative but particularly risky projects, Promocoop Trentina can intervene in the start-up phase as a financing partner with risk capital (also through the participatory fund, which provides for a mixed contribution to the 50 % public and 50% private) or reduce financing costs.

Finally, the Impact Hub Trentino cooperative offers a co-working and incubation spaces, contacts with potential investors / partners at national and European level and development

of plans acceleration for new companies where it is possible to work and activate the first links.

This service can also rely on specialized consultants of the Trentino Cooperation Federation in several specific topics: Work, Social Services , Housing

- **Starting year: 2014**
- **Geographic size of the intervention:** The service covers the provincial area with a series of branches located within the venues of the partners thus enhancing their specific competencies. The project has been designed as an integrated service aiming at establishing a first contact with the front offices of the partners where a first advice, directions and further contacts with the experts of the Trentino Cooperation Federation are provided.
- **Funding:** the project can rely on the resources of the cooperative system allocated to the parties involved.
- **Thematic focus and main sector addressed:** It is a project of the Trentino Cooperation that offers consultancy, access to credit, assistance in developing a business idea. Those who are about to start a cooperative enterprise, in fact, in the first phase needs advice, support and professional advice concerning laws, funding opportunities and procedures. At the Help Desk users can receive information on the peculiarities of cooperative enterprise, how it works, what are its particular characteristics are, but also can be supported in drafting their statute and elaborate the business plan. At the Help desk there are two internal resources of the Federation that act in the first contact points as regards support in the analysis and elaboration of the business plan. They work together with the consulting services offered by other internal Offices (legal, fiscal, labor unions, etc).
- **Recipients :** young people with a business idea aiming at running a cooperative. Since 2017, CreaImpresaCoop has enlarged its reach after the Trentino Cooperation Federation modified its social status by opening the possibility of becoming a member also to social enterprises that have no legal form of cooperative enterprises. This new opportunity follows the Third Sector Reform approved in 2017 at national level.

## 2. SERVICE DESCRIPTION

- **Overall objectives**

The Helpdesk assists the start-up in drafting the documentation required and to fulfil the

mandatory obligations for its formal constitution such as the registration in the register of cooperatives, the opening of the VAT number and the endorsement of the social and accounting books. Once operational, the cooperative can apply to join the Trentino Federation of Cooperation, which is joined by the majority of the Trentino cooperatives. The Federation, which has tasks of assistance and advice, representation, protection and supervision of the more than five hundred associated cooperatives ensures an extensive assistance to support their activities.

CreaImpresaCoop is an integrated service of the Trentino Cooperation, designed to accompany potential new entrepreneurs in realizing their cooperative initiatives.

The service is design in the following steps:

1. Informative meeting (free)
2. Preparation of the Business model CANVAS (free)
3. Confirmation 'cooperative' as the legal form for the start-up and beginning of the official path (free)
4. Drafting of the business plan (fee)
5. Consultancy for drafting the bylaws and documents to set up the cooperative (fee with future reduction of the association fee for the start-up phase of the activity)
6. Evaluation of the application to access bank financing and other applications for funding / contributions (free)
7. Credit Provision (under activated loans conditions)
8. Ex-post evaluation
9. Assistance and consultancy services after the set up of the company (service fees of the Trentino Cooperation Federation)

A set of support tools are made available by The Trentino Federation of Cooperation:

- a "Guide to Trentino Cooperation", which deepens the history, values and rules of the cooperative movement in the international context and provides an extensive bibliography. This publication can be a useful tool for knowledge and work for members, directors and employees of cooperative societies.
- A co-operative Vademecum, consisting of a series of video tutorials that deal with the following topics: "How much does the cooperative member count?", "How and why Trentino Cooperation is born", "Credit instruments", "What is inserts in the deed of incorporation ", " What a head means a vote ".
- Cooperation stories, which account for cooperative start-up experiences.

Both the Guide and the Vademecum are available also online, and it is possible to download them from the Cooperazione Trentina website ([www.cooperazionetrentina.it](http://www.cooperazionetrentina.it)) or directly at the CreaImpresa website ([www.creaimpresacoop.it](http://www.creaimpresacoop.it)).

### 3. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED

- **Main reason for highlighting this case**

CreaImpresaCoop service is a very topical consulting place. Its importance, as well as for the specific aspects of the consultancy guaranteed to the promoters of cooperative projects, also lies in the fact that it is itself a place of cooperative promotion. Many new companies that are born in the province of Trento, launched mostly by young people adopt traditional forms of capital enterprise. This attitude can be explained with the habit of advisory bodies (accountants in particular) to suggest other forms of enterprise. The cooperative formula, on the other hand, in particular in the simplified modality envisaged by the legislator, is particularly fit to accompany innovative start-up initiatives. It also offers the possibility for promoters to enter into a cooperative context, as is the Trentino, which places them in fact within a system of companies that are themselves potential customers and suppliers in a logic of mutual enhancement that undoubtedly represents a facilitating factor. From this point of view CreaImpresaCoop is a service able to connect new co-operators by means of the network of over 540 Trentino cooperative companies already in the definition phase of the project idea.

- **Replicability**

During the three year period of activation, CreaImpresaCoop has organized 221 meetings with potential cooperative start-ups for a total of 365 hours of consultancy. In the coming years, the Office intends to further enlarge its networking service.

- **Problems / challenges to face**

Currently, among the four organizational sectors of the Trentino Cooperation (agriculture, consumption, credit, labor-social-service-housing) the sector of work-social cooperatives-service and housing counts the highest number of new cooperatives and is definitely the most dynamic in terms of new companies created. While traditional sectors (agriculture, consumption and credit) are more interested in consolidation and merging processes between existing companies to face the recent crisis. The Project should then be able to support these traditional sectors to grow with new cooperatives and to promote this kind of business to young entrepreneurs.



## CASE STUDY 4. COSM

**1. BACKGROUND INFORMATION**

- **Title (name of the project/ cooperative, territory...)**

Consorzio Operativo Salute Mentale - COSM (Società Cooperativa Sociale)

Via Pozzuolo, 330 – 33100 Udine;

Tel.: +39 0432-233514; Fax: +39 0432-237377;

email: [info@coopcosm.it](mailto:info@coopcosm.it)

- **Key actor(s)**

The “Consorzio Operativo Salute Mentale” (Operational Health Mental Consortium) - COSM includes 17 member cooperatives and represents one of the most advanced experiences of the Friuli Venezia Giulia region in the field of social cooperation. Specifically, the members of COSM at 31/12/2016 are: 4 type A social cooperatives, 10 type B social cooperatives, 2 mixed social cooperatives and 1 Consortium.

- **Duration of the initiative (starting year)**

COSM was founded in 1993 thanks to the initiative of three social cooperatives with the aim to support the deinstitutionalization process of the Psychiatric Hospital of Udine. According to the principles of the cultural and political movement started in Trieste by Franco Basaglia, the Consortium was set up to give dignity and access to citizenship rights to people hitherto closed in psychiatric hospitals.

- **Geographic size of the intervention**

COSM includes social cooperatives that work throughout the Friuli Venezia Giulia region: most of the associated cooperatives are based in the province of Udine (8 members), there are 5 cooperatives based in Trieste, 3 in Pordenone and 1 in Gorizia. One associated cooperative is based in another region, in the province of Verona (Veneto). It should however be noted that some cooperatives work in several regions.

- **Funding**

In the financial year 2016, COSM revenues (turnover) amounted to 11,185,020 euros, with a net profit of 29,255 euros. Concerning revenues coming from works and services (equal to € 11,022,034, 98.5% of turnover), the customers are mainly public authorities (67.9%), in particular the local Health Authorities of Friuli Venezia Giulia Region. Such revenues can be broken down by type of customer as follows: 1. Municipalities 28.6%; 2.



health authorities and hospitals 25%; Cooperatives 21.4%; Other local authorities 14.3%; private companies 10.7%.

- **Thematic focus and main sector addressed**

COSM promotes job placement and employment of disadvantaged and vulnerable people, with particular attention to persons taken in charge by mental health services (public and private) in the Friuli Venezia Giulia region. COSM enhances the role of social cooperatives in labour market integration, promoting a business model that can create job opportunities and social inclusion and that considers employment a crucial element to guarantee citizenship rights. COSM is committed to contribute to overcome social marginalization and disadvantage through employment and social integration of vulnerable people in activities and services in the framework of contracts and collaborations both with public and private organisations. Furthermore, the consortium aims to support community development and wellbeing and the setting-up of social networks where social participation can be promoted. COSM main purpose is to develop a network among social cooperatives, based on the values of the cooperative movement, promoting coordination and support to associated cooperatives.

The main sectors of COSM activities are:

- → hygiene and cleaning;
- → environment and green urban areas;
- → social assistance and rehabilitation services;
- → social transport (disabled people and health care related services);
- → migrations;
- → community caretaker;
- → cemetery services.

- **Main reason for highlighting this case**

Concerning SENTINEL's objectives, the Consortium presents three important characteristics: 1. a strong relation with regional and local community; 2. Networking capacity, in order to set up a large network to promote employment of disadvantaged people; 3. The idea to consider local communities as crucial hubs of economic and social development, also through the promotion of social wellbeing and education activities: the consortium aims to influence local policies by supporting participatory planning both with public administrations and civil society organisations. In this regard, valuable experiences

carried out by COSM are in the following fields: 1. social agriculture; 2. environmental requalification; 3. Social deviance: activities promoted in the framework of the participation in the joint board of the "3.2 Carnia" Socio-Assistance Authority on the issues of social and labor inclusion of persons detained or with alternative measures to detention. The project "A garden to break out" ("Un orto per evadere") carried out in the Tolmezzo prison, involved 15 inmates in farming horticultural products; at the end of the project 4 persons out of these 15 were hired by a cooperative associated to COSM. 4. mapping of community needs and identification of the needs of mountain areas. It is valuable to mention the "Community Cooperatives" project carried out in the mountain area of "3.2 Carnia" Social Assistance Authority: the project launched an activity to map the needs of the population, in order to promote a participatory process for the creation of a "Community Cooperative" that could respond to these needs.

## **2. SERVICE DESCRIPTION**

- **Overall objectives**

The main objectives of COSM are the following:

- To improve the quality of the processes of labor and business inclusion, promoting high quality of goods and services (aimed to strengthen the capacity of enterprises to compete on the market) and social wellbeing (job and social inclusion).
- To set-up a supply chain for the whole social inclusion and care processes for vulnerable people, from social and health care services management to educational services, to training, to job placement.
- To increase the level of quality in the pathways of job placement, promoting and supporting the adoption of monitoring and evaluation tools.
- To develop networks that promote the improvement of the regional cooperative system, in particular in the area of social and labor inclusion, supporting the best experiences of social enterprise in innovative projects and services.
- To implement activities and services to support the business development of social cooperatives also through mutual help and exchange mechanisms among the associated cooperatives;
- To promote cross-sectoral and joint training initiatives among the members in

order to improve skills and professional competences.

- To promote information and awareness-raising initiatives targeting public administrations, business system and civil society organisations.
- To guarantee and to support the quality of services and activities of its members through: 1. monitoring of the work and activities; 2. technical support necessary to maintain and increase the level of performance.
- To promote innovation in social and labor inclusion and, more generally, in welfare domain
- To foster and support innovative projects and start-ups by promoting a social economy system.

- **Description of activities/services**

The main sectors of activities and services provided by the Consortium through its associated cooperatives are:

- a) hygiene and cleaning.
- b) Environment related services and public green areas maintenance.
- c) Social welfare and rehabilitation services.
- d) Transport: transport services linked to healthcare (i.e. people in dialysis treatment).
- e) Migration: reception and services for migrants and asylum seekers.
- f) Community care-taker: concierge services, switchboard and custody / surveillance.
- g) Cemetery services.

The main activities provided by the Consortium to its members are:

- a) Training
- b) Legal support
- c) Management support
- d) General contractor role

- **Description of Recipients**

The main objective of COSM is to promote inclusive processes aimed at social and labor integration of people belonging to the most disadvantaged groups in the local communities. So, recipients of COSM activities can be considered both the members of the Consortium (associated cooperatives) and the final beneficiaries of the activities. The main beneficiaries of products and services are people at risk of social exclusion: 1. socio-

economic disadvantage; 2. disability; 3. ageing related problems; 4. migrant status; 5. prison detention; 6. legal and illegal drugs dependence.

Moreover, COSM activities have positive impact on local communities.

- **Resources used (kind, amount...) and financial sustainability**

The resources of the Consortium can be divided into three types: 1. human; 2. economic-financial; 3. relational.

1. Human resources: COSM has 6-7 staff persons. The Head of the Prevention and Protection Service (RSPP) is appointed to an external expert. The staff covers the following areas: management and coordination of activities (1); management of relations with customers, with the associated cooperatives and consortium projects (1); economic and financial management (1); administrative management (1); management of the social agriculture sector (1); promotion of organizational innovation and training processes (1).
2. Economic-financial resources: 98.5% of the consortium's revenues derives from sale of products and services provision.
3. Relationship resources: although not quantifiable, these resources are extremely valuable for the COSM activities. Through the community work carried out over the years COSM has developed valuable relationships with local authorities of the regional territory and with no-profit and profit organisations.

The financial sustainability of COSM is demonstrated by the performance of some equity and economic indicators such as: a) the largely positive (215.235 €) structural margin (contribution of equity to the coverage of the company's fixed assets); b) the positive and consolidated trend of shareholders' equity, going from € 205,364 (2013) to € 256,421 (2016): this trend highlights that COSM has resources available for new investments. c) personnel costs: in 2016 it was 169,000 €, maintaining its percentage weight around 1.5% of turnover. It is important to stress that personnel costs are based exclusively on the agreed consortium share on services / supplies acquired directly from the Consortium itself and entrusted to the associated cooperatives.

- **Management and evaluation**

COSM over the years has adopted appropriate organizational and business management tools to improve the performance of its services. These tools are developed in the governance and control bodies of the Consortium: the shareholders' meeting and the board

of directors. The shareholders' meeting represents the sovereign body of the Consortium. The board of directors is elected by the shareholders' meeting. Directors can be appointed for a period no longer than three consecutive financial years. The other key management offices come from these two bodies: the General Management, the Prevention and Protection Service and the Quality Control office. The general management is divided into 4 areas: 1. projects and innovation; 2. administration; 3. commercial; 4. Job inclusion and community-based projects. The accounting control is entrusted to an Auditor appointed by the shareholders' meeting.

Concerning the evaluation, several activities are aimed to the quality and impact of products and services. Regarding quality, COSM has an ISO 9001: 2008 certified Quality Management System (QMS) and the application to the new ISO 9001: 2015 standard is ongoing.

The environmental management certification according to ISO 14001: 2015 is also expected.

In relation to social impact evaluation, in 2016 a research was carried out, coordinated by COSM with the scientific support of Euricse (European Research Institute on Cooperatives and Social Enterprises), aimed at assessing the economic and social impact of the social cooperatives of Friuli Venezia Giulia region and, in particular, of the Consortium. COSM is also implementing evaluation activities according to the recent Third Sector Reform (L.206 / 2016), which requires "explicit transparency and information obligations, also towards third parties" (Art.3).

Moreover, COSM issues yearly a "social report", which can be considered a tool for assessing the impact of its activities and a fundamental instrument of knowledge sharing.

- **Main outputs/ results**

Concerning the activities carried out in 2016, the main results are:

- the increase of number of employees belonging to disadvantaged population: at 31/12/2016 this was 69.18% of the total workforce engaged in the Consortium services.
- The increase in turnover (€ 11,185,020 in 2016), which demonstrates the increased interest of the markets for social enterprise.
- The expansion of the network that can support work and social inclusion, with a higher involvement of the social services department of municipalities and the local healthcare authorities in Friuli Venezia Giulia region.

- Strong collaboration with regional government services dedicated to job placement and work inclusion.
- Promotion of effective income support and tutoring measures for vulnerable people in job placement services.
- The development of a specific training module targeting the consortium staff and the associated cooperatives. The main topics addressed are: legal procedures in tenders and public procurement, staff management, technical project design (focusing on procurement contents), fundraising, ICT solutions applied to internal processes.
- The improvement of skills related to the design, management and participation in procurement procedures also through stronger commercial networks.
- The promotion of innovative processes, both from social and technology perspective. In particular, these processes concern the organizational dimension, by improving the match of the needs of the associated cooperatives and the competences offered by COSM.

- **Partnerships with local, national, international organizations and institutions**

At local level, the main partnerships of COSM are with: the Health / Hospital Authorities, municipal social services department, regional authority department for job placement, counseling, work inclusion and training. Good collaboration has been established with profit companies, which often are recipient organisations in the processes of job placement (quadruple helix approach). At national level, the main collaborations are with SEs umbrella organisations (Legacoop, General Association of Italian Cooperatives and Federsolidarietà - Confcooperative) and with Euricse (European Research Institute on Cooperatives and Social Enterprises). Concerning economic, financial and insurance sectors, COSM established partnerships with Banca Etica, Finreco, Cooperative Credit Bank and Banca Prossima (Intesa San Paolo Group). Moreover, it's worthwhile to mention the collaboration with the Ministry of Justice for the social agriculture project developed in Tolmezzo prison.

At international level, the Consortium's most significant partnerships are established both within international and European cooperation activities. The main partners are: Caritas Serbia and the municipality of Šabac (development of a social enterprise laboratory in Serbia for the work inclusion and social reintegration of people with mental health related



problems); different institutions of cities of Salta and Buenos Aires in Argentina (INTEGRAR project, for the social cohesion and participation of local communities in the processes of social reform through the promotion of training, assistance and creation of social enterprises).

- **Replicability**

The replicability of the COSM experience is based on the participatory methods used for the development of its activities. The adoption of this methods would allow shaping interventions according to the needs of local contexts. The Consortium works mainly by activating and strengthening local networks, ensuring constant communication flows between the local context and the social cooperatives associated. In this way, the local specific needs and features would not represent an obstacle to the replicability of this experience but they could be the main elements to plan activities and interventions.

- **By-product effects**

The primary effects of the COSM activities concern the employment of disadvantaged people. No less important, however, are some secondary effects, which directly affect the well-being of local communities, strengthening their social fabric. Specifically, these effects are:

- contribution to local authorities in the provision of social welfare benefits (in the case of job placement of disadvantaged individuals successfully completed);
- the setting-up of solidarity networks that allow greater efficiency in detecting needs and situations at risk;
- dissemination of principles and values of social enterprise to market-oriented organizations (i.e. corporate social responsibility in profit companies).

- **Problems/challenges to face**

The great challenge for COSM, as well as for the social co-operatives in general, is to re-establish contact with the everyday life of the communities in which they operate, especially in order to identify emerging needs: the main problems come both from the multiplication of forms of disadvantage and social exclusion (ageing of the population, migratory flows, etc.) and from the increase in events (unemployment, family loss, reduction of autonomy, etc.) that can lead quickly the person in a condition of vulnerability. These are critical issues that increasingly lack a prompt response from social welfare services.

In such a scenario, the specific problems that the Consortium is facing are:

- change of the profile of relation with public partners: the construction of co-planning and co-production paths overcoming the relation framework of contracts (procurer-client), in which the economic aspects are preponderant; this would lead to a shared knowledge of the needs of the community and the consequent elaboration of effective responses;
- awareness raising on the importance of training for the social enterprises; very often they are focused only in the daily life work and they aren't receptive to the training offered to them;
- high dependency on public funding: currently 67.9%. of the COSM turnover comes from public clients;
- the promotion of corporate social responsibility in profit companies: in the development of responsible work placement processes, the involvement of profit companies is crucial. In this sense, sensitizing companies to implement procedures for the certification of corporate social responsibility could be an important added value.

### **3. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED (3-4 pages)**

- **Main reason for highlighting this case**

The successful factors of COSM can be described with three concepts: 1. networking; 2. innovation; 3. quality.

#### *1. Networking*

The Consortium is characterized by a strong link to the territory of the Friuli Venezia Giulia region. This link has been developed through the setting up of strong network of collaborations, both with public and private organisations, which allow the achievement of COSM objectives. Furthermore, the consortium and its members work to influence local policies, promoting participatory planning with different local stakeholders. Therefore, in order to enhance a joint system at regional level, COSM has chosen to join the major umbrella associations: the Legacoop social (Legacoop), the General Association of Italian Cooperatives and Federsolidarietà (Confcooperative). The Consortium, moreover, has consolidated relationships with financial and development bodies such as “Banca Etica” and “Banca di Credito Cooperativo of Friuli Centrale”.



## 2. *Innovation*

COSM is committed to promote innovation, especially at the organizational level, constantly looking for the best matching of the needs of the members and the skills / abilities expressed by the Consortium staff. In particular, COSM pursuits three levels of innovation:

- process: to strengthen the integration of the services provided by the consortium members in order to be increasingly more effective in its activities;
- service: encouraging the introduction of innovative processes and technologies to improve the performance in terms of time and cost while ensuring a better social and environmental impact;
- product: with the aim to innovate the production and to support the communication of the double value, economic and social, of the products, also through the use of new information technologies.

## 3. *Quality*

Quality is a crucial element for the consortium and for the business development of its members. Particular attention is paid to:

- the operational quality (flows between consortium and consortium members) with smooth information and communications flows between members, with clear organization of activities operations and transparent obligations and responsibilities;
- the quality of the services provided, that help to strengthen recognition and visibility in the market;
- the quality of internal policies: to share principles and values aimed at creating the best conditions for selecting managers, within the framework of the cooperative mission.

The importance given to quality is demonstrated by two activities: quality certifications and social impact assessment. Starting from 2015, with the participation in the project "Evaluating the social and economic impact of social cooperatives in Friuli-Venezia Giulia", promoted by Euricse (European Research Institute on Cooperatives and Social Enterprises), COSM is developing metrics for measuring the social impact of its activities. The goal is to improve its services through the knowledge of the quantitative and qualitative effects of the work carried out in the communities.

### • **Lessons learned**

Taking into consideration COSM experience and activities described above, some lessons learned can be highlighted regarding the development and support of social enterprise. The main issue is the development of local networks: the planning and the development of any kind of activities should go through the setting up of strong local networks. The aim of these network should be to support

member organizations in: participation in tenders and public tenders, identification of needs, implementation of participatory methodologies , quality control, development of marketing strategies.

These networks should also guarantee:

- the function of "general contractor" for the participation of their members in procurements; this could be an added value that permits to members to be more competitive on tenders, providing adequate knowledge and support in business relations (for example, for signing the contract, identifying the responsible representative, supervising the activity carried out and resolving any disputes or disservices).
- supervision and coordination activities for specific sectors of intervention, especially in highly complex contracts / services which require high and uniform standards of service provision.
- coordination of cross-sectoral training courses, starting from participatory assessment of training needs of the members of the network. A shared planning of courses could be relevant especially for the training aimed at providing medium-high skills, that permit to improve effectiveness and efficiency of management in the social enterprise.

# **HUNGARY – Hungarian Charity Service of The Order Of Malta and Konett**

## **EXECUTIVE SUMMARY**

The main goals of the document<sup>11</sup> are to provide a socio-economic context of the SEs in Hungary, to summarize the situation about the support services and to give a picture about the networks and partnerships working in social economy. In addition, two case studies serves these main goals, by presenting good practices.

According to the common methodology, for preparing this analysis, HCSOM used several research tool. The secondary research or desk research tool served for making the draft of the support services and networking initiatives. In addition to this, primer research tools (expert interviews) were also used preparing the case studies.

The analysis pointed out that, social enterprises in Hungary are relatively new and thus less embedded in the economy and society and are mainly related to the employment policy. That is the reason why the supporting ecosystem and the networking in many aspects it is incomplete. Currently, these initiatives are still at the stage of deployment.

In Hungary social enterprises are mostly related to employment policy goals. After the political changes in the late 1980s, the Hungarian economy came to a deep and protracted crisis. Following the transformation of industry and agriculture, masses became unemployed. As the result of the transformation of the economic structures, some regions have become economically and socially disadvantaged. This was aggravated by other social factors (especially in rural areas, small settlements), like demographic changes, depopulation, etc.

Today, the Hungarian economy is constantly evolving. Employment is rising, unemployment has disappeared in many areas. At the same time, differences within the country remain large. There are still significant social problems in Southern Transdanubia, Northern Hungary, Northern and Eastern Great Plain. In these cases, it is not expected that significant economic production capacity will move there. Significant layers of society living there are under-educated, have no work experience, and have no full capacity to work, and have many other socio-cultural disables. So, that is the main socio-economic reason, why most of the social enterprises related to employment policy. (Naturally, many other groups of the SEs, are serving other social goals.)

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<sup>11</sup> The analysis of the existing SE support services and network initiatives was made in the autumn of 2017

In Hungary there is a wide range of support services available to social enterprises, using various sources (public, EU funds, private, etc.) There is a professional experience in the non-profit sector developing the SE, and the infrastructural fundamentals of the support services are already existing. But there are many weaknesses about the support services. The strategic goals and a vision are absolutely missing. For the SEs the start-up support, financing, training, advising, innovation, etc. opportunities are very weak (or totally missing). The lack of resources is also characteristic, the state involvement is very low, with few policy initiatives. There is an opportunity (and need) for future developments related to support services, but lack of strategy and sources is a big challenge. Similar to support services, there are also a small number of network initiatives for social enterprises. There are hardly any organizations in the representation of social enterprises. Funding and financing networks for social enterprises are almost completely missing. An important part of the network of social enterprises is the themes of product promotion and marketing initiatives. There is also not so much network of knowledge transfer and exchange of experiences. The minimal state involvement and the lack of resources are also a great weakness of the SE networks. But the existing need for networking among the SEs, gives an opportunity for later developments.

## **1. SOCIO-ECONOMIC AND INSTITUTIONAL CONTEXT**

Social enterprises in Hungary are relatively new and thus less embedded in the economy and society and are mainly related to the employment policy. According to the few available strategic documents, the primal economic role and importance of the social enterprises (and other parts of the social economy) is to increase employment and job creation among disadvantaged groups of the society. This feature is also confirmed by the fact that developments for the SEs, in the past decade (development programs mainly based on EU funds) have also served employment targets. Of course, the importance of social enterprises in Hungary has not been exclusively the contribution to (un)employment policy. Similarly, social enterprises have a great importance, for example, in the employment (or rehabilitation) of disabled and mentally disabled people or in other activities. Consequently, in order to present the social and economic environment of social enterprises correctly, it is worth approaching it primarily from the aspects of the employment and inactivity, and mainly focusing on rural and underdeveloped areas of Hungary.

For understanding the roots of the current economic trends, one has to look back around 60 years ago. In the 1950s, radical industrial development was taking place, resulting a significant loss of

population in rural areas. Advanced industrial districts were created, that, during the socialist period, provided jobs to the masses. During this time, significant social transformations took place in small settlements and rural areas. The traditional village communities have been broken up, but from the 1970s, the legal opportunity of private farming provided a relatively acceptable standard of living in rural areas. For political reasons, however, there were areas that were not developed at all. This has been the core of many of today's problems.

The political system change from 1989 has led to radical transformation not only in society but also in the economy. This led to a long and deep crisis, the consequences of which are still present. The transition to a market economy in beginning of 1990s transformed the structure of the entire economy.

The disappearance of Soviet and COMECON markets and artificial state subsidies has affected almost every sector. The heavy industry almost completely ceased to exist in the early 1990s. In other industrial sectors, privatization and free market competition started, resulting in a slow turnaround. Socialist agricultural co-operatives were liquidated. The possibilities (mainly the market) for private household farming have slowly ceased. The domestic and foreign markets of agricultural products have become very limited. The economic downturn was observed in all areas. Gross domestic product (GDP) fell by 18% between 1989 and 1993, decreased to the level as of the second half of the 1970s.

After that, many people have lost their jobs. Between 1990 and 1996, the number of employed people decreased by nearly 1 million (from 4,5 to 3,5 million employee). The number of employees in the agriculture decreased by 400 thousand.<sup>12</sup> As a result of this, very serious crisis areas have emerged, not only in the former industrial centres, but also in the small rural settlements with hard unemployment situation.

Recovery from the crisis lasted nearly two decades, which was complicated by many other social processes. One of these has been the aging and decreasing of the population, that affected the whole society. Only the agglomeration of the capital is an exception, where the population has increased during the past 20 years as a result of moving in. (Nowdays Budapest has 1,7 million inhabitants; 0,8 million people lives in the agglomeration. Nearly 200 thousand people moved in to this settlements from 1990-2010.) Small rural settlements are the worstly affected by the population decrease.

From the mid-1990s, as the new structure of the economy emerged, the level of employment was

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<sup>12</sup> Orgoványi Emília, 1997: [http://www.ksh.hu/statszemle\\_archive/1997/1997\\_12/1997\\_12\\_1022.pdf](http://www.ksh.hu/statszemle_archive/1997/1997_12/1997_12_1022.pdf)

an improving trend. It is typical that the servicing sector has become the main employer in the 2000s instead of the former agriculture and industrial sectors.

In Hungary, a new territorial structure of the economic emerged in the 2000s. In the national economy, the importance of Budapest and its region is outstanding. The capital and its agglomeration is not only an industrial centre, but represents more than one fourth of the population (2.5 million), and also the main education and cultural institutes, the most of the R&D potential, etc. are concentrated here. In addition, according to some studies, it is today Europe's most evolving tourist destination.

There was also a significant development in the northern part of Transdanubia, where the industrial sectors mainly strengthened. In the process of the economic transformation the bigger towns of the Hungarian Great Plain were also successful, just like the territories and regions with touristic or cultural potential.

On the other hand, from the viewpoint of territorial level, the process had significant losers. In mountainous Northern Hungary, heavy industry based on mining was a determining factor for a very long time. In North-East Hungary, the food industry based on agricultural production and the light industry were typical, also helped by the close proximity of the Soviet market. Small villages (with population of 100-500 people) are typical in the southern part of the Transdanubia, where most of the people worked in agriculture. By giving a schematic picture: the impact of economic restructuring is still felt.

Today, Hungary has one of the most favourable unemployment data in the EU (In mid-2017: 4.2%). Employment indicators are constantly improving. Currently, more than 4.4 million people have a job. In one year (2016-2017), the number of unemployed fell by 31,000 to 195,000. For 25 years there have been no such favourable employment indicators in Hungary. In the developing economy, there has been a very severe labour shortage in all sectors.

For reasons mentioned above, there are significant territorial differences behind the favourable data. E.g. while in the major part of Transdanubia, unemployment fell by less than 3% in 2016, in Northern Hungary it was 6.3% and in the North Great Plain was 9.3%. In these areas, there are also a significant number of people who do not appear in the unemployment data but are economically inactive.

So one of the major socio-economic reasons for the development of social enterprises is primarily the employment policy. Some areas of Hungary are economically less developed. In these cases, it is not expected that significant economic production capacity will move there. Nor is it expected that the unemployed people will move to other, well developed areas. (In Hungary, a significant



group of the employees typically not really mobile.) This is not even expected because there is a significant number of those in this society group who are under-educated, have no work experience, and have no full capacity to work, and have many other socio-cultural disabilities.

In the Hungarian policy making and practice (especially in the case of social cooperatives) the role of social enterprises is primarily is the transitional employment. So, above all, giving job and opportunities for the disadvantaged people, that conditions them for the primary labour market.

Over the last decade, from the governmental side, support services and network initiatives have been created primarily for this purpose. Below, we will see that the group of social enterprises and their needs or goals are wider. Numerous services and networks have been built on existing capabilities and needs. Overall, however, our view is that the ecosystem of social enterprises in Hungary is still in the construction phase.

## 2. SOCIAL ENTERPRISE SUPPORT SERVICES

In Hungary, only a few organizations are involved in **helping the start-up of social enterprises**. All of these activities are carried out as a service, more specifically: non-profit activities for social-community purposes. Policy measurements are currently not available for the start-up support. The launch of social enterprises is currently supported by two international organizations: the NESsT organization<sup>13</sup> and Badur Foundation.<sup>14</sup> By itself, the activities of both organizations are significant, though they are basically linked to not so much social enterprises, rather to the civic sector in general. Recently, the banking sector has also launched social entrepreneurship programs (eg. ERSTE SEED Program).<sup>15</sup> And not only programs, ERSTE included the support of SEs in their hierarchical structure as they set up a Social Banking organizational unit. In addition, an other organization also deal with the start-up support of social enterprises, but at present they don't have an active program.<sup>16</sup>

Already existing social enterprises have a much greater opportunity to **participate in business coaching and advice**. The social cooperatives created by EU funds in the last years, are supported by a public policy program. The Piac-társ Project of the National Employment Fund Non-profit Ltd (OFA) makes available a mentoring and business planning support for social enterprises (See more in case study.). Other organizations dealing with consulting and development perform their

<sup>13</sup> <http://www.nesst.org/hungary/>

<sup>14</sup> <http://www.badurfoundation.org/>

<sup>15</sup> <https://www.erstebank.hu/extras/ersteseeds/index.html>

<sup>16</sup> <http://www.i-gen.org/>

activities as services for SEs. These are, without exception, non-profit organizations: foundations, non-profit companies and associations.<sup>17</sup>

**Funding and financial support** opportunities for Hungarian SEs are far fewer. Only ERSTE offers funding on a bank basis: the good.bee micro credit program. The first Hungarian community bank, MAGNET offers a CSR supporting program for civil organizations<sup>18</sup> and social enterprising. Two organization deals with socially useful capital investment: Union of Socially Conscious Investors<sup>19</sup> and Impact Ventures Ltd. All of these together have a very limited opportunity for SEs.

A huge number of programs and organizations deals with **youth and women entrepreneurship support services** in Hungary. If someone has a sufficiently innovative idea, have many opportunities to get help for it. But it should be noted that these programs generally do not target specially the social enterprises.

There are a lot of business competition for young entrepreneurs. One part of them belongs to the public (state supported) sector<sup>20</sup>, and many others are in connection with private firms or multinational companies. (See in annex, table 1.) The Erasmus program for young entrepreneurs is also available in Hungary with the coordination of four organization.<sup>21</sup> An other, European Union fund based, nationwide program (which is a policy) also helps young unemployment people to start an enterprise.<sup>22</sup> In addition, several organizations also deal with the mentoring of young entrepreneurs as a service. The most importants are: Association of Young Entrepreneurs (FIVOSZ) – BOSSCONNECT Mentoring Program<sup>23</sup>, MENTORSHIP – Mentoring Program for young entrepreneurs<sup>24</sup> or SEED Enterprise Development Foundation.<sup>25</sup>

For **developing the skills of SEs or training**, there are less directly targeted opportunities. Two policy orientated programs are available. One is the Erasmus+ Youth program<sup>26</sup> (organized by Tempus Public Foundation) for international knowledge exchange, and other one is the Focus Program<sup>27</sup> of the National Employment Fund Non-profit Ltd (OFA) for the social cooperatives. Some scientific research institutes deal with the social enterprises (Hungarian Academy of Science,

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<sup>17</sup> [www.kozossegivallalkozas.hu](http://www.kozossegivallalkozas.hu) [www.socialfokus.org](http://www.socialfokus.org) [www.hatalapitvany.wixsite.com](http://www.hatalapitvany.wixsite.com) <http://civilsupport.hu/> [www.partnershungary.hu](http://www.partnershungary.hu)

<sup>18</sup> <https://www.magnetbank.hu/en>

<sup>19</sup> <http://en.thbe.hu/>

<sup>20</sup> p.e. <https://bvk.hu/v4-eyes-startup-conference/>

<sup>21</sup> <https://www.erasmus-entrepreneurs.eu/page.php?cid=5&pid=018&ctr=HU&country=Magyarorsz%C3%A1g>

<sup>22</sup> <http://vallalkozz2016.hu/>

<sup>23</sup> <http://bossconnect.com/en/>

<sup>24</sup> <http://mentorship.hu/>

<sup>25</sup> <https://seed.hu/en#services-0>

<sup>26</sup> <http://www.tpf.hu/english>

<sup>27</sup> <http://ofa.hu/hu/fokusz>



University of Miskolc and ELTE). In addition, only a few other organizations deal with the questions.

There are **no organizations at all in the fields of innovation and internationalization specifically targeted for social enterprises – although a lot of projects deal with social innovation**. This is primarily due to the fact that the Hungarian social entrepreneurship sector is not yet on this level of development. At the same time, the initiatives outlined above include, in most cases, the development of innovation capability.

In addition, many **other support services** exist for social enterprises. Especially for the **legal support** there are some opportunities for the SEs. For example KCG Partners Law Firm<sup>28</sup> gives pro-bono consulting for social enterprises. (In general, the mentioned mentoring programs also offer legal advice.) The **other opportunities for the dissemination of knowledge**, education for the SEs. The Community Initiative Professional Center of the National Cultural Institute has a program for networking of community projects, initiatives with coordination, knowledge sharing, workshops, for socially conscious partners. Or the Átalakuló Községek (Communities in transition) project is a knowledge exchange opportunity with emphasis on (social and economic) sustainability<sup>29</sup>.

## SWOT ANALYSIS OF SE SUPPORT SERVICES

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Various forms of supporting services</li> <li>• Partially built infrastructure, fundamentals for later development</li> <li>• Professional experience in the non-profit and public sector</li> <li>• The coexistence of state policies, non-profit activities and services</li> <li>• Various type of sources: public, EU fund, private, etc.</li> <li>• Diverse opportunities in supporting young entrepreneurs and for mentoring the SEs</li> </ul>	<ul style="list-style-type: none"> <li>• Low state involvement, few policy initiatives</li> <li>• Lack of coordination and common goals</li> <li>• Lack of interconnected services</li> <li>• Weak or absent services in start-up support, <b>financing</b>, training, market, advising, innovation.</li> <li>• No financial support for the after-start-up phase of SEs</li> <li>• The overweight of non-profit based services, lack of private investments or</li> </ul>

<sup>28</sup> <https://www.kcgpartners.com/>

<sup>29</sup> <http://kozossegek.atalakulo.hu/kozossegek>

<ul style="list-style-type: none"> <li>• The infrastructural fundamentals and existing results of social enterprise research</li> </ul>	public sources.
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• Strengthen the lack of or weak support services (with governmental or private, or non-profit involvement)</li> <li>• Replacing the missing services</li> <li>• Start a new, complex service covering all areas of support</li> <li>• Developing sectorial dialogue forums for the effective use of existing opportunities</li> <li>• Feedback the existing knowledge and experience in future developments of supporting services</li> <li>• Use the results of the researches about SEs</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of resources and funds after the present programming period of the EU</li> <li>• Missing policy background</li> <li>• An overwhelming competition exists in the market of supporting services</li> </ul>

### 3. SOCIAL ENTERPRISE NETWORKING INITIATIVES

Similar to support services, there are also only a small number of network initiatives for social enterprises. The main reason for this is that most social enterprises have not operated for a long time. And these network initiatives are just beginning to develop. The question is made more complicated by the fact that social enterprises operate in a wide variety of forms and in a wide range of activities. Therefore, networks are also more difficult to develop among organizations with the same interest.

There are hardly any organizations in the representation of social enterprises. There are two main **networking organizations for lobbying, and for sectors' interest representation**. One is

SZoSZöv (National Association for Social Cooperatives<sup>30</sup>), which is the biggest network for lobbying, but strictly for social cooperatives. (Working with membership fees, formerly some EU funds.) One other, smaller organization is the TAVOSZ (National Association for Social Enterprises)<sup>31</sup>, which has mainly social cooperatives members too. Not just for network building, but a new initiative started recently: SOCIAL SEED (Interreg) Project for lobbying and advocacy for social enterprises – on the policy level by IFKA (Public Benefit Non-Profit Ltd. for the Development of the Industry).<sup>32</sup> Some other smaller networks operate in interests representation, like Social Farm Association<sup>33</sup> for the labour-rehabilitation of disabled people. There is a lack of advocacy, lobbying networks for the whole or other special part of the social entrepreneurial sector.

**Funding and financing networks for social enterprises are almost completely missing.** There is only one, the Hungarian Charity Forum<sup>34</sup>, which is a network, not only for SEs, but strong and multinational companies, to organize effective donations. For social enterprises, this organization primarily provides funding and donation opportunities.

For **supporting cross-sector projects** there are two networks. Social entrepreneurs and their friends Facebook community is a network for facilitate cross-sector cooperation, with experts, entrepreneurs, supporters, developers, financials members. One other, small network is the Katalizátor Hálózat - Catalyst Network<sup>35</sup>, which is for the improvement of cooperation among initiatives supporting roma related social enterprises and charity acts. Both of them operates without sources.

An important part of the network of social enterprises is the themes of **product promotion and marketing initiatives**. The Cserehát Association's Pro Ratatouille Program is a complex, organic gardening, employment, non-formal adult education and Roma integration project in North-Hungary.<sup>36</sup> With the lead of Szimbiozisz Foundation, in the Kitchen Secrets network, 7 social enterprises working together, all of them operates in catering and food production sector with disabled employments. The aim of the project and the network is to share knowledge with others and inspire more organizations and start-ups to engage and hire the target group.<sup>37</sup> Other networks help to sell the products of social enterprises through the **creation of trademarks**. The most

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<sup>30</sup> <http://szoszov.hu/>

<sup>31</sup> <http://www.tavosz.hu>

<sup>32</sup> <https://ifka.hu/international-relations/project/social-seeds>

<sup>33</sup> <http://szocialisfarm.hu/index>

<sup>34</sup> <http://donorsforum.hu/hu/rolunk>

<sup>35</sup> <https://www.katalizatorhalozat.hu/>

<sup>36</sup> <http://www.bffd.hu/>

<sup>37</sup> <https://szimbiozis.net/projekt/konyhatitkok->

important are Maltese Charity Product<sup>38</sup> and Salva Vita Foundation Helping Shopping Program<sup>39</sup> (with governmental supporting).

There is also not so much network **of knowledge transfer and exchange of experiences**. Above we already mentioned Focus Program<sup>40</sup> and Piac-társ Program of the National Employment Fund Non-profit Ltd. (OFA) which has also a networking part for social enterprises using governmental and EU funds. The National Employment Fund Non-profit Ltd. also has an importance in monitoring the processes of SE sector (just like the university research programs above).

For supporting, mentoring and helps the innovation of SEs, the multinational network Impact Hub is also works in Budapest, which is mainly a co-working place for socially committed enterprises and offers many other opportunities.<sup>41</sup>

The governmental INPUT<sup>42</sup> program based on EU funds, is primarily an international market support program and network for IT orientated companies, but also gives forum for SEs in social innovation.

About partnership in EU programs, IFKA organization (Public Benefit Non-Profit Ltd. for the Development of the Industry) had several projects about SEs, social innovation, etc. A newest project is SENSES (by INTERREG Danube Transnational Program) which's main goal to support SEs and build a transnational network with 6-800 members.<sup>43</sup>

Last, but not least, there are two organizations, networks. One of their many missions, to promote social entrepreneurial activities of disabled people and institutions. ÉTA Szövetség (National Federation of Social Organizations and Foundations for Mentally Disabled People)<sup>44</sup> and Kézen Fogva Alapítvány<sup>45</sup> (Hand in Hand Foundation) also have a goal to support employment programs consisting enterprenuership activities.

## SWOT ANALYSIS OF SE NETWORKING ACTIVITIES

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• strong networks for social cooperatives</li> <li>• changing information between the</li> </ul>	<ul style="list-style-type: none"> <li>• small number of existing networks</li> <li>• a low number of members in networks</li> <li>• completely missing networks in some</li> </ul>

<sup>38</sup> <https://maltai.hu/jotekonysagitermekeink>

<sup>39</sup> <http://www.segitovasarlas.hu/en/about-us/>

<sup>40</sup> <http://ofa.hu/hu/fokusz>

<sup>41</sup> <https://budapest.impacthub.net/>

<sup>42</sup> <http://kifu.gov.hu/kifu/en>

<sup>43</sup> <http://www.interreg-danube.eu/approved-projects/senses>

<sup>44</sup> <http://eta-szov.hu/in-english/>

<sup>45</sup> <http://www.kezenfogva.hu/english>

members of networks	<p>sectors of SEs</p> <ul style="list-style-type: none"> <li>• minimal state involvement (only just for social cooperatives)</li> <li>• lack of funds and sources for networking (the networks mainly works by membership fees or without resources)</li> <li>• weak lobbying activities</li> <li>• almost completely missing networks for financing, lobbying, advising, cross-sector projects, knowledge transfers.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• Needs for cooperate in networks (see. needs analysis document)</li> <li>• Building on the results and experiences of the already working networks</li> <li>• Possibility to build new networks in almost all themes (no competition)</li> <li>• Use the results of the researches about SEs</li> <li>• Government willingness to strengthening the networks of SEs</li> <li>• Joint lobbying towards to decision-makers for the appropriate legal environment</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of resources and funds</li> <li>• Missing policy background</li> <li>• Disinterest of SEs</li> <li>• Evolving of rival SEs networks</li> </ul>

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## 5. GOOD PRACTICES

### CASE STUDY 1. OFA (ORSZÁGOS FOGLALKOZTATÁSI KÖZHASZNÚ)

#### 1. BACKGROUND INFORMATION

- **Title name of the project/ cooperative, territory...):** **SUPPORT SCHEME WITH THE PARTICIPATION OF OFA** (Országos Foglalkoztatási Közhasznú Nonprofit Kft – National Employment Nonprofit Public Company Ltd).

• **Key actor(s):** The key actor of this support scheme is the OFA. This state owned foundation has been supporting alternative employment forms and projects for the last two decades.

Since the earliest years of supporting alternative employment initiatives and projects, OFA has managed a network of experts (employment, enterprise promotion, management, legal, marketing, finance, etc) on regional basis. This network has been provided as a quality control for organizations intending to apply with proposals and also a mentoring support for project developing organizations. This network called OFA Hálózat (OFA Network) has substantial local embeddedness, acceptance by local people, personal connections to social economies and could have done a lot on promoting the case of social enterprising.

**Duration of the initiative (starting year):** The scheme started to support social enterprises in a structured way in 2007 and has been continued in various projects since then.

- **Geographic size of the intervention:** The geographic scope of the support scheme has been the whole country until the start of the PiacTárs project, 2016. Since then, the intervention has concentrated on the underdeveloped regions and excluded the Central Hungarian Region.

• **Funding:** The support schemes have been financed by the state. From 2010 onwards, most of the financial resources came from the European Union support scheme supplemented with governmental resources. For the Szövetkezz project, the financial contribution came from the (then existing) Ministry of Social Affairs. In the Atypical Employment Forms project, the financial support was administered by the ESZA (ESF) Nonprofit Kft. In the GINOP Projects, the financing partner is the NGM (Nemzeti Gazdasági Minisztérium – National Economic Ministry) for the applied projects. In the related PiacTárs project, OFA partnered with IFKA (Iparfejlesztési Közhasznú Nonprofit Kft– Industrial Development Nonprofit Ltd), another state owned organization



- **Thematic focus and main sector addressed:** From 2007 till 2016 the main sector supported was the social cooperatives. Since 2016 it is open for non-profit and civic organizations.

- **Main reason for highlighting this case:** The reason why we introduce this case is that it summarizes the employment related efforts of promotion of the social sector.

In Hungary, in 2005 the idea of the social enterprise idea emerged on the basis of the student cooperatives experiences and study tours to European Union countries. The first legislations for social cooperatives was based on that following the Italian model – social enterprises meant social cooperatives, mainly, (even though, civic organizations also had several attempts to raise income from similar activity.) In the beginning, legal entities could not be shareholders in the cooperatives. That started a series of support projects built upon each others' results. For the first project, the territorial span was the whole country. Following projects, that have been started in the frames of the European Union Common programming Framework (2007-2013, 2014-2020), concentrated on the underdeveloped regions, excluding the Central Hungarian Region in the last 4 years only (KMR).

The programs have been operated under three project streams:

- 1) Szövetkezz (Cooperate)
- 2) Atypical employment forms and Kooperáció (Cooperation)
- 3) The GINOP Projects and PiacTárs (MarketPartner)

## 2. SERVICE DESCRIPTION

- **Overall objectives:** The objectives of the support scheme were to increase self-employment, the employment of handicapped people, the raising up of economic wellbeing of underdeveloped layers of the society. Other objectives have been to promote the fundamentals of social enterprise, namely the unification of economic, social and cultural goals thus helping in expansion of employment, job creation and community organization.

Besides the financial support provided under the KoopeRáció and PiacTárs projects, the promotion of the idea of social enterprising has been always prevalent. This led to the establishment of the HHÉ or Local Added Value competition (see also in the previous chapter.) The HHÉ is a system for honouring the best social enterprises (in three categories: best producer, best service provider and best community developer) on a yearly basis on local, regional and national level.

The system is the foremost state-supported promoter of the public awareness about social



entrepreneurship. Apart from the substantial financial funding, the scheme introduces successful SEs to the wider public, facilitate development of collecting good examples, knowledge sharing and presenting the respect of the society towards community based goals of the enterprising activities.

***Specific objectives of the projects were:***

Szövetkezz project:

Aim was to form at least 50 self-sustained social cooperatives between 2007 and 2009. In the Szövetkezz/2007 the aim was the foundation and launch of social cooperatives. In the Szövetkezz/2009 project the aim was to support the previously established cooperatives and expand their number.

During 2007 and 2009 OFA invited proposals for social cooperatives projects. During this period, projects could be aimed at forming social cooperatives. The program was coordinated by OFA and supported by the National Employment Ministry

Atypical employment forms (TÁMOP):

Support the self-employment of underdeveloped people, and the creation of employment opportunities for unemployed in underdeveloped areas. In addition to that, supported projects should have contribute to the resolution of hardships in fine-tuning family and work performance issues, through community development, and the education and cultural functions of social cooperatives.

GINOP and PiacTárs:

The aim is to dynamize and stabilize socially aimed enterprises by urging them to introduce marketable products and services, upon a sustainable business model in order to create lasting employment opportunities.

In 2016 the GINOP-5.1.3-16 (GINOP: Gazdasági Innováció Operatív Program – Economic Innovation Operative Program) was started. In 2017, this program has been supplemented by the GINOP-5.1.7.-17 project from 2017 with same focus: to support social enterprises' projects. For these two projects, non-profit organizations, civic organizations and other social enterprise forms can also apply.

For the support of social enterprises with consulting and knowledge sharing, another project was

initiated under the European Union project scheme called PiacTárs (MarketPartner) under GINOP-5.1.2-15-2016, this project is performed by OFA in partnership with another state foundation (see later).

These projects have been supplemented also with the FÓKUSZ (Focus) Program, during which the Ministry of Interior invited social cooperatives falling under the public employment program could have applied for financial support and the professional support of OFA. *(Ministry of Interior are supporting partners to our SENTINEL project). This project supports social cooperatives with local authorities as members – from 2016 social cooperatives employing under the public employment should involve a local authority partner. The partnership entails a provision of real estate to the cooperative from the local authority, and the undertaking of employment services by the cooperative.*

- **Description of activities/services:**

Szövetkezz project:

The project started in 2007 applied a two-round application process for projects.

In the first round the application criteria was a team of at least 7 funding members (among them at least 3-4 at least 3 monthly unemployed people) presenting a project idea, a list of planned activities, a verification and a short budget.

Representatives of the selected applications/projects then participated in project planning and proposal writing course. Then they prepared a detailed proposal for the second round (supplemented by a detailed business plan and budget). Projects could get up to 20 million HUF (appr 64,500 EUR) for the first year of operation. Sustainable projects could get a decreasing financial support after first year. It meant up to 10 million HUF for year two, basically maintaining the created jobs and expanding them. Investments (unlike in the previous project) was not eligible to support.

During the project 50 have been trained to be a social cooperatives expert. (Most of them are still part of the OFA Expert Network). They also trained almost 40 mentors for the project. 109 project participated in the proposal writing training.

Atypical Employment Forms and KoopeRáció:

Established social cooperatives could apply for project financing. During the application and the project execution they received support from the OFA Network supported by the KoopeRáció project.

KoopeRáció project supported social entrepreneurs with

- Professional customer service, consulting, expertise (finance, legal, business planning, adult education, marketing)
- Professional events in the whole country
- Strengthening of management capacity, knowledge expansion
- Process driven evaluation
- Methodological and other publications
- Market entry and expansion support
- Other, tailor made services.

Under the KoopeRáció+ project, the support was extended towards all kinds of socially aimed entrepreneurial initiatives, and interested for profit and other organizations for networking support.

During the funding scheme 2010-2011 with the support of TÁMOP (Társadalmi Megújulás Operatív Program – Social Renewal Operative Program) a new project focused on the promotion of tender opportunities, project generation, supporting project owners with professional advice, training, workshops, forums, knowledge sharing, business planning, marketing and legal advice. This support was provided by the expert network of OFA under the so-called KoopeRáció (CoopeRation) project (TÁMOP-2.4.3.B-1-09/1). The latter project has been continued since 2012 under the form of KoopeRáció+ (CoopeRation+) project (TÁMOP-2.4.3E-13/1) until 2015.

#### GINOP and PiacTárs

The project strengthened the financial and expert support as well. The PiacTárs project introduced a pre-selection qualification scheme for projects willing to apply to financial support. Only projects that have been qualified according to the requirements can go to the proposal making phase.

The qualification assessed the market viability of the ideas and also the social added values aspect. Only projects strong enough in both areas could advance to the financing phase.

- **Description of Recipients:**

In the 2007-2009 Szövetkezz projects social cooperative initiators, funders, owners were the recipients.

In 2010, for the Atypical Employment Forms application round, only previously established and

operating social cooperatives could apply.

In the 2016 and 2017 GINOP schemes, a wider circle could apply, every organization that can be considered as social enterprise. These are non-profit enterprises, social cooperatives, foundations, unions and church organizations. The criteria for support has been to qualify on the pre-selection process by OFA and IFKA consortium (see above).

Strong emphasis have been put on the underdeveloped target areas: applicants should have included handicapped people and people from underdeveloped regions in the job creation process in predefined rates.

- **Resources used (kind, amount...) and financial sustainability**

**Financial funds:**

Szövetkezz project:

945 million HUF (appr 3,050,000 EUR) have been distributed.

Atypical Employment Forms:

These instruments have been aimed at social cooperatives and been called “support for atypical employment forms”. In the convergence regions 1.955 billion HUF (cca. 6.306 million EUR), in the Central Hungary Region 345 million HUF (cca. 1.1 million EUR) financial support were available for projects ranging from 20 to 50 million HUFs respectively.

GINOP projects

Project proposals under the PiacTárs project can be financed up to 15 million HUF (appr 48,000 EUR) per small projects; 50 million HUF (appr 160,000 EUR) per medium sized project and 250 million HUF (or 805,000 EUR) for large projects. The funding comes from the state (NGM) under the Joint Cooperation Framework (largest part of the funding comes from the European Union, smaller part by the Hungarian state). In the 2016 GINOP round the available financial pool was 6 billion HUF (cca. 19.36 million EUR). That was distributed for around 350-400 project proposals.

The 2017 round for the same purpose will distribute 15 billion HUF (cca. 48.39 million EUR) for an expected 300-600 projects.

Project applications receive free of charge qualification, expert review, expert support, also

financed by the state. This happens under the PiacTárs project operated by OFA and IFKA, with a total budget of 2.8 billion HUF (cca. 9 million EUR) until 2022.

For the FÓKUSZ project, the Ministry of Interior aimed 10 billion HUF for eligible proposals

- **Management and evaluation**

The projects have been managed by OFA that during the years developed and maintained its expert network, and in the last couple of years, established a regional office structure.

- **Main outputs/ results**

In the Szövetkezz/2007 project there has been 444 project ideas handled in round one. Out of these, 157 qualified for round two. In the end, 38 projects were supported and 36 lived through year one of operation. During the next project term (Szövetkezz/2009) 12 projects were supported. They created 485 new jobs (members and non-members).

These social cooperatives dealt with the following activities:

- Undertaking or supplementing local community tasks (maintenance of public places and parks, cleaning, taking care of playgrounds etc)
- Services for local inhabitants (washing up, building maintenance, transportation to work etc)
- Child welfare services (family daycare, babysitting, leisure time program organizing, services for parents, organizing childrens' events, operating clubs, handicrafts programs etc)
- Handicrafts (basketry, wicker furniture production, preparation of traditional handicrafts)
- Flower arrangements parts production
- Shop for Roma clothes and accessories, specially designed cloths, jewellery production and retail
- Joiner work
- Gathering of forest and agricultural waste, biomass production
- Food manufacturing
- Building
- Real estate management
- Operating social shops
- Office secretarial support
- Operating multi media studio

In the Atypical Employment Forms schemes, 57 proposals have been financed with altogether 2.3 billion HUF. The total number of jobs have been 445, out of which 432 came from the underdeveloped target groups.

Most common project activities were:

- Construction activities
- Paper industry packaging
- Joiner work
- Shoe parts manufacturing, sewing
- Preparation of alternative energy, ignition devices and materials, biomass and related activities
- Handicrafts and industrial design
- Steel parts and materials
- Preparation and delivery of up-to-date food, bio-foods, pasta
- Fruit production
- Touristic activities
- Family day care, playhouses, skill development activities for children
- Adult care
- Green area maintenance, public places cleaning
- Industrial washing, cleaning of textile and leather, energy saving car wash
- Quality charity shop, social shops
- Media and marketing services, online services, proposal writing.

Comparing to the previous, OFA managed project, in this scheme the production activities have been more prevalent than services. Some of the successful projects came from previous OFA project, others have been supported and backed by for-profit entrepreneurs and owners who saw opportunity in this enterprising form. In the OFA-operated KoopeRáció project, main activities were :

- Project generation (awareness rising, contacting potential applicants)
- Consulting and help desk for social cooperatives
- Workshops, knowledge sharing, conferences
- Social media presence
- Handbook for social cooperatives

- Television series on selected social cooperatives.

The project issued publications as follows:

- The Social Economy Handbook
- Methodology Handbook for Social Cooperatives: From Setting Up to the Sustainable Operation
- Quality Management: Aspects for the Client Centered Development of Social Economy Organizations

and several other information leaflets and analysis on foreign and domestic experiences.

An activity during the KoopeRáció project was the establishment of the Hozzáadott Helyi Érték (HHÉ) Díj (Local Added Value Prize) in 2015, later continued under the PiacTárs project. *Second year winner in the best producer category was the Hetedhét Határ Social Cooperative, that was initiated under the Jelenlét (Presence) Program by the Magyar Máltai Szeretetszolgálat (HCSOM) on Gyulaj, and that is a pilot-project in this SENTINEL project. HCSOM is still a member of the cooperative.*

The PiacTárs project prepared a series of publications and made them available for the interested actors of the social enterprise ecosystem. These were the following:

- Methodology Handbook for Social Enterprises
- CSR Methodology Handbook for For-Profit Enterprises
- Methodology Handbook for Mentored Organizations
- Video on social enterprises
- The project also introduced PiacTér (MarketPlace): a virtual showroom for products and services.
- **Partnerships with local, national, international organizations and institutions**

In the Szövetkezz project OFA partnered with Saldo zrt (a private education institution) for the expert training, with the Közösségfejlesztők Egyesülete (Union of Community Developers) for the mentor training, with the Népfőiskolai Társaság (People College Society) for the communication.

During the Atypical Employment Forms project, in the frames of the associated KoopeRáció expert project, OFA involved the SZOSZÖV (Szociális Szövetkezetek Országos Szövetsége – National Association of Social Cooperatives) as negotiation partner on the various professional and advocacy issues – but this organization seemed not to represent the totality of the social



cooperatives sector.

- **Replicability**

One of the reasons why we introduced a longer time frame for a project introduction is that we wanted to show that a lot from these support projects could be replicable. Indeed, it is a good practice that the state has concentrated its professional support for social enterprises for a well-established and experienced institution that has been in the core of all employment related developments in the sector in the last decade.

Although the role of the organization, OFA has been changed from the distributing of project supports to the consulting, professional support and quality assurance, they were among the most important parties in these social enterprise related development.

It is important that during these professional support, basic methodological literature has been created (see further introduction under the Outputs chapter).

On the basis of the last decades support schemes and OFA's contribution, further projects and developments can be initiated and coordinated.

- **By-product effects**

The Szövetkezz projects made the social cooperatives idea known in relatively large public in a short time, established a knowledge base for further projects, made more than 3,000 people to cooperate and think and perform joint activities. These projects worked out the conditions for continued operation, a so-called cooperative model (good connections to the local authority – buyer or infrastructure provide; presence of a market partner – buyer or consultant -; complex and flexible activity set; involvement of activity-related experts as members; involvement of management role and own investments from revenues).

During the Alternative Employment project, this cooperative model was further developed and in the PiacTárs supported projects, reached out to other parties in the ecosystem other than the cooperatives.

- **Problems / challenges to face**

Sustainability is the biggest issue in the sector. Out of the supported social cooperatives some could not survive more than 3-5 years of operation. Some of the prize winners of the HHÉ (Local Added Value) system (see above) terminated business shortly after getting the honour.

Legislative environment has not been favourable for social enterprises. As we describe other parts in the country report, after one decade in structured development of the social enterprise sector, still the status of social cooperatives are not fully fine tuned legally. Also, apart from the European Union funded projects, there are no state subsidy system for the sector.



For enterprises other than social cooperatives, aimed financial resources have not been available before 2016. In the last two years a lot of projects could get reasonable sum of project financing, the whole sector, however, has been underfinanced comparing to the for-profit one.

Research studies and evaluation reports mention the lack of management as a function professionally organized in most of the social cooperatives, and that might be the case of the other types of social enterprises, too.

### **3. CONCLUSIONS: KEY SUCCESS FACTORS AND LESSONS LEARNED**

The key successes of the OFA related projects are the establishment of the social economy idea and practice through systematic financial and consulting/mentoring support. The financial support schemes have been supported by the training of social economy experts and operating them as a consulting, mentoring network. It was very important that concise and organized efforts have been spent on establishing a solid basis for social enterprising. Knowledge of enterprising and a transformation from the traditional model to a somewhat market driven approach have started to evolve and been strengthened during the last decade. The targeting of the support instruments has been gradually and successfully turned from solely the social cooperatives towards a wider range of organizational forms and reached out to the other players of the ecosystem in forms of partnering and networking.

In the underdeveloped regions, a lot of social issues have been solved, unemployed and handicapped people have re-entered the labour market. Some studies show that the job creation during social economy projects have generally been more expensive than in the for-profit entrepreneurial projects (around 2.5 million HUF/person comparing to 1.5 million at for-profit companies during the 2010 project period), but giving the fact that handicapped and distressed people need a lot of care and on-the-job support, the higher operational costs is understandable. The question is whether this enterprise model is sustainable. Presently, the majority of social enterprises undertake state roles in social services and get state support for that. On the other hand, most of the economic and development work have been achieved project by project. After a certain size, when these enterprises reach the medium size that can be very risky and hard to sustain without a well worked put business model, most of them do not possess.

Challenges described in the previous chapter should be answered in the forthcoming years in order to maintain a viable and strong social economy. Most of the supported project

implementation teams are in the phase of organizational formational and development. Traditional civic organizations are not the best in drawing consequences and working through the lessons learned from projects and actions. Also, they are not very strong in utilizing consulting and training in everyday operational issues. Namely, they should become real learning organizations in order to successfully grow in the markets. It is important, because it is not obvious to operate a democratic decision making process in strategic issues (as is the requirement from social enterprises) and also a dedicated operative management function, usually making one-person decisions in day-by-day matters. This should be learnt, and personal differences and debates among owners in some social enterprises and the subsequent falling apart of the organizations show that it is imperative to develop in this regard.

Very hardly can we see market-related cooperation among the social enterprises. One way of cooperation could have been the information sharing inside the sector. It seems that without organized support in this area, the social enterprises do not engage in information sharing. OFA operated this kind of activity, mainly reaching project participants – apart from this no organized effort has been seen from their side. The representative organizations (TAVOSZ – Association of Social Enterprises) and SZOSZÖV (Federation of Social Cooperatives) have not established a real and alive information network. Nor have they performed a viable and sound advocacy work.

#### **4. Annex**

- **More information and documents**

##### **Information on the social cooperatives still active after one decade of social enterprise promotion in Hungary**

We have checked available information on the projects during the decade of state promoted development period. A lot of initially funded cooperatives do not exist anymore, but there are a lot that are still active – either in original social cooperative form, or under another operational form.

Some examples are:

Barnabee's Kreatív Kommunikációs Tanácsadó, Szeged – creative agency on community basis. Former schoolmates formed the social cooperative with the aim of providing high quality web based services – design, social marketing, brand management. Employing disabled people and first job seekers.

BRUMM, Rákóczi falva – they operate a handicraft shop. They prepare hand and finger puppets and handbags. Some of their products acquired quality prize. Their production is economic friendly and their design is rooted in the local traditions.

Cultural Labour Pécs – media related projects mainly on outside location, like the Zsolnay Cultural quarter and other places of Pécs – <https://www.facebook.com/KulturalisLabor/>

GOLD Consulting, Kaposvár – enterprise promotion, proposal writing, consulting - still operational now in non-profit ltd form, they are active in the social enterprise advocacy activities too - <http://goldconsulting.eu/>

Icinke-Picinke, Budapest – daycare for children <https://www.facebook.com/Picinkebolcsi>

Romani Fashion Studio, Budapest - later became Romani Design, the first specialized design studio focused on Roma motives and tradition. <http://romani.hu>

Séfpartner Herend (*Chef Partner*) – a cooperative specialized on home delivery of food and other goods to families with disabled members

Szivárvány, Hidasnémeti (*Rainbow*) – wood production, building construction

Völgység Kincse, Lengyel (*Treasure of the Valley*) – employ disabled and unemployed people in fruit manufacturing – in close cooperation with a private company - <https://volgysegkincse.hu/>

- **Sources (bibliography, data)**

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## CASE STUDY 2. SZIMBIOZIS (*SYMBIOSIS*) FOUNDATION

### 1.BACKGROUND INFORMATION

- **Title name of the project/ cooperative, territory...) Szimbiozis Foundation and its network of activities**
- **Key actor(s)**

Szimbiozis Alapítvány (Foundation): the foundation conducts the traditional social and employment rehabilitation services and manage the project portfolio. Szorgoskert (*Busy Garden*) Ltd: a non-profit company that manages the social enterprise activities.

- **Duration of the initiative (starting year)**

Szimbiozis was founded in 1999 by a local entrepreneur who dedicated László Jakubinyi as president. Since then he has been the main driving force and leader of the increasingly complex operation.

- **Geographic size of the intervention**

The main services of Szimbiozis are concentrated to the town of Miskolc and surroundings, situated in North-east of Hungary near the Bükk National Park. With a population close to 170,000 (2010) Miskolc is the fourth largest city of Hungary. Miskolc is the administrative headquarter of Borsod-Abaúj-Zemplén county, the second largest in geographical area and population in Hungary. Population was 660,500 in 2016 that contributed 7.6% of Hungary's population. Labor market of the county has been considerably expanded in the last couple of years, still one of the least developed part of the country. The number of registered job seekers was 38.5 thousand in the beginning of 2017, that represented a 13.5% rate compared to the economically active population (country wide average is 6.5%)

Employment opportunities for the handicapped people are below average: employment rate is 20% comparing to the average 67% (so-called normal population). These people also represent substantial and immobile part from the public employment: in the BAZ county out of 42 thousand publicly employed people 37.5% (15.7 thousand) were handicapped. Added to this, the largest part of job seekers constitute the lowly educated people; out of 10 job seekers one has not finished elementary school, and 4 out of 10 has only elementary school education. Out of the total number of job seekers, people over the age of 55 represent 18.3%, while under the age of 25 years amounted to 19% (so altogether the two most endangered age classes reached 1/3 of job seekers).

(All data are from 2017).

Between 1948-1989, Miskolc was the city of steel and iron and determined as a basis of the communist heavy industry. This artificial development led the area into a crisis with the collapse of the heavy industry and high unemployment in 1990 when the communist system ended. In the past 20 years all the mines of the region were closed and the steel industry collapsed. Since the political changes of the '90s Miskolc has tried to strengthen its cultural and touristic role but there are still a number of tasks that the city has to achieve.

- **Funding**

The foundation is a privately funded organization. It was established by private persons, parents of children attending Laszlo Jakubinyi's class at the Miskolc Waldorf school.

Funding for the activities come from state support in case of services undertaken from the role set of the state; project financing and own revenues.

- **Thematic focus and main sector addressed**

Their activities include rehabilitation, education, employment, social services and social enterprising. Szimbiozis has four locations for service providing in Miskolc. In the town it operates the operational centre (with the adult education and volunteer office) and the employment service center (sheltered workplace). In the Martin suburb part of Miskolc, they have a residential home and day care institution for disabled and therapeutic centre). At the fourth location, they created Baráthe gyi Majorság (*Baráthe gy Manor*) in the Diosgyőr part of Miskolc where they have a three residential homes, goat farm and cheese production facility, leisure and playground, and a social therapy center. Most of the social economy developments have been concentrated in this complexity. Szimbiozis also opened Batyu-Téka (*Swag-tek*) a restaurant in downtown employing people with disabilities.

- **Main reason for highlighting this case**

The reason why we included this case is that this is one of the most successful and well-known social enterprises in Hungary and their projects and operation provide many suggestions to the wider public.

## 2.SERVICE DESCRIPTION

### **Overall objectives**

Szimbiozis Alapítvány was founded in 1999, mainly to solve social-employment service for the handicapped adult population in Northern Hungary. They implemented a new approach to the problems: involving the target group (primarily mentally disabled and autistic people) as fully equal partners. The aim is to create living spaces and services where everybody involved can

create value and be a useful part of the community according their own abilities. They have a holistic approach toward people, being in any kind of mental or physical state. Szimbiozis Alapítvány has a complex service model for their target groups. They concentrate on public awareness and forming the mindset towards socio-economic activities. They are determined to increase the well-being of disadvantaged and disabled people of up-to-date services and domestic and international networking.

The focus is to provide lasting employment for the most endangered social and age groups.

After years of successful operation, Szimbiozis have started to reorganize itself into a more professional and structured operational model. The managing team defined four lines of operation (or units): social services, employment rehabilitation, social enterprising and project center.

They also established a non-profit company for conducting the social enterprise activities.

At the time of preparing the case they employed 160, mostly disabled people and operates a project portfolio of 30-40 per year.

- **Description of activities/services**

#### Social and rehabilitation centers

In the frames of the social services they operate two day-care centres for 40 + 24 disabled people (community and leisure-time activities for disabled people e.g.: therapies, sports) and residential center for 53 disabled and autistic adults in five settlements.

Baráthegy Rehabilitation Farm is a complex system with different kind of elements in 5 hectares including living centre, stable, cheese manufacture, kitchen, glasshouse, garden, farm guesthouse, carpentry. In the farm guesthouse Szimbiozis hosts families having disabled children and open-air school and summer camps are also regularly organized for schoolchildren.

They operate a special transport service: transport, personal help and supervision, personal assistance for disabled people

In terms of employment rehabilitation activities Szimbiozis provides all the existing types (institutional, transit and supported employment) of employment programs.

#### The manor

Szimbiozis established the Baráthegy Majorság (Baráthegy Manor) in North-Hungary next to the Bükk National Park, on the hill near by the mediaval Castle of Diósgyőr 15 years ago. In the Middle-Ages, monks farmed in this area, so we started to resuscitate their traditions. Beside the horticulture they have many animals (horses, ponies, goats, pigs, poultry), in addition they operate



a small goatcheese dairy. Their special animals are the alpacas which they take into several games and programmes. They process the vegetables and fruits and operate a kitchen, lunch delivery service and a restaurant. They operate an all-year-open a youth hostel and an open-air school. At the area of this grange there is an archery place, a Yurt, on the trees an adventure park but we also built a multipurpose-oven. They built a wooden castle of 400 square meter, which one is the mediaval castle nearby in miniature. They also have more handcraft work manufactures. Guests are taken into the various processes through historical time-travelling and can try and live through the old-world life situations. A week package for school groups is very popular, but beside the daily visitors they have more and more companies contacting them for unique program offers.

This thematic eco-park is operated by people with disabilities. 100 people work in the whole manor, whereof a significant part are people with disabilities and other disadvantaged people. There is a perfect activity for everybody: somebody works in horticulture, at the kitchen, with the animals, in the store, at the pension, in the hand-craft manufacture or in the catering service. Visiting parties are divided into small groups so they can rotate between the various places, where people with disabilities as masters of the given workprocess teach the visitors to acquire the traditional techniques. For example they bake the bread together either make the butter and cheese for this, cook the marmalade or shrivel the fruits. These people take the visitors into historical games and in the castle they restart the traditions and legends of this time. The people with disabilities as workers in this touristic attractions turn up for the visitors in a positive cue, which is the ground of the social inclusion.

Activities include food industry: cheese production. The products of Baráthegeyi Kecskésajt (Baráthegeyi goat cheese) possess the HÍR and Élőtízsa prizes. Eco-tourism: in the Baráthegeyi Majorság they operate a youth house and a Forest School. Special tourism programs for families with disabled people. Handicrafts: paper work, candle manufacturing, soap boiling, present production workshops.

Currently Szimbiozis applies for the GINOP-5.1.3-16 project (operated by OFA and IFKA and financed by the National Economic Ministry from European Union funds) for the development of social enterprises. They plan to set up a family wellness center in the location of the manor.

- **Description of Recipients**

Main target group is the autistic and mentally disabled people. In addition to this, they provide services to other underdeveloped groups as well. Families caring handicapped people receive support in transportation, day care, temporary ease of burdens, specific theme camps. Adult

disabled people are supported in their efforts to be independent (employment, dwelling homes, trainings, therapy, sports, leisure activities and development programs). Some of the activities involve ex-convicts, long time unemployed, lowly educated and disadvantaged people.

- **Resources used (kind, amount...) and financial sustainability**

Szimbiozis revenue structure looks like the following presently:

- 45 % governmental subsidy
- 25 % different projects
- 30 % own income – social business

Szimbiozis Foundation had total revenues of 424 million HUF in 2015 and 360 million HUF in 2016, whileas Szorgoskert acquired 72 million and 99 million HUF revenues, respectively. During the last 5 years, Szimbiozis implemented development type projects out of a total of 400 million HUF (cca 1.29 million EUR) project financing from the European Union supported operative programming scheme.

The following projects represented main developments in the various professional lines:

- Outplacement House: from the TIOP-3.4.2-11/1-2012-0032, out of 18 million HUF – a training home for disabled youngsters.
- Establishment of a Sociotherapy Center in Miskolc: from the ÉMOP-3.3.1-11-2011-0041, 50 million HUF – a day activity institute and training center for disabled people.
- Batyu-Téka (Swag-tek), Gift of the Hungarian Countryside: from TÁMOP-1.4.3-12/1-2012-0192, financing: 149 million HUF – innovative project, setting up a kitchen building, working out social feeding activity, opening a restaurant.
- Setting up a mushroom producing unit and locker room: FRF-A/653-10/2015, financing: 17.9 million HUF – with employing 8 people.
- A healthy bite: from TIOP-3.2.4-13/1-2013-0020, financing: 49.5 million HUF – building purchase, small vegetable plant, dwelling service.
- Living calendar: from TIOP-3.2.4-13/1-2013-0021, financial source: 49.4 million HUF – Interaktív Diósgyőr Playing Castle building (this is the copy of the nearby Diósgyőr castle).
- Baráthegyi Manufaktúra (manor): from TIOP-3.2.4-13/1-2013-0022, financial source: 67.4 million HUF – Cheese production unit and handicrafts activity workshop building.

- **Management and evaluation**

Currently 10 people compose the management of Szimbiozis. On top of the organization is Laszlo Jakubinyi, president; a strategic leader who is the main owner and the top leader for all activities.



He used to be the managing director but recently they have separated the two roles and hired an experienced manager, Mónika Szakács, with experience from other sectors (see Annex to the case). Other directors manage the functional lines and the back office activities and the facilities (caring homes, restaurant and the manor). The decision making is joint and democratic with bi-weekly management meetings. People in the management came from a diverse set of education: social work, pedagogy, special needs education, rehabilitation, health care, employment, legal, financial, HR, communication etc.)

The leader of Szimbiozis, Laszlo Jakubinyi is a special needs teacher, social cooperative expert, employment rehabilitation advisor, higher educated caretaker, Waldorf educator, strategic key mentor, mediator, business coach and honoured farmer. He's got two decades of experience in social enterprising and received the Ashoka prize in 2010.

Employees regularly attend various types of trainings and there are outside business and management consultant working with the management team.

- **Main outputs/ results**

Szimbiozis supports disabled people, they have an average of 400 people per year. Around 5% of the revenues coming from the social units (state functions with state support) is spent on implementing programs for independent living conduct.

October 2017 Szimbiozis employed total 172 people with work contract; 70% are people with disabilities. There are another group of 50 disabled people who are in work therapy program.

Szimbiozis implemented around 100 smaller and larger projects out of domestic and European Union funding. Social enterprising has been supported by Velux Foundation, IFUA Nonprofit Partner, ERSTE good.bee, ERSTE Seeds program, and ASHOKA international team from 2010.

In the terms of the social services, a continuously growing institutional network (of 10 years of operational experience) represent increasing social added value: 2 dwelling homes, 3 supported dwelling, 2 day care institutions, 2 supporting services, 2 development activity units. As far as the employment of the target group concerns: sheltered and accredited (lasting, transit) employment are both provided. They have 10 years of experience in transition to the labour market.

**Partnerships with local, national, international organizations and institutions**

One of the main reasons of including Szimbiozis as a case study here is their exceptional networking and partnership performance.

Their network entails the widest possible range of professional and institutional, as well as social

and business partners.

This means on local and regional level:

- Miskolci Fogytékosságügyi Szakmai Műhely (Miskolc Workshop for Disabled People),
- B-A-Z. Megyei Civil Fórum(BAZ County Civic Forum)
- BOKIK (Borsod-Abaúj-Zemplén Megyei Kereskedelmi és Iparkamara) (BAZ County Chamber of Commerce and Industry)
- Turisztikai Desztinációs Menedzsment (on national level, too)(Touristic Destination Management)
- Miskolc Employment Paktum
- BAZ county educational institutions
- Zöld Kosár Program (Green Basket Program)

On national level:

- Aktív Műhely Konzorcium (Active Workshop Consortium),
- CÉH (Fogyatékosügyi Civil Érdekvédelmi Hálózat) (Civic Advocacy network for the Disabled),
- AOSZ (Autisták Országos Szövetsége) (National Autistic Association),
- Majorháló (Autista Majorságok Hálózata) (Manor Network of the Autistics),
- KOKOSZ (Környezetvédelmi- és Természetvédelmi Oktatóközpontok Országos Szövetsége) (National Association of Environmental Protection and Nature Protection Training Centres),
- MSMME (Magyar Speciális Művészeti Műhely Egyesület) (Hungarian Special Arts Workshop Union),
- MJKSZ (Magyar Juh- és Kecsketenyésztők Szövetsége) (Hungarian Association of Sheep and Goat Farmers),
- NAK (Nemzeti Agrárgazdasági Kamara, National Chamber of Agriculture),
- KKASE (Kis-, Közép-, Agrárvállalkozók Sajt készítőik Egyesülete) (Small, Medium Size Agricultural Entrepreneurs' Cheese Producers Association)
- KISLÉPTÉK (Kisléptékű Termékelőállítók és Szolgáltatók Országos Érdekképviseletének Egyesülete – Small Scale Producers and Service Providers National Stakeholders Union),
- ÉTA (Értelmi Sérülteket Szolgáló Társadalmi Szervezetek és Alapítványok Országos Szövetsége – National Association of Social Organizations and Foundations for the Service of Persons with Mental Disabilities)

- Hungarian Farming Society

On international level:

- EASPD (Európai Fogytékosságügyi Szolgáltatók Szövetsége – European Association of Service Providers for Persons with Disabilities),
- ECCE (Európai Szociálterápiás és Kuratív Pedagógiai Szövetség – European Cooperation in Anthroposophical Curative Education and Social Therapy). They are in strategic partnership with Kézenfogva Alapítvány (Hand-in-hand Foundation), MOHA (Mosolyotthon Alapítvány – Home of Smile Foundation), Erste Stiftung good.bee, Ashoka and in CSR partnership with large multinational and medium sized national enterprises.

- **Problems / challenges to face**

It seems that the gradually increasing complexity of activities is one of the main challenges facing Szimbiozis. In recent years, their growth has been organic: this means one activity led to the other and one professional area strengthened another. The management of Szimbiozis has been deliberate in making the operational model structured, reasonable and sustainable. The foundation of the non-profit social enterprise, the profiling of activities and the efforts for professional operation and organizational development have been all important steps toward this direction.

Human resource issues are the most prevalent problem in all activity area of Szimbiozis. The whole organization, like all successful similar organizations who want to make a difference, is overburdened and there is a chance of being stressed out.

For some key positions in the social services, rehabilitation areas are hard to find capable workforce. Another challenge is the controlling support of the very diverse and complex activities. The foundation definitely should increase the professionalism of the back-office and human resource management.

### **3.CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED**

Until a couple of years ago, Szimbiozis has been mostly dependent on tenders and project financing. Gradually they have worked out an operational and enterprising model that is more and more sustainable.

At first, they get state support after the social services. Secondly they implement a lot of supported projects. Thirdly, they have engaged in a lot of own revenue generated entrepreneurial

activities (farming, tourism, handicraft products, etc). They have been also active in fundraising.

According the stabilization efforts, the social enterprising operational size should be increased a little in the forthcoming period in order to be able to provide a sustainable background for future provision of added social value.

In all of the implemented projects, they aimed at increasing the life quality of the target groups with trainings and employment activities.

A very important element has been the profiling: they separated the business type activities from the other services and these have been now conducted under the auspices of the non-profit enterprise (that was established by the foundation).

Total revenues of the foundation have been increased by 50% in the last five years, due to the social and employment developments. At the same time, enterprise revenues have been increased by 20% percent (now constitutes about 15-18% of yearly budget). Touristic revenues now amount up to 5% of the total, and the plan is to increase this up to 10% in the next two years.

One of the reasons of the exceptional results acquired by Szimbiozis has been the high level of networking. They successfully found the necessary partners in all of their diverse and complex areas of activities.

#### **4. Annex**

- **Sources (bibliography, data)**

EURES

BAZ county Government Office

KSH (Central Statistical Office)

Personal interviews

[www.szimbiozis.net](http://www.szimbiozis.net)

## **POLAND – Podkarpackie Voivodship**

### **EXECUTIVE SUMMARY**

The main objective of the report is to analyze the support services of social economy entities and networking initiatives in the Podkarpackie Voivodship. The report was prepared on the basis of a review of available documents such as: strategies, reports, publications, statements, scientific articles, diagnoses as well as internet sources devoted to social economy in the region. Examples of good practices illustrating the socio-economic situation of the region and local development were described on the basis of information obtained from direct interviews with experts.

Desk research analysis and direct conversations with people involved in activities for the Social Economy (included in the report as examples of good practices) showed that the Podkarpackie Voivodship belongs to economically less developed regions, but is one of the most dynamically developing regions in Poland in terms of development of the sector social economy. Taking into account the difference in the development of particular areas of the region, it has been divided into 4 subregions, which allows adapting departments targeted at the social economy to the specificity of the area.

Over the past several years, it has been possible to create infrastructure supporting the activities of social economy entities in the voivodship, as well as to enable the emergence of new ones. Within the social economy sector in the Podkarpackie region there are differences resulting from the nature of the activities of enterprises (co-operative, reintegrative, and civic). This affects the diversity of tools and the wide range of support for social enterprises that operates in the region. The social economy support system in the Podkarpackie region consists of: Social Economy Support Centers, Social Economy Clusters, Local Action Groups, as well as public administration, which have substantively prepared staff and well thought-out support services tailored to Entities of the Social Economy needs, including: support for setting up enterprises, financing, consulting, training, legal assistance, sharing rooms.

The importance of social economy was recognized by both state and regional authorities. Strengthening this sphere as one of the priorities of social policy, in which it becomes a significant instrument for counteracting professional and social exclusion. Issues of Social Economy have been included in the most important strategic documents of the Voivodship, both at regional and local level. For the time being, there are no laws in Poland that would regulate the activities of all social

enterprises regardless of their legal form, although work is underway on a law that would fulfill the status of entities to a number of benefits and allowances to entities pursuing social goals through business activities.

A special role in the region was attributed to "networking". This is an example of an innovative method of exchanging experience and good practices, the flow of staff and the joint provision of services. In the National Program for the Development of Social Economy adopted in 2014, networking has found its own special place, and the main implementation of activities in the field of networking has been made the Regional Center for Social Assistance. An important part of the social enterprise network are the topics of product promotion and marketing initiatives, such as the sponsorship [www.portalwybieraj.pl](http://www.portalwybieraj.pl), reports promoting successful Social Economy Entities in the Podkarpackie Voivodship in local TV (TVP Rzeszow - "Social Podkarpackie"), annual Social Economy Trade Fair or Podkarpackie Forum of Social Economy. One cannot overlook the important role of the Podkarpacki Committee for the Development of Social Economy composed of representatives of various circles associated with the social economy that has a significant impact on shaping the policy of the social economy in the region.

The results of the diagnosis showed that despite the significant development of activities for support services and networking of social enterprises, they are not free of weaknesses and still need improvement. This results in the lack of durability in the functioning of Social Enterprises, difficulties in obtaining funds for further investments or low level of participation in networking. There is a need to expand the catalog of services offered by Social Economy Support Centers operating in the Podkarpackie Voivodeship and adapt them to the constantly changing market conditions as well as to differences that occur inside the sector. Increasing the role of scientific centers in the development of the social economy sector. It is necessary to support cooperation between Social Economy Entities and Local Government Units and the business environment. One should also take measures to increase knowledge about the social economy in the region through social campaigns, media campaigns.

The present state of development of the social economy in Podkarpackie makes it possible to look into the future with hope, because some of the strategic goals and actions (included in the strategies and programs mentioned in the analysis) are being implemented right now. Also the achievements of recent years raise optimism about the prospects of creating a modern, consistent system of solutions on which the social economy sector in the Podkarpackie region will be based in the future.



## 1. SOCIO-ECONOMIC AND INSTITUTIONAL CONTEXT

"Regional Action Plan for the Development of Social Economy in the Podkarpace Region 2012-2020" (RPDRES) is the first such document operating in the Podkarpackie Region. It was established in February 2016 by the resolution of the Podkarpackie Voivodship Board, the Podkarpackie Committee for the Development of Social Economy RPDRES transformed in 2016 into the "Podkarpackie Development Program for Social Economy".

"Development Strategy for the Podkarpackie Voivodship 2020". Social economy penetrates all strategic areas as well as objectives and priorities. Especially it is contained in the second aim of the project, what is: "Development of human and social capital as factors of regional innovation and improvement of the standard of population living", with particular emphasis on thematic priorities such as 2.1. Education, 2.3. Civil Society, 2.4. Social inclusion, 2.5. Public health.

"Regional Innovation Strategy for the Podkarpackie Region 2014-2020, for smart specialization (RIS3)". The vision and mission of this project is consistent with the field of social economy. Social economy is particularly focused on the priority "Smart, and Sustainable Development" and the II Strategic Objective of Intelligent Specialization Quality of Life: "Development of the Podkarpackie Region as the region with the highest quality of life. Energetic safety. Security and food sovereignty".

The issues of social economy also are included in the programs adopted for implementation at the self-government level in the Podkarpackie Voivodship, such as "Provincial Social Welfare Program 2016-2023". This program contains a strategic objective, what was defined as increasing of the effectiveness of the aid and integration system in the voivodship and additional operational objectives: 1 – limiting of the phenomenon of social exclusion in the voivodship, 2 - supporting of families in the implementation of care and education; 3 - increasing and developing of the offer of social assistance for seniors; 4 - the development of social assistance infrastructure; 5 – improving of the professional competence of social workers and social welfare workers 18. Within the framework of individual operational objectives detailed actions are planned and that might be the starting point for raising funds by social economy entities and social enterprises from our voivodship.

These documents are also consistent with the objectives and actions of other voivodeship programs:

- The Provincial Program for Drug Prevention 2012-2016,
- The Provincial Program for Prevention and Alcohol Problem Solving 2014-2020,



- Provincial Program for the Equalization of Opportunities for People with Disabilities 2008 - 2020,
- the Provincial Family Support Program and the Replacement Cattle Program 2014-2020.
- Provincial Violence Prevention Program 2014-2020

The Podkarpackie Voivodship covers an area of 17 846 km<sup>2</sup>, which represents 5.7% of the whole Poland area. The area consists of 21 lands districts and 4 towns. In total there are 160 municipalities: 16 urban, 35 urban-rural and 109 rural. 51 municipalities have the civic rights. The capital of the voivodship and the main administrative and economic center is Rzeszow. The Podkarpackie Voivodship is located in south-eastern Poland. It borders with Slovakia at the stretch of 134 km long and with Ukraine at the stretch with 239 km long.

According to statistics, prepared in 2016, the province was inhabited by 2,126,824 people, 1,085,395 women and 1,041,429 men in this sum, representing about 5.5% of the whole country population. There were about 41,8% of the inhabitants in the cities.

Podkarpackie Voivodship is characterized by an average level of economic development, with a small impact on the gross domestic product in the whole country. According to the Central Statistical Office, the value of GDP for the Podkarpackie Voivodship in 2015 amounted to 70 307 million PLN. This is the 10th place among all voivodships in the country (the total number of voivodships in Poland is 16), and in percentage terms Podkarpacie's GDP is 3.9% of the GDP in the whole country. Taking into account the GDP per capita of Podkarpacie with a value of 33 050 PLN at the end of 2015 it is the penultimate, it is the 15th among all voivodships in the country. Podkarpackie GDP per capita is 70.7% of the national average.

At the end of December 2016 registered unemployment rate for the Podkarpackie voivodship was 11.5% and was higher than the unemployment rate for Poland (8.2%) by 3.3 pp. what places Podkarpackie Voivodship at the 14th place among all voivodships in the country<sup>46</sup>.

The largest part in the gross value added (WDB) of the voivodship is recorded in the following terms: broadly trade (29.46%), followed by industry (27.02%) and services (25.8%). Also the construction industry (8.28%) is significant, what is traditionally recognized in the Podkarpacie Region as one of the most important sectors of the economy. A bit more than 7% of the WDB generates financial and insurance business. Agriculture, forestry, hunting and fishing occupy the last place among the sections constituting the WDB of the Podkarpackie Voivodship. Still, this is a sector of the economy significant due to the large area of farmlands.

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<sup>46</sup> Local Data Bank [www.stat.gov.pl](http://www.stat.gov.pl)

Podkarpacie is characterized by a diversified branch structure of Polish industry (industry: aerospace, electromechanical, chemical and food industries, producing almost 70% of industrial output in the voivodship), innovative industry: and the share of private financing of R & D works (0.25% of GDP, is placed on the 3rd place in the country), a strong concentration of research in a branch of technical sciences. (5)

The aviation industry ("Aviation Valley", "Avia-SPLot" and "Light and Ultralight Aviation") takes a particular role in the structure of the industry and the high technology industry, together with IT services. Information technology in the region is also connected to the presence of Asseco Poland, the largest IT company in Poland. This trend is driven by the aviation industry's tradition in the region, a strong academic center providing technical staff and a high level of dynamics in the IT industry. The IT industry becomes more and more powerful and will be a very important factor for the development of the region. Apart from short-term economic turmoil, it is possible to assume that the development of an aviation industry is rather unprotected trend and that the dynamics of demands for aviation products can be expected to increase.

Among the assets of the region there are also the industrial and technological parks and the Special Economic Zones. Aeropolis Science and Technology Park (PPNT) is the first Polish industrial park. Its foundation in 2003 was dictated by the desire to uphold the traditions of the aviation industry in the region, the use of well-educated personnel in this direction, and to catch the attraction of innovative external investors.

Special Economic Zones: the oldest one in Poland (SEZ Euro-Park Mielec) and SSE Euro-Park Wisłosan in Tarnobrzeg , what are located in different places in the voivodship. They create favorable conditions for doing business for European and international companies and that makes the Podkarpackie Voivodship an attractive placefor investors. (5)

The main resource of the region are human resources. Podkarpacie is characterized as relatively young community, a high natural growth rate (although it has been systematically decreasing in recent years) and a favorable amount of people at the productive age in the population structure.

The province is also characterized with a higher proportion of educated population at all levels of education (26%, compared to 23% in Poland). Higher education is run by 18 independent colleges. It is concentrated in Rzeszow, where 75% of the youths from voivodship are studying. The academic potential of the voivodship is primarily formed by four universities: the Rzeszów University of Technology, the Rzeszów University, the University of Law and Administration and the College of Informatics and Management. The province is also characterized with higher than

average national popularity index of technical majors, which are highly appreciated by air specialists (eg unique offer of training civil pilots). (5)

The diversity of cultural heritage has created a cultural value that is incomparable with other regions of Poland, existing on the basis of attractive tourist environment. The Polish Carpathian mountains are undoubtedly regarded as the pearl of the Podkarpackie Region: the Bieszczady mountains and the Beskid Niski. Large landscape values are attributed to the foothills: Strzyżowski, Dynowsk and Przemyśl. The northern part of the voivodship, ie Kotlina Sandomierska and adjacent to it from the east Roztocze, that are rich with cultural monuments.

The natural and cultural potential shapes the possibilities of tourism and recreation development, and the nature of natural conditions determines to a large extent of the development of the agro-forestry sector. According to the synthetic indicator of natural and cultural potential, Podkarpackie voivodship occupies 2nd place in the country. This the high percentage of protected areas (including two national parks - Bieszczady and Magura) and high forest cover, as well as socio-cultural activity of the inhabitants. The highest natural and cultural potential is the mountainous areas and the north-eastern part of the region. Natural and landscape values, richness of flora and fauna, cultural monuments and a relatively clean environment, as well as the presence of mineral water sources, enable the development of spa treatment in the form of health resorts. It can be stated that the natural-cultural potential of the Podkarpackie Voivodeship is the largest intangible resource in the region. (3 and 5)

The labor market in Podkarpackie is largely affected by migration of people to the cities placed outside the region. The liquidation of enterprises and the lack of job offers have caused a sense of economic and existential vulnerability, and the Podkarpackie job market has ceased to be attractive especially for the most mobile people. The young and well-educated people of the region began to emigrate with the opening up of labor markets for workers from the new Member States. Labor migration to the UK, Ireland and other countries still takes place, although the changing political and economic situation has a significant impact on the dynamics of this phenomenon. (2)

The high unemployment rate (9.7%), which is one of the highest in the country, is a bad thing. There are also average wages. High unemployment and low wages of inhabitants translate into a number of unfavorable phenomena, to increase the risk of poverty risk. The Podkarpackie Region has been characterized by one of the highest rates of relative poverty in Poland, and this trend has been increasing for several years. On the other hand, the most serious consequences of Podkarpackie unemployment are the long duration of unemployment, what has serious negative psychosocial effects. The high level of long-term unemployment affects especially the weakest categories in the

labor market - people with low education and lack of professional experience, people with disabilities and those over the age of fifty are the main problem areas of the Podkarpackie labor market. Equally serious consequences are relatively new: young people with the age under 24 (15.1% of all unemployed) and with the age of age 25- 34 years (30.6% of all unemployed) and unemployed people with higher education (15% of all unemployed )

## **2. SOCIAL ENTERPRISE SUPPORT SERVICES**

By 2014, the process of supporting of the social economy was twofold:

- (a) by attempting to build support networks conducive to the development of the social economy both at a national and a regional level
- (b) by focusing on creating some new social economy entities.

In the years 2007-2013, the Human Resources Operational Program, co-financed by the European Social Fund, from the central level by the Center for Human Resources Development (CRZL- that is a budgetary unit subject to the Minister of Labor and Social Policy) a system project. "Integrated Social Economy Support System (ZSWESP)" was implemented.

The project included the implementation of key tasks:

1. Diagnosis - analysis of the social economy in Poland - among others. Development and implementation of monitoring tools for ES support infrastructure, such as the Centers for Support of Social Economy (OWES) and the Centers for Support of Social Co-operatives (OWSS)
2. Support - creation of an effective support infrastructure for social economy entities - Creation and operation of Centers of Social Economy (CES), what is supported the OWES and OWSS.
3. Education • Development and implementation of education and training programs in the social economy.
4. ES Brand• Creating a positive brand image of social economy
5. Promotion • Dissemination of knowledge about social economy
6. Standards • Standardization of the creation and functioning of social economy entities
7. Comprehensive system of preparation of human resources for GES consultancy in the perspective of a pilot program of social enterprises financing.

At the central level, a pilot loan program for social enterprises was also implemented by the Ministry of Regional Development<sup>5</sup>, together with the Bank Gospodarstwa Krajowego. "Financial engineering support for the social economy".

At the regional level within the framework of the OP HC 2007-2013 measures for the development of the social economy were included in Priority VII Promotion of social inclusion, Sub-measure 7.2.2, under which was provided a support for:

- a) Support for the establishment and / or functioning (including strengthening of capacity) of social economy supporting institutions that provide complementary and inclusive support within the project. access to legal, accounting and marketing services, consultancy (including advice to social economy entities on obtaining external funding, eg loans), training to gain the knowledge and skills needed to set up and / or conduct activities within the SE sector .
- b) Support for the establishment of a social co-operative, accession or employment in social cooperatives with the use of such instruments as training support and counseling for people wishing to set up a social co-operative (including vocational training needed for cooperative work), financial support for setting up, joining or hiring cooperatives and bridging (financial and advisory) support for established entities

Social economy activities were also included in systematic projects of regional social policy centers (Sub-Action 7.1.3 of the HC OP), where the need for coordination of regional actions was recognized, resulting in the development of the Regional Action Plan for Social Economy Development for years 2012-2020. On the basis of the activities specified in this document, the Regional Policy Center in Rzeszow conducted various types of projects for the promotion of the social economy in the voivodship. a series of meetings in the field of popularizing the idea of social economy and building partnerships for this idea, a campaign of ES promoting among the whole population of Podkarpacie, conferences and meetings with good SE practices.

It was noted that a new look at the social economy regulations in Poland and the verification of the PES support structure was necessary.

New opportunities for social economy in the new financial perspective have emerged, as stated in the documents for the implementation of European funds in Poland 2014-2020. According to these assumptions, the promotion of social economy and social enterprises will take place within the investment priority assigned to the 9th thematic objective "Promoting social inclusion, combating poverty and all discrimination". This support will take place both at national and regional level. The National Program for the Development of Social Economy is the starting point for realizing these

assumptions and an important instrument to regulate activities in the area of social economy in Poland.

The National Social Economy Development Program has been developed by the Strategic Group acting within the Team for Systemic Solutions in the Field of Social Economy, chaired by the Minister of Labor and Social Policy.

The new financial perspective supports the social economy primarily in a more direct way with regard to both newly established social enterprises, start-ups, but also the development and professionalism of those already existing. It is also planned to increase the access of social enterprises to non-repayable capital but also repayable in the form of preferential loans and sureties. The professionalization of social enterprises is also to be expressed in the so-called. "Support network" - "cross-linking", resembling the Center for Social Economy Support.

Actions for social economy entities will primarily be based on:

- increasing access to training services,
- increasing access to advisory services,
- coaching,
- utilizing other necessary tools to build the potential of the social economy sector.

Summing up the issue of financing the social economy, the following programs should also be mentioned:

- Multiannual Government Program Civic Initiatives Fund 2014-2020, financed by the state budget;
- Knowledge, Education, Development 2014-2020, financed by the European Social Fund;
- Rural Development Program, financed by the European Rural Development Fund
- Regional Operational Programs financed by the European Social Fund and the European Regional Development Fund;
- MPiPS Resort Program "Social Economy", financed by the state budget
- Labor Fund,
- State Fund for the Rehabilitation of the Disabled.

The financing of the social economy is still included in the resources of local government units of voivodships, counties and poviats as well as private funds from the civil and banking sectors.

## **1. Support services for establishment of enterprises**

### **a) Incubators<sup>47</sup>**

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<sup>47</sup> RARR.S.A. <http://www.wsparcie.es/oferta/inkubacja/>; Carpathian Voivodeship <http://projekt-nawigator.pl/>, Podlaskie Voivodeship, Poland. [www.pakd.pl/owes/podkarpacki-osrodek-support-economy-sp](http://www.pakd.pl/owes/podkarpacki-osrodek-support-economy-sp)



Support for the provision of premises, buildings, equipment purchased from the ESF, rental of premises on terms more favorable than those in force in the open market, advisory assistance at the stage of establishing and running of social enterprises.

Support includes:

- PES and PS establishing,
- NGOs establishing or introducing into existing NGOs a paid public benefit or business activity,
- strengthening of the NGO's potential and enhancing their competitiveness,
- transforming PES into PS,
- the creation, functioning and development of services for reintegration,
- obtaining external funding for PES and PS
- conducting statutory activities of PES.

**b) Business Coaching<sup>48</sup>**

Business consultancy is focused on supporting of the identification of current needs and coordination of current support processes - instruments supporting PS at the request of enterprises.

This service includes:

- monitoring of the PS situation and supporting of its development,
- conducting active co-operation with public institutions in order to support PS's activities (among others, obtaining premises, obtaining legal interpretations, mediation between PS and institutions, etc.)
- Identify the needs and problems of the client's business and, based on that, prepare the business advisory process and conduct an assessment of the process,
- Recognizing PS's business needs and potential and preparing PS consultancy and conducting an assessment of this process,
- support PS in the process of acquiring repayable and non-repayable financing,
- advising in the strategic planning process, developing a development plan and / or concept of increasing PS sales volume,
- PS support in the process of building cooperative relationships, negotiating with customers, partners, suppliers, staff and / or stakeholders.

**c) Legal aid**

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<sup>48</sup> RARR.S.A. <http://www.wsparcie.es/oferta/inkubacja/>; Carpathian Voivodeship <http://projekt-nawigator.pl/>, Podlaskie Voivodeship, Poland. [www.pakd.pl/owes/podkarpacki-osrodek-support-economy-sp](http://www.pakd.pl/owes/podkarpacki-osrodek-support-economy-sp)



The Rzeszow Center for Social Economy Support (ROWES) <sup>49</sup> offers free legal assistance in the following areas:

- legal issues related to the creation and running of social enterprises and social economy entities,
- labor law,
- lustration, audit,
- others according to the needs.

Industry consultancy covers aspects related to the subject matter of a planned economic activity or statutory activity carried out by a social enterprise or economic entities. The specialist services of marketing, accounting, tax, legal, personal and industry might be used:

- initiative groups wishing to set up social enterprises,
- social economy entities, provided they are transformed into a social enterprise,
- social enterprises.

RARR provides facilities, buildings and specialists.

**d) Support to social economy entities and individuals interested in conducting business in the SE fields.**

The activities of the Social Economy Center are addressed to social economy entities and individuals interested in launching a social economy project. In addition, it provides substantive support for new development and supports already existing social economy actors, both social enterprises (social co-operatives and non-governmental economic organizations) and social economy entities (non-governmental non-governmental organizations).

The Social Economy Center offers:

- Training and counseling in the field of social economy, ie social cooperatives, CIS, KIS with regard to legal and organizational aspects,
- Advising on the ability to raise funds to start a business;
- Financial and accounting services of social economy entities;
- Legal services for entities operating in the social economy sector;
- Services supporting the development of local partnerships, based on cooperation between local government and non-governmental organizations, for the social economy
- Promotion of social economy and employment in its sector

**e) Fair of Social Economy**

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<sup>49</sup> <http://www.wsparcie.es/oferta/doradztwo-specjalistyczne/>

The Regional Center for Social Policy in Rzeszow in the framework of the project "Coordination of the social economy sector in the Podkarpackie Province" co-financed by the European Social Fund (Priority Axis VIII Social Integration, Measure 8.6.- years 2014-2020) is the organizer of the Fair of Social Economy. Societies, Centers for Social Integration, Occupational Therapy Workshops, Vocational Training Centers, Foundations and Associations from the Podkarpackie Voivodship are present at the fair. The May Fair to show that the production and products of social economy entities are of high quality and that the use of their offer contributes to the inclusion of disabled, excluded, previously long-term unemployed people in society.

## **2. Support services for young entrepreneurs and women**

RARR S.A realizes an internship project "Time for a career" within the framework of action 7.1 of the RPO WP. The project is specifically aimed at unemployed women who are over 65 years old and who intend to return to the labor market. During the recruitment, especially women who are in a difficult situation on the labor market, such as the long-term unemployed, the disabled, over 50 years of age, living in rural areas and low-skilled persons, are particularly considered.

Under the project participants are covered by comprehensive support to improve their professional qualifications and employment.

- career guidance and development of an Individual Action Plan (IPD);
- soft and professional training as required by certification;
- Job placement and career counseling;
- Reimbursement of travel costs for counseling, training and placement;
- 7-month internships at workstations consistent with completed vocational training - 1750 PLN / month;
- Career Coach support throughout the duration of the project

### **a) Business Plan competition**

The support is offered by: RARR <http://www.wsparcie.es/oferta/inkubacja/>, Caritas Przemyśl, <http://projekt-nawigator.pl/>, Podkarpacka Consultancy and Consulting Agency from Jasło <http://www.pakd.pl/owes/podkarpacki-osrodek-wsparcia-ekonomii-sp>.

The purpose of the grant is to provide support to cover the costs of creating new jobs for social enterprises. The grant is intended to finance the expenses necessary to start or operate a social enterprise:

- fixed assets (used and not used);
- equipment,
- adaptation or adaptation (renovation and finishing works);

- current assets,
- copyrights,
- intangible assets,
- means of transport.

The amount of subsidy for a single social enterprise is: up to thirty times of the salary average, while creating a business is about 3,500 EUR.

#### **b) Access to credit**

RARR provides Loaning Fund <http://www.rarr.rzeszow.pl/uslugi/fundusz-stawczkowy-msp>

The resources are allocated to support of the development of business activity of small and medium-sized enterprises (SMEs) from the Podkarpackie voivodship, including PS.

The Fund's resources are intended to support investment projects for SMEs, such as: purchase, construction, extension or upgrading of facilities of a production / service or commercial nature; equipment, tools, apparatus, means of transport directly related to the purpose of the funded project; purchase of intangible assets;

Funds may be used for working capital (provided that they finance development expenditures)

The loans bear interest at the reference rate, which is determined by the European Commission. The basis for this calculation is the base rate, which is currently at 1.83%, increased by an appropriate margin depending on the borrower's creditworthiness and the manner in which the loan is secured. This methodology means that, in principle, interest on loans with good creditworthiness and good collateral is 1.83% + 1p.p. ie 2.83%. In the case of companies with low or bad credit, eg newly created interest rates may be higher.

The maximum value of the loan is 500,000.00 PLN and the period to what the loan can be extended is up to 60 months.

Institute of Social Economics <http://ies-rzeszow.pl/dzialania/pozyczki/>

The "First Business - Start-up Support II" program is aimed at:

- graduates of a school or college - unemployed or not engaged in other gainful employment - up to 48 months from the date of graduation or professional title,
- unemployed - unemployed and non-employed - registered in the labor office,
- students of the last year of study - unemployed and non-employed,
- the program covers the following voivodships: Łódzkie, małopolskie, opolskie, podkarpackie, śląskie and świętokrzyskie (the place of business).

The loan for starting of business activities - cannot exceed 20 times of the salary average, valid on the date of the application for a loan and on the day of the contract signing; while the loan for

setting up a workplace - can not exceed 6 times the average salary, valid on the day of applying for a loan and on the day of signing the contract

**c) Youth Support Programs:**

The project "KOMPAS - Comprehensive Project for Support and Social Adaptation of NEET in Podkarpacie Region"<sup>50</sup> is run by RARR. It addressed 48 people belonging to the NEET group aged 18-35, threatened with social exclusion from the Podkarpackie Voivodship, through a transnational mobility program addressed to the tourism and IT industry. The project was implemented from 01.02.2016 to 31.05.2017, divided into 2 editions.

Kinds of support provided by the KOMPAS Project:

1) preparing participants for mobility, including:

- a) preparation of Individual Action Plans (IPDs) - 2 meetings for each UP,
- b) group activation, advisory and integration meetings - 20h / 1UP,
- c) English classes - 90h / 1UP,
- d) Italian classes - 30h / 1UP,
- e) cultural preparation - 20h / 1UP,
- f) psychological preparation (individual meetings with mentors) - 4h / 1UP,
- g) courses as required complementary knowledge, skills and qualifications UP for IT and Tourism - 1 course for each UP,

2) Staying of project participants abroad:

A 60-day stay abroad with a placement in a company placed in Bologna (or in its immediate vicinity) in Italy operating in the IT and travel industry. All expenses related to the stay abroad and internship are provided within the framework of the project.

3) Support of project participants after home returning:

- a) individual advising and activating meetings - summing up - 10h / 1UP,
- b) activation training - 24h / 1UP,
- c) individual psychological support - 4h / 1UP,
- d) English course - 48h / 1UP,
- e) 3-year professional placements in IT or tourism companies for each UP. Project participants do not bear the costs of participating in the project.

Additional support within the project: Mentor support, and reimbursement of travel costs and teaching materials.

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<sup>50</sup> <http://www.rarr.rzeszow.pl/projekty/compas>

**d) Legal aid**

- Attorneys, lawyers and NGOs offer free help.
- Individual legal points provide services at specific times, on working days. Below is a detailed timetable for the consultation.
- Lawyers provide services in the following places:
- Youth Cultural Center, Osmeckiego St., legal adviser, Monday - Friday in the hour. 9am - 1pm,
- Junior High School No. 10, Partyzantów St., advocate, Monday - Friday, godz. 7,30 - 11.30
- Rzeszow House of Culture, "Zwięczyca" branch Beskidzka st., legal adviser, Monday, Tuesday, 9:00 am - 1:00 pm, every Wednesday, the day of the month is marked with an even number, hours. 9am - 1pm, attorney, Thursday and Friday in 9:00 am - 1:00 pm, every Wednesday, the day of the month is marked with an odd number, 9am - 1pm

Points of unpaid legal aid run by non-governmental organizations:

- Rzeszow Seniors Council Rynek 7, Foundation of Legal Advice Center Prawnikon Warszawska 5/7 st., lawyers, from Monday to Friday from 8.00 to 12.00 and from 14.00 to 18.00,
- Junior High School No. 10 Partyzantów 10a St. , Association for Women "VICTORIA", lawyer - Monday and Thursday, 11.30-15.30, tax adviser - Tuesday, 11.30 - 15.30, legal adviser - Wednesday and Friday 11.30 - 15.30

Rzeszow House of Culture, View Foundation, Foundation for Development and Support "Pasięka", legal adviser - Monday Thursday and Friday - 9.00 - 13.00, Master of Laws with experience in legal aid - Wednesday, 9am - 1pm.

The district office in Rzeszow organized a legal aid point. Advice, from 7.30 to 11.30, are provided by legal advisers or lawyers, while from 11.30 to 15.30 non-governmental organizations.

Pursuant to the provisions of the Act, legal assistance provided in points may be used:

- youth up to age 26,
- persons holding a valid Family Card,
- seniors after the age of 65,
- natural persons who, during the previous year, were granted social assistance under the Social Welfare Act,
- combatants,
- veterans,

- threatened or harmed by natural disasters, natural disasters or technical failures
- pregnant women.

In order to benefit from free legal assistance, one of the above conditions is sufficient. A person wishing to receive free legal assistance should have an identity document.

### **3. Training and skills development**

#### **a) Exchange of experience with other EU countries**

SOCIAL SEEDS<sup>51</sup> project co-financed and supported by by the European Regional Development Fund under the INTERREG EUROPE program

#### **b) Training services of the Labor Office**

District Labor Offices eg PUP Rzeszów<sup>52</sup>

Training to obtain, supplement or improve the professional or general skills and qualifications needed to perform work, including job search skills.

The training takes place in the form of a course, carried out in accordance with a teaching plan covering an average of not less than 25 hours per week, unless separate provisions provide for a lower level of training. Training can last up to 6 months and in situations justified by the training program in a given profession for no longer than 12 months.

#### **c) Clusters**

##### **Podkarpacki Cluster of Social Economy Cluster of Locomotive<sup>53</sup>**

The cluster is an open platform for cooperation to strengthen the potential of social economy entities operating in the Podkarpackie Voivodship, with particular emphasis on the cooperation and cooperation of social economy entities with business, science and public administration.

The aim of the undertaking actions is to: promote and support social entrepreneurship as an effective tool for activating, implementing innovative solutions in the social economy sector, developing and strengthening cooperation between local actors, creating a positive image of the social economy sector; social entrepreneurship and competitiveness on the market, increasing the importance of social economy entities for the region's economy.

The initiator of the undertaking is the Institute of Social Economy in Rzeszów - a foundation involved in the support of Podkarpackie social economy entities. The cluster consists of fourteen entities representing all three sectors of socio-economic activities. It is composed of representatives

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<sup>51</sup> <http://www.rarr.rzeszow.pl/projekty/social-seeds>; <https://www.interregeurope.eu/socialseeds/>

<sup>52</sup> <http://www.pup.rzeszow.pl/index.php?id=b4>; <http://www.pup.rzeszow.pl/index.php?id=b11>

<sup>53</sup> <http://www.ekonomiaspoleczna.pl/wiadomosc/1282381.html>



of science, public administration units and entrepreneurs - including social service cooperatives as well as non-governmental organizations.

#### **d) Higher education programs devoted to social enterprises<sup>54</sup>**

The Higher State School of Eastern European Studies in Przemysl offers postgraduate studies in the field of: "Management of social economy entities"

Type of studies: Postgraduate studies for people with higher education (master's, bachelor's degree, engineering). The aim of the studies is to prepare highly qualified managerial staff of social economy entities, who possess a broad knowledge of the legal environment, effective financial management of PES, personnel management, cooperation with the institutional and social environment and prepared for the practical management of the PES marketing strategies and the use of any financial instruments available to PES.

#### **4. Innovation**

ROPS runs a sales portal<sup>55</sup> of social economy entities where you can make purchases directly from social economy entities from the Podkarpackie Voivodship. The aim of the portal is to promote and sell products and services produced by social economy entities from our region such as occupational therapy workshops, social integration centers, professional activity centers and social cooperatives.

#### **5. Internationalization**

Internationalization of SMEs, Operational Program Eastern Poland - Action 1.2 Internationalization of SMEs has been divided into two phases. In the first stage, the company receives a grant from an external consulting firm to develop a new business model for internationalization, that is, a strategy for entry into selected foreign markets, and the second stage the company receives funding for the implementation of the strategy. Applications may be submitted by entities meeting the criteria of micro, small or medium entrepreneurs conducting business activity in the territory of the macroregion of Eastern Poland. The maximum allowable level of the project is 50 000 PLN

#### **Legal support, Marketing services,**

COI <http://www.coi.rzeszow.pl/>

Marshal's Office of Podkarpackie Voivodship, <https://www.trade.gov.pl/en/>

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<sup>54</sup> <http://www.pwsw.pl/zarzadzanie-podmiotami-ekonomii-spolecznej-sp>

<sup>55</sup> [www.wspierajwybieraj.pl](http://www.wspierajwybieraj.pl)



Consultancy and support in entering the foreign markets:

<http://www.funduszeuropejskie.gov.pl/nabory/12-internationalization-msp/>

## 6. Other support

Territorial self-government units / public administration institutions - application of social clauses. Social clauses are an exception in the general procurement rules, that allow the contracting authority to take account of important social criteria when ordering. The contracting authority may reserve the contract only for contractors employing people with disabilities or make the execution of the subject of the contract subject to fulfillment by the contractor of additional conditions fulfilling social objectives. The Polish Public Procurement Law (since 2009) provides for two social clauses: the possibility to close public procurement proceedings only to entities employing more than 50% of persons with disabilities (Article 22, paragraph 2 of the UPZP) and the possibility of making the execution of the order subject to employment socially excluded.

## SWOT ANALYSIS OF SE SUPPORT SERVICES

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Interest for the social economy</li> <li>• - EU funds for SE development</li> <li>• - Financial support for job creation in PES (non-returnable bridging, investing support)</li> <li>• - many call for proposals on the SE sector</li> <li>• - mutual support of social enterprises</li> <li>• - very good OWES activity (adaptation of support services to the needs of the organization, professionalism of the employees, high technical value of services)</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulties to obtain financing for investments, eg renovation of premises</li> <li>• - lack of support / funds for current activities eg demand for office supplies, postage, rent, heating, media</li> <li>• - No free accounting support</li> <li>• - lack of working capital (banks);</li> <li>• - no guarantee funds;</li> <li>• - no PES common support fund ;</li> <li>• - low viability of social co-operatives may be due to lack of financial support after project termination</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• economic crisis (social economy actors and related initiatives as one of the tools to fight the crisis);</li> </ul>	<ul style="list-style-type: none"> <li>• Economic crisis (the "fashion" for the social economy is determined by the state of the economy and financial</li> </ul>

<ul style="list-style-type: none"> <li>• - Social Economics (opportunity) for social reintegration (help for people in the area of social exclusion).</li> <li>• - EU programs implemented (support programs for social economy entities);</li> <li>• - Networking (CIS / KIS / ZT / WTZ / SP network design - mutual support)</li> <li>• - permanent co-operation (eg by mutual contracting of services);</li> <li>• - building clusters</li> <li>• - mutual assistance in promotion;</li> </ul>	<p>support from the EU funds);</p> <ul style="list-style-type: none"> <li>• - unfavorable environment (insufficient knowledge, low awareness in the context of the functioning of SE entities and lack of orders/contracting for SE entities);</li> <li>• - (unfavorable, insufficient) legal regulations;</li> <li>• - demanding attitude of SE entities</li> <li>• - little knowledge of SE subjects from officials;</li> <li>• - poor co-operation between SE entities</li> <li>• - distrust / competition.</li> <li>• - Unstable future of social economy entities in view of the end of the financial perspective in 2020.</li> </ul>
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### 3. SOCIAL ENTERPRISE NETWORKING INITIATIVES

#### Representation of regional social enterprises

Activities of the Podkarpackie Committee<sup>56</sup> for Development of Social Economy are aimed at supporting policy coordination in the social economy in the region, including:

- cooperation with other organizations forming the institutional cooperation networks from the area of social economy, integration and social assistance, entrepreneurship at regional and national level,
- cooperation on the flow of information on activities undertaken by and for the benefit of social economy entities

<sup>56</sup> <http://www.rops.rzeszow.pl/rops-2/home/169-aktualnosci/1150-podkarpacki-komit-et-rozwoju-ekonomii-spoecznej-powolany>

- monitoring the implementation of regional strategies, including the social economy, identification of barriers to the development of social economy in the region and formulation of recommendations for their liquidation or limitation
- lobbying for favorable legal solutions for the social economy sector, developing new innovative solutions for the development of the social economy in the region

The Committee is composed of 25 members representing local government units, clusters, centers of social economy support, social enterprises and the world of science and media. The members of the Committee shall perform their functions in a socially responsible manner. There is no remuneration for the Committee. The activities of the Committee are financed by EU funds.

The Podkarpackie network of social economy entities was created thanks to the project called "Coordination of the social economy sector in the Podkarpackie voivodship" within the framework of activity 8.6 of the Regional Operational Program of Podkarpackie Voivodship 2014-2020. The project is co-financed by EU funds.

The goal of the project is:

- creation of regional networks of social economy support centers operating in the region, in particular through the organization of regional networking meetings for the OWES, enabling exchanges of information between centers on the activities undertaken, progress and problems in implementing support, applied solutions and working methods. In addition, collecting information on the activities of the OWES and their work at the level of the whole region
- creation of regional networks of social economy entities (eg clusters) and integration of social economy entities into regional organizations of industry (networks, clusters)
- Creation of regional networks of cooperative societies of reintegration (CIS, KIS, ZAZ, WTZ) to facilitate mutual learning and exchange of information and support of these entities in achieving service standards

Under the aforementioned project operates:

- Podkarpackie network of social economy entities
- Podkarpackie network of cooperative social economy entities of reintegration character for WTZ
- Podkarpackie network of cooperatives of social economy of reintegration character for ZAZ

### **Network activities**

a) International projects on innovation in products and services

A sales support-select website was created by the Regional Center for Social Policy in Rzeszów as part of the non-competition project called " "Coordination of the social economy sector in the Podkarpackie Province" co-financed by the European Union within the framework of the Regional Operational Program of Podkarpackie Voivodship for years 2014-2020.

The aim of the portal is to promote and sell products and services produced by social economy entities from the region such as occupational therapy workshops, social integration centers, professional activity centers and social cooperatives.

Thanks to the sales portal, the potential customers can buy directly from the social economy entities from the Podkarpackie voivodship<sup>57</sup>.

In addition, PES products and services have been launched, enabling potential customers to see what services PES products offer in the Podkarpackie region. The created portal redirects customers to the respective websites<sup>58</sup> of the company where the offer is located and the service price list.

b) Clusters

*Cluster of Social Economy "LOKOMOTYWA"*

The main objectives of the initiative are to promote and support social entrepreneurship, implement innovative solutions in the social economy sector and create a positive image of the social economy sector in the region. The aim of the cluster is a common activity and creation of networking of SE entities. Cluster members can exchange experiences, support themselves in the professionalisation of their services, help themselves in gaining funding for their activities. The initiative will also contribute to the building of lasting and effective relationships between local government, organizational units, business environment institutions, NGOs and social economy entities.

To the Cluster of Social Economy - Locomotive includes: Rzeszów University, local self-government units, Strzyżów Commune, entrepreneurs - including social cooperatives, non-governmental organizations; a total of 14 entities.

*Podkarpacki Cluster "Running from San to Development " (Within the course of the San river to Development)*

The Regional Cluster of Social Economics and Innovation, "Running from San to Development" is a voluntary and open association of public sector actors, entrepreneurs and non-governmental

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<sup>57</sup> <http://www.wspierajwybieraj.pl/>

<sup>58</sup> <http://es.rops.rzeszow.pl/baza-produktow-i-uslug-ps/>

organizations. The three-sector character of the Cluster is its role as a network animator in the area of interrelated economic and social activities serving both problem solving and local and supra-local development.

The Regional Cluster of Social Economy and Innovation aims to achieve the goal of the main agreement through the joint implementation of such projects as:

1. Education of self-government workers in building multisectoral partnerships
2. Education of children and youths in the field of social entrepreneurship. Promoting the career paths from volunteering to self-organization or social co-operatives
3. Creation of tourism products and services in the territory of the partnership
4. Research on the scale and potential of the social economy sector in the area covered by the partnership using the potential of organizations, local authorities and universities
5. Promote social economy as an effective tool for solving social problems
6. Promote non-governmental organizations, local leaders in the area of partnership - their achievements and development potential
7. Utilizing the potential of non-governmental organizations, social cooperatives, and various trilateral partnerships to create infrastructure in the area of social assistance and inclusion
8. Launching a permanent team to prepare projects to raise funds for the implementation of development initiatives, using the potential and experience of the Center for Social Economy Support (OES), universities and other organizations
9. The cluster consists of 44 members: offices, colleges, social enterprises, associations and other institutions

### **Experiences exchange**

- a) Forum for experience and practices exchange

ROPS is the organizer of the Podkarpackie Social Economy Forum<sup>59</sup>. The Podkarpackie Social Economy Forum is a two-day meeting with experts, discussion panels, workshops and a presentation of good practices.

On the 9 and 10 November 2017, the Forum worked with self-government and social economy entities, public procurement through the use of social clauses, outsourcing of services of general interest, and jointly working out new ideas for cooperation between these two sectors.

In 2016, the Second Eastern European School - Institute of Social Sciences organized the Second Industrial Social Entrepreneurship Forum.

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<sup>59</sup> <http://rops.rzeszow.pl/96-ukryta/1387-podkarpackie-forum-ekonomii-spoecznej>

The Forum<sup>60</sup> was an opportunity to promote and disseminate the latest knowledge on the social economy as well as to show the success of the social enterprises operating in the region. The Forum was addressed to local governments, NGOs and entrepreneurs, aiming at presenting the possibilities of launching local, local, and local development potential through the use of social economy instruments and national and EU financial resources for this purpose in the current perspective of the EU.

b) Monitoring and analysis of the Social Economy

The Regional Center for Social Policy in Rzeszow draws up reports and analyzes on the functioning of social economy entities in the region eg:

- Regional Action Plan for the Development of Social Economy in Podkarpackie Voivodeship for the years 2012-2020 "

[http://www.rops.rzeszow.pl/dokumenty/efs/REGIONALNY\\_PLAN\\_NA\\_RZECZ\\_ROZWOJU\\_ES\\_W\\_WOJ\\_PODKARPACKIM\\_2012.pdf](http://www.rops.rzeszow.pl/dokumenty/efs/REGIONALNY_PLAN_NA_RZECZ_ROZWOJU_ES_W_WOJ_PODKARPACKIM_2012.pdf)

- "Monitoring Report on the Implementation of the Regional Action Plan for the Development of Social Economy in the Podkarpackie Region for 2012-2020 for 2014".

<http://es.rops.rzeszow.pl/wp-content/uploads/2015/12/RRPDES-za-rok-2014.pdf>

- Report on the state of development of the social economy in the Podkarpackie Voivodeship in 2015 "

[http://es.rops.rzeszow.pl/wp-content/uploads/2017/03/Raport\\_o\\_stanie\\_rozwoju\\_ES\\_2015.pdf](http://es.rops.rzeszow.pl/wp-content/uploads/2017/03/Raport_o_stanie_rozwoju_ES_2015.pdf)

- "Subcarpathian Social Economy Development Program 2016 -2020"

<http://es.rops.rzeszow.pl/wp-content/uploads/2016/07/program.pdf>

c) Partnership in regional and EU projects

SOCIAL SEEDS project (co-financed and supported by the INTERREG EUROPE Program)<sup>61</sup>

- Project Leader: IFKA Public Benefit Non-Profit Ltd. for the Development of the Industry, Hungary
- Partners:
  - Rzeszów Regional Development Agency, Poland
  - Abruzzo Region, Italy

<sup>60</sup> <https://przemysl.pl/43882/ii-przemyskie-forum-przedsiębiorczosci-spoecznej-w-przemyskiej-uczelni.html>

<sup>61</sup> <https://www.interregeurope.eu/socialseeds/>

- Regional Development Agency of South Bohemia RERA Inc. ,Czech Republic
- BSC, Business Support Center Ltd., Kranj, Slovenia
- EURADA - European Association of Development Agencies, Belgium
- Estonian Advice Center, Estonia

The aims of the project are:

- creating sustainable business models
- the development of social entrepreneurship by promoting employment through employment in order to promote the employment of disadvantaged people. Within the supported social enterprises, a total of 4.000 new, sustainable jobs will be created to enable people living in disadvantaged and inactive employment.
- continuous analysis and monitoring of activities aimed at improving the landscape of social enterprises,
- interregional good practice in policy making

## SWOT ANALYSIS OF SE SUPPORT SERVICES

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• regular network meetings and oral communication between members are very important and can have a major regional impact</li> <li>• fast and flexible solution of complex problems, also of international dimension;</li> <li>• Involvement of many stakeholders in political debates, thereby increasing the quality and acceptability of these policies.</li> <li>• Networking creates a sense of teamwork, which improves cooperation and synergies for knowledge transfer, not only between individual</li> </ul>	<ul style="list-style-type: none"> <li>• regular network meetings usually reach a ceiling above which their activity becomes limited due to lack of financial resources</li> <li>• difficulties in participation encouraging and involvement of stakeholders</li> <li>• low level of the participation</li> <li>• lack of common methodology for needs determining</li> <li>• difficulties with reaching some target groups</li> <li>• lack of durability of network structures</li> <li>• Instability / loss of staff for various reasons, eg political transitions</li> <li>• lack of sufficient knowledge and skills of</li> </ul>



<p>stakeholders but also between countries.</p> <ul style="list-style-type: none"> <li>• Better dissemination of experience and information sharing also at EU level</li> <li>• Cross-linking as a tool should be seen as a modern activity for all programming purposes</li> </ul>	<p>participants in the network</p> <ul style="list-style-type: none"> <li>• - No clearly defined network goals</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• Cross-linking can become a policy tool in shaping the development of social enterprises</li> <li>• With the maturation of the network, stakeholders and recipients acquire a better understanding of the social economy development policy through the involvement of the PS in the implementation processes.</li> <li>• the time will help to reach a mature, efficient and well-connected network</li> <li>• Increase of the knowledge, skills and experience through networking</li> </ul>	<ul style="list-style-type: none"> <li>• Public funding allocated to networks varies considerably across the EU. (The allocated budget is based only on Member States' decisions, but there is no clear pattern related to the size of the territory, its population, needs).</li> <li>• There are no definitions and there are difficulties in translating the terms "network" and "networking".</li> </ul> <p>- no secure financing / unstable budget subject to change</p>

#### 4. REFERENCES

Podkarpackie Development Program for Social Economy 2016-2020  
Potential of the Podkarpacka social economy against the imperfection of the regional labor market -  
Sławomir Solecki.

Development potential of Podkarpackie voivodship - diagnosis and evaluation - Jerzy Bański,  
Konrad Czapiewski, Marcin Mazur <http://monitoruj.podkarpackie.pl/gospodarka-regionu/> of  
18.10.2017

Diagnosis of the socio-economic situation of Podkarpackie voivodship. An update of the  
Podkarpackie Region Development Strategy for the years 2007 - 2013. - Regional Territorial  
Observatory

## 5. GOOD PRACTICES

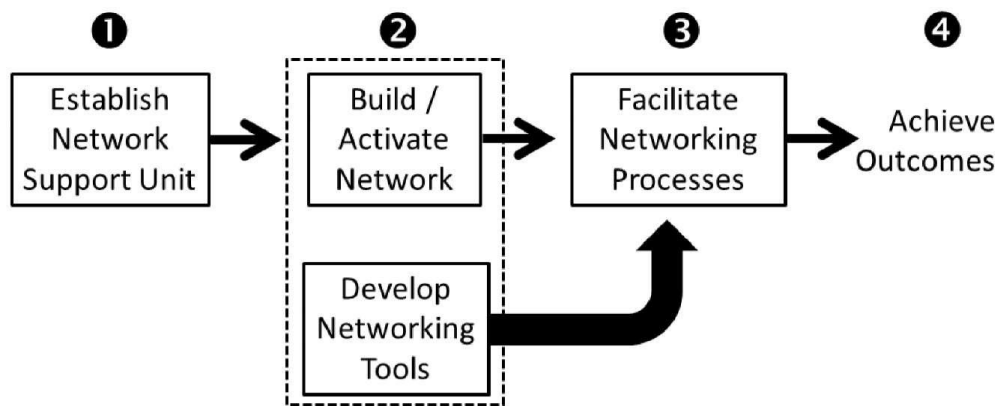
### CASE STUDY 1. REGIONAL CENTER FOR SOCIAL POLICY

#### 1. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** Regional Center for Social Policy
- **Key actor(s):** ROPS
- **Duration of the initiative (starting year):** The project is divided into two biennial editions. The first edition is from 14.04.2016 to 31.12.2017. The second edition of the project is scheduled for January 2018 and will last until 2019.
- **Geographic size of the intervention :** regional
- **Funding:** The value of the project amounts to 1,404,000.00 PLN, including the value of EU funds under the ROP WP 2014-2020 1 224 000.00 PLN. On the "crossing" in the first edition of the project was spent 151 189.17 PLN. The Regional Center for Social Policy in Rzeszów as part of the non-competition project. "Coordination of the social economy sector in Podkarpackie voivodeship" co-financed by the European Social Fund within the framework of the Regional Operational Program of the Podkarpackie Region for the years 2014-2020, Priority Axis VIII Social Integration, Measure 8.6, assumes the coordination of the social economy sector in the region.
- **Thematic focus and main sector addressed**
- **Main reason for highlighting this case**

This is the first project in the Podkarpackie Voivodship region involving a voluntary partnership designed to carry out of the common tasks and solve emerging problems. It is also a kind of mission of the organization, and the goals of the network do not have to be identical with the objectives of the organization, network participants retain their full independence. ROPS strives it to be a cross-cutting tool as a modern and future-proof activity in the region.

These assumptions are illustrated in the following diagram:



## 2. SERVICE DESCRIPTION

- **Overall objectives**

The main objective of the project is to increase the role of the social economy sector in the Podkarpackie voivodeship, strengthen cooperation and cooperation between social economy entities, increase the visibility of social economy entities as suppliers of products and services and promote the social economy sector among the inhabitants of the province. Podkarpackie. The project is realised in the entire Podkarpackie Voivodship.

General objectives and tasks of regional cooperation networks in the Podkarpackie Region:

- developing of a model of interinstitutional cooperation ROPS-OWES for new quality support system building within the regional cooperation within the network of the OWES.
- exchange of information on implemented activities, working methods, progress and problems with implementation of the activities of the OWES aiming at co-ordinating the joint activities of the OWES
- supporting for OWES activities aimed at cooperation with local self-government units in the region
- Mutual support, exchange of experience in regional cooperation networks
- CIS / KIS support in meeting service standards
- Constant monitoring / diagnosis of problems and needs of each network group
- opinions exchange on the solutions developed, good practices
- Promoting of the innovative solutions in the area of social economy
- Developing of effective forms of dialogue between participants in regional networks
- Taking joint action of initiatives

- Constant debate on customer needs and finding solutions about fulfilling those needs
- Constant diagnosis of needs, problems of individual networks
- Aggregate information about OWES activities and their performance

- **Description of activities/services**

Network activity in the project runs in two ways:

- The first activity is focused on the exchange of experiences and good practices between entities of social economy in the Podkarpackie Voivodship
- The second activity is related to the creation of "support groups". Social economy actors report issues to discuss at a given network meeting. This type of task is intended to be a suitable amount in the project budget, which is aimed at involving of a specialist in discussing the subject / problem of a given network. For example, in Poland, the Act on Amendments to the Social Cooperative Act and certain laws has entered into force. He led an information meeting for the network, discussed in detail the scope of the changes that were making.

The main assumption of the network activity in the project is the development of the so-called. "Soft effects" (exchange of experiences, good practices, mutual support) - each network meets once a quarter. Despite the general assumptions of the project, the "hard effect" of the functioning WTZ networks (Occupational Therapy Workshops) has been worked out. As a result of WTZ networking meetings, participants of the network together with the director of the Rzeszów PFRON (State Fund for the Rehabilitation of the Disabled) set up the Polish Association for Support of Occupational Therapy Workshops "MOST". It is a very active association in the Podkarpacie Region, what main assumptions are based on:

- Integrating of the environment of people involved in Occupational Therapy workshops, aware of the WTZ social mission
- Impact on Policy, Legislation on Supporting Social and Occupational Rehabilitation of Disabled People, Including Considering the Significant Role of Occupational Therapy Workshops
- Prevent the social exclusion of people with disabilities
- Disseminate knowledge about Occupational Therapy Workshops
- Promote and create a positive image of Occupational Therapy Workshops
- Supporting activities aimed at raising the level of rehabilitation for people with disabilities

- Integrating and facilitating of mutual cooperation and communication between Occupational Therapy Workshops and public administration bodies, and also promoting their role in social rehabilitation of people with disabilities among the public and non-governmental organizations;
- Dissemination of corporate social responsibility and its importance to prevent social exclusion of people with disabilities.
- The task of the project staff is to organize the meetings of specific networks: recruitment of participants (general mailing with existing PES database, telephone contact), creation of an application form, inquiry and selection of suitable place for networking meetings, catering, moderator, network monitoring, adding information about network meetings in the ROPS website, updating appointments, posting any meeting information.

- **Description of Recipients**

Within the framework of the project, specific networks have been set up, with regional networks comprising:

- Podkarpackie cooperation network of the OWES
- Podkarpackie network of social economy entities
- Podkarpackie network of cooperative social economy of reintegration character for CIS / KIS
- Podkarpackie network of cooperative social economy entities of reintegration character for WTZ,
- Podkarpackie network of social economy cooperatives for ZAZ reintegration

The members of the social economy entities and social enterprises are employees designated by their direct superiors.

- **Problems / challenges to face**

The main problem of "networking" in the Podkarpackie Voivodship is to assure a continuous involvement of participants in the network activity, as well as some discrepancies between expectations of "support" by social economy entities and the ability to provide assistance by ROPS. In addition, there are very large differences in certain social economy actors engagement within the network:

- The WTZ and ZAZ networks are best located in the region, are most involved in network operations, have clear expectations and consistently implement them

- CIS / KIS networks - a very large number of entities in the Podkarpackie voivodship, low activity of members in the cross-network (most often reported problems: badly scheduled network meeting, not enough staff to report their participation in the network)
- SE networks - a small turnout in relation to the total number of existing entities in the region. The biggest challenge for executives of the above mentioned project is to take concrete actions to increase attendance of participants in certain networks, encouraging them to use exchange of experience. In addition, the activities of "networking" to date are financed entirely from the project budget. The main challenge of the project is the functioning of the network of social economy entities after 2023, apart from ROPS measures, orientation of the 2nd edition of the project to close cooperation of the network, so that the above entities can not function independently, to network independently without financial supervision or financial support of the project staff.



## CASE STUDY 2. LOCAL SELF-GOVERNMENT ENTITIES (JST)

### 1. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** Local Self-government Entities (JST)
- **Key actor(s)** Rzeszów Regional Development Agency S.A.
- **Duration of the initiative (starting year):** The project was implemented in the period from 01.08.2012 to 31.10.2014 but its effects are visible nowadays.

- **Geographic size of the intervention –**

- **Funding:** The project was co-financed by the European Union under the European Social Fund. The value of the project was 2 076 280.50 PLN

- **Thematic focus and main sector addressed:**

The idea for the project "Local Government Social Cooperatives - a place of work for long-term unemployed" was created as a result of experience connected with the implementation of the project "Podkarpackie Social Co-operatives" addressed to individuals. This undertaking met with the great response of unemployed people interested in the subject of establishing and working in social co-operatives.

The aim of the project was to create conditions for the employment of 30 long-term unemployed people in the social economy sector through the creation of self-government social cooperatives.

- **Main reason for highlighting this case**

The project is a good practice unique in the country. Podkarpackie Voivodeship is one of the fastest growing region in the country in terms of the development of the social economy sector. It generated 5 social co-operatives. It is worth adding that in Poland there are only 10 cooperatives established by local governments, 5 of them were established in Podkarpacie. Three years after the completion of the project, it was possible to maintain the 60% mark, indicating the great success of the project. To date, 5 local self-government co-operative projects were made and three of them are still function and employ people living in particularly difficult financial situations, including homeless people. Establishing a co-operative will not only contribute to the creation of jobs for people in particularly difficult

situations, but may also be able to carry out the tasks of the municipality effectively by outsourcing them to social co-operatives. At that time, long-term unemployed people in the cooperative can learn how to do business, work together, gain experience and qualifications, improve their products / services and enter the open market.

## **2. SERVICE DESCRIPTION**

- **Overall objectives**

- Empowering excluded and unemployed people through social entrepreneurship in the field of community building and sustainable tourism;
- Replicate good and well functioning practices and keep these practices together through a brand and a “social franchise system”
- Welcoming people – to increase the culture of hospitality (in Italian it is “accoglienza”)

- **Description of activities/services**

- Training for representatives of self-government units in the scope of setting up and functioning cooperatives of legal entities,
- Advising local governments on the creation of social cooperatives, the possibility of outsourcing public tasks and the creation of a business plan
- Advice on the preparation of statutes and documentation to the National Court Register and updating the social cooperative's business plan
- Consultancy in the field of Human Resources and recruitment of employees of social co-operatives.
- Directional / vocational training for future employees of social co-operatives - long-term unemployed.
- Expert advice in developing strategies and marketing campaigns for social co-operatives, cost optimization and quality improvement.
- Financial support up to PLN 100 000 for employment of at least five long-term unemployed persons in a social cooperative
- Bridging support of PLN 1,600 per month for one long-term unemployed paid out during the first 6 months (the total amount is PLN 48000).
- . Extended bridging support of PLN 1,200 for one long-term unemployed person paid over the next 3 months (the total amount is PLN 18,000).
- Individual assistants for social co-operatives providing support for the first nine months of co-operative activity.

- **Description of Recipients**

30 long-term unemployed persons who have been staying in the Employment Agency registry for a total of more than 12 months in recent years.

- **Main outputs/ results**

The project has opened new possibilities for self-government, which have not been known to them till now. In 149 communes and 25 poviats in the Podkarpackie Voivodship, on average every fifth knew the term "social co-operative", and it was in relation to cooperatives of natural persons. None of the local governments knew the rules of establishing social cooperatives of legal entities. During the recruitment process, over 150 JSTs were visited, 32 of which were recruited. This is 1/6 part of the voivodship. Recruitment was a great success and showed that building a social economy becomes a matter for local governments. JSTs that have joined the project are proof of this. However, it turned out that for the majority a matter of social cooperatives in Podkarpacie is a novelty, and despite considerable interest in the project, the vast majority of self-government units could not find a suitable partner to set up a cooperative. Many of these local governments have declared their intention to set up a cooperative in the near future.

At present, cooperatives employ a total of 25 people who were long-term unemployed before joining the project. These people found a stable and meaningful job in the cooperative. Cooperatives carry out simple tasks for self-governments, mainly in the area of green care, cleaning around the buildings, sidewalks, car parks, care for the elderly and disabled, forest services, bringing children to schools, minor repair works. The result is the creation of 25 jobs for the long-term unemployed and the opening of 5 self-government social co-operatives:

- ZŁOTE RUNO (07.06.2013) - Lubaczów Commune, Lubaczów County
- EKODA (19.06.2013) - Laszki Commune, Jaroslawski District
- DEVELOPMENT (04.07.2013) - Kuryłówka Commune, Leżajsk Commune
- ZARBES (30.07.2013) - Municipality of Zarszyn, the commune of Besko
- TOTAL (16.07.2013) - Mielec Commune, Wadowice Gorne Commune, Radomyśl Wielki Commune

- **Problems / challenges to face**

To ensure further development of the sector in the region, using both the funds available in the EU Financial Perspectives 2014-2020, as well as any initiatives of the social economy environment it is crucial to:

1. start implementing the networking of social economy entities, cooperation between entities both within the group of entities, as well as using mixed crosslinking, i.e. combining entities of a different nature, e.g. Centers / Clubs of Social Integration with social cooperatives, Professional Activity Establishments with Occupational Therapy Workshops, that will allow us to develop new solutions in the field of social and professional reintegration
2. to ensure the continuous development of the social economy, as an idea should be taken into account at the stage of local planning, diagnosis, and records in strategies for solving social problems, economic development, cooperation programs, as well as the development of social economy in the community or the poviats; real development of the social economy will take place where various partnerships will be established, where trust will grow as a foundation of mutual relations between citizens, institutions and entities in the local government community; the development of the social economy depends on the shaping of participatory, conscious policy of self-government community, combining solidarity and entrepreneurship, therefore it is important to ensure the increase of knowledge among employees and self-government authorities on the very idea of the social economy, its possibilities and threats, building partnerships and participation in politics as well as the use of social clauses in public procurement and the use of socially responsible public procurement in local politics
3. greater emphasis in the support of social economy entities should be placed on the training of their members / employees for the management of the unit, what will ensure the ability to identify existing and possible crises, and as a result, eliminate them; In addition, there should be increased knowledge in the field of marketing and advertising, so that entities become noticeable on the open market
4. indicate that there is a need for low-interest loans dedicated to social entities of a reintegration character (CIS / KIS, ZAZ, WTZ) allowing access to new sources of financing their activities, which will also allow for the development of these entities
5. take into account the need to increase knowledge about the social economy in the region through, inter alia, social campaigns, media campaigns, trade fairs, social economy contests, as well as training and courses on the wide range of social economy
6. pay attention to the need for expanding the catalog of services offered by Social Economy Support Centers operating in the Podkarpackie Voivodeship, adapted to the constantly changing market conditions.

## **CZECH REPUBLIC – Institute of Social Innovation (USI)**

### **EXECUTIVE SUMMARY**

Czech Republic currently lacks a unified definition of what is a social enterprise. The absence of a definition is linked to the absence of any register of social enterprises. Thus, it is impossible to cohesively examine the sector of social enterprises. Certain guiding principle can be the fact how the organizations define themselves and whether they claim and report themselves to the status of being social enterprises (it is often associated in many cases with the possibility of being eligible/obtaining public support through grants as the declaration of this social entrepreneur status does not bring any significant additional benefits to the entrepreneur and, on the contrary, limits in some way their maneuvering space). Nowadays, in the Czech Republic, it is considered (accepted) as social entrepreneurs over 200 entities that have declared themselves to be social enterprises of which a substantial part is on their own initiative / registered voluntarily in the Social Enterprises Directory (project of Ministry of Labour and Social Affairs financed from ESF).

Legal forms of social enterprises are also connected to the missing definition of social entrepreneurship in the Czech national law. Social enterprises acquire most often the legal form of traditional commercial companies or NGOs with (or even without) the incorporation of social entrepreneurship principles into their founding documents. From the point of view of the legal form used, the most frequent is limited liability company (approx. 50%), the second most frequent form is public benefit organization (about a quarter).

We find essential that the Czech Republic does not have a separate law defining social cooperatives, as it is for example in Italy and Poland. Social cooperatives are incorporated into Act No. 90/2012 Coll. about Commercial Companies and Cooperatives. From this point of view, there can be a merging of individual activities of cooperatives where the law regulates at the same time general cooperatives, housing and social cooperatives, and there may also be an unclear distinction between cooperatives meeting the criteria of a social enterprise and between social cooperatives defined by law.

The approval of the (currently draft) law on social entrepreneurship will be beneficial for the Czech social entrepreneurship, which should give the social enterprises the official status and thus bring certain benefits associated with such position. It would be also very useful to create an official register of social enterprises that would make legal forms of social enterprises more transparent.

More or more often SEs use legal form of social cooperatives which is new legal form incorporated into the Czech law in 2012. The major difference between cooperatives and social cooperatives is that traditional cooperatives are primarily oriented to provide services only to their members, while social cooperatives have the prerequisite to create social or public benefits for the entire community or specific target group. At present, the most common SEs' legal forms are public limited company (from commercial sector) and public benefit organization (origin from non-profit sector).

Social cooperatives are a unique form of social enterprise that links economic activity and social goals with a focus on the general public. The great positive of the social cooperatives is their democratic structure based on the principle of one member - one voice and a high degree of autonomy. An important feature is the limitation of profit-sharing that invests in the development of a social cooperative and the development of community-based activities. The main objective is to integrate disadvantaged people into society.

In the connection of social co-operation and community influence, there is a substantial link between social cooperatives and the community. Social cooperatives are supposed to be beneficial not only to their members but also to the wider community. Examples of social cooperatives and their activities and activities prove it.

Typical activities of Czech social enterprises are focused mainly on the products and services with low added value. Gardening services, greenery, public spaces maintenance is the most common area of business for social enterprises, followed by restaurant services, accommodation, food production, general sales, etc.

SEs with the non-profit sector background orient often on social services offered to their clients. For NGOs operating in the field of social services, the natural continuation of successful integration of clients is that they employ them in an integration social enterprise. NGOs operating as social enterprise may be able to increase their financial self-sufficiency and solve social or environmental problems in an innovative way.

The current form of public support for social enterprises does not match their real needs. Main supporting schemes for social entrepreneurship are available at national level in the form of grants. They are incorporated for programming period 2014 – 2020 into Operation Programme Employment managed by Ministry of Labour and Social Affairs and Integrated Regional Operational Programme managed by Ministry of Regional Development. Some of the European Funds targeted on social entrepreneurship are distributed also on local/regional through action plans implemented by Local Action Groups. Only several SEs were supported through the EU funded



operational programmes and selection procedures to award subsidies from these programmes are not very clear and transparent.

Local and regional dimensions are one of the key characteristics, and the use of local resources, satisfying local demand, and targeting the needs of local communities, should be a good incentive for local authorities. However, there is a hierarchical and competency structure problem of the regions / municipalities that does not allow to find relevant partners / departments with whom the topic could be communicated and which would take charge of the issue. Recently, there isn't generally any financial support instrument at local and regional levels for SEs' support except several cases of public procurements with the incorporation of a socially beneficial requirements.

Every social enterprise has been founded on other initiatives, acts in different activities, and provides services or support to communities of various size, but what connects them is focusing on people and their social inclusion into society.

However, from the point of view of public budgets, it is worthwhile to support social enterprises, the creation of jobs for long-term unemployed and people with health or social disadvantages, etc. When these people move out of the labor market, not only do they not create value, they also generate unemployment costs burdening public budgets. And these costs far outweigh the expenditure associated with job creation. Besides the impact on public budgets, the social entrepreneurship also brings other positive effects, which are difficult to quantify but their existence is unquestionable.

Social investment markets are rudimentary and offer very limited supply of finance. Czech social enterprises rely heavily on EU financial support, especially in the start-up stages (also because in further stages of the SEs life cycle the availability of finances is even more limited). The SEs also lack very often financial sustainability after the EU funding termination. At present, the most massive support to SEs is provided through Operational Programme Employment and partially also by the Ministry of Trade and Industry (general SMEs schemes) and Local Action Groups (limited support within their strategies which generally address different sectors in the areas managed by respective LAGs).

There should still be schemes to create social enterprises, but the support should be extended to social enterprises at all stages of the life cycle, e.g. not only to focus on the start of new business activities, but also to support existing social enterprises. The range of support provided should also be broader, to provide support in multiple ways, not only through grants mainly for startups.

The other forms of SEs support – services, marketing, mentoring, training for employees etc. – have either insufficient quality, nor are too costly or absent at all. This situation supports SEs' reliance



only on own competencies that cannot have the necessary quality in all needed areas. Bad experiences with low quality of local SEs' support services create an atmosphere of mistrust in this type of service, including any offer of mediation of these services by the public sector.

The main barriers & challenges to the growth & development of social enterprises in the Moravian region are:

- Low awareness/understanding about the concept of social enterprise;
- Weak and unsustainable business models, low investment readiness of social enterprises;
- Insufficient and inadequate form of funding.
- Lack or low quality of support services for social enterprises' support.

## **1. SOCIO-ECONOMIC AND INSTITUTIONAL CONTEXT**

The concept of social economy and social entrepreneurship has begun to be discussed in relation to the access of the Czech Republic to the European Union, where there was a certain effort to define concepts with the opportunity to gain funds from the European Union (i.e. after 2000).

A key problem of social entrepreneurship in the Czech Republic is its definition where there is still not a general consensus. There is no legal provision for social enterprises for the time being in the Czech Republic. A draft law is currently being discussed but due to the elections at (this) autumn 2017 and the newly established parliament, it is unlikely to be adopted in the next year of 2018.

At present, social enterprises in the sense of business are usually established as enterprises with a standard legal form (public limited company, joint-stock company, cooperative, individual person doing business), which will incorporate the principles of social entrepreneurship into their statutes or founding charter. However, there is no legal advantage for such enterprises (tax deductions, automatic subsidies, etc.). This way of defining social entrepreneurship is required e.g. for grant applications from the Operational Programme Employment (and Operational Programme Human Resources and Employment in previous programming period).

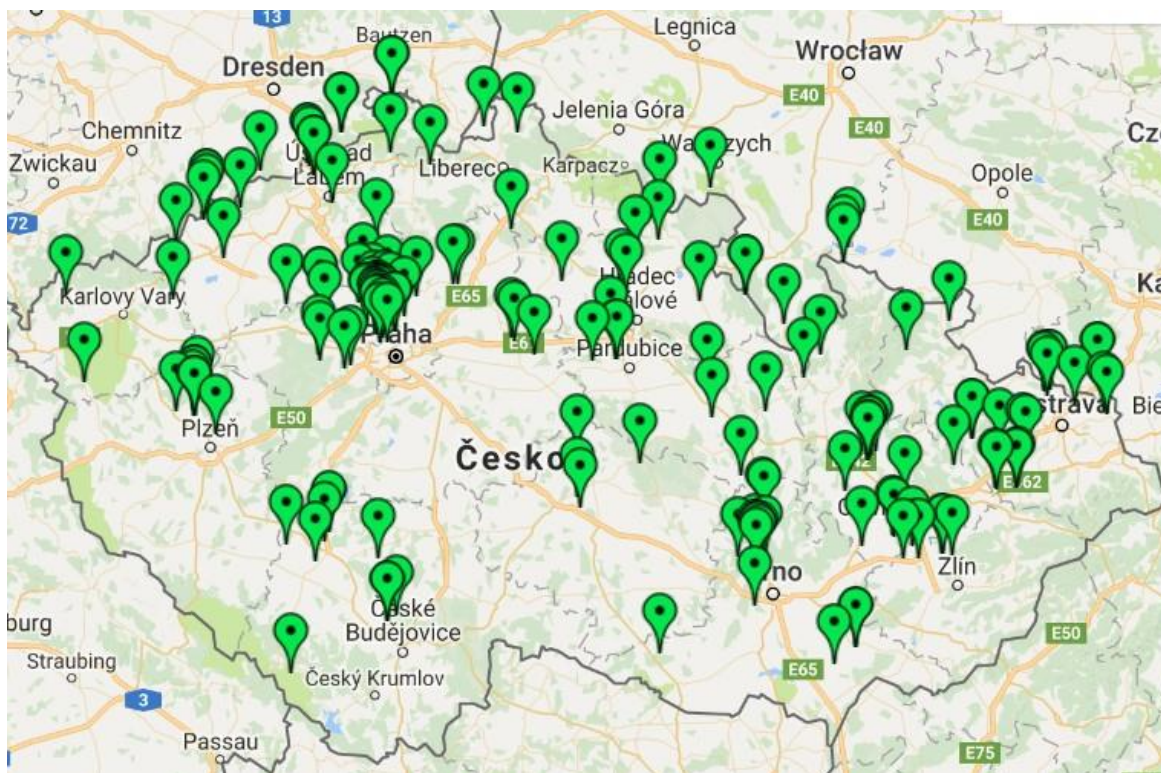
The definition of social entrepreneurship can also be associated with the activities of non-governmental non-profit organizations (NGOs) for the acquisition of additional financial resources (in the Czech environment so-called NGOs' additional for-profit activities). Social entrepreneurship can also be associated with any NGO activity in the sense of taking active steps, accepting the risk of activity and fulfilling its objective by economic activity.

And somebody understands social entrepreneurship as any business that integrates a social or socially beneficial element. However, social enterprises should not be confused with a commercial

business whose primary goal is generating profit, but it does so with a regard on social impact or complements its profitable activity with charity programs, employee volunteering, and gifts for the non-profit sector. This approach has begun to use the already widespread term of corporate social responsibility (CSR): it is an important element of public benefits creation, but it is principally a different type of activity than social entrepreneurship and its possible integration would extend the social enterprises' sector for a number of organizations and activities with diametrically different conditions.

As is clear from the above, the Czech Republic currently lacks a unified definition of what is a social enterprise. The absence of a definition is linked to the absence of any register of social enterprises. It is not even possible to cohesively examine the sector of social enterprises. Thus, one of the keys might be how the organizations define themselves and whether the organization itself considers and reports to its statute of social enterprise (this is often combined in many cases with the possibility of applying for public grant funding, since the declaration of this social entrepreneurship's status does not bring any additional significant benefits, and, on the contrary, restricts maneuvering space of the business). Nowadays, over 200 Czech enterprises have declared themselves in this way, of which a substantial part is on their own initiative / voluntarily registration in the Directory of Social Enterprises (project of the Ministry of Labor and Social Affairs funded by the ESF). However, during our research we have identified many other entities acting as social enterprises who are not included in the register because of several reasons: (1) some of them are not aware of existence of such register, (2) the others don't see any reason to be included in such registers and (3) some businesses don't even realize that they are operating as SEs. Also the court registers don't distinguish between legal forms of cooperatives and social cooperatives - and the entities using legal form of standard cooperative may act as SEs using democratic managerial principles and operating often on local market using local resources.

#### **Map of social enterprises in the Czech Republic (year 2017)**



Source: [www.ceske-socialni-podnikani.cz](http://www.ceske-socialni-podnikani.cz)

The highest number of social enterprises is in Prague, followed by Jihomoravský, Středočeský and Ústecký self-governing regions. From the point of view of the legal form used, the most frequent is limited liability company (approx. 50%), the second most frequent form is public benefit organization (about a quarter). To a lesser extent, associations, self-employed individuals and cooperatives are represented. The remaining, more or less marginal, represented legal forms are joint-stock companies, general partnerships and entities founded by church organizations.

Gardening services, greenery, public spaces maintenance is the most common area of business for social enterprises (almost a quarter). Other areas of business are other services and general sales (each approx. 20 %) followed by other areas of business as restaurant services, accommodation and food production. The average turnover of social enterprises was about 4.5 million CZK, about half of them had economic profit, the average number of employees was 17 (statistical data from 2015). From the point of view of employing people from the target groups, disabled people are represented the most significantly (almost 2/3 of the total number employed by social enterprises from disadvantaged groups), another one third are the long-term unemployed. A large number of people employed also have combined disabilities - other excluded groups are asylum seekers and people aged 50+ or up to 24 years of age in a difficult life situation. About 15% of employees of social enterprises are ethnic minorities, especially Roma. A part of social enterprises admits that they are unable to keep all created jobs without support from public funds.

### General definition of social entrepreneurship in the Czech Republic

Although the social economy and social entrepreneurship is represented in the Czech Republic, its impact on traditional providers and on the national economy is insignificant nowadays. At the same time, if this new economic model is effectively undermined in terms of setting the optimal legal, economic and social environment in the Czech Republic, it could represent a significant added value for economic growth, employment and development of social entrepreneurship in the future.

Social economy entities are social enterprises and organizations that focus on social goals, create job opportunities for people disadvantaged on the labor market, and use local resources as a priority. Social enterprises and organizations are economic and social actors present in all economic and social sectors. One of the basic prerequisites for the emergence of the social economy was the purpose of providing services to its members and the community rather than maximizing profits. Social economy entities are present in many different forms and at all levels, i.e. local, national and European.

Social enterprises differ from traditional businesses by not targeting profit, but doing so in terms of social impacts, or completing its profitable activity with charity programs, volunteering and gifts for the nonprofit sector. The concept of social enterprise begins to appear in the literature with the occurrence of a modern social economy in the 1990s. Social entrepreneurship is emerging in Europe with the establishment of social cooperatives in Italy in 1991.

There are a number of definitions of social entrepreneurship. Some definitions include what are social enterprises, some are broader and others are brief and some consist only of the list of what is and is not a social entrepreneurship. The notion of social entrepreneurship can be associated with activities of a non-profit sector that performs a secondary activity, or it can also be understood as the pursuit of a commercial enterprise with social objectives.

The Czech definition of social enterprises was dealt with by the TESSEA Working Group (TESSEA = Thematic Network for the Social Economy). Social enterprises are such social entrepreneurship entities: *„which fulfill the public beneficial objective formulated in the founding documents. It establishes and develops on the concept of so-called triple bottom line - economic, social and environmental.”* This definition is also used for setting up support programs at the Czech Republic especially in the case of Operational Programme Employment (and Operational Programme Human Resources and Employment in previous programming period).

## **2. SOCIAL ENTERPRISE SUPPORT SERVICES**



### Public administration

In terms of its wider definition, social entrepreneurship falls within the competence of a larger number of public authorities - focusing on social, economic, environmental, local issues, etc. This is probably one of the reasons that the real support of the social economy by the public authorities is blocked by the lack of competences' specification, whom this cross-cutting topic belongs to. Each body is in charge of many agendas and does not want to undertake new responsibilities. Social entrepreneurship issues are not sufficiently attractive and politically marketable in the Czech Republic (and declining unemployment and economic growth after economic crisis also drops the demand from the public for solving such issues which are related to areas of social entrepreneurship). It is a new, socially innovative topic that is "not assigned to anyone" and no one wants to add it voluntarily among its competences. This situation has for many years significantly reduced the chances of social enterprises to develop with the state support schemes.

Social entrepreneurship concerns the Ministry of Labor and Social Affairs (MoLSA, social benefits), the Ministry of Industry and Trade (MIT, economic benefits), and the Ministry for Regional Development (MRD, local benefits). The Office of the Government of the Czech Republic (its bodies the Governmental Council for Non-Governmental Non-Profit Organizations and the Agency for Social Inclusion) is also involved in the issue of social entrepreneurship.

The Ministry of Labor and Social Affairs is one of the three ministries referred to above in the social entrepreneurship agenda. Recently it is the only ministry that at least partially focuses on this issue as a separate agenda (actively engaging in supporting the development of social economy, the emergence of social enterprises). However, as it is not clarified within the whole state administration, also within the Ministry of Labor and Social Affairs is not determined direct responsibility for social entrepreneurship agenda (with the exception of grants for Social Entrepreneurship Support under the Operational Programme Employment which can be regarded as technical rather than systemic support for social enterprises).

The other responsible body to deal with the social entrepreneurship issues is the Agency for Social Inclusion attached to the Office of the Czech Government which is preparing the Act on Social Entrepreneurship. First law determining social entrepreneurship and social enterprises is under preparation and it is possibly one of the reason that the law in recent stage is more focused on integration social enterprises and overlooks the other types.

Local and regional dimensions are one of the key characteristics, and the use of local resources, satisfying local demand, and targeting the needs of local communities, should be a good incentive for local and regional authorities. Also in the future, it should be one of the priorities to obtain

support for the social economy at both local and regional level. Support for social entrepreneurship thus depends on the individual approaches of concrete representatives from local self-government - in some cases positive (often depending from what original environment the local "decision maker" recruits - most common the helpful approaches are obvious if the formal or informal leader comes from the non-profit sector), in the other cases negative (frequently depending on attitudes of the public to current local social problems), but most often neutral.

Just as at the central level, nevertheless, there is a similar problem - the hierarchical and competency structure of the regions / municipalities does not allow to find relevant partners / departments with whom the topic could be communicated and which would take charge of the issue. Recently, there is no financial support instrument at these levels. Most social entrepreneurs, however, agree that they see great potential in the possibility of public procurement with the incorporation of a socially beneficial requirements to award the contract.

#### Non-profit sector, civil society

The non-profit sector in the Czech Republic perceives the area of social entrepreneurship as very attractive. Many organizations see a potential source of available funds in their budgets to finance their mission.

Most NGOs are well able to write project applications, and many have also improved their financial management. And, with the regard to many controls and audits associated with the implementation of the EU projects or providing social services, the level of their competences has improved. Many NGOs in the Czech Republic have been active since the 1990s, so they have a long history and experience. The area of social entrepreneurship is also a direction that very often NGO's activity smoothly transfers - whether by reducing grant opportunities or by broadening its experiences, knowledges and, above all, the portfolio of services that NGOs want to offer. E.g. for NGOs working in the field of social services, the natural continuation of successful integration of clients is that they employ them in an integration social enterprise. NGOs operating as social enterprise may be able to increase their financial self-sufficiency and solve social or environmental problems in an innovative way.

The weakness of social enterprises that have evolved from NGOs may be a lower degree of entrepreneurial "attitude" and professionalism (especially in terms of the highly developed business plan). Their businesses tend to be hardly sustainable without grants and subsidies. However, this is not the rule, and there are enterprises whose origins are linked to the non-profit sector and which operates well in this respect.

#### Business sector

Many existing social enterprises have their origins in this sector - entrepreneurs have decided to do business "differently". Some social entrepreneurs do not openly comment on this idea, they only do what they feel necessary, their priority is not personal benefit but their good feeling. On the other hand, there are businesses in the business sector that claim to be a social enterprise, but their priorities are purely profitable and only have developed CSR strategy that they behave socially responsible.

There are a number of umbrella business organizations and associations, the Chambers of Commerce or institutions that support entrepreneurship. However, only a minority of them is dedicated to supporting social entrepreneurs, respectively they do not distinguish their services for "normal" and social entrepreneurs (probably due to lack of demand in the enterprises' area). However, there are also smaller entities that focus on promoting social entrepreneurship, but they do not deal with the business sector, and generally by their legal form and activities orientation they fall more or less into the non-profit sector (TESSEA; SINEC; P3 - People, Planet, Profit).

One of the possible instruments of SEs support are business support incubators and also co-working spaces. Co-working spaces are located mainly in 3 largest Czech cities – Prague, Brno and Ostrava. There were also several attempts to create co-working spaces also in smaller cities which had generally problem with the number of clients and thus generating enough income from membership fees and long-term sustainability.

28 business incubators have been established in the Czech Republic. The Jihomoravský (8) and Moravskoslezský (7) regions have the largest representation, in the Olomouc region there are officially 3 incubators. However, these business incubators are not intended for any start-up entrepreneur with any project. The opportunity to be accepted is for startup entrepreneurs who have an original idea or an innovative project ready. At the same time, they must meet a number of other conditions for admission. Thus, a business incubator is not suitable for businesses operating in an area where only a copy of the product / service is produced without any innovative idea (e.g. franchise), for low-value businesses (e.g., the purchase and sale of goods) or if the entity has a clear idea of what he wants to do and knows how to do that. The incubator is also not suitable for the entities that have been incubated in the past, and therefore already have experience in starting the business. The number of applicants interested in entering the incubator increases every year. For example, the Brno incubator JIC states that they receive yearly approx. eighty applications, but most of them will not pass through the initial interviews. JIC reports that in average it accepts only every tenth candidate. In some incubators the chances are even lower, for example, the Entrepreneurial and Innovation Center in Pilsen accepts two to three applicants per year.



### Financial institutions

A major barrier to stabilize and further develop social enterprises is the low availability of investment, and in particular, operating loans from financial institutions - banks. Most social businesses finance their operation from own income streams. Dropouts of customers payments or delays in claiming payments from Labor Offices or the MoLSA cause liquidity problems. The low availability of bank loans is often linked to the issue of the loan's guarantee (banks require mortgage collateral or loan's guarantee through guarantors) or failure to meet the minimum turnover threshold (this can be a problem especially for start-ups).

The level of awareness of Czech financial institutions about social entrepreneurship is very low, many of them do not know these terms and have no idea of their significance. Most financial institutions are not interested in creating special products for this segment (they do not see it as separate), but they feel that the existing product portfolio for the SME segment is sufficient and does not see the need to adapt it more.

For most financial institutions, the provision of microcredit and small loans is, in essence, a highly costly issue. They prefer the use of simple tools in the form of overdraft account, credit card (but with high interest rate). Not only do not there exist specialized financial products, focused on the needs of social enterprises, even "standard" SMEs have the problem with the access to finances. This is essentially market failure, which is more likely to affect social enterprises as their establishment is not usually supported by financially strong players. In this respect, the situation in the Czech Republic differs significantly from the situation e.g. in the United Kingdom where initial capital may be provided by rich foundations, trusts, equity funds, etc. The discussion about this change has been going on for several years and the effort to enable microfinance through financial instruments incorporated into some operational programs (managed by the Ministry of Industry and Trade, the Ministry of Labor and Social Affairs and Prague), but none of these financial instruments have yet been able to be set up and function systematically.

## SWOT ANALYSIS OF SE SUPPORT SERVICES

### **Key Factors Enabling or Hampering SE support services**

STRENGTHS	WEAKNESSES
• Existing theoretical and communication base	• Division of competences connected to SE

<p>ground (principles, studies, etc.)</p> <ul style="list-style-type: none"> <li>• Increasing number of SEs generating increase of the support services' market and in supply</li> <li>• Increasing the society's sensitivity to social entrepreneurship</li> <li>• An increasing number of existing examples of good practice from abroad and also in the Czech Republic</li> <li>• Demand of the SEs management and staff for their skills and competences improvement</li> <li>• Existence of specialized organizations focusing on SEs support</li> <li>• Ministry of Labour and Social Affairs representatives trying to lead and develop SEs sector</li> <li>• Existence of performance enhancing instruments to support social entrepreneurship - especially the ESF</li> <li>• Incubation environment</li> </ul>	<p>support services from different public institution is unsolved.</p> <ul style="list-style-type: none"> <li>• Poor quality of many support services available on the market</li> <li>• Prices of the support services available on the market without support from public funds</li> <li>• Dependence of the SEs support services supply on the public funding</li> <li>• Lack of legal regulation of social entrepreneurship - difficult definition and institutionalization of social entrepreneurship for setting up support tools</li> <li>• Insufficient human and financial capacity of the (SEs) demand side to afford purchase of support services</li> <li>• The lack of a system in overall social entrepreneurship environment setting, dependence on individual initiative</li> <li>• Little awareness among financial institutions about SE sector</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• Business and non-profit entities search for new opportunities</li> <li>• Higher recognition of the importance of the human resources development for the organizations' performances in last years</li> <li>• Emerging SEs sector</li> <li>• Make more use of foreign experience</li> <li>• Opportunity for more efficient use of EU financial resources</li> <li>• Stimulate public interest in the topic</li> <li>• Stimulate politicians' interest in the topic</li> </ul>	<ul style="list-style-type: none"> <li>• The tendency of the public administration to shift its responsibility for addressing social services and addressing regional and local deficits to social business</li> <li>• Misuse of tools, names and phenomena of social entrepreneurship to particular interests (groups, individuals, personal benefit)</li> <li>• Undervalued potential and misunderstanding of social entrepreneurship by the state</li> <li>• Insufficient pro-business spirit in the SEs evolving from the non-profit sector</li> </ul>

<ul style="list-style-type: none"> <li>• Expansion of traditional support services providers also to the SEs sector</li> </ul>	<ul style="list-style-type: none"> <li>• Complicated setting of existing support schemes resulting in termination of subsidies</li> <li>• Low financial capacity of the companies operating in the SEs sector</li> </ul>
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### 3. SOCIAL ENTERPRISE NETWORKING INITIATIVES

Over the last few years, the world economy has been experiencing the growth of a new economic model, the so-called shared economy. The shared economy is attracting more and more attention in advanced democratic states, particularly because of its growing share of the economy. Among the best-known representatives are undoubtedly global operating giants Uber and Airbnb. However, they are by no means the only actors to create digital platforms that make it easy for consumers to make better use of their existing resources.

The original idea of a shared economy is very simple and as if it were returning to the very roots of economics. Owners through digital platforms have the ability to leverage their resources and capacities, make money on them, and make the system more efficient. The shared resource is more useful than the one that lies fallow not only for the owner but also for the community and the whole society. PWC's study identifies key economic sectors (travel, automotive, finance, and music streaming) that generated revenue of \$ 15 trillion in 2014, predicting that in the year 2025, revenue from the shared economy could rise to \$ 335 trillion. The shared economy has a tremendous potential that, in terms of the development of the social economy, is characterized by a more efficient use of already-acquired resources and a longer-lasting way of consumption with the possibility of community support. Shared economy increases innovation that leads to differentiated products.

The Czech Ministry of Industry and Trade uses the same definition as the European Commission. The European Commission understands the concept of a shared economy as an economic model that offers businesses and individuals accessibility platforms and services to actors (consumers), particularly in the peer-to-peer market.

The Commission for Economic Policy in its working document for the 2015 meeting described the sharing economy as a concept that "introduces a new economic model and therefore has important social, legal and institutional implications." The experts and actors of the shared economy often see within the definition of this model a problem in the word "sharing". It is difficult to identify who is

a shared service provider to this economy and who is not. Innovators in this area see this fact more pragmatically than analytically and say that it matters most how actors are profiling themselves and how they are portrayed by the media.

Identify the origins of the shared economy is as difficult as to define it. The only thing that can be said with certainty is that this new economic model has been experiencing an incredible boom since 2008. The economic and financial crisis in 2008 has shaken the world and the world economy. It caused a drop in GDP, increased unemployment, and forced consumers to think about their consumption, spending and efficiency. In general, consumer confidence has also fallen in today's corporate world. Sharing within a new phenomenon known as a shared economy is a natural response to the economic crisis and appears to be an interesting alternative to the traditional economic world and the traditional consumer model. The economic crisis forced us to save more. Pensions declined, but the world could not stop - a new, less costly solution had to be found to meet human needs.

#### Social Economy Approaches

We can look at the concept of social economy in two ways. The first way to perceive the social economy according to 1) the institutional approach. In this approach, the social economy is perceived from an institutional point of view - whether it is a cooperative society, a mutual society, a foundation or an association, etc. These categories can take on a different form in the legal systems of individual states. The second option to look at the social economy is from the point of view of 2) the normative approach. In this approach, the social economy is understood not from the point of view of the legal form of a social entity, but from the principles common to the social economy that we have already mentioned.

#### Legal forms of social enterprises in the Czech Republic

In Czech conditions, social enterprises can acquire the legal form of commercial companies, which is regulated by Act No. 90/2012 Coll. about corporate corporations. The Law on Commercial Corporations distinguishes joint stock companies, limited liability companies, limited partnerships and public companies. The Law on Commercial Corporations includes cooperatives, housing cooperatives and social cooperatives. (Act No. 90/2012 Coll., Commercial Companies and Cooperatives).

Non-profit organizations may acquire the legal form of societies which are governed by Act No. 80/2012 Coll., The new Civil Code, with effect from 2014. Formerly beneficial companies, established by Act No. 248/1995 Coll. about community-based companies, have been regulated by

the new Civil Code since 2014. Generally beneficial societies could also transform themselves into foundations that take on legal forms - a constitution or a foundation and a foundation fund.

Another way of doing social business is the form of a self-employed person regulated by Act No. 155/1995 Coll. on pension insurance.

### Social Co-operatives

Co-operatives include not only cooperatives themselves but also their associations and unions, national headquarters, including their financial, transnational and continental associations, and a worldwide cooperative organization.

The major difference between cooperatives and social cooperatives is that traditional cooperatives are primarily oriented to provide services only to their members, while social cooperatives have the prerequisite to create social or public benefits for the entire community or specific target group.

Another reason and specific feature of why social companies and cooperatives cannot be compared with existing firms and cooperatives is that companies and other traditional cooperatives do not attempt to replace or integrate public sector functions, even when also social cooperatives do not even fall between government bodies, government-led organizations or traditional profitable businesses.

The aim of the social cooperative is labour and social integration of disadvantaged people into society with the maximum use of local and community resources. The company must include the name "social cooperative" in its name. It is forbidden for the social cooperative to change the subject of business that would be contrary to the definition of a social cooperative and to change the form of business.

## SWOT ANALYSIS OF SE NETWORKING ACTIVITIES

### **Key Factors Enabling or Hampering SE networking activities**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Existing theoretical and communication base ground (principles, studies, etc.)</li> <li>• The development of the social enterprises in the Czech Republic can rely on foreign experience and avoid some controversial or risky steps taken abroad (e.g. Slovakia, Poland)</li> <li>• An increasing number of existing examples of good practice also in the Czech Republic</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of legal regulation of social entrepreneurship - difficult definition and institutionalization of social entrepreneurship for setting up support tools</li> <li>• Low interest and unclear support from the state and public administration</li> <li>• Insufficient knowledge of the topic at the political decision-making level - connected</li> </ul>

<ul style="list-style-type: none"> <li>• Existence of specialized platforms dealing with the social economy</li> <li>• Increasing the society's sensitivity to social entrepreneurship</li> </ul> <p>Society's interest in social economy as a complement to the global economy</p> <ul style="list-style-type: none"> <li>• Accepting the ideas and potential of social enterprises by institutions and actors (at different levels)</li> <li>• Objective need for local development solutions, search for new solutions after the economic crisis in previous years</li> <li>• Existence of performance enhancing instruments to support social entrepreneurship - especially the ESF</li> <li>• There are a number of organizations that have been working on the topic for a long time</li> <li>• The topic has become the subject of academic research, theme used more often in university education and work</li> </ul>	<p>especially with the grant support</p> <ul style="list-style-type: none"> <li>• The lack of a system in overall social entrepreneurship environment setting, dependence on individual initiative</li> <li>• Difficult enforceability and communication of the topic due to a broad definition</li> <li>• Difficult monitoring, non-existence and inconsistency of statistical data due to ambiguous definition of social enterprises</li> <li>• Distorted understanding and narrowing of the issue only to integration employment of disadvantaged (most often disabled)</li> <li>• Little awareness among citizens</li> <li>• It is not part of the education system</li> <li>• Hardly achievable balance between social and economic goals</li> <li>• Increased risks for both businesses and banks</li> <li>• Lack of support structure</li> <li>• Fragmentation or absence of the topic in the education system</li> <li>• Limited measurement of the impacts of the operation of social enterprises</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Effective use of gaps on the local and regional business market</li> <li>• An attractive topic and a stimulating idea</li> <li>• Trends in the society for responsible consumption</li> <li>• Connect products and social entrepreneurship services with a quality label</li> <li>• Media and their information on the subject</li> </ul>	<ul style="list-style-type: none"> <li>• The tendency of the public administration to shift its responsibility for addressing social services and addressing regional and local deficits to social business</li> <li>• Misuse of tools, names and phenomena of social entrepreneurship to particular interests (groups, individuals, personal benefit)</li> <li>• Legal definition oriented entirely on</li> </ul>



<ul style="list-style-type: none"> <li>• The possibility of referring to the EU - part of European policies</li> <li>• Potential for solving problems at local and regional level</li> <li>• Potential to address disadvantaged groups (job creation and socialization)</li> <li>• Make more use of foreign experience</li> <li>• Opportunity for more efficient use of EU financial resources</li> <li>• Stimulate public interest in the topic</li> <li>• Stimulate politicians' interest in the topic</li> <li>• Use CSR for social entrepreneurship needs</li> </ul>	<ul style="list-style-type: none"> <li>integration social enterprises may slow down the development of other types of social businesses</li> <li>• Misunderstanding of social entrepreneurship for charity and social services</li> <li>• Discrediting the topic by misuse of social enterprises</li> <li>• Undervalued potential and misunderstanding of social entrepreneurship by the state</li> <li>• Underestimation of business risks by the non-profit sector</li> <li>• Complicated setting of existing support schemes resulting in termination of subsidies</li> </ul>
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## Conclusions

Social entrepreneurship issues are not sufficiently attractive and politically marketable in the Czech Republic. It is a new, socially innovative topic that is "not assigned to anyone" and no one wants to add it voluntarily among its competences. This situation has for many years significantly reduced the chances of social enterprises to develop with the state support schemes. In terms of its wider definition, social entrepreneurship falls within the competence of a larger number of public authorities - focusing on social, economic, environmental, local issues, etc. This is probably one of the reasons that the real support of the social economy by the public authorities is blocked by the lack of competences' specification, whom this cross-cutting topic belongs to. Social entrepreneurship concerns the Ministry of Labor and Social Affairs (MoLSA, social benefits), the Ministry of Industry and Trade (MIT, economic benefits), and the Ministry for Regional Development (MRD, local benefits). The Office of the Government of the Czech Republic (its bodies the Governmental Council for Non-Governmental Non-Profit Organizations and the Agency for Social Inclusion) is also involved in the issue of social entrepreneurship.

There are several possibilities how to define social enterprises in the Czech Republic recently for the purpose to analyze their state-of-the-art and gather statistical data:

1. New Civic code had to come to force in 2012 which defines also all legal forms for different types of organizations. One of the legal forms newly defined in Civic Code is social



cooperative. However only very few social cooperatives have been established since 2012. Most of the social enterprises established before 2012 keep their legal forms.

2. Within the projects funded by Ministry of Labour and Social Affairs from ESF the database of social enterprises has been established. The social enterprises registers in the database on the voluntary basis. Thus, many social enterprises have not registered in the database as one of the main advantages were better score when applying with the project for EU funds support. Majority of social enterprises were not applying for such funding and were not forced to register in the database. There are also other obstacles – the requirement to fulfill social entrepreneurship standards where only after receiving ESF funding (not all registered SEs has received such funding and were not force to become social enterprises) and it is difficult to withdraw from the database even when the organization terminates its activities. More than 200 social enterprises are registered in the database till November 2017.
3. Organizations operating according to social entrepreneurship standards with any legal form (companies, NGOs, etc.). The problem of this approach is not existence of any register or database listing such organizations.

At present, social enterprises in the sense of business are usually established as enterprises with a standard legal form (public limited company, joint-stock company, cooperative, individual person doing business), which will incorporate the principles of social entrepreneurship into their statutes or founding charter. However, there is no legal advantage for such enterprises (tax deductions, automatic subsidies, etc.). The definition of social entrepreneurship can also be associated with the activities of non-governmental non-profit organizations (NGOs) for the acquisition of additional financial resources (in the Czech environment so-called NGOs' additional for-profit activities).

In accordance with our findings, we believe that the current form of support provided to social enterprises by the Czech public administration does not meet their real needs. The theme of social entrepreneurship should be incorporated into a higher number of strategic and program documents of the Czech Republic as well as regional and local policies.

Particularly at local and regional level, it would be possible to extend the practice of public procurement to social and environmental criteria as a suitable form of support, which closely coincides with the support of social enterprises by local authorities. Some examples of this type of procurement already exist in the Czech Republic, but only in a very limited extent. Local and regional dimensions are one of the key characteristics, and the use of local resources, satisfying local demand, and targeting the needs of local communities, should be a good incentive for local

and regional authorities to deal with the SEs support. Also in the future, it should be one of the priorities to obtain support for the social economy at both local and regional level.

There should be mechanisms enabling creation of social enterprises, but support should be extended to social enterprises at all stages of their life cycle, not only to focus on the start of new business activities, but also to support existing social enterprises. The range of support provided should also be broader, to provide support in multiple ways, not only through startup grants. Not only to politicians, but also to representatives of state administration and self-government at regional and local level should be introduced the concept of social entrepreneurship to make clear all its benefits, impacts, values.

From the point of view of public budgets, it is worthwhile to support the creation of jobs for long-term unemployed and people with health or social disadvantages by supporting the development of integration social enterprises. When these people move out of the labor market, not only do they not create value, they also generate unemployment costs burdening public budgets. And these costs far outweigh the expenditure associated with job creation.

Besides the impact on public budgets, the employment of socially disadvantaged people also brings other positive effects, which are difficult to quantify but their existence is unquestionable - it is an increase in self-confidence, a better mental and health status of socially disadvantaged people, resulting in savings in healthcare and restrictions of socially pathological phenomena, etc. Another benefit can be establishing mutual social ties with colleagues or with the majority society, all of which are the positive effects that the integration of socially disadvantaged people through their involvement in the work process entails.

One of the possible instruments of SEs support are business support incubators and also co-working spaces. Co-working spaces are located mainly in 3 largest Czech cities – Prague, Brno and Ostrava. 28 business incubators have been established in the Czech Republic. The Jihomoravský (8) and Moravskoslezský (7) regions have the largest representation. The opportunity to be accepted to the incubator is for startup entrepreneurs who have an original idea or an innovative project ready. At the same time, they must meet a number of other conditions for admission. Thus, a business incubator is not suitable for businesses and are not intended for any start-up entrepreneur with any project

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## 5. GOOD PRACTICES

### CASE STUDY 1. PEOPLE LEND TO PEOPLE

#### 1. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** Zonky.cz
- **Key actor(s)** Zonky is operated by the company Different Money, subsidiary company of Home Credit. The ownership leads to the connection with the PPF Group owned by the richest Czech businessman Mr. Petr Kellner, and to Mr. Jiří Šmejce, general manager of Home Credit.
- **Duration of the initiative (starting year)** 2015 up to now
- **Geographic size of the intervention** – Company Zonky has been on the market since June 2015 and covers whole area of the Czech Republic. It operates on a similar principle as the successful American Lending Club. On the Czech market, besides Zonky, there are other companies that provide P2P loans on a similar principle but with different interest rates. Compared to other Czech P2P platforms Zonky company targets borrowers who have a risky financial profile for the banks due to unstable earnings but not for their insolvency (e.g. self-employed, etc.).
- **Funding**  
Thanks to the support of the strong parent company Home Credit, Zonky has a better start position than other shared platforms in this sector. It was easier to raise initial capital and

obtain license from the Czech National Bank, has access to the non-bank register of debtors, etc. Home Credit has ensured the development and operation of the service is provided by Creative Dock.

- **Thematic focus and main sector addressed**

Crowd-funding is an alternative financing system based on joint financing of the activity by a larger number of people, often through a public collection. According to from website article.e15, crowdfunding is becoming an "increasingly popular source of funding for artistic, cultural, sporting or publicly beneficial projects, but also one of the ways to support startups and interesting business ideas." Among the types of crowd-funding belongs beneficial crowd-funding, where people do not expect anything other than a good feeling for their contribution; the reward crowd-funding works on the principle that anyone who contributes obtains pre-paid product or receives a reward; the loan type crowd-funding allows contributors to redeem the loan from which they earn interest; and the last type is a shares crowd-funding where people buy a minor share in a company or project by their contribution.

- **Main reason for highlighting this case**

Zonky.cz represents the financial sector in the Shared Economy. It also represents the opportunity for SEs how to obtain financial resources as bank sector generally fails in this regard. The service, thanks to its low interest rate and the maximum loan amount, represents a suitable alternative for SEs / start-up entrepreneurs who would otherwise fail to apply for a traditional bank loan.

## 2. SERVICE DESCRIPTION

- **Overall objectives**

- 4) Linking future investors (creditors) with loan applicants (borrowers).
- 5) People have an opportunity to better evaluate their savings and they can decide themselves in what kind of projects they want to invest.
- 6) Suitable alternative for SEs / start-up entrepreneurs to raise financial sources.

- **Description of activities/services**

The project Zonky link future investors (creditors) to loan applicants (borrowers). From the point of view of investors, P2P lending through Zonky is an opportunity to better assess their savings and, in general, their role in the whole system differs from the role of investors in the classic banking system. Investors can decide for themselves what (to whom) they want to invest in. Investors are in most cases people with



normal (no-above average) earnings, which on average invest around 500 EUR. Usually more investors have to spend on one project because, due to the risk diversification principle, one particular investor can only invest in an amount of 200 EUR maximum per one operation. If there is not enough number of creditors to cover the entire amount, the loan is not realized. This "collective creditor intelligence" can thus protect less cautious creditors from inappropriate investments.

- **Description of Recipients**

From the point of view of loan seekers, it works in practice by registering online at Zonka platform - provide as much information as possible about himself / herself, about his or her income and what he / she wants to borrow, and the system will offer an interest rate on the basis of the assessed level of risk. In general, the role of borrowers is not far from the traditional bank. The system has a set maximum loan amount of CZK 600,000 and the best interest you can obtain is 5.99%. Approx. 40% of Zonka clients really gain this interest.

- **Resources used (kind, amount...) and financial sustainability**

Zonky is a subsidiary company of Home Credit Lab, which is PPF Group's enterprise focusing on innovation projects. From the initial capital the technological platform was created. Financial sustainability guarantees license from the Czech National Bank which requires financial reserves of CZK 50 million.

- **Management and evaluation**

Zonky company is not based on charity principles. It is a profitable company where the income stems from fees as well as in the traditional banking sector. However, it is necessary to realize that P2P loans generally have much lower costs than banks (they do not own any buildings or have any huge bureaucracy, they work as technology companies), which allows them to offer lower interest and higher revenues. Zonky charge 2% from the borrower of the borrowed amount when it is credited to its account and an investor pays a one-percent fee from the annual amount invested.

Risk management is committed to reducing the risk of default by assessing the quality of applicants.

- **Main outputs/ results**

The P2P lending service Zonky had more than 1,000 clients by January 2016 (after one year of operation) and reached transactions of approx. 1 million EUR. In year 2016 the amount of transactions was reaching 15 million EUR. On average, 84 lenders consisted of one loan. The lowest number of

creditors for one loan was 6 and a maximum of 263.

- **Partnerships with local, national, international organizations and institutions**

The project does not have partner's institutions.

- **Replicability**

The project is replicable. There are other examples of online crowd-funding initiatives in the Czech Republic as Hithit.cz, other new projects are Startovac.cz (starter) or Kreativcisobe.cz (creative people for themselves), probably the oldest project in the Czech Republic is Fondomat.cz, which originated in the community of Prague expats, and it is also possible to mention Nakopni.me. The other similar projects are still emerging.

- **By-product effects**

Substitution of the financial sector in the cases when the "traditional" financial sector fails.

- **Problems / challenges to face**

Zonky tends to orient more on borrowers than on investors. For the borrower, the loan is viable and flexible through Zonky platform. For the investors, investing brings low returns with the low liquidity of the investment. That is why not all meaningful borrowers' applications are successful - If there is not enough number of creditors to cover the entire amount, the loan is not realized.

### **3. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED**

Zonky successful factor is personal approach. There is the possibility to invest even very small amounts and the platform is easy to understand. The candid presentation of the applicant's person, his story, and the reason why he/she borrows. It informs the investors about the borrower's situation and different aspects. There is also discussion with the potential investors which can also demonstrate borrower's attitudes towards the intentions for the use of the loan and future repayments.

The other important factors are the focus on the clients which are not eligible for bank loans and also the risk diversification principle: one particular investor can only invest an amount of 200 EUR maximum per one operation. If there is not enough number of creditors to cover the entire amount, the loan is not realized. This "collective creditor intelligence" can thus protect less cautious creditors from inappropriate investments.

## CASE STUDY 2. BUSINESS AND EMPLOYMENT CO-OPERATIVE

### 1. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** BEC Družstvo - Business and Employment Co-operative
- **Key actor(s)** Cooperatives in other European countries mainly France and Spain which methodology was transferred to the Czech Republic and adapted to the local conditions. BEC coop has established partnership with COPEA Network from France to develop the model in the Czech Republic and the other important actors stems from the Czech stakeholders from national, regional and local level dealing with employment policy issues.
- **Duration of the initiative (starting year)** 20012 up to now
- **Geographic size of the intervention** – BEC Coop - Business and Employment Co-operative is an organization established in 2012 in accordance with § 221 et seq. Act No. 513/1991 Coll. (Czech legislation). The main objective is to support rural employment through the implementation of the BEC methodology - Business and employment centres. BEC coop operates in the Olomouc and Moravian-Silesian Region, which are the regions with the highest unemployment rate in the Czech republic.
- **Funding**  
The cooperative was created through the project implemented within the Operational Programme Human Resources and Employment to support unemployed people aiming to start their own business. After this the cooperative had to live on its own efforts through different resources: providing services for its customers, regional development projects, training funding.
- **Thematic focus and main sector addressed**  
BEC coop provides support for disadvantaged people to target on their self-employment and integration into the labour market based on the principles of social economy and social entrepreneurship. BEC coop creates better conditions for its members to enter the labour market. BEC coop serves primarily to support business activities of their members to promote their common interests, to protect the interests of the members and mutual cooperation and assistance. BEC coop provides a wide range of business activities in many fields. Company works within the context of the registered business activities to ensure long-term sustainability of created jobs, developing and expanding business skills for

disadvantaged and vulnerable persons/groups on the labour market.

- **Main reason for highlighting this case**

BEC coop is one of the first examples of creating cooperative in the Czech Republic before the law on social cooperatives came into force. Recently BEC coop has created the network of partners to recognize the BEC methodology as new active employment policy instrument (financed from the state budget and used by the labour offices when working with unemployed people).

## 2. SERVICE DESCRIPTION

- **Overall objectives**

- 7) Empowering excluded and unemployed people through entrepreneurship especially in rural areas;
- 8) Recognition of BEC methodology by Ministry of Labour and Social Affairs as new instrument of active employment policy
- 9) Introduction of innovative approaches, methods and techniques in the process of improving management systems.

- **Description of activities/services**

- The innovative aspects of the BEC method consist in leading groups of people to gain entrepreneurial skills through training, coaching, and mentoring.
- BEC offers the starting entrepreneurs an easy transition from inactivity to self-employment.
- Under the expert guidance the new entrepreneurs can experiment with their business ideas.
- It provides a safe environment with the support of a group of people who are dealing with similar problems and want to share their enthusiasm and experiences.
- The created environment of mutual support helps starting entrepreneurs to further develop their business activities.
- BEC helps to overcome one of the most discouraging obstacles in business development - isolation, lack of ambition, knowledge and confidence necessary for the development of entrepreneurial careers.

- **Description of Recipients**

The innovative aspects of the BEC method consist in leading groups of people to gain entrepreneurial skills through training, coaching, and mentoring them to bear joint responsibility for their decisions and their prosperity. It motivates them to a common participatory benefit, which leads to long-term

stabilization and development of entrepreneurial activities and self-employment.

BEC offers the starting entrepreneurs an easy transition from inactivity to employment. Under the guidance of experts (the founding members of the team) the new entrepreneurs (staff team - employees) can experiment with their business ideas. BEC provides a safe environment to achieve control over their working life, but with the support of group of people who are dealing with similar problems and want to share their enthusiasm and experiences. BEC helps overcome one of the most discouraging business development problems - isolation, lack of ambition, knowledge and confidence needed for the development of entrepreneurial careers.

- **Resources used (kind, amount...) and financial sustainability**

The initial resources were raised from the Operational Programme Human Resources and Employment. Recently, the resources come from own income connected to testing new business ideas. The other resource is from Operational Programme Employment (managed by the Ministry of Labour and Social Affairs) focused on social innovation projects and programs.

- **Management and evaluation**

BEC cooperative has initiated the creation of Managing Board as a platform of the Czech cooperatives with the long term goal of establishment an cooperatives' association as legal entity.

The added value of the BEC team is its contribution to economic and sustainable development in rural areas by supporting disadvantaged people from these areas (mostly unemployed). It provides a valuable knowledge transfer, economic activity and helps maintain social life in rural areas.

BECs enable budding entrepreneurs to experiment with their business idea while benefiting from a secure income. The innovation methodology BECs introduce is that once the business is established the entrepreneur is not forced to leave and set up independently, but can stay and become a full member of the co-operative. The micro-enterprises thus combine to form one multi-activity enterprise whose members provide a mutually supportive environment for each other.

- **Main outputs/ results**

- The number of applicants was 392 persons, out of them 238 persons has participated and 180 has developed their Business Plans.
- 43% of participants who developed Business Plan has started or tested their own business.
- 5 cooperatives of similar kind were created so far based on the good example of BEC Družstvo - Business and Employment Co-operative.

- **Partnerships with local, national, international organizations and institutions**

BEC coop has established partnership with COPEA Network from France, one of two French networks of such business and employment cooperatives – in France they have long term history and are incorporated into national legislation.

In the Czech Republic, the partners are Ministry of Labour and Social Affairs, Directorate-General of Labour Offices, the Agency for Social Inclusion attached to the Office of the Czech Government, regional labour offices, and local stakeholders such as the Cluster of Social Innovations and Enterprises – SINEC, Local Action Groups, etc.

- **Replicability**

Several other cooperatives were created in Moravian regions of the Czech Republic based on the example of the BEC Družstvo - Business and Employment Co-operative and using the similar methodology.

Implementation and spread of BEC methodology (social innovation developed through social impact firms and impact investing as driver of economic and social advancement) and process (the definition and spread of a strategy/methodology to stimulate the learning and advancement of local social entrepreneurs).

- **By-product effects**

The added value of the BEC team is its contribution to economic and sustainable development in rural areas by supporting disadvantaged people from these areas (mostly unemployed). It provides a valuable knowledge transfer, economic activity and helps maintain social life in rural areas.

- **Problems / challenges to face**

10-20 % participants fail with their business idea's intentions and return to labour office register as unemployed.

BEC coop is still in piloting phase.

### **3. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED**

BEC coop main successful factor is that it is a complementary instrument of the active employment policy. Labour offices can support within their active employment policies only small-scale investments of the unemployed, moreover with the risk that the support would be recoverable if the business fails. The BEC model offers stability of income, further support like mentoring, coaching, marketing, bookkeeping, etc. and the support does not have any further conditions.

It is first initiative transferring the BEC model to the Czech Republic.



## **GERMANY – Social Impact**

### **EXECUTIVE SUMMARY**

Social economy in Germany has a long history in addressing social and ecological problems. Most social services provided in the German welfare system are delivered by social economy actors, i.e. the big (denominational) welfare organisations, comprising a spectrum of organisations supplying social services instead of public bodies and state enterprises or engaging in commercial activities with a social mission. However, new forms of social entrepreneurship (SE) have mushroomed to cater to various social and environmental needs, thereby complementing and modernizing the above-mentioned existing organizational forms. The orientation towards innovation with which innovative individuals nowadays merge economically sustainable action with a claim to cause change in society is a novelty and is, too, described using terms such as “social business” and social entrepreneurship that follow the Anglo-Saxon tradition. This usually encompasses enterprises with a social mission, mostly innovative, and applying sustainable business models based to a relatively large extent on market revenues. A considerable increase in such new-style or modern social entrepreneurship with a clear market background can be observed. Having started from a very low base, these SEs still lack visibility and critical mass, but stakeholders see them as a booming sector in Germany. They are most visible in municipalities where the traditional approach to supplying social services is not financeable or where professional staff is not available (e.g. care for children and the elderly in depopulated rural areas).

The ecosystem for SEs is constantly improving and adequate infrastructure for young social enterprises gets more and more accessible in Germany and the Berlin-Brandenburg area in particular. As the most hindering finding of this analysis, it became clear that the lack of access to appropriate financial schemes does hamper the prosperity and scaling of social businesses.

With regards to networking initiatives, the difference between the Urban Metropolitan Area of Berlin and the sparsely populated Brandenburg regions are sharp. While the networking ecosystem in Berlin is a growing sector with ever-growing opportunities for collaboration for Social Enterprise, in Brandenburg Social Enterprises have only access to few network and start-up support options.

### **1. SOCIO-ECONOMIC AND INSTITUTIONAL CONTEXT**



Germany has a long history of tackling social and ecological problems and attaining community goals through entrepreneurial activities. A large number of well-established non-profit companies, cooperatives, foundations, associations and self-help groups, as well as a growing number of innovative start-ups are active in this area.

Most social services provided in the German welfare system are delivered by social economy actors, i.e. the big (denominational) welfare organisations, comprising a spectrum of organisations supplying social services instead of public bodies and state enterprises or engaging in commercial activities with a social mission. This includes, for example, services such as care or youth welfare, which are financed through social insurance schemes and public funds.

At present, a large proportion of these social/welfare enterprises are developing in the third sector, but also private for-profits, where services are generally charged at fixed rates. In addition, social enterprises are also created from the public sector (e.g. integration services for urban services). However, this rich variety of social service providers within the German welfare system complicates the definition of the term social enterprises. In fact, it may be “more difficult than in most other Member States” to assign a clear-cut meaning to the term, given the strong presence and traditions of the social economy.

In Germany, new forms of social entrepreneurship have developed to cater to various social and environmental needs, thereby complementing and modernizing the above-mentioned existing organizational forms. The orientation towards innovation with which innovative individuals nowadays merge economically sustainable action with a claim to cause change in society is a novelty and is, too, described using terms such as “social business” and social entrepreneurship that follow the Anglo-Saxon tradition. This usually encompasses start-up enterprises with a social mission, mostly innovative, and applying sustainable business models based to a relatively large extent on market revenues.

A considerable increase in such new-style or modern social entrepreneurship with a clear market background can be observed, e.g. in sustainable consumption, education or energy efficiency, ageing, rural depopulation, changing family structures, stronger demands for integration and autonomy (in employment in care for the elderly etc.), ethical trade, special pedagogic approaches or care solutions that are not in the social code, hence not financed through the traditional social security or the private insurance system.

With their approach of creating societal value with economic value chains, these firms represent a new self-image of entrepreneurs. Success is defined not just by economic performance, but also by

the impact of the company's activities on society. Generating profit is important in order to secure the company's sustainability and impact, but profit maximization for the sole benefit of the proprietors is dismissed. Having started from a very low base, these SEs still lack visibility and critical mass, but stakeholders see them as a booming sector in Germany (see the next section for an estimation of the size thereof). They are most visible in municipalities where the traditional approach to supplying social services is not financeable or where professional staff is not available (e.g. care for children and the elderly in depopulated rural areas).

### **Sector Size and Growth**

Due to the previously described fuzziness of the concept of SE in Germany, naturally the numbers regarding the size of the sector vary and/or can only be estimated. Especially for commercially-oriented social enterprises there are no reliable data available. A single and/or separate criterion for social enterprises to be derived from the available statistical data does not exist. It is noted in all the relevant investigations that, in particular, the statistical identification of commercially-registered social enterprises is not possible. What is more, the demarcation of non-profit social enterprises is also difficult, since, according to the definition, a sufficient degree of innovation and a (limited) income-orientation must be available in addition to organisations' the public benefit-orientation. In addition, these social enterprises often rely on hybrid organizational forms, which can hardly be processed by the available data.

For this purpose, this study relies on a number of different estimations, following the most notable research conducted on this topic. In 2013, there were at least 1,700 registered organizations, which could be considered the minimum amount of innovative, profit-oriented social enterprises in Germany at that time. Regarding the number of social enterprises in a broader sense, the authors arrive at different lower and upper limits for the number of social enterprises in Germany (Figure 1). More recent numbers are not yet available.

Figure 1: Estimating the Number of Social Enterprises in Germany



### The Policy and Legal Framework for Social Enterprises

Given the lack of a formal and universally applicable definition of SE in Germany, there is also no specific legislation on social entrepreneurship in place. What is more, concrete plans to introduce such legislation are not under consideration for the foreseeable future. From a European perspective, Germany is one of those countries without specific legislation targeting the sector.

This void concerning a specifically dedicated legal form for SEs, has, however, allowed for a wide variety of legal forms under ordinary private law (non-incorporated and incorporated firms), which can be used for social entrepreneurial initiatives in Germany.

The table below provides for an overview of the main available legal Company forms for social enterprise initiatives

Legal form	Original German name
Sole proprietorship	Einzelunternehmen
Civil Law Partnership	Gesellschaft bürgerlichen Rechts, GbR
Limited Liability Partnership	Kommanditgesellschaft, KG
Limited Liability Company	Gesellschaft mit beschränkter Haftung, GmbH
Entrepreneurial Company (limited liability)	Unternehmergesellschaft, UG (haftungsbeschränkt)
Stock Corporation (private/public company limited by shares)	Aktiengesellschaft, AG
(Registered) Cooperative	(eingetragene) Genossenschaft, eG

## 2. SOCIAL ENTERPRISE SUPPORT SERVICES

As pointed out before, the region of Berlin-Brandenburg is very heterogenic in terms of support structures of SEs. Berlin as one of Europe's major startup and social startup hubs provides a good

infrastructure of incubation services, co-working spaces, coaching, training, and fostering cross sectoral technological developments, whereas in Brandenburg very little of these support services exist.

As depicted in the SWOT analysis of support services below (Table 2), the ecosystem is constantly improving and adequate infrastructure for young social enterprises gets more and more accessible in Germany and the Berlin-Brandenburg area. As the most hindering finding of this analysis, it became clear that the lack of access to appropriate financial schemes does hamper the prosperity and scaling of social businesses.

## SWOT ANALYSIS OF SE SUPPORT SERVICES

### Key Factors Enabling or Hampering SE support services

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Growing awareness and constantly improving support infrastructure</li> <li>• Improved financing schemes and slowly maturing of market</li> </ul>	<ul style="list-style-type: none"> <li>• Financing schemes insufficiently tailored to SE needs</li> <li>• Insufficient support for student SE initiatives</li> <li>• Regulatory framework provides constraints to social business development</li> <li>• Business models of SE support services</li> <li>• Lack of established modes for Impact Measurement</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Social Clauses in Public Procurement processes</li> <li>• CSR and foundations</li> <li>• Growing social challenges to be addressed by civil society actors</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability of business models</li> <li>• High reliability from non-market funding</li> </ul>

### 2.1 Startup support

Regarding incubation facilities and related services mostly the Social Impact Labs in Berlin and Potsdam ([berlin.socialimpactlab.eu/](http://berlin.socialimpactlab.eu/)) and the Impact Hub in Berlin ([berlin.impacthub.net/](http://berlin.impacthub.net/)) have to be mentioned. The Social Impact Labs provide scholarships all over Germany for SEs and inclusive

entrepreneurs including coaching, mentoring, training, workshops and access to the network of SEs and partner organizations. In Brandenburg, this “lab” is the only support service of its kind being very beneficial also for the rural areas of the federal states as will be explained further more in part 4 (good practices). The Impact Hubs are active throughout Germany, Europe and the world, providing mostly co-working spaces, networking events and workshops for SEs.

A particularity among the Berlin incubators represents accelerator Climate KIC, created by the European Institute of Innovation and Technology (EIT), as it addresses a particular target group. Climate KIC offers various programs of support for climate related social businesses from all areas of the SE scene ( [www.climate-kic.org/](http://www.climate-kic.org/) ).

Business coaching and advice is offered by the independent, nonprofit company Phineo ( [www.phineo.org/](http://www.phineo.org/) ) which consults large and medium corporations and foundations on their social engagement but also coaches social startups on various topics like impact investing and issues a badge for SEs with a proven impact and Start Social, offering business coaching for SEs on- and offline ( [startsocial.de/](http://startsocial.de/) ). Innoki supplies coaching for design thinking, intrapreneurship and social engagement and innovation connecting SEs with commercial corporates ( [innoki.de/](http://innoki.de/) ). The website crowdfcamp.com offers training and coaching for social startups who plan or execute crowdfunding campaigns.

Generally speaking, most of the services mentioned above provide online coaching and training which is also accessible to SEs located in Brandenburg and its rural areas. This said, physical support structures are almost not existing outside of Berlin or Potsdam.

## **2.2 Access to credit**

Funding is one of the biggest challenges for startups, but above all for social startups since due to their business model they rarely produce high, stable profits and are often unattractive to investors. Although Berlin shows examples for all possible sources of finance - public foundations, public grants, subsidies and tax benefits, private donors such as large funds and family trusts, social venture funds and other equity financing, business angels and loan capital, structures are still not sufficient to meet the needs of SEs. Classic enterprise financing tools - bank loans, bonds etc. – have a limited role in the financing of small social enterprises and smaller organisations of the ‘third sector’.

Social banks have ethical business models and differ considerably from conventional banks. These banks have in common that they a value-led business approach. It has to be noted, however, that most of these banks mostly offer inadequate financial instruments for the assessment and fitting of SEs and support first and foremost is offered through public funding.

- Bank für Sozialwirtschaft ( [www.sozialbank.de/](http://www.sozialbank.de/) )
- Triodos Bank ( [www.triodos.de/](http://www.triodos.de/) )
- Umwelt Bank ( [www.umweltbank.de/](http://www.umweltbank.de/) )
- Ethik Bank ( [www.ethikbank.de/](http://www.ethikbank.de/) )
- GLS Bank ( [www.gls.de/](http://www.gls.de/) )

Due to the mostly unsuitable financial instruments conventional financiers can offer, crowdfunding and crowd donation play vital roles for (early stage) social startups. Regarding ongoing crowd donations, Betterplace has become increasingly popular ( [www.betterplace.org/de](http://www.betterplace.org/de) ). Startnext on the other hand is a platform only for green, social and sustainable crowdfunding projects and has developed a great range and public awareness ( [www.startnext.com/](http://www.startnext.com/) ). As of November 2017, more than 5300 project were successfully funded with almost 48 Million Euros through Startnext.

For social enterprises the federal government has initiated several specifically tailored activities, policies and tools steered towards the promotion of social start-ups and SEs:

- A specific program for the financing of social enterprises was launched in 2012 by the Kreditanstalt für Wiederaufbau (KfW) ( [www.kfw.de](http://www.kfw.de) ), a government-owned development bank. This programme, the “ERP-Venture Capital-Fondsinvestments”<sup>62</sup> opens up the possibility of taking equity capital. The programme aims at social enterprises in their growth phase, whose business model had already been proved. However, according to the federal government so far no investments under this programme have been made (as of January 2017).
- Through the “Mikromezzanin-Fonds Deutschland” ( [www.mikromezzaninfonds-deutschland.de](http://www.mikromezzaninfonds-deutschland.de) ) for small and young companies the federal government aimed at improving the access to finance for SEs.
- Within its activities steered at promoting businesses the BMWi initiated the programme “Förderung von unternehmerischem Know-how” (start-up and business consulting for entrepreneurs) as well as the program “EXIST-Gründerstipendium” (for start-ups from universities) ( [www.exist.de](http://www.exist.de) ) These programmes have been financed by the BMWi and the European Social Fund (ESF) and the European Recovery Programme (ERP).

### **2.3 Research centers / University programs dedicated to SE**

Research efforts in the field of Social Entrepreneurship steadily increase. Also the fostering of social innovation in rural areas such as Brandenburg gains more and more recognition and attention.

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<sup>62</sup> See: ( <https://www.kfw.de/KfW-Group/Newsroom/Press-Material/Themen-kompakt/Beteiligungsfinanzierung/> ),



Particularly the college for sustainable development (HNE) in Eberswalde, which brings together a lot of knowledge and engagement in Brandenburg, is to name. In Berlin, particularly the SRH Hochschule Berlin has a focus on topics related to social entrepreneurship.

## **2.4 Innovation, technology and cross-sector initiatives**

Cross sectoral initiatives are to be found mainly in Berlin. Initiatives take various organizational forms and address a wide range of target groups. An example of these often loosely organised initiatives is Make Sense ( [www.makesense.org/](http://www.makesense.org/) ). This globally active organization provides digital and physical platforms and networks for exchange. Moreover, SEs are empowered to use disruptive technologies to perform social changes.

## **Conclusions with regard to SE Support Services**

As for the SE support services we have identified areas where institutional support for social entrepreneurship is in need for further improvement. The following recommendations are applicable both to the German context more general and the situation in Brandenburg in particular given the overarching nature of the sector-related challenges:

### **1. Availability of Financing Instruments**

For many social enterprises traditional loan financing is considered unsuitable due to the fact that start-ups face business models which provide for relatively low profit margins, higher risks and uncertain yield perspectives. This said, the usability of available financing instruments within the framework of start-up and economic promotion should be adapted to the needs of SEs, in particular at their early development stages.

- **Corporate Social Responsibility (CSR):** The engagement of medium and large corporations, for example by encouraging and channeling CSR programs towards social entrepreneurs could improve the lack of financial support in the start-up phase.
- Improvement related to **crowdfunding offers**, such as crowd-investment and crowd-lending models, could lead to greater access of SEs to financial resources.
- **Financing programs by the federal (and state) government** related to promoting the German “Mittelstand” (i.e. medium-sized companies) are not sufficiently tailored to non-profit social enterprises, which inhibits their access to proper funding. The available loan programs offered by the KfW, the German development bank, are a case in point as they may rather be seen as a supplementary option for social entrepreneurial business models due to the fundamentally limited ability to service debt. Creating specific government-run



funding programs for social enterprises within the framework of “Mittelstand” financing is, however, not a likely option considering the niche status of social entrepreneurship in Germany. Hence, it is recommended to initiate specific programme versions with adapted funding conditions for the German Social Business Sector.

- In addition, the structure of funding in the area of **mezzanine and equity financing** is generally considered a suitable and promising financial instrument. The program that may be identified as the most suitable for the specific financing needs of social enterprises regarding the design and sales channel is the German micro-mezzanine fund.
- **Grants from public support programmes or foundations** can be a good instrument to finance the early stage of the social enterprise, cover the initial investment costs and proof to other financiers the success of the model. Simplifying bureaucracy around donations and project grants is therefore of significant importance to enable SEs to participate in calls for financing. For an early stage social entrepreneur, however, it can be very resource intensive to learn and get access to the various revenue channels. The world of public support programmes is, thus, an area where extensive knowledge is needed to find the right programs, write the application forms, follow the applicable regulations etc. If the social entrepreneur decides to go this path it could mean full time commitment to win financing for a project just for a couple of years.

## 2. Impact-oriented Investment

Social enterprises need a functioning market for impact-oriented investments in order to unfold their full potential:

- The market for **impact-oriented venture capital and equity capital** in Germany is still in the early stage of development and only slowly growing in Germany. However, the availability of impact-oriented capital plays a key role for social enterprises aiming to grow. Important stakeholders within this realm include foundations, private investors (including big corporations with CSR departments) as well as institutional investors, social enterprises on the demand side and specialized funds as intermediaries.
- Creating a functioning market for impact-oriented investments requires joint action by stakeholders at federal and state level, ministries, foundations, private investors, charities and social enterprises. This is especially true for the development of innovative instruments (e.g. Social Impact Bonds)<sup>63</sup>. First experiences from pilot projects at the regional level have shown that the relevant coalitions can be initiated and led by political stakeholders. To

achieve this, social enterprises and stakeholders from civil society must intensify their cooperation.

### 3. Support Services and Consulting

in order to achieve systemic changes through social innovations, the support infrastructure has to be build according to the necessities of those who can innovate and organize these changes, i.e. by social entrepreneurs. Currently the support infrastructure for social entrepreneurs in Germany/ Brandenburg is lacking the right public support. The development of such support instruments, tailored to serve the specific needs of SEs, would enhance the dynamic of the whole sector significantly:

- **Consulting services** have a special significance for social enterprises. Correspondingly, there is a demand for qualitative support structure. This demand cannot be satisfied by the typical support centers (such as chambers of commerce and economic development) as well consultants oriented more towards founding in general. Achieving a comprehensive, nation- (or at least state-) wide service offering would significantly improve the framing conditions for social enterprises in Germany.
- Although there are training and counselling programs for early-stage SEs in Germany (e.g. Social Impact Labs), this is not the case for social enterprises that intend to scale. Particularly with regards to underserved rural areas **specific training programs** for trainers and business advisors, coaches, etc. both on early stage business development topics and on scaling strategies, should thus be further developed.
- Furthermore, the **consulting offering and support services for social enterprises at German universities** are still weak. While there are research chairs dedicated to social entrepreneurship, this is not equivalent to a practical support offering for social enterprises founded by students. The general start-up consulting services at universities, often within the framework of EXIST - a business development programme - start-up offices, are not capable of supporting prospective founders as needed in the field of social entrepreneurship. Universities and authorities have placed greater emphasis on highly scalable technological prospective start-ups; unlike social innovations which are at the core of many social businesses. Thus, the development of support instruments, that emphasize the specific demands of SEs, would foster the dynamic of the sector.

### 3. SOCIAL ENTERPRISE NETWORKING INITIATIVES

With regards to networking initiatives, the difference between the Urban Metropolitan Area of Berlin and the sparsely populated Brandenburg regions are sharp rest of the region (see Table 3). While the networking ecosystem in Berlin is a growing sector with ever-growing opportunities for collaboration for Social Enterprise, in Brandenburg Social Enterprises have only access to few network and start-up support options.

## SWOT ANALYSIS OF SE NETWORKING ACTIVITIES

### Key Factors Enabling or Hampering SE networking activities

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Growing number of networking opportunities in Germany</li> <li>• SEND has potential to effectively lobby for SE-related topics</li> <li>• Crowdfunding platforms gain more momentum, users and visibility</li> </ul>	<ul style="list-style-type: none"> <li>• For Brandenburg there are only few specifically tailor-made network and start-up support options</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Growing sector with needs to increase collaboration</li> <li>• Online exchange and learning platforms</li> </ul>	Restricted resources for activity in network organisations

### 3.1 Representation of local/regional /national social enterprises

The association SEND (social entrepreneurship network Germany, [socentnet.de/](http://socentnet.de/)) was founded in mid-2017 which mission is to bundle and represent the interests of SEs in the region and Germany to political decision makers. Also the Zukunftsinstitut (lit. future institute, [www.zukunftsinstitut.de](http://www.zukunftsinstitut.de)) is a think tank that aims to improve political and social recognition of the social entrepreneurship scene. Particularly SEND represents a strong effort by the many of the SE-sector key-players in Germany to lobby and advocate on high policy level, and like this influence the policy development in Germany.

### 3.2 Financial Network

The financial network includes impact investors and foundations who mainly provide grants. Moreover, most of the following organizations do not only help the SE monetarily, but also put in

their business experience, knowledge and connections (venture philanthropy). Although SEs can apply for support and grants independent of their territorial reference, physical support is mostly difficult due to the large distances to rural areas, which is a disadvantage von Brandenburg.

The German ecosystem of financial support networks is divers. Particularly impact investors and foundation offer financial schemes for Social Enterprise:

Impact investors:

- BonVenture ( [www.bonventure.de/](http://www.bonventure.de/) )
- Ananda Social Venture Fund ( [www.socialventurefund.com/](http://www.socialventurefund.com/) )
- Tengelmann Social Ventures ( [www.tev-social.de/](http://www.tev-social.de/) )

Foundations:

- Bertelsmann Foundation ( [www.bertelsmann-stiftung.de](http://www.bertelsmann-stiftung.de) )
- Schwab Foundation ( [www.schwabfound.org/](http://www.schwabfound.org/) )
- BMW Eberhardt von Kuehnheim Foundation ( [www.kuenheim-stiftung.de/](http://www.kuenheim-stiftung.de/) )
- BMW Foundation Herbert Quandt ( [bmw-foundation.org/](http://bmw-foundation.org/) )
- Robert Bosch Foundation ( [www.bosch-stiftung.de](http://www.bosch-stiftung.de) )
- Mercator Foundation ( [www.stiftung-mercator.de/](http://www.stiftung-mercator.de/) )
- Vodafone Foundation ( [www.vodafone-stiftung.de/](http://www.vodafone-stiftung.de/) )

Financial support is also provided through the different awards (trophy money) and corporate social responsibility funds such as Wirkungsfonds ( [socialimpactfinance.eu/wirkungsfonds-aktuel](http://socialimpactfinance.eu/wirkungsfonds-aktuel) ) and EDU Plus (both Deutsche Bank Foundation, [www.deutsche-bank-stiftung.de/](http://www.deutsche-bank-stiftung.de/) ). Also important for the matching of SEs and impact investors, business angels and the like are institutions like The Financing Agency for Social Entrepreneurship (FASE, [fa-se.de/](http://fa-se.de/) ), which supports selected social enterprises in raising growth capital, identifying investors and financiers across the entire spectrum, ranging from private investors, family offices and foundations to social investors and banks.

### 3.3 Networking activities

Cross sector projects for product or service innovation happen often in Berlin but are rare in Brandenburg area. Startup:net<sup>64</sup> offers a network for cooperation and events outside of Berlin as well. The Social Entrepreneurship Academy (SEA, [www.seakademie.de/](http://www.seakademie.de/) ) provides online courses to foster innovation and also host different networking events for SEs.

Generally speaking, co-working provides a great physical space for SEs to connect and exchange as well as use synergies. Unfortunately, Brandenburg comprises less than 5 of those spaces in total (all

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<sup>64</sup> See: <https://www.medianet-bb.de/de/startup-net-berlinbrandenburg/>

of them in the capital Potsdam) whereas Berlin has approximately 100 co-working spaces, which are not entirely dedicated to social business but are open for SEs, too<sup>65</sup>.

Other key networking players are Ashoka, UPJ and Startup Safari.

- Ashoka, being the oldest and largest network of SE, engages in many activities with different partners to improve conditions for SEs ([germany.ashoka.org/](http://germany.ashoka.org/)).
- UPJ connects social startups with large and medium corporates to foster cross sectoral development and intrapreneurship ([www.upj.de/](http://www.upj.de/)).
- Startup Safari creates extended networking events in different cities, including SEs, VCs, incubators, accelerators and communities ([startupsafari.com/](http://startupsafari.com/))

### **Knowledge production and sharing experiences**

The increasingly popular website tbd\* ([www.tbd.community/de](http://www.tbd.community/de)) promotes green, sustainable and social jobs and hereby encourages change makers to follow their ambitions. Moreover, they host regular and special networking events and exchanges of practice. As it is a bi-lingual webpage it also connects the international Scene in Berlin with local and therefor gained importance a connector.

Also the Social Innovation Exchange (SIX, [www.socialinnovationexchange.org/home](http://www.socialinnovationexchange.org/home)) creates a community of SEs of businesses, academics, funders, practitioners and leading social innovation intermediaries that support social innovation to accelerate the field of social innovation.

### **Other means of awareness rising are awards.**

There are many of award schemes that specifically address young social enterprise. Social Impact developed several award schemes, together with its public and private partners, that allow young social initiatives to gain public attention and to obtain funding. The Special Impact Award ([specialimpactaward.eu/](http://specialimpactaward.eu/)), implemented together with the KfW-Bank, is one example of an Award addressing inclusive enterprises.

As a sign of public recognition, there are award schemes by the federal state institutions that address social business; showcasing the awardees to a broader public, Smart Hero Award ([www.smart-hero-award.de/](http://www.smart-hero-award.de/)) and the German Sustainability Award ([www.nachhaltigkeitspreis.de/](http://www.nachhaltigkeitspreis.de/)).

### **Conclusion with regards to SE Networking initiatives**

#### **1. Social Recognition and Public Awareness**

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<sup>65</sup> See [www.coworking.de](http://www.coworking.de)

Despite recent efforts, also from the side of government, more advocacy for social entrepreneurship in Germany is needed in order to raise awareness among decision-makers. Here the pro-activeness of key actor and networks are of high importance:

- Because many of the framing conditions that are relevant for the development of social enterprises are cross-cutting issues, an optimal political handling requires inter-departmental coordination at federal and state level. The matter can only be handled in a coordinated manner, in particular if there is a decisive strategy by the government in place that settles the responsible department and stipulates clear goals. This does not only apply to the national but also the regional level.
- A **wider acceptance of social entrepreneurship** as a relevant form of economic activity through key stakeholders of the economy (e.g. chambers, associations, funding institutions) is a closely related issue. Social enterprises often face resentment in Germany: to start an enterprise is frequently associated with the risk of failure and culturally negative connotations. In addition, the concept of social entrepreneurship still has a niche character in Germany. This is sometimes accompanied by reservations of some sectors for the connections between a commercially-oriented entrepreneurial focus and social goals. This awareness creates the preconditions for a real integration of growth-oriented social enterprises in private sector structures, thereby enabling increasing professionalization and market orientation of such companies.

## 2. Transfer and Scaling

Networks foster the scaling and transfer of social innovation to new regional context could particularly help SEs to increase their impact in underserved regions. While this branch of SE support has grown significantly in recent years, their reach and efficiency can still be improved. Accordingly, we identified the following needs that still persist on the side of networking efforts for social enterprises:

- Social entrepreneurs adapt their concepts to the context where the social problems are located. Often, however, solutions are not site-specific, but occur in different regional contexts. The parallel development and implementation of a product or service with similar objectives in different regions, nationally and transnationally, is therefore currently not very efficient.
- In order to **transfer innovative social innovations to rural areas there is a need to design specific counselling and support offers and training** for trainers and business advisors on scaling strategies that are knowledgeable of the specific regional contexts. The

establishment of **knowledge exchange networks** (national and transnational) would further sustain such efforts.



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## 5. GOOD PRACTICES

This section focuses on two good practices in the field of SE support services and networking initiatives Germany. First we will showcase a support scheme that was implemented by the regional government of Brandenburg in cooperation with Social Impact. While the “Entersocial Dorfkümmerer” – literally “Village Caretakers” – Project is not active anymore, it still represents a good practice for a holistic SE Support in disadvantaged regions; and thus might be of particular interest for the SENTINEL Project.

As a good practice for an alternative financial instrument for SEs, we will showcase the Berlin-based crowdfunding platform “Start Next” in the following chapter. This platform proved to be both an effective fundraising tool for early social start-ups as well as an instrument for campaigning and outreach to customers. As it heavily relies on an online platform; it also can be used by initiatives in remote and/or economically disadvantaged regions.

## CASE STUDY 1. DORFKÜMMERER

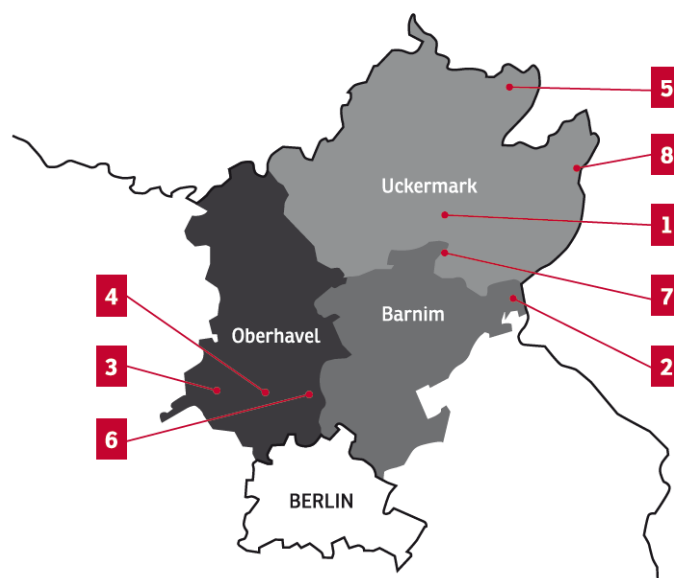
### 1. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...):** Dorfkümmerner (lit. Village Caretakers)
- **Key actor(s):** Social Impact gGmbH, Ministry of Labour, Social, Health and Women Affairs in Brandenburg.

Other key actors of the project: The village care takers themselves, i.e. change local makers, who were specially committed to their local communities and contributed with their work to help rejuvenating village life despite of various challenges.

- **Duration of the initiative (starting year):** 2010-2014
- **Geographic size of the intervention** – The project was located in the northeast of Brandenburg (see
- **Figure 2** *Errore. L'origine riferimento non è stata trovata.*). With its small towns and villages this sparsely populated area is characterized by a mutual reinforcement of structural, economic and demographic challenges. The project supported local change makers and initiatives/organisations in the three districts Barnim, Uckermark and Oberhavel.

**Figure 2: Geographic Focus of the Project, including the Location of the Projects of the first Project Cohort.**



- **Funding**

The project was financially supported by the Regional Government of Brandenburg, the European Structural Fond (ESF) as well as the Generali Zukunftsfonds.

- **Thematic focus and main sector addressed**

Growing disparities have been developing over the course of the last decades between the rural periphery and the more prosperous areas in Brandenburg, mostly around the agglomeration of Berlin and Potsdam. An estimation of the economic development in Brandenburg at the time of the project initiation shows that Brandenburg fortunately disposes of structurally strong areas. However, rural regions such as the Prignitz in the North-West or the Uckermark in the North-East of Brandenburg still suffered from extreme structural weakness in terms of their economy. Hence, the project acknowledged the significant challenges of the rural periphery in Brandenburg, i.e. static economic structure and labour market, low purchasing power among citizens. As a consequence, many people commute between their home in the rural periphery and their workplace in the rather few centres. Moreover, especially young and highly qualified people left the rural areas of Brandenburg forever. Conversely, older and poorly educated people stay in the rural periphery. They, thus, face the risk of a constant phase of unemployment and low income. As a result, in many areas it has become increasingly unprofitable to ensure some of the most important functions of the services of general public interest. This includes, for example, the local supply of food or the provision of basic services.

In this regard the project Dorfkümmerer acknowledged that positive local change can only be inflicted through an engaged citizenry given that most public bodies have been ill-equipped and ill-endowed to effectively tackle the issues at stake. What was needed were novel, innovative and bespoke approaches to communal development. As such innovative impulses are frequently introduced by committed individuals, which refuse falling prey to the status quo and the demographic downward spiral already ongoing. However, these change makers – or Dorfkümmerer (lit. Village Caretakers) – often lack knowledge and skills to successfully turn their creative ideas to reality. Here, the project stepped in and introduced with the Dorfkümmerer project an approach apt to fill these voids and to provide additional incentives to local individuals to ensure the quality and sustainability of the projects developed by them. As a consequence, the project focused on identifying and qualifying local change makers to support them in the realization of their

ideas/projects for rejuvenating their local communities.

- **Main reason for highlighting this case**

While the project is not active anymore, it still represents a good practice for a tailor-made and needs-oriented qualification and support programme for individual social innovators in disadvantaged regions; Thus the project might be of particular interest for the SENTINEL Project.

## 2. SERVICE DESCRIPTION

- **Overall objectives**

With the project the Social Impact gGmbH aimed at contributing to the re-vitalization of towns and regions of Brandenburg to enhance the attractiveness and quality of life in disadvantaged communities and address the ever growing challenge of rural depopulation.

- **Description of activities/services**

As a first step, Social Impact instigated a tender and application process to identify and determine the individuals to be supported under the project. Thus, dedicated villagers were asked to formulate and submit their ideas for a revival of their community, together with their personal motivation. Once selected, the village caretakers underwent coaching and training sessions to improve their ideas and work on the respective business models.

The advantages of this approach are obvious: instead of applying supposedly useful changes from the outside (i.e. top-down approach), the needs and resources of the villages are taken into consideration when developing sound ideas on how to revitalise community life (i.e. bottom-up approach). This approach heavily relies upon the skills, resources and experiences existent in each village. It can therefore best capitalise on and ignite the energy of the people affected by the above-mentioned changes. In order to further incentivise project participants and ensure long-term commitment to the development and implementation of projects, selected village caretakers received EUR 400 per month in addition to the professional coaching and 2-week seminars throughout the duration of the support.

- **Description of Recipients**

The main recipients of the project were the identified and supported change makers who received both financial and capacity building support as well as their respective organisations/initiatives. Further recipients were the communities benefitting from the

process of developing the individual community projects.

- **Resources used (kind, amount...) and financial sustainability**

Social Impact provided experts and project management in order to coordinate, qualify and support the Dorfkümmerer and advise selected projects in the villages over the course of the project.

- **Management and evaluation**

Social Impact and the Ministry of Labour, Social, Health and Women Affairs in Brandenburg were responsible for planning, executing and monitoring the project. The monitoring and evaluation process functioned as a significant part of the project. It helped to improve the performance and achieve the project objectives. Regular discussions and meetings were conducted between the project team and the external consultants as well as between the project management and the participants in order to assess the project progress. In addition, regular individual consultations in selected projects were accompanied by the project management on site. At the end of each project phase an evaluation survey was conducted to provide beneficiaries with feedback and suggestions.

- **Main outputs/ results**

- Number of participants (2010-2014): 124
  - 76 individuals
  - 48 organizations
  - 8/10 Dorfkümmerer (1<sup>st</sup> generation / 2<sup>nd</sup> generation):
- With the help of the project the village caretakers had the opportunity
  - to exploit their full potential within the civil society in their villages;
  - to inspire the village communities for social innovation;
  - to encourage and activate the people at an advanced age;
  - to create new employment.
- The village caretakers successfully contributed to the identification of community promotion projects and civic initiatives within the framework of the 'idea workshops', together with their respective village communities.
- The villagers were able to establish networks to different stakeholders at local and regional level and to interlink their projects with other local projects. As a result, the effects of the project were significantly improved and the supported project initiatives were further developed.

- Regionwide awareness of the projects in the villages and the Dorfkümmerer project highly increased due to regional media coverage (e.g. via MOZ, DW, RBB, FluxFM, other regional newspapers, etc.).

- **Partnerships with local, national, international organizations and institutions**

Social Impact gGmbH, Ministry of Labour, Social, Health and Women Affairs, European Social Funds and the Generali Zukunftsfonds were the main partners of the project. In addition, strong local partnerships were established in the villages and municipalities. At conferences and events, in which the project team participated, new network partners were established (including the Forum Rural Area Network Brandenburg). In addition, further project-related contacts with the Leibniz Institute for Regional Development and Structure Planning in Erkner (IRS), the Leibniz Institute for Regional Geography in Leipzig (IfL), the Johann-Heinrich von Thünen Institute in Brunswick (vTI) and the Academy of Spatial Research and Planning in Hanover (ARL) were established.

- **Replicability**

The number and quality of the projects initiated by the village caretakers impressively demonstrated the potential of the "Dorfkümmerer" concept to promote rural development in sparsely populated areas battered by weak and sclerotic economic structures. In the meantime the concept was successfully adopted by the Bosch Foundation's "Neulandgewinner" project (lit. Land Pioneer Project). This, once again, proves the concept's rationale and feasibility.

- **By-product effects**

Tourism was positively affected in the region.

- **Problems / challenges to face**

A particular challenge for project management was to acquire external consultants with relevant experience. In order to overcome this challenge, a close coordination between consultants and project management was crucial. This coordination was ensured, for example, through regular discussions between the project team and the consultants. In addition, individual consultations in selected projects were conducted by the project managers on-site.

### **3. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED**

The results of the project show that the project has fulfilled the objectives as many of the initiatives initiated during the project still persist and contribute to positive communal development and

change. Working hours by the project staff to ensure the project objectives have been immense, however due to the significant village caretakers' demand for coordination, advise and training. This need should not be underestimated when designing similar solutions.



## CASE STUDY 2. STARTNEXT

### 1. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** Startnext Crowdfunding Platform
- **Key actor(s):** Innovators and entrepreneurs and creative people who would like to promote their ideas, attract supporters, raise the necessary funds and build a community. In addition, corporations, foundations, funding agencies, universities, cities, and clubs to support creative projects on Startnext, to give advice, to curate ideas, or to create contests.
- **Duration of the initiative (starting year)** 2010 up to now
- **Geographic size of the intervention** Startnext is now the largest crowdfunding community for creative and sustainable projects and startups in Germany, Austria and Switzerland.

- **Funding**

*Startnext* does not charge administrative fees, but works on the basis of a voluntary commission: after a successful campaign, starters are free to decide for themselves if they would like to support Startnext, and how much they would like to contribute. On average the platform receives 3% from the projects raising funds on Startnext. With regards to the transaction fees, the payments are entirely processed by their own service provider, called ‘Finlane’, and are charged with 4%.

- **Thematic focus and main sector addressed**

Startnext is a platform for campaigns for **entrepreneurs, inventors and creative people with a social impetus**. It is the only crowdfunding platform focusing solely on social, green and sustainable projects. The idea of the projects able to start a crowdfunding campaign on Startnext should fit in one of the following categories: Agriculture, art, audio book, comic, community, design, education, environment, event, fashion, food, games, invention, journalism, literature, film/video, photography, music, science, sport, social business, technology, theatre.

- **Main reason for highlighting this case**

As a good practice for an alternative financial instrument for social enterprises the crowdfunding platform “Startnext” proves to be both an effective fundraising tool for early social start-ups as well as an instrument for campaigning and outreaching to customers. As

it heavily relies on an online platform it also can be used by initiatives in remote and/or economically disadvantaged regions.

## 2. SERVICE DESCRIPTION

- **Overall objectives**

Supporting social and/or ecological solutions to prevailing societal challenges.

- **Description of activities/services**

At Startnext, the idea of community is strongly in the center of the business concept. Each project that subscribes to the crowdfunding page gets an individual adviser to the page, which will assist in setting up the project page and submit required documents. Also Startnext offers a variety of tools and services to support project holders, such as an online handbook, a crowdfunding tutorial, an online crowdfunding course called “Crowdcamp” but also workshops and personal coaching. Some of these services are free of charge (such as the online handbook for starters), others are to be paid for (such as the personal coaching).

- **Description of Recipients**

The main recipients of the services of Startnext are innovators and entrepreneurs and creative people who would like to promote their ideas, attract supporters, and raise the necessary funds.

- **Resources used (kind, amount...) and financial sustainability**

Startnext works via the “All-or-Nothing” principle, which means that if the funding goal of the campaign is not reached, all the contributions are returned back to the individual supporters. The platform does not charge administrative fees, but works on the basis of a voluntary commission: after a successful campaign, starters are free to decide for themselves if they would like to support Startnext, and how much they would like to contribute to the platform with a share of their funding. Transaction fees are 4% and go entirely to the payment service provider. Some of these services are free of charge (such as the online handbook for starters), others are to be paid for (such as the personal coaching). These services are offered to all project holders on Startnext. As of January 2018, 58% of Startnext projects have successfully been funded and 50 million Euros have been allocated by the crowd.

- **Management and evaluation**

The Startnext platform is managed and evaluated by the team based in Berlin, Dresden and Vienna offices. The number of successful projects, the users and the supported projects as well as

the percentage of success rate of the projects reached their funding goals and the amount of funding provided to the projects are demonstrated on the platform regularly.

- **Main outputs/ results (as of January)**

The number of successful projects: 5,500

The amount of total funding provided to the projects: 50 million Euro

The number of users: 900,000

Success rate: 58%

Most successful category with the most projects and the highest success rate: Music

- **Partnerships with local, national, international organizations and institutions**

Startnext has 15 media partners such as Zeit Online, Arte Creative, The Huffington Post, Technology Review and Creative City Berlin etc. Also, it has 10 cooperation partners such as Secupay, Finlane, Tyclipso, Cofunding etc. Furthermore, Startnext offers 'partner pages' for partners and to provide relevant information to them.

- **Replicability**

The Startnext platform functions in German speaking countries and information about the replicability procedures does not exist. However, given the existence of similar crowdfunding projects outside of Germany and the growing demand for solutions to social and ecological challenges combined with shrinking welfare state contributions to these issues, there is substantial potential for this business model to be introduced elsewhere.

- **Problems / challenges to face**

One of the main challenges is to overcome people's lack of knowledge about the possibilities of crowdfunding. The results of a study which was conducted in 2015 show that many people in Germany are ill-informed. For the further development of crowdfunding it is essential to establish general trust and knowledge about it.<sup>66</sup>

### **3. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED**

**Startnext.com:** Startnext is the leading reward-based crowdfunding platform and is one of the largest platforms focused on creative and sustainable projects in the German speaking countries. The huge success of Startnext shows a how big the social potential is to tackle challenges and perform change through the online communities. The website offers the opportunity to donate the

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<sup>66</sup> Source: <http://www.crowdfundinghub.eu/current-state-crowdfunding-germany/>

needed capital from sympathizers and other interested parties of the cause. On the other hand, it also offers a visibility for these social creative ideas and provides information and motivation for all other participants in the community or society.

## **SLOVENIA – FUND 05 and PRIZMA**

### **EXECUTIVE SUMMARY**

Social entrepreneurship is the sustainable concept of the economy, characterized by resilience to market shocks, great potential for social integration and employment, and excellent adaptation to local challenges. The foundation of the long-term development of social entrepreneurship must therefore be to build a system of measures and policies that take into account the specific character of social entrepreneurship and respond to the key issues of social entrepreneurship in Slovenia. Only in this way will social enterprises become a productive, creative and self-sustainable part of the economy, contribute to the well-being of citizens and will not be understood as an extension of the state's social policy.

Social entrepreneurship in Slovenia has still not reached a satisfactory level, primarily because the poor knowledge and lack of understanding of the concept of social entrepreneurship, its principles, goals and benefits. According to the classification of the EU, Slovenia belongs to the group of countries where the concept of social economy is not widely known and accepted (Monzón and Chaves, 2012, p. 28). Social economy sector in Slovenia employs a meagre 0.74% of the workforce (Černak-Meglič and Rakar, 2009, p. 241), in contrast to the EU where social economy enterprises make up 3 million organisations or 10% of all European companies, employing 6.5% of the total working population of the EU-27 (European Commission, 2013, p. 45). Therefore, the potential of social entrepreneurship in Slovenia is unexploited. The cooperation between the institutions responsible for the development of social entrepreneurship at national and regional level is still insufficient, and there is a lack of mechanisms for financial investments in social enterprises.

Among the most important reasons for the small number of established social enterprises in Slovenia are the lack of entrepreneurial and marketing skills of social entrepreneurs, lack of awareness of the public about the role of social entrepreneurship, unrecognition on the market, poor support from the local communities and similar. Obstacles to development of social entrepreneurship are mainly the presence of the informal economy, insufficient coordination of responsibilities between various government departments, lack of support from other ministries and local governments (including access to public procurement markets). Concluding from the abovementioned facts, the legislation of social enterprises is too rigid. For social entrepreneurs, a significant problem is the difficult access to financial resources, which includes more favourable loans for employment, as well as providing guarantees and subsidies from the budget. For this

purpose, it is necessary to establish funds for the promotion and development of social entrepreneurship.<sup>67</sup>

Social entrepreneurship strengthens social solidarity and cohesion, promotes people's involvement and volunteer work, strengthens the company's innovative ability to solve social, economic, environmental and other problems, provides an additional offer of products and services that are in the public interest, develops new employment opportunities, jobs and social integration and professional reintegration of the most vulnerable groups of people in the labor market (goals of social entrepreneurship). "

The European Commission has therefore highlighted those industries in the future, where jobs are emerging in the face of the crisis:

- jobs related to the protection of the environment,
- jobs in health care, care and personal services, and
- jobs in information and communication technology.

These are at the same time branches, which we expect to cover a large part of the demand and needs for the challenges of the modern world in the field of environmental protection, demographic change and globalization. Undoubtedly, these are also industries that represent great potential for social entrepreneurship growth in Slovenia as well.

The development of social entrepreneurship should therefore be based primarily on:

- the potential of social entrepreneurship for economic growth,
- the potential of social entrepreneurship to raise the welfare of citizens,
- the potential of social entrepreneurship to open up new, stable jobs at the local level,
- the potential of social entrepreneurship to reduce poverty and unemployment, including persons from vulnerable groups,
- the potential of social entrepreneurship for innovative and creative responses to the challenges of demographic change, environmental protection and globalization.

The support to SEs from the environment should be provided in a way not to make them dependent but to empower them for their mission (social mission together with the economic one). Due to this particular type of entrepreneurship, the business ecosystem has to be well shaped and developed to offer adequate support. As the most suitable tools for achieving this seems to be the mentoring programs as personalized support in developing weak points (competencies), and networking activities to enable mutual learning, cross-fertilization and joint market presence. It is also

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<sup>67</sup> Rajko Macura, PhD, Iva Konda, PhD: Social Entrepreneurship; an Instrument of Social and Development Policy, Revija za ekonomske in poslovne vede (2, 2016)

necessary to develop the specialized supportive environment for social enterprises (social incubators, innovation parks, social hubs, "co-working" spaces – with appropriate material and service infrastructure) to be able to respond to the specific needs of the sector.

Of particular importance is the need for social enterprises networking and the development of new cooperation models that will assure the possibility of knowledge transfer between experienced and new social enterprises. Support for the transfer of good practices of social entrepreneurship between the various regions and areas of activity should also be provided.

Despite the relatively new concept of social enterprise in Slovenia the study cases can be found around the country, not only of the social enterprises but also of supportive organisations and networking initiatives. Although they need some degree of support from public bodies on national/regional/local level, they should not depend on it, but need to be more structured and professionalized.

## 1. SOCIO-ECONOMIC AND INSTITUTIONAL CONTEXT

The concept of social enterprise is very new to Slovenia; it was used for the first time in the context of ESF-funded pilot projects launched in 2009 to support the development of social enterprises. Since then, interest and activity in the social enterprise 'space' has grown. The impetus for this interest is in part driven by the economic crisis and connected disappointment of the masses with capitalism, resulting in the emergence of movements advocating new ways of organising the economy. At the same time, the Government is increasingly interested in using work integration social enterprises (WISE) as a tool for tackling high levels of structural unemployment.<sup>68</sup>

Only in 2011 Slovenia adopted the **Social Entrepreneurship Act** which provided definition of social entrepreneurship and social enterprise. Before that Slovenia had a long history of cooperative movement (more than 150 years) and a numerous sector of NGOs with a long history of civil action, even though the NGO sector is economically weak. There are also two facts that give strong basis for development of social economy in Slovenia: one is a strong community and solidarity inclination of inhabitants. And the other is strongly present left or middle left political parties that are in one way supportive to the idea of social economy and are on the other hand using social economy as a political object. However, even if social economy is not strongly set into the historical roots in Slovenia, it does have quite good basis set in last decade in political and civil sectors.

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<sup>68</sup> SE mapping\_Country report Slovenia



The law uses a model of open formal forms, which means that the social enterprise is not defined as a mandatory legal organizational form, essential is the purpose of the organisation wishing to obtain the status of SE. Social entrepreneurship legislation is thus secondary legislation for enterprises that must first be registered under different legal forms. However, registration of SE status is voluntary, comes with no financial advantage and the Act has been criticised for being too strict and restrictive.

Recently the Social Entrepreneurship Act is under novelization (should pass the parliament at the end of 2017 / beginning of 2018) and will for the first time use the term “social economy” in legal sense. Social economy is defined as an umbrella concept that includes: 1. social enterprises, 2. non-for-profit non-governmental organizations - NGOs (associations, foundations, institutes, economic interest societies), 3. companies for employment of disabled people and employee-rehabilitations centres, 4. cooperatives.

Since 2015 the main responsibility for implementation of the Act lies with the **Ministry of economic development and technology** (Ministrstvo za gospodarski razvoj in tehnologijo) and its special sector - Department for Social Entrepreneurship. The sector carries out the legislative changes and run subsidies calls and political promotion of social entrepreneurship, and in some extent also cooperatives and social economy in general. They also hold a register of SEs.

Before 2015 the home-ministry of social economy was **Ministry of Labour, Family, Social Affairs and Equal Opportunities** (Ministrstvo za delo, družino socialne zadeve in enake možnosti), which encompasses many areas that are very important for development of social economy in two ways, as development of companies/organizations and as development of products with high social impact.

On the national level the important role for SEs play also:

- **Ministry of Public Administration** (Ministrstvo za javno upravo): has several priority tasks in the area of cooperation with non-governmental organisations (like preparation of the NGOs and Volunteering Development Strategy, monitoring development of the NGO sector, preparing systemic solutions for the development of NGOs and voluntary work, etc.).
- **Employment Service of Slovenia** (Zavod RS za zaposlovanje): carries out all the Active employment policy measures, which includes most of subsidies for employment on national level.
- **SPIRIT Slovenia - Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology** (Javna agencija Republike Slovenije za spodbujanje podjetništva, internacionalizacije, tujih investicij in tehnologije): strives to become an institution that in

cooperation with stakeholders offers Slovenian companies effective and comprehensive support for development and promotion on the global competitive market. It renders its services according to the one-stop-shop principle as it merges all of the key activities required by companies at all stages of their lifecycles under one roof.

- **Chambers of commerce and craft** (Gospodarska zbornica Slovenije - GZS, Obrtna zbornica etc.): strong partners in so called “social dialog” which is a formal political process, but are unfortunately not opened to cooperatives and associations, only classical companies are members.
- **Ministry of Finance** (Ministrstvo za finance): is more or less rejective, therefore there is a need to prepare financial arguments that would convince Ministry of finance to give way for better involvement of social enterprises in public procurement processes and to make way for tax reductions and tax exemptions for social enterprises and NGOs in general.
- **BAMC d.d. - Bank Assets Management Company d.d.** (DUTB d.d. – Družba za upravljanje terjatev bank d.d.): there is a big potential for development of worker cooperatives through worker-buy-outs because DUTB is selling out bank assets from companies in bankruptcy or restructuration.
- **Local self-government - municipalities and cities**: the law on social entrepreneurship is giving strong importance and responsibility for development of social entrepreneurship to the local self-government units (municipalities and cities). But they are independent and must be smoothly convinced to become stronger partner in the development of social enterprises and social economy in general.

### 1.1 Main economic sectors

The contribution of social entrepreneurship to GDB and job creation is in Slovenia 4 times less important than is the case for the EU, which means, that only about 1.5 to 2 % of all employees work in the field of social entrepreneurship, unlike the EU countries with developed social entrepreneurship, where this percentage ranges between 6 and 8 %.<sup>69</sup> In Slovenia cooperatives and non-governmental organizations employed about 7,000 persons in 2010, representing 0.73 % of all employees during the year.<sup>70</sup>

As Slovenian law on SEs does not foresee specific legal form for social enterprises, the most common ones are institutes, cooperatives, associations, and organisations with limited liability.

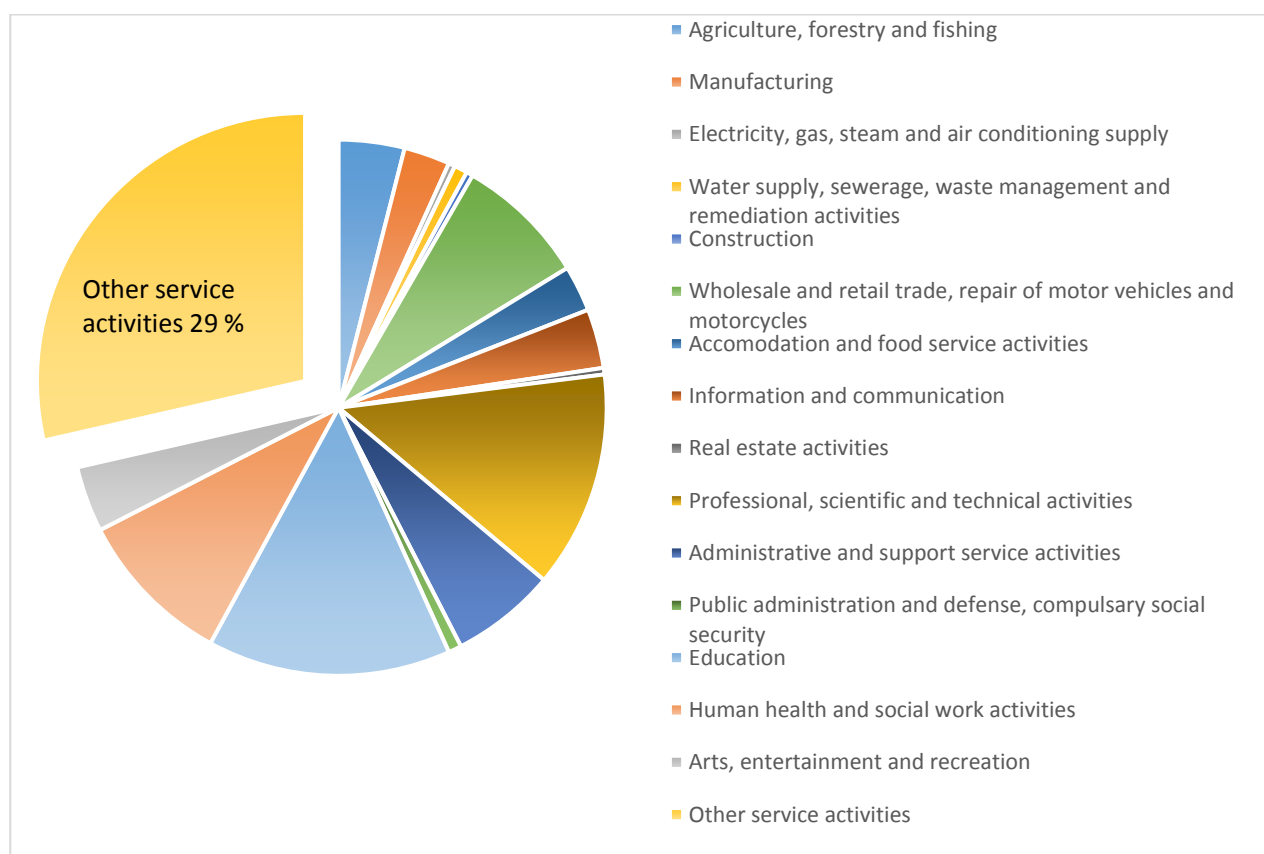
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<sup>69</sup> Assessment of the OECD Expert Group, presented in in the document »Improving social inclusion at the local level through the social economy: report on Slovenia« (December 2010)

<sup>70</sup> Findings of the report »Social Economy in the European Union«, prepared by CIRIEC in 2012

According to the register of SEs there were 252 social enterprises registered by August 2017. By definition of the Slovene standard classification of activities is the main activity of almost 29 % of all social enterprises defined under Other service activities (from that 70 % implement Activities of other membership organisations, related to quality of life, sustainable development, social innovation, etc.). The second largest group of SEs is involved in Education (almost 15 %), followed by those engaged with Professional, scientific and technical activities (13,10 %). This is quite in line with the definition of fields where EU social enterprises operate: work integration, personal social services, local development of disadvantaged areas and other (recycling, environmental protection, sports, art, culture, etc.).

**Figure 1. Social Enterprises by main activities (Slovenia, August 2017)**



### 1.2 Main challenges to face in the area

Slovenia is slowly progressing in the field of economic development and quality of life, and it is decreasing also pressures on the environment. Nevertheless, is in many areas of economic, social and environmental development far behind the most developed European countries. Further development potential is thus constrained by low productivity, disproportionate to demographic change, still excessive environmental burden, and low state's efficiency in promoting development.

Slovenia is facing several challenges, the main ones being:

- A strong increase in the segmentation of the labour market, often affecting young people in particular,
- Demographic changes, reflecting in the population ageing, and reducing the potential of working population,
- Increase in demand for public services (especially social services – health and long-term care),
- Poorer life-style indicators,
- Population decrease in distant and agricultural places,
- Lagging behind in development of digital society,
- Underdeveloped creativity that originates from culture and creative industry,
- Excessive environmental burden,
- Inappropriate use of natural resources.

Adapting to climate change, moving to low carbon and circular economy that would enable competitiveness of Slovenia and the quality of life of the population, along with long-term preservation of natural resources, requires changes in existing production and consumption in more sustainable forms.

Differences in economic development levels among Slovenian regions are small in comparison to other countries. However, in some regions, especially in the east of Slovenia (like Podravska region), developmental vulnerability varies considerably from the national average. Faster Slovenia's development could thus be achieved by reducing developmental barriers in individual regions and better exploiting developmental potentials at regional and local level.

### **1.3 Local resources and key factors**

Social enterprises in local and regional communities are becoming more and more important and enable direct participation of citizens in responding to diverse needs such as local food self-sufficiency, energy and housing, the creation of new jobs with labor cooperatives on the remains of failed companies and the creation of new jobs for young people and the elderly unemployed. Social enterprises are embedded in the local environments where they operate, and therefore they provide decent and sustainable jobs.

Slovenia is also one of the transit countries through which in the last years migrated many people on their way to desirable destinations in Central and Western Europe. In doing so, it faces the difficult challenges brought about by migration, in particular by meeting the very specific needs of migrants and by providing staff, accommodation and tailor-made services. Social enterprises can

offer an answer to several challenges: they address the issue of social inclusion and social activation at the local level, as well as the challenges of high unemployment, especially among young people, which can make them an important driver of economic activity in the local community. They can play an important role in realizing immigrant potentials at the local level, especially in terms of resources, assets and capabilities, and identifying projects that are ready for investment.

#### **1.4 New and potential businesses related to local resources**

According to the identified main challenges and local resources the SEs could provide following answers:

- High unemployment: employing in general, especially people with less possibilities on the labor market,
- Need for long-term care services: social enterprises in the field of personal and household services, care services etc.,
- Ongoing privatisation process: worker-buy-outs of state owned companies,
- Greening the economy: SEs in green and circular economy,
- Development in rural areas: SEs promoting local resources, local sustainable self-efficiency, eco farming,
- Tourism: touristic cooperatives, shared economy,
- Empowering professional and self-employed producers: worker and producers' cooperatives are answering the problem of precarious producers,
- Developmental cooperation: development cooperatives for systematic bottom-up local and regional development.

Social enterprises created in the last year (2017) are covering following activities: construction, home and art craft, sustainable rural development, quality of life, tourism, culture and art, and reuse of old, redundant or damaged items.

## **2. SOCIAL ENTERPRISE SUPPORT SERVICES**

Supportive environment for SE in Slovenia can be detected on three key levels: national/state level, municipal/local level and on the level of organisations (mostly from NGO sector) working in advocacy, social inclusion and promotion of social entrepreneurship.

Focus of supportive measures on the state level is on supportive projects assuring employment for people from vulnerable social groups while support for entrepreneurial development of the sector is

neglected. During the *start-up phase* the network of entrepreneurial (one-stop-shop VEM points) and innovative environments & support systems (technological parks, incubators, start-up initiatives) is available, but not seriously specialised for social entrepreneurship. There are only few organisations offering incubation and co-working space as well as related services to social enterprises as the main target group. *Business coaching and advise* is provided from the state level through the SPIRIT Business portal and network of one-stop-shop points, again not specialized for social businesses. Consequence of that are problems concerning economic sustainability of new social enterprises.

Municipalities are playing an important role in development of SE and can support sector with integration of projects related to the SE into local development programs and establishing concrete incentives and resources, available to support social entrepreneurship at the local level; by activating untapped local resources (land, buildings, equipment) held by the local community to support the functioning of the SE; offering financial support to employment programs of SE, etc. Since the municipalities don't play their role in practice, they must be smoothly convinced to become stronger partner in the development of social enterprises and social economy in general.

There is also relatively big number of supportive non-governmental organisations, which have started to work in SE in spontaneous way, answering to local needs. They are strongly connected with local initiatives and in this way able to recognize their needs in effective way. But in many cases, they lack human capital, especially in areas of entrepreneurship, marketing and finance, which are areas where social enterprises need most of the support.<sup>71</sup>

### **Detailed description of the support services in relation to business sectors, and status of the organizations**

#### Start-up support

During the *start-up phase* the network of entrepreneurial (one-stop-shop VEM points) and innovative environments (technological parks and incubators, like [Technology Park Ljubljana](#), which is the largest innovation ecosystem for commercialization of knowledge and technology in SE Europe) is available, but not seriously specialised for social entrepreneurship. The same goes for the national innovation support system [Initiative Start:up Slovenia](#). There are only few organisations offering incubation and co-working space as well as related services to social enterprises as the main target group (like Business community KNOF, Development cooperative Tkalka, DPlac, Centre Rotunda). *Business coaching and advise* is provided from the state level

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<sup>71</sup> The Challenges of Social Entrepreneurship in Slovenia, EMES conference paper



through the SPIRIT Business portal and network of one-stop-shop points (VEM točke) again not specialized for social businesses.

#### Youth/women entrepreneurship support services

According to [GEM research](#), Slovenia is listed at the back of the list when it comes to inclusion of women into entrepreneurial world (there's only 27% of women included in to early stages of entrepreneurial development. There are only 3 countries ranking worse: Tunisia, Egypt, and Netherlands.

There is no surprise that gender based SE services are underdeveloped not only in the sector of social economics but also across all sectors.

#### *Business plan competition:*

Even though the following support service wasn't directly a business plan competition, it still targeted women and is thus valid to consider. Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology has together with Employment Service of Slovenia organized a programme for educating and providing relevant entrepreneurial skill to women. After successfully concluding the 100hours long programme (which primarily focused on business plan development), every participant received subvention of 5.000 EUR for self-employment.

[WE Inspire](#) is a project run by CEED Slovenia and is a response to statistics stated above. It's purpose is to connect female entrepreneurs with different experiences and offer them environment for developing skills and networking. With the project vulnerable groups of women are especially targeted (first employment seekers, re-integration after maternity leave, etc.). For the most perspective individuals (bootcamp winners) some funds and CEED's networks are offered. The programme has started in 2017 and is (supposedly) going to be repeated next year.

There are no favourable *financial schemes* for youth and women entrepreneurs, but there is access to micro-credits for SE, provided by Slovene Entrepreneurship Fund. In addition, rare examples of banking packages for SE are appearing.

#### *Erasmus for Young Entrepreneurs:*

Slovenia is a part of the European scheme Erasmus for Young Entrepreneurs. While the number of contact points is quite extensive, the programme itself is lacking recognition (funds are not fully utilized). Contact points for Erasmus for Young Entrepreneurs are two development agencies (one in Maribor and one in Koper), University of Primorska, Business Support Centre Kranj, and Technology Park Ljubljana.

#### *Support programme for young entrepreneurs:*



[Y.business](#) by Ypsilon Institute is a support programme for young entrepreneurs (ages 15 to 29). It is consisted of three parts - start, growth, and sustain your business. In those workshops youngsters develop skills for starting their own business and how to scale it later on. The workshops are connected into a cycle of 9 months, with 2 - 4 workshops per month. Next to the business knowledge and skills, young entrepreneurs also gain an extensive network by joining Ypsilon Institute.

[Ustvarjalnik](#) is an accelerator of entrepreneurship among youngsters. The main activity is organizing entrepreneurial workshops for high schoolers and encouraging them to develop their interests into business ideas. A special focus area is their mentoring programme for young entrepreneurs.

*Youth policies:*

[Ministry of Labour, Family, Social Affairs and Equal Opportunities](#) is implementing a programme for youth development and employment. The goal is to offer at least one employment possibility to each individual age 15 - 29. The working period for the programme is 2016 - 2020, there were already subventions for employment in the beginning of 2017 (5000€ for employment or self-employment).

As a part of the initiatives, employment of youth in the sector of social economy is specially noticeable. In 2017 a public tender for youth cooperation valued half a million EUR has already been put into action.

#### Training and Skills development

Although there are many programs and initiatives aimed at skills development of entrepreneurs, only few are offered to (future) social entrepreneurs, like:

- “From A to Z on Social Entrepreneurship”: informative programme covering basics on SE for unemployed persons,
- mentoring program, originally implemented for the group of social enterprises, but afterward expanded to enterprises with social impact ([Goodbiz program](#)),
- The school of social entrepreneurship: offered by Socialni inovatorji prihodnosti as a 2-months program for founders of social initiatives, accompanied with the Handbook on SE (unfortunately no delivery in 2017).
- Support programme for social entrepreneurs and cooperatives offered within the programme of incubator for social entrepreneurship and social innovation in Tkalka.

The listed programmes however are not delivered permanently but rather occasionally, depending on the resources and demand.

Considering EU exchange opportunities [Chicago - Fellowship Programme](#) by CEED is also available. It takes 4 entrepreneurs (from different sectors, including nonprofits and social enterprises) to Chicago for an exchange programme. It is sponsored by U.S: Department of State Bureau of Educational and Cultural Affairs. Overall goal is to gain insight to different entrepreneurial spheres.

Within different (mostly EU) projects there are also training, and skills development initiatives developed and tested in Slovenia at the moment, which are many times performed scattered and unrelated, and do usually not outgrow into permanent and systematic offer.

### Innovation

As mentioned under the Start-up support the network of innovative environments (technological parks and incubators is organised state wide, as well as innovation support system [Initiative Start:up Slovenia](#). Recently also the FabLab Network Slovenia, the platform for education, intergenerational cooperation and networking, creating and support to creative business creators and startup companies, was established (by now includes 68 organisations). In practice, FabLabs (fabrication laboratories) are open, non-commercial spaces for making “almost anything”, where individuals can use the most advanced equipment and technology.

### Internationalization

Also in the field of support services for internationalization, they are primarily intended for classical companies and not specialized for social enterprises. Most support is offered by national agency SPIRIT (education and consulting, business delegations, fairs, market analysis, business clubs) and chambers of commerce and industry (B2B events, business meetings, etc.).

The majority of presented support services depend on public sources – either European funds or national budget.

## SWOT ANALYSIS OF SE SUPPORTO SERVICES

### **Key Factors Enabling or Hampering SE support services**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• support services are in general quite well developed and can be applied to SEs</li> <li>• different programmes for skills</li> </ul>	<ul style="list-style-type: none"> <li>• all-around start up support is not quite suitable for slow-paced development of SEs</li> <li>• no specialized support service for SEs if</li> </ul>

development <ul style="list-style-type: none"> <li>existing measures/initiatives for employment of disadvantaged people (disabled, long-term undeployed)</li> <li>good all-around start-up support</li> </ul>	they'd like to internationalize <ul style="list-style-type: none"> <li>no all-year around support for women entrepreneurship</li> <li>underdeveloped mechanisms for statistical and analytical monitoring of social entrepreneurship</li> <li>dispersed and uncoordinated legislative frameworks and support mechanisms</li> <li>existing support networks are poorly interconnected and insufficiently focused on identifying opportunities for the development of social entrepreneurship as a generator of economic growth</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>advancing general involvement of women in entrepreneurship by integrating them through SE sector</li> <li>adapting legislation in the field of supportive business environment with the aim of ensuring social enterprises access to supporting instruments</li> </ul>	<ul style="list-style-type: none"> <li>negative perception of SE sector hindering development of specialized support service – not enough capital, not many people would like to get involved</li> <li>due to the lack of capital, support services probably won't be financially sustainable</li> </ul>

### 3. SOCIAL ENTERPRISE NETWORKING INITIATIVES

In Slovenia social enterprises function more or less on their own, they have not formed many associations or networks. However, some NGOs work as umbrella organisations for several social enterprises, while the Association of the social economy Slovenia act as the main national network in the sector that recently started to establish branches in regional environments. There are no marks, labels or certification systems, apart from the voluntary registration of institutions as social enterprises under the Act.

## **Detailed description of the networking initiatives in relation to business sectors, status of the organizations**

### Representation of local/regional/national social enterprises

Arising from the fact, that the concept of “social economy” was not used in Slovenia before 2000 and the strong history in cooperative movement and civil action, there is no surprise that SE are being represented by CNVOS – Centre for information service, co-operation and development of NGOs (national NGO umbrella network) and Cooperative association of Slovenia (national umbrella organisation of cooperatives).

Since 2011 the social enterprises are being represented by Association of the social economy Slovenia, the main national network in the sector that recently started to establish branches in regional environments.

### Financial network

Microcredits for Social Enterprises provided by different stakeholders (Sparkasse Bank, Intesa SanPaolo, and [Fund 05](#)). Fund still in the process of onboarding new financial providers for offering loans at lower interest rates. Currently, 90% of loans are bridge loans for social enterprises funded by EU funds.

Next to loans, Fund 05 is also offering grants by being involved into a wide international network, including Transnational Giving Europe, Giving Tuesday, and round up financial instruments. The end goal is to create a network of not only institutions but also individuals who would be willing to invest into social enterprises for financial and social return.

### Networking activity

On the national level a cooperation for promotion and growth of SE was established with Ljubljana declaration “Development of social enterprises – for stronger and more structured cooperation between EU and South-east European countries” (*document includes the list of recommendations and proposals for establishment of stronger transnational network between the countries of EU and South-east Europe with the aim to promote the growth of social economy in this European region*). Declaration was signed by the governments of Slovenia, Croatia, Serbia, Bosnia and Hercegovina, Montenegro, Kosovo, Albania and Luxemburg.

On the regional/local level different again different NGOs started with limited networking activities spontaneously, answering the local needs (like KNOF, Center for alternative and autonomous production (CAAP), and others).

### Knowledge production and sharing experiences

Apart from the different randomly organised events that offer opportunity for knowledge production and sharing of experiences, the Slovenian association for Mental Health ŠENT organises, together with partners and supporters, the annual international conference “Days of Social Economy” since 2010. During all these years, a number of important topics from the field of social economy and entrepreneurship were highlighted, from supporting the environment to the importance of innovative approaches to solving social problems and awareness of benefits of diverse employment. In the past, the need to improve civil dialogue among all stakeholders has already been highlighted, along with the focus on training and education of those who want to develop social entrepreneurship. In carefully prepared programs, a lot of foreign and domestic lecturers from the field, as well as young innovative entrepreneurs, who presented their experience with social entrepreneurship through their ideas, took part. Every year the program is based on the current social situation and needs in relation to the social economy (e.g. in the time of the economic crisis, the search for new ideas has increased, which would contribute to the creation of new jobs).

Networking initiatives make use of public sources – either European funds or national budget, and members fees in certain cases of networking umbrella organisations.

## SWOT ANALYSIS OF SE NETWORKING ACTIVITIES

### Key Factors Enabling or Hampering SE networking activities

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• a few network initiatives lead to higher negotiating power</li> <li>• financial initiative provides easier access to bridge loans for SEs               <ul style="list-style-type: none"> <li>• proactive Association of Social Economy in Slovenia</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• a few network initiatives are too general</li> <li>• rigid banking system has slow adaptation to needs of SEs</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• developing transnational network instead of guidelines</li> <li>• creating complete financial scheme</li> </ul>	<ul style="list-style-type: none"> <li>• too many initiatives would lose negotiating power on the market</li> <li>• financial aspect of creating networking initiatives – no market incentive</li> </ul>

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## 5. GOOD PRACTICES

### CASE STUDY 1. FUND05

## 2. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** : FUND05 - INSTITUTION FOR SOCIAL AND IMPACT INVESTMENT
- **Key actor(s):** Sparkasse Bank, Intesa Sanpaolo Bank, Fund05, Transnational Giving Europe, Giving Tuesday, TISE
- **Duration of the initiative (starting year):** The fund was established in July 2012 based on the consent of the Ministry of Labour, Family and Social Affairs, and performs activities for the common good in accordance with the law. The founder of Sklad 05 is the company Brez dobička – inovativne družbene storitve d.o.o. (Non-Profit – Innovative Social Services

Ltd.)

- **Geographic size of the intervention:** Fund 05 is covering all Slovenian regions. The latest network member (Intesa Sanpaolo Bank) is primarily focused in western region, while all the other financial instruments are covering the whole Slovenia
- **Funding :** Fund05 is due to small size and operations also funded by EU funds, not only provisions
- **Thematic focus and main sector addressed:** Special focus are social enterprises, social enterprises recipients of EU funds, and any type of impact investment regardless of the registered legal entity. Thus, our financial instruments are also used by companies that do not have a “social enterprise” status but are working for social/public benefit.
- **Main reason for highlighting this case:** The case of Fund05 is being highlighted as the only case of financial network/support service for social enterprises and impact investments. While some social enterprises are definitely eligible for standard financial mechanisms, most of the social enterprises cannot candidate for regular loans (cash flow difficulties, negative capital, liquidity issues). Fund 05 is creating a network of different stakeholders to enable social enterprises easier access to different funds, according to their needs. Highlighting this case will show the scarcity of financial mechanisms for social enterprises currently on the market and main financial instruments that have proven as suitable for them.

#### 4. SERVICE DESCRIPTION

- **Overall objectives:**
  - Network development for easier access to funds (social enterprises)
  - Development of innovative financial mechanisms in cooperation with different stakeholders
  - Development of an impact fund for social and impact investments
- **Description of activities/services**

In the past 5 years, Fund 05 has gained recognition in the field of bridge loans and loans for social enterprises in cooperation with Sparkasse bank and for other financial mechanisms such as grants and intermediary for 0.5% (income tax) programme. Right now primary focus is on development of impact fund for impact investments and on spreading the network of banks.



Based on the Impact Investment Ready Service it offers instruments of support and funding:

- Grants within the Investments 0.5% program (financing from income tax), cross-border donation network Transnational Giving Europe – TGE program, Giving Tuesday and Round up financial instruments ([www.zaokrozi.si](http://www.zaokrozi.si)),
- Bridge loans (TISE, Sparkasse Banka d.d., Intesa Sanpaolo bank) are intended for pre-financing the programs, which already have assured resources (eg. EU projects, public funding), but come across the lack of liquidity for implementation,
- Impact Microcredits provided for starting or expanding social entrepreneurial activities enable access to funds in the amount of 25,000 EUR using mass guarantees, which reduce the risk of non-repayment,
- Social Investments from European Social Entrepreneurship Funds – EuSEF, intended for financing socially beneficial activities, including Social Investment Fund for Central and Eastern Europe (SIF CEE),
- regional innovation schemes of social investments and accessible financial instruments Regional Impact Scheme – RIS, that we develop in collaboration with municipalities and local or regional partners,
- Fund 05 also co-organizes Days of Social Economy, an annual event for promotion of social entrepreneurship and an opportunity for networking
- it is a partner in Dplac in Ljubljana, accelerator for social entrepreneurship ([www.dplac.si](http://www.dplac.si)) and co-establisher of ZEBRA – Cooperative for ethics in banking ([www.ebanka.si](http://www.ebanka.si))
- it supports other innovative social undertakings, eg. Impact Tourism ([www.impact-tourism.net](http://www.impact-tourism.net))
- lastly, Fund 05 participates in different projects, eg. PROFIT
- **Description of Recipients :** Recipients are, as stated above, social enterprises or small business that are creating added value, impact to our society. The amount of approved loan for recipients is up to 25.000€. However, there are no limitations for other financial mechanisms
- **Resources used (kind, amount...) and financial sustainability:** Financial resources and sustainability arises from the mix of two revenue streams - project based revenue stream and provisions from Fund's financial intermediary role. Majority of income is still project

revenue stream (EU funds) due to low demand for loans by social enterprises (greater risk aversion and denial rate).

- **Management and evaluation:** Board decides on major strategic decisions which are then implemented by employees. Fund 05's management board is composed of the following members (Brez dobička is 100% owner of Fund 05):
  - Primož Šporar (Brez dobička, Board president)
  - Kristjan Strojjan (Institut MONEO, member)
  - Urša Manček (Insurance company Triglav, member)
  - Tatjana Strojjan (SKUP, member)
- **Main outputs/ results:** Fund 05 manages (April 2017) 305 Social and Impact Investments in amount of 4.37 mio EUR, for which 2.06 mio EUR was already invested (47%).
- **Partnerships with local, national, international organizations and institutions:** Fund 05 has different partnerships and is a member of many initiatives. The most recognizable ones are membership in Euclid network, Febea, and EVPA - European Venture Philanthropy Association. From the financial perspective, these are the partnerships enabling building a new impact fund. Other partnerships are with banks, accelerator, initiative for ethical banks, and many others.
- **Replicability:** Replicability of initiative is highly possible in any EU country since the source of success is network with local banks, and other financial intermediaries. The only challenging this is negotiating parameters and criteria for eligible candidates for loans.
- **Problems / challenges to face :** Fund 05 is facing several challenges:
  - Lack of demand; unfortunately lack of demand for financial products such as loans means lower negotiating power for organization when entering negotiating process with larger financial institution, such as bank. With higher demand, better terms could be negotiated.
  - Rigorous procedures; since banking system is quite conservative, changing their terms or making exceptions is nearly impossible. It's also one of the reasons for starting the process of impact fund with privately owned funds.
  - Risk awareness; majority of entrepreneurs in the sector of social enterprises is after subventions and are unwilling to accept risk of different financial mechanisms

## 5. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED

One of the greatest key factors for success is definitely the advantage of the first market player. However, tailor made financial instruments for SE and facilitating loans by representing SEs in banks is worth mentioning.

However, in order to gain greater power and help SEs they need to change their mindset into entrepreneurial one. One of the big lessons learned is that in order to develop supporting environment, SEs themselves need to develop from working as purely non-profit organization to more market-oriented one.

## CASE STUDY 1. TKALKA

### 1. BACKGROUND INFORMATION

- **Title (name of the project/ cooperative, territory...)** : Tkalka, Cooperative For Development Of Social And Technological Innovations, Social Enterprise
- **Key actor(s):**
  - Municipality Maribor as owner of the building TKALKA.
  - Public institute for tourism (Tourist Board of Maribor) helping with management of the building
  - Founders and support organisations: PRIZMA Foundation for Improvement of Employment Possibilities, an institution, Association Center for alternative and autonomous production, social enterprise, CITILAB, Institute for development of creative technologies Maribor, social enterprise
  - many non-profit organizations, companies, initiatives that are involved in Tkalka as members, coworkers and supporters
- **Duration of the initiative (starting year):** 2014 and ongoing
- **Geographic size of the intervention:** Tkalka is with activities covering Podravska region
- **Funding** : Cooperative is funded in minimum from the membership fee, and EU projects that involve TKALKA as an “open-space” for the innovations
- **Thematic focus and main sector addressed:**
  - 5 main activities: financing for development (fundraising and distributing funds); management of co-working facilities); research and development of social and technological innovation; education and training (competence centre); promotion and advocacy.

- Main sectors addressed: development of tourism, (social) entrepreneurship and local economies, cooperatives, development of social innovation, support system for social enterprises, cooperatives, NGO sector...
- **Main reason for highlighting this case:** Tkalka/Weaver is a space and at the same time a social process. It is a social innovative method of connecting actors and activities, people and spaces, public and private, big and small ones, needs and solutions. Weaver empowers community for stepping on the path of sustainable and participatory development society.

## 2. SERVICE DESCRIPTION

- **Overall objectives:** Primary purpose of Tkalka/Weaver-development cooperative is to promote development of local, regional and wider social and economic environment, job creation and raise the quality of life on the basis of social and circular economy, human potential development, local resources, innovations, open-source principles, creative technologies and an open and inclusive society.
- **Description of activities/services**

To reach the goals Tkalka is implementing 5 main activities:

  - **financing for development (fundraising and distributing funds):** organizations in Tkalka are applying for EU-funds for financing the support activities and also educate and support users of Tkalka products in the field of applying and fundraising.
  - **management of co-working facilities:** the team of Tkalka is managing 2500 m2 of facilities in 6 floors, that means two type of activities. First, the technical and aesthetical care taking of the building (common spaces, yard, workshops with machines and tools, offices and classrooms and conference rooms). And secondly, the community management of connecting the users of Tkalka into a community of co-workers (info-point, casual fridays, weekly meetings, mingling events, facebook page, internet page, 3-minute video, Tkalka-postcards, coworkers pictures on “the wall of fame”, etc.).
  - **research and development of social and technological innovation:** members of Tkalka are active in the field of writing professional and scientific articles, teaching in schools and informal learning programmes, working in professional strategic groups at local and national level of strategic-planning.

- **education and training (competence centre):** organizations in Tkalka are running regular programs in different fields of knowledge and skill gaining: soft skills, digital and fabrication skills, entrepreneurial knowledge and skills, innovation skills (design-thinking, hackathon methods etc.), primarily focused on social innovation, innovative business models and democratic management (cooperatives, social enterprises).
- **promotion and advocacy:** the team of Tkalka is active and in some cases prima advocate in the advocacy toward the municipality and the state, such as the field of fabrication laboratories, coworking spaces, social economy and cooperatives in particular.
- **Description of Recipients:** There are two kinds of recipients
  - people that are members of cooperative and are coworkers in Tkalka.
  - people using services of cooperative
- **Resources used (kind, amount...) and financial sustainability:** The building where Tkalka is located, is owned by municipality and offered to users “free of charge” (only usage costs like electricity, water, etc. have to be paid). Key organisations/tenants, are running the Tkalka programme with the help of EU and national funding, obtained for implementation of projects and programmes in the field of social innovation and social entrepreneurship. Now the programme is supported by 3 bigger projects (SocioLab, NewGenerationSkills and Sentinel) whose budget is around 2 million euros
- **Management and evaluation :** Tkalka is a cooperative. The members of cooperative are the full member (with all the rights and obligations) and the user-member (with the user’s rights and obligations).  
 The highest decision maker is general assembly that is composed of full members of cooperative (organisations and natural persons).  
 Daily management is conducted through management board of 3-member, president of the board is also legal representative of a cooperative. One member of the board is elected by the user-members.  
 Members are connected methodically with a method of special activity called “membership management” as it developed by worldwide cooperative movement
- **Main outputs/ results:**  
*Evaluation results 2014-2017*
  - support for over 150 enterprise initiatives, cooperatives, young companies, social

enterprises

- creation of more than 1500 m2 of co-working space facilities (desk-sharing, fab-lab, offices etc.)
- inclusion of more than 5000 people (in workshops, events etc.)
- support for creation of more than 150 new jobs in the city and surroundings in the field of social economy (programmes supporting development social economy and other start-ups and growth - activation, ideas development, training, mentoring, office and fab lab facilities,... )

Nowadays more than 40 (from 25 in the beginning) organizations/enterprises, entrepreneurs and artists are located in Weaver and more than 120 individuals are involved in programmes and (social) entrepreneurial initiatives. As a result of enhancing cooperation new enterprises were born, many projects were applied, there were numerous exchanges of goods, knowledge, experiences, information, contacts and more. Our social impact was recognized already in 2015 by Slovenian Public Agency Spirit with the award for "Best Slovenian Coworking Space Award 2015" and by Styrian Chamber of Commerce with a diploma for "Non-technical innovation". Weaver encourages social innovation and is a social innovation itself.

- **Partnerships with local, national, international organizations and institutions:**
  - Tkalka is bound with many local organisations and enterprises which it helped to establish, develop and connect with (from the sector of tourism, social entrepreneurship, cooperativism, sustainability, open source technology etc.)
  - On national level we are in dialog with the Ministry of economic development and technology where we try to influence the changes of the law for social enterprises and cooperatives.
  - On international level we are connected with organisations, associations through projects and other cooperation
- **Replicability:** The model of development cooperative can be transferred and used in other environments with appropriate adjustments
- **By-products effects:** A by-product is better connectivity and response-ability/responsiveness between organisations, faster involvement in crucial processes, involvement in different fields due to the capacity of versatile organisations and entrepreneurship



- **Problems / challenges to face :**

- lack of finance
- lack of municipal involvement in maintaining the facilities (municipality owns the building)
- lack of municipal support for the programs (like local share of financing EU projects, common understanding of the programme and the needs, etc. )
- lack of connection in a whole municipal and regional development network (even though regional development networks exist on paper, there is no real coordination or cooperation of organisations, extensive overlapping of programs and projects related to entrepreneurial, innovation, social innovation, youth support, financed from various, mostly EU funds ...).

## **6. CONCLUSIONS: KEY SUCCESSFUL FACTORS AND LESSONS LEARNED**

For Tkalka the support of stakeholders from the national and municipal level was necessary, especially in the case of premises.

For development and implementation of Tkalka programme the cooperation of key organisations (CAAP, Prizma and CitiLab) was crucial. They build a strong core group with enough knowledge and expertise to put the programme into practice and supported its running. It is important that the key organisations come from different work areas (human resources and competences, technologies, bottom-up practices etc.) so they are compatible in their work and together they cover a wider spectre of areas. It is also very important that the key organizations are strongly connected to a network of non-governmental organisations in the city and region so they can reach the main target groups through this network.

Lessons learnt: bottom-up initiatives can be very strong and fruitful; municipality is not very stable partner of such projects, so such projects need to be less dependable on the municipalities and other public bodies (must cooperate with public bodies but not be dependable on them); such initiatives as Tkalka need to put much more energy and focus on early professionalization of the model (organization, digitalization, monetization) and need to professionalize management of members (development of membership management in a cooperative).