



**Interreg**  
CENTRAL EUROPE

**SENTINEL**

**Joint report on support demand of social enterprises  
operating in less developed regions of Central  
Europe**

**D.T 1.2.3.**

Elaborated by the Hungarian Charity Service of the Order of Malta,  
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## 1.Executive summary

Together with the parallel country reports on SE support services and networking initiatives (A.T1.1) this **joint report on support demand of social enterprises operating in less developed regions of Central Europe** is set out to build a strong foundation for the later development of the SENTINEL Project's core outputs. For both the development of the methodology of the Managed Network Handbook and the Operation Manuel for Social Business Mentoring Services as well as the implementation of the five Pilot Actions testing enterprise support models (A.T2.1 & A.T2.2) this report shall **provide insights into the status-quo of the Social Enterprise ecosystems in the partner regions and shed light on future leverage points** for the SENTINEL Project.

The ten partner organisations that form the SENTINEL-consortium implemented a four-month analysis **based on extensive empirical research** methods. These included the examination of policy documents and position papers as well as focus group discussion with a diverse set of stakeholders relevant to the regional Social Entrepreneurship sector.

This joint report took the **analyses of the Social Enterprise ecosystems as a starting point, deriving thereof the main challenges for the sector**. In conclusion, the picture drawn by this report can be described as complex: On the one hand the analysis of challenges reveals that certain **features of the socio-economic context for SE's display astonishing similarities** – i.e. the marginalised status of social enterprises as compared to the traditional business sector and social economy. On the other hand, it became evident that national and regional **traditions of entrepreneurship, the embeddedness of SEs in the welfare and economic systems as well as the legislative context** that shape conditions of the SE-Ecosystem strongly **differ** from partner country to partner country. This well depicted diversity limits somewhat the generalisability of findings.

At an overall view the diversity of contexts for Social Entrepreneurship in the six partner countries can be traced back to the **varying understandings and definitions of the concepts** in the six relevant the SENTINEL Projects:

In this context the report underlines well the differences and variety of “realities” for social entrepreneurs in the six partner countries. The **variety of legal forms are one of the most striking difference** in this regard. In some countries, a clear legal and strategic framework exists for the SE sector; such as in Italy, Slovenia and Poland. Whereas in Germany –

Brandenburg state, Hungary and Czech Republic this specific regulation is missing so that SEs operate under the common business framework. While the mere existence of a specific legal framework adapted to Social Enterprises does not ensure the emergence of a SE dynamic sector, the analysis underlined the importance of the legal framework on a manifold of influencing factors for SEs.

Furthermore, also the respective **definitions of “less developed regions”** show that the Project Partner frame the challenges and opportunities of the SENTINEL Project in diverse ways: Slovenia and Hungary looked at the SE-development of the entire country. The Czech, Polish and German partners focused on one region. The Italian partners focused their analysis on two provinces with a particular high social cooperatives implementation in the whole country, however highlighting two remote sub-regions defined as disadvantaged areas. While the ensemble of territorial focuses is seemingly diverse, there are **highly significant common points identified that characterise “disadvantaged regions”**, such as depopulation, unemployment, ageing, unsatisfying level of income, and low economic outputs.

Last but not least the particular strength of the Partners’ analysis (and its following synthesis in this joint report) is the mapping of the challenges for SEs in the broader ecosystem and the deduction of **common needs for the future SE development**. While partners identified many different problems and challenges, according to local characteristics, the results were similar in many respects. In this context this joined report identified five common needs of social enterprises that require particular attention for the future development of SE-Support in general, and the development of the Handbook and Toolbox in the framework of the SENTINEL Project in particular: **strategies and policies, support services, networking, financing and public awareness**.

The comparative analysis of this **report opens many valuable learning fields for the upcoming development of the capacity building and support models** adapted to the special conditions of the Central Europe Region. While the upcoming project activities and partner discussions will certainly be nourished by this reports’ findings, we can already at this point formulate first recommendations:

**The particular territorial focus of the SENTINEL Project – “less developed regions” – must be taken under special consideration** when it comes to the development of methodologies and pilots. On the one hand the report identifies several challenges that are

aligned with general weaknesses of the broader Social Entrepreneurship sector as such. On the other hand, especially the described lack of entrepreneurship abilities and the lowered human capital seems particularly linked to the special conditions of less developed regions, i.e. the outflow of the highly educated population. Thus the identification of regional change making entrepreneurs – the ultimate target group of the SENTINEL Project – might be key to an effective implementation of Pilots.

Furthermore, the research has shown that the understandings of the nature of Social Enterprises differ strongly from region to region. For example, this is reflected in the diverse legal and organisational types of SEs that vary strongly from country to country. When developing SE support – also in the light of the generally very low visibility of SEs – it could be valuable to **make use of these varying, already existing understandings and discourses of SEs within the countries/regions**: Building local coalitions within existing networks and focusing on local resources will increase the leverage of the SENTINEL's activities.

Finally, it will be crucial to develop a Managed Network Handbook and Operation Manual for Social Business Mentoring Services (Toolbox) that **embraces the described diversity of SE-ecosystems while not being too generic**. Therefore, the testing of the approaches during the Pilot actions and a careful iteration of finding will be crucial in order to create a meaningful and sustainable impact on the SE-development in the partner regions.

## 2. Introduction

During the first period of the SENTINEL project, partners from six Central European countries and regions analysed the supporting needs of the social enterprises (SEs). The goal of this analysis was to identify the support and capacity building needs of SEs operating in less developed regions.

The lead partner of the SENTINEL project, Hungarian Charity Service of the Order of Malta (HCSOM) provided a **common methodology** for the elaboration of the needs analysis. For getting comparable results from the partners, it was necessary to use similar tools for the analysis. The common methodological document defined three main analytical topics: the **general features** of the SEs in the partner regions, the **main challenges** of the organizations, and the consequent **principal needs**. Among the general features the analysis focused on statistical data, the characteristics of the sector and the state of the business infrastructure. In relation to the operational challenges, the following topics were defined: support system, human resources, management, financing, networks, market and development. Understandably, there was no preconception about the needs.

The achievement of the goals was supported by **two research tools**. The project partners conducted **desk research** to explore the general status of SEs. In the frame of that, partners analysed and summarized the relevant statistical data, previous researches, strategy papers and the regulation. The research tool assigned to identify the problems and needs of the SEs was the **focus group interview**. According to the common methodology, the implementers have organized at least three focus groups: one for the SEs, one for the experts of the SEs and another for the representatives of the supporting ecosystem (financers, advisors, developers, etc.). A fourth, mixed focus group was also included in the methodological recommendations, but not all partners organized it. Based on the results of the needs analysis, **the partners elaborated a country report** by January 15, 2018.

The most important **goals of the current joint report** are to summarize the results of the country reports, to find the common points of challenges and needs, and to make general conclusions and recommendations.

This joint report is one of the essential elements of the SENTINEL project, and will have several **roles in later stages of the project**. This needs analysis document will serve as a baseline for two main outputs: the Handbook of Managed Networks and the Toolbox for Social Business Mentoring Services. The problems and needs identified in the joint report will also provide the

basis of the pilot activities for the development of SEs. (In addition, the results of the joint report may also be useful to others, like stakeholders, researchers, leaders of SEs, developers.) This document was elaborated by the Hungarian Charity Service of the Order of Malta with the contribution of Social Impact GmbH from Germany, from January to March 2018. The final version of the joint report was also revised by the project partners.

The **structure of the joint report** is similar to that of the country reports. The first major chapter summarizes the **general status** of social enterprises. It presents general data, the types of analysed organizations, the territorial focus of the partners and some legal circumstances. The following major part is about the **ecosystem of the SEs** in the partner countries. This section mainly focuses on two issues: the strategic and legislative framework and financing. The theme of the third main chapter is the **identified challenges of the SEs**. In this section, six common categories present the barriers for development. The fourth part is about the **common needs of the organizations**, which is the most important chapter for the mentioned later project activities. The final chapter is about the **common conclusions and recommendations**.

Despite the fact that a common methodology was available, the country reports were extremely diverse, as the implementers examined different organizations with different territorial focus. Different thematic focus was considered important by each partner, which is the result of specific local characteristics. However, this made it somewhat more complicated to prepare the joint report; the authors of the document have done their utmost to identify common features. If this is not the case, it is only the authors' fault.

### 3. The status of the social enterprises in the partner countries or regions

Due to the various socio-historical facilities, the excursive interpretation of the social enterprises and the different territorial focus of the country analyses, it is not easy to compare the status of the social enterprises in the partner regions. The diverse opportunities of gathering data about social enterprises is also an important difficulty for this comparison. (See Table I.)

In the **Moravia Region of the Czech Republic** there are no statistical data about the social enterprises. According to the current regulations, social enterprises can operate in as many legal forms as normal commercial companies. In this country, the cooperatives and mainly the social cooperatives are also considered as social enterprises. The aim of the social cooperatives is the labour and social integration of disadvantaged people into society with the maximum use of local and community resources. Like in other partner countries, other SEs can also exist under the Civil Code regulations as ordinary non-profit organizations. Gardening services, greenery, public spaces maintenance are the most common areas of business for SEs, but the other services, general sales, catering services, accommodation and food production are also significant. The SEs of Moravia Region mainly operate in low added value sectors, which phenomena is one of their weakest point. According to socio-economic data, the Moravia Region can be considered as “less developed”, so the SEs should play an important role in social convergence.

In the **Brandenburg Federal State of Germany**, the situation is also complicated. There are traditional social enterprises with historical foundations working as welfare organizations. In contrast, new SEs have also been created in the last decades, with various and more significant entrepreneurship activities. Because of the lack of a clear concept of SEs, there are no statistical data available about the social enterprises in Germany. The number of the organizations is estimated between 1,700 and 70,000. There are also no estimates of the number of social enterprises in Brandenburg. Beside the traditional welfare organizations, the main activities of the SEs are education and science, labour market integration and social inclusion, but they are also active in the areas of sports, culture, recreation, financing, etc.

**In Hungary**, there is no legal, strategic or scientific consensus about the definition of social enterprises. These organisations are part of the non-profit sector, and they are able to operate in various legal forms according to the civil code and company regulations: associations, foundations, public benefit organizations, non-profit business companies, cooperatives. One characteristic legal form for SEs is social cooperatives. Because of these various forms and the inaccurate definition, the usable statistical data about the number and the economic role of the



social enterprises are missing. In a wider thematic approach, a relatively new research estimated that there are nearly 10,000 SEs in Hungary; however, according to a much stricter focus, the number of the social enterprises is less than 3,000. The most typical function of the SEs is giving opportunity for unemployed people (especially in social cooperatives) and they can function in various sectors, such as agriculture, social services, economy, etc. The territorial focus of the project involves nearly the whole country, where the organizations have an important role in unemployment policies.

The Italian analysis of cooperatives and social cooperatives focuses on **Trentino-Alto Adige and Friuli-Venezia Giulia regions**. Nowadays there are nearly 80,000 active cooperatives in Italy. Given a significant and well-known historical background, there is a huge number of cooperatives in the regions of Northern-Italy, also with regional legislations and regulations. Trentino is also known as a “cooperative district”. In Friuli-Venezia Giulia the number of non-profit organizations is continuously increasing; at present, there are nearly 10,000 organizations. Among them there are 400 social cooperatives, which are really considered as social enterprises. In Italy, the local communities play a significant role in organizing and running the social cooperatives, which are operative in various activities from services to agriculture. The operational territory in the SENTINEL project includes Trentino, Carnia and Cadore micro-regions, which are considered as “internal areas”. This legal category means a socio-economical and territorial peripheral status.

**In Poland, Podkarpackie region** there are clear legal categories regarding the entities of the social economy, with various legal forms and organizations: among others Centers for social integration, Social integration clubs, Professional Activity Establishments, Occupational Therapy Workshops, Cooperatives.. The importance of the cooperatives is also high, and they can operate as labour cooperatives, cooperatives for disabled people and social cooperatives. In 2016 there were 97 registered social cooperatives in Podkarpackie region, working in various activities like catering, hotel, gardening and housekeeping, artistic handicrafts, retail trade, production, food processing, renovation and construction services and others. As a part of the non-profit sector, organizations with economic activities are also considered as social enterprises. Based on statistical data and socio-economic indicators, Podkarpackie region is also a less developed territory.

In Slovenia the term “social enterprise” describes the purpose of a business, not its legal form, and is a status that non-profit entity can obtain. In August 2017 there were 252 SEs registered under Social Entrepreneurship Act. (There were other organizations without registration.) Among the SEs are prevailing private institutes, cooperatives, and associations, and most of

them work in Podravska region. The most typical activities are “other services” (quality of life, sustainable development, social innovation), education and professional, scientific, and technical activities. The Slovenian analysis covered the whole country, with a focus on Podravska region, which has high unemployment rate and belongs to the less developed regions according to the GDP level.

Table I: The general state of SEs and thematic approach in the project

<b>Partner countries</b>	<b>Territorial focus</b>	<b>Definition of disadvantage region/area</b>	<b>Analysed organizations</b>	<b>Number of SEs</b>
Czech Republic	Moravia region	Based on socio-economic statistical indicators (society, unemployment, economic activity, etc.)	SEs with various legal forms, part of the non-profit sector, for-profit orientated businesses and social cooperatives.	Missing statistical data
Germany	Brandenburg federal state	Based on socio-economic statistical indicators (unemployment, depopulation, etc.)	Lack of clear legal definition about the SEs. Traditional social welfare organizations and new types of SEs, in various legal forms.	Statistical data are not available.
Hungary	Whole country, except Central-Hungary region	Statistical categories of the EU (GDP rate under 75% EU average)	Lack of exact definition, various legal forms from the non-profit sector, and especially social cooperatives.	Due to lack of statistical data, estimated number from 3,000 to 13,000 (2700 operating social cooperatives)
Italy (Trentino - Alto Adige and Friuli-Venezia-Giulia regions)	Trentino, Carnia and Cadore micro-regions	“Internal areas” - legal categories with a socio-economical and territorial peripheral status	Focusing on the cooperatives of FVG region: social cooperatives, enterprise with cooperative status and community cooperatives; and the different types of cooperatives in Trentino	The current data are missing in the country report. FVG 2011: 10,002 non-profit institutions. 3,9% social cooperatives
Poland	Podkarpackie Voivodship (region)	Based on socio-economic statistical indicators (society, unemployment, economic activity, etc.)	Elements of the social economy, according to national regulation (2014) with 6 different legal forms, and some part of the NGO sector with entrepreneurship activity.	In Podkarpackie Voivodship: 70 employment or rehabilitation organizations, 97 registered social cooperatives and a certain number of NGOs without exact data implementing, among others professional and social reintegration.
Slovenia	Whole Slovenia, focus on Podravska region	Statistical categories of the EU (GDP rate under the average 75%)	Registered SEs, with various legal forms	252 registered organizations (But the real number of SEs is much higher.)

#### 4. Supporting ecosystem for SEs

To completely understand the challenges and development needs of social enterprises, it is necessary to map the state of their operational ecosystems. In the frame of the SENTINEL project, another joint report details the characteristics of the supporting services and networking initiatives existing in the partner countries and regions. During the elaboration of the needs analysis, the partners had the possibility to outline other parts of the ecosystem. In doing so, the partners examined various issues; however, there are two major important questions raised, as presented below.

##### Strategic and legislative background

The first main issue is the question of the **legislative and strategic background**. The way in which a particular state governs social enterprises essentially determines their development potential and their day-to-day operation. The territorial level of the regulation is an equally important question. The latter of course depends on whether the state is federal or unitary. Moreover, the issue is further complicated by the centralized or decentralized nature of legislation.

The current report only discusses whether there is a **specific regulation for SEs** in partner countries. We are not going to detail any other legislations that apply to organizations. Concerning territorial levels, we assume that local or regional legislation is, if appropriate, more closely related to the actual local needs of SEs.

The **question of strategic documents** is practically inseparable from the issues of legislation. The strategies bear a practical significance where the legislation provides for the suitable enforcement tools as well. The question of territorial governance is also relevant in this respect. In decentralized countries, although regulations are created centrally, implementation can take place at a lower territorial level.

The relevant strategic and legislative characteristics of the partner countries are summarized in Table II.

Project partners, as described above, elaborated the analyses with different thematic and territorial focus. For this reason, the deduction of common conclusions can only be achieved within certain limits. Thus, in the following, only general features will be discussed.

In some countries: the Czech Republic, Hungary, Germany – Brandenburg state, there is **no legal framework for SEs**. In these cases, organizations operate under the civil code and entrepreneurship law. Some public benefit functions of social enterprises may be governed by separate legislation.

There is a tendency that where the legal framework is missing, there are **no specific strategies** at national or regional level either. In these cases, the significance of social enterprises may only appear in development policy documents or other targeted projects or programs. These are, however, by no means comprehensive and visionary strategic or conceptual documents.

Consequently these three countries are also similar in that the conventional legal definition of SEs is missing, just like the relevant statistical data. Consequently, the social and economic significance of SEs is difficult to determine in these cases.

An example from these countries shows that the **SEs are legally and politically less embedded**. This basically limits the fulfilment of their social importance and the realization of their development goals and potentials. It is no coincidence that there is a strong desire to **create a policy background**.

It is a remarkable phenomenon that there are **special legislations for social cooperatives** in the Czech Republic and Hungary. This, however, is due to the fact that social cooperative is a relatively novel legal form in both countries, the introduction of which required separate regulation.

The situation in **the other three partner countries** is different. In Italy, Poland and Slovenia, there is already a **special legal framework for social enterprises** besides an existing **related strategic background**. However, the situation of the three countries is not the same.

The “third sector” has a very **long tradition in Italy**, which could organically develop during the second half of the 20<sup>th</sup> century. Due to the decentralized state structure (some regions with autonomous statutes and different legal competencies), there are **legal frameworks for SEs both at national and regional level**. The modernization of the regulation has recently taken place. In addition to the legal regulation of social enterprises, there are **strategies at regional level** as well.

In the past decades, successful territorial governance modernization has taken place in **Poland**. Although there is a great deal of regulation that applies to SEs, but since 2014, this has been complemented by a **legal framework** supporting the social economy. Due to decentralized governance, although there is no separate legislation at regional level, implementation is carried out at a lower territorial level. This is because the **strategic vision** is not only defined at **national level**, but also at **regional level**.

**Slovenia** is a third kind of example. Since Slovenia is a unitary and centralized state, **regulations and enforcement strategies are defined at national level**. Here, there has been a regulatory framework for social enterprises since 2012, to which a proper and periodically updated strategic environment has been established.

These three countries form a group where, through special legislation, social enterprises are **better integrated into governance**; in addition, their development is **supported by other implementation tools and strategies**. As a result, their development obstacles and their needs differ from the previous group: there is almost no need for changes regarding policies.

However, the legal and strategic background is only a small part of the operation of social enterprises. Proper legal regulation facilitates the lives of organizations in many aspects; nevertheless, in practice, the situation is not so obvious. **The two groups do not actually differ in their operational challenges and development needs**. With or without framework regulation, social enterprises face very similar problems due to their peripheral status.

Table II: Regulations and strategies in the partner countries

Partner countries	Legislative background	Strategies	Conclusions
Czech Republic	<i>National level:</i> Legal forms: according to law of commercial companies (2012). Social cooperatives: new legal form from 2012. NGOs operating according to Civil Code. Voluntary registration for SEs.	<i>National level:</i> Missing strategic environment. Supporting SEs from the EU funds 2014-20: Operation Programme Employment and Integrated Regional Operational Programme	The regulations are at national level. Special legislations and strategies mostly missing.
Germany	<i>National (federal) level:</i> Lack of special legislation for the SEs. Organizations operate according to civil and company law, laws for NGOs, etc.	<i>National (federal) level:</i> There is no special strategy but there are various state programs from start-up incubation through public awareness to financing. <i>In Brandenburg state level:</i> supporting and mentoring programs for SEs.	Missing special regulations, but there are some visions on federal and state level.
Hungary	<i>National level:</i> Special regulations only for the social cooperatives, but the other SEs operate according to Civil Code (foundations, associations)	<i>National level:</i> Missing special strategies for the sector, the importance of social economy appears in some governmental (un)employment policies and	Partial legislation and nearly missing strategic view about the SEs.

	and Company Law (non-profit companies).	strategic documents related to labour-market reintegration. Subsidization from EU funds in Economy Development and Innovation Operative Programme 2014-2020.	
Italy	<p><i>National level:</i> Regulations for social cooperatives since 1991 and for social enterprises since 2005. New legislation from 2016 – the reform of the third sector. <i>Regional level:</i> For social cooperatives Trentino - Alto Adige: since 1988 and 1991 Friuli – Venezia - Giulia: 2017 social economy law</p>	<p><i>National level:</i> No data. <i>Regional level:</i> Friuli – Venezia - Giulia Regional forum for Social Economy; Permanent Working group for the Social Economy supporting</p>	Rich traditions in the third sector, legislations are both at national and regional level. Legal transformation and modernization.
Poland	<p><i>National level:</i> SEs are interpreted as elements of the social economy, according to national regulation (2014) with 6 different legal forms.  20 other relevant laws from 1982 till 2014.</p>	<p><i>National level:</i> National Programme for the Development of Social Economy 2014 and other 8 relevant mid- and long term development strategies connected to SEs. <i>Regional level:</i> Podkarpackie Programme for the Development of Social Economy 2016-2020 (and other strategies)</p>	Strict and narrow regulations with an exact future vision in national and regional level too.
Slovenia	<p><i>National level:</i> Special regulation: Social Enterprise Act 2012. Other 13 laws relevant to establishing or operating SEs: company law, cooperative law, law for NGOs, etc.</p>	<p><i>National level:</i> Strategy for development of SEs 2013-2016 and a Council for SEs. (Goals: visibility, upgrading the support environment, employment policy role of SEs.)</p>	Clear vision and intention for supporting the sector at national level.

## Financing

In terms of financial opportunities, the partner countries do not diverge from each other. As discussed later, due to the lack of capital for social enterprises, one of **their most important development need is financing.**

In most cases, the activities of SEs are basically related to the open market. Day-to-day operation, production and, above all, planned developments require capital and financial tools. Social enterprises can solve this by their own financial means, but their resources are often missing. As a result, the necessary capital can be obtained primarily through **bank financing, credits or loans**. However, this is a major problem for most partners.

Of course, in every country there are various entrepreneurial loan programs, microcredit and many other banking services for SMEs. In the vast majority of cases, these financial solutions do not fit SEs. Due to their special characteristics, their less competitive nature, their lack of financial means and other factors they have limited access to entrepreneurial loans and credits. At the same time, **financial services for social enterprises are almost completely absent**. As a result, social business organizations cannot or can only partially access the funding needed, which is a major obstacle to them. (It is also very rare that organizations receive venture capital investment. SEs rarely have a dynamically developing, innovative activity that would attract investors.)

However, in some countries, there are already some efforts to solve this problem. In Poland, a lending program has been available for years, based on EU and government sources. A micro-crediting banking program, with governmental support, is available in Germany too. After several previous initiatives, in Hungary, one of the commercial banks recently launched a financing program for SEs as a CSR activity.

In the absence of working capital and lending, social enterprises are able to implement their developments primarily through the use of **different project-based grants and subsidies**. In this case, **EU funds** are the most significant, perhaps along with other governmental programs. The information provided in the country reports was insufficient for making a proper comparison. It is a common problem that project-based subsidies do not encourage organizations to become self-sustaining. However, these subsidies are very important for the development investment projects of SEs.

Other opportunities for financing are various forms of **donations**. For financing welfare or social tasks, donation is an opportunity in every country. However, this is usually only a marginal solution for most social enterprises.

Similarly, the various **financial benefits, public procurement opportunities and other forms of public funding** are an additional option for the SEs. In all of the partner countries, the SEs are able to get **governmental subsidies for their public benefit or social welfare activities** (social care, health, education, etc.) and for other civil tasks. In Germany and Italy, **various tax incentives** also contribute to this.



Table III.: Financing possibilities for SEs

<b>Partner countries</b>	<b>Banking, loans, crediting</b>	<b>EU and governmental funds</b>	<b>Donations and other financing opportunities</b>	<b>Other programs, benefits</b>
Czech Republic	Lack of a special banking or crediting program for SEs.	The most important element for SEs. Not specified in the country report.		Subsidies for SEs carrying out public tasks. Some crowdfunding initiatives.
Germany	Micro-crediting federal program not only for SEs, but all SMEs. Federal capital investment program since 2012. Microcredit Brandenburg program.	Not specified in the country report.	Program for donors (SRS).	Tax reduction and other possibilities for donation by public benefit status.
Hungary	Almost missing special banking or crediting program for SEs. (Some pilot programs started in the recent years.)	The most important element for supporting the SEs. In the current EU programming period 2014-2020 67 million + 4,3 million euros are available in two operational programs.	Donation program for public welfare organizations in the NGO sector.	Governmental subsidies for SEs carrying out public tasks (social welfare, education).
Italy	Lack of specified banking crediting program for SEs or cooperatives.	Not specified in the country report.	Not specified in the country report.	Tax concessions for cooperatives and public financing for social services done by SEs.
Poland	Loan funding program for SEs since 2013, new program started in 2016 with governmental support and EU funds, approximately 6,9 million euros allocation.	Between 2014-2020, subsidies of 658 million euros for the social entrepreneurship (50% EU funds).	Legal and public donations for the organizations.	Governmental subsidies for public benefit activities and other civil tasks.
Slovenia	Hardly any special financing program for SEs	Various subsidies from EU funds. (Unspecified in the country report.)	In very low rate for SEs.	

## Business support initiatives

The support ecosystem of social enterprises is primarily presented in the other joint report of the SENTINEL project. The current analysis only summarizes some basic information about the support services of the partner countries. This issue is important for understanding the problems and needs discussed. Most of the partners have not detailed these themes in their country reports, so we are only able to present some general tendencies principally about governmental support.

The most common practice in the partner countries is **governmental support** of the various SEs. Such programs exist in most of the cases. In Germany, several supporting programs have been running in the past few years with multiple focus, like start-up support, financing, etc. The federal government, Brandenburg state and local communities also had a role in these programs. In the last decade, the Hungarian government has also had a support program, but only for the social cooperatives and not for the SEs in general. This program, run by a state-owned non-profit organizations, consists of several activities: financing by subsidies (EU and governmental funds), start-up support, mentoring and consulting, and many other services.

Based on the strong legal and strategic framework, governmental support services also exist in Poland. Several Social Economy Support Centres (after a strict accreditation) provide wide range of support for the organizations. The services of the support organizations are: general advice, business consulting, legal and financial consultancy, training, partnership building, audit, financial support, etc. An Incubator for Social Economy Entities is also available for the SEs in the project area.

The situation is a little bit different in Slovenia. Several supporting opportunities are available for SMEs, but these initiatives are not specified for SEs. The local communities of Slovenia also have an importance in supporting SEs through projects, various financing methods and help.

In Czech Republic the existing support services in various activities (services, marketing, training, etc.) often have insufficient quality or too expensive for the SEs. The SEs former bad experiences with these low quality support services caused general mistrust. This is one of the main barrier for the development of SEs.

(The partners from Italy have not specified these issues in the country reports.)

Support services run by NGOs also exist, for example in Slovenia or Hungary, and many other supporting initiatives are available for SEs. As discussed in the next chapter, available support

services usually do not meet SEs' demands. **The question of support services appears as a challenge for SEs, and therefore, there is also a need to develop these opportunities.**

Table IV.: Business support initiatives or model programs

Partner countries/ Type of support	Governmental support	Non-profit support	Other
Czech Republic	Lack or low quality of services for social enterprise's support. Partially as general support for entrepreneurship. EU grants support for external providers of this kind of services.	Based mainly on approved grants for NGOs to offer such services – marketing, training (human resources development, mentoring) – very limited and insufficient quality.	Networking: Thematic Network for the Social Economy  Moravia - Chamber of Social Enterprises  Social Innovation and Enterprise Cluster
Germany	Various federal, state, and local supporting programs and initiatives (from start-up incubation through public awareness to financing and other issues).	Not specified in the country report.	Not specified in the country report.
Hungary	Several mentoring and financing programs by OFA Nonprofit Ltd. since 2007 for social cooperatives	Mentoring and development activities by non-profit organizations (Like NESsT, Badúr, etc.)	Not specified in the country report.
Italy	Not specified in the country report.	Not specified in the country report.	Not specified in the country report.
Poland	Complex support services provided by the Social Economy Support Centres Incubator for Social Economy Entities Various state, and local supporting programs and initiatives: among others Government <i>Programmes - Civic Initiatives Fund</i> for 2014-2020	Mentoring and development activities by non-profit organizations, among others: Foundation for Social and Economic Initiatives (FISE), Standing Conference on the Social Economy (SKES), Association “Nil”,	Model project: <i>"Effectively and professionally - social enterprises in public procurement"</i> - to raise the level of knowledge and skills in the field of public procurement Attorneys and legal advisers provide free legal assistance.
Slovenia	State support services (incubation, start-up, advising, technology parks), mainly not specified for SEs (VEM Points, SPIRIT, etc.)  Support by local municipalities (projects, financing, etc.)	Several initiatives with local focus	Not specified in the country report.

## 5. Main challenges in the operation of social enterprises in the partner countries

One of the most important goals of the country analyses was to define the challenges and barriers in the operation and development of the social enterprises. The examination of this question is necessary for getting information about the whole economic system in which these organizations work. The challenges that social enterprises have to face **depend on various factors**. The type of the SEs, local economic and social conditions, the existing regulations in the countries or regions, the characteristics of the supporting system and many other factors influence the challenges of the organizations.

Regarding local specifications, the country reports identified various challenges. Although they differ in many aspects, there are numerous common points that allow for a comparative analysis. All of this also suggests that in many ways, social enterprises of different countries are in a similar situation.

To show the common problems in the operation of the social enterprises, we made six categories for all the challenges defined in the country reports:

- Policy background: All the challenges and barriers connected to the problems of policy, regulations and strategic documents.
- Financing and credits: The problems related to the financial operation of the organizations.
- Entrepreneurship abilities: The most similar of the barriers examined in the reports.
- Market and product: The barriers and problems of market and sales.
- Support services: Missing or not suitable services for SEs.
- The low visibility of the sector
- Other challenges: not fitting in the other categories.

### Policy background

Although almost all partners defined challenges in accordance with the policy or strategic ecosystem, these problems are largely different. Naturally, this problem strongly depends on the national conditions, traditions and the political vision about the importance of the SEs in the economy or society.

In the **Czech Republic and in Hungary the situation is similar**: the legal structure is not well prepared and the strategic views are almost totally missing. The SEs consider this as an important barrier, because it affects almost every other challenges. If the suitable legal background is missing, everyday operations will become more difficult. The weakness of financial support and mentoring services and many other problems can also be traced back to the lack of a strategic vision.

**In Italy, Poland and Slovenia the policy regulations are much stronger and well-based**, in accordance with the traditions of the sector or political strategic visions. In these cases, the problem is not the lack of the regulations, but the operation of the legal framework. In Italy and Poland the biggest barrier is **bureaucracy**, which the organizations have to face in their day-to-day operation. A modern legal ecosystem exists in Slovenia, where the biggest problem is the missing data about the real importance of the sector in the economy, which is a barrier for strategic planning. In Italy, the change in legislation will result in significant transformations in the third sector. The new Italian Legislative Decree 112/2017 identifies as social enterprises all organizations exercising one or more business activities of general interest for the pursuit of solidarity and social utility purposes. The range of activities is wide, from environmental protection to educational services, to support services for businesses and development, and other types of productions of goods or services (i.e. in the social care sector). The law highlights two essential elements: social enterprises are actors of the economic/productive domain and the general interest of a community cannot be limited to specific activities but depends on how the production of goods and services are implemented and linked to the community.

(In the case of Germany, there are no specified challenges in this category, but there is also a need to extend the collection of statistical data.)

#### Financing and credits

It seems that the lack of capital is nearly a **general problem** of the social enterprises in the partner countries. Because of this, the need for special financing is also general, but the suitable and useful services are more or less missing in every case. Financial support is necessary not only for the day-to-day operation and production, but also for the development of the SEs. **The lack of adequate financial services has been identified as a major challenge in every partner country.**

To **get loans from the market** (from banks) is one of the most important problems. In most of the countries, specific banking or crediting services for SEs are missing, or there are only a few programs existing, for example in Hungary. Therefore, the organizations can only get loans with conditions like ordinary SMEs. And in Poland, where social enterprises can benefit from loans on similar terms as ordinary SMEs, but also from a preferential loan fund for social enterprises. In most of the cases, this solution is not really suitable for the SEs, because their financial possibilities are highly different from other SMEs.

One other problem is the **low level of investments**. The services and products offered by SEs are often not really competitive in the market, with a low added value. In addition, their size efficiency is not satisfactory either. Consequently, investor risk capital can rarely be accessed by the organizations.

Because market financing is primarily weak, the social enterprises need **various governmental subsidies**. Of these, **EU grants** are the most significant, which are available in every country with various circumstances. However, these mostly do not fund the day-to-day operation, but finance a single development; and do not always promote sustainability.

As social enterprises often carry out public tasks, there is **direct governmental support** in all partner countries. These supports are highly diverse: tax benefits, tax incentives, or direct financing of public benefit tasks by subsidies.

However, according to the results of the country reports, the level of public funding is insufficient. State-subsidized loans that are eligible for a rebate condition are almost completely missing.

**Thus, the underfinancing and missing financial possibilities are one of the general challenges in the development of SEs.**

### Entrepreneurship abilities

Due to their nature, the function of social enterprises is basically double. On the one hand, their operation always serves some social or public purposes, and on the other hand, they are also business organizations. The business activities are fundamentally competitive, but the non-profit or civic functions need a very different approach.

Being a leader of a social enterprise is a big challenge, which **requires diverse abilities**. The leader of an organization must have **two kinds of capabilities** that must be in balance. A leader of a social enterprise should not only run the public welfare mission, but also possess all the capabilities that a company in a competitive market requires.

Managing a small business requires a **variety of skills** involving leadership, finances, markets, productions, sales, administration, tendering and many others. However, according to the country reports, the leaders of the social enterprises often lack these skills. The most general finding of the necessity assessment is that **one of the biggest challenges for the organizations is the missing entrepreneurial skills of the managers**. (Of course, this is not valid for everyone; however, it is a very general problem.)

Based on the country reports, it can be concluded that the leaders of the organizations have stronger social or civil skills than business abilities. This situation also affects other challenges, as the success (and problems) in the markets, production, sales or leadership are also strongly connected to manager skills. Moreover, **this problem also determines what kind of support services are needed**.

### Market and products

The fourth common problem of the Central-European SEs is the issue of **markets and products**. The degree of marketability of a social enterprise is also related to other challenges. Marketability is affected by the lack of capital (financing), the reputation of the organization, the existence of thematic support services, networks, the marketing skills of the staff, and many other circumstances.

The country reports defined other reasons behind the marketing problems. One major challenge is the **low marketing skills of the leaders** of the SEs. This problem is related to leadership or entrepreneur abilities. The management staff of the organizations usually do not have enough skills connected to sales and marketing, which would be necessary. Consequently, they do not have the suitable tools to act on the market effectively. Many times, it is that not only marketing skills that are missing, but also **up-to-date information about their market**.

The problem certainly does not only show a lack of knowledge. In the background, there are **capacity problems**. Social enterprises are often small in size, and they are rarely able to hire a sales manager. Consequently, sales is often the responsibility of the general manager, who does not always have enough capacity for this activity.

There may be other problems depending on local features. SEs working in less developed regions have to face the fact that the **local markets and the demand are very weak**. All this basically limits the possibility of selling.

Another market-related problem is the dominance of **low added value products and services** among the SEs. This problem appeared in every country. For many reasons, most organizations

offer products and services that can only generate low revenues. There are organizational features behind the low level of innovation: the lack of financial resources, the profile of the employees, the characteristics of the social and the public goal or other local circumstances. (The interpretation of innovation is of course complex question. In social innovation, organizations are often at the forefront. In the market, however, this advantage can not always be enforced.)

Finally, there is one more relevant problem related to the markets. Social enterprises are very often small and much less capital-intensive than their competitors. Their size efficiency leads to a **competitive disadvantage** in the markets. Because of their capabilities, they cannot always be as competitive as their larger counterparts. It is obvious that in this situation, it is only possible to move forward by the development of products and services to a higher added value. The issues of public procurement opportunities is also a relevant about the access of market. Nonetheless, this question not really appeared in the country reports, given that, this is a very complex problem, and different in the partner countries.

For the social enterprises, the problem of the market is one of the main challenges, which also determines their needs for support services and networks.

#### Support services

The fifth category of the challenges defined is the **problem of support services**. Various support services are available for the SEs in the partner countries, but the services offered are **not always suitable for the organizations**.

In fact, the main problem is exactly that mentioned above. Despite the fact that social enterprises can reach a wide range of services, they do not always find solutions to their problems. This phenomenon is different in each partner country, but the problems are essentially similar. (For service-related needs, see the next section.)

The reports detailed many difficulties related to support services. One major problem is that in some countries, specific opportunities are missing. Many supporting possibilities exist, but often only for enterprises in general, including SEs. These initiatives usually cannot serve the specific needs of social enterprises. This easily leads to mistrust in the services.

In other cases, the support system is well established in many aspects, but the needs and the services offered do not match.



## Low visibility of the sector

Another general problem of the SEs is **low public visibility of the entire sector**. (This was not described by all partners among the challenges, but those who did not specify it as a challenge mentioned it among the needs.) Public awareness about the SEs is low and often also includes negative stereotypes. Of course, this also causes economic disadvantages, especially in terms of sales, markets and finding business partners. Social enterprises define this as a serious obstacle, and this problem also appeared among the necessities.

## Other challenges

The project partners identified **some other relevant challenges** during the analysis process. These do not usually belong to the other categories. These challenges did not appear for all partners or were determined with a lesser weight than the others. Nevertheless, these problems are significant and require a detailed presentation.

The **problems of self-sustainability** appeared in several country reports (Czech Republic, Hungary, Slovenia). It is a common condition that social enterprises are not economically self-sustaining. Because of this, their operation is determined by tenders and other various kinds of support. However, the subsidies often do not encourage economical self-sustainment; the organizations can hardly solve this contradictory situation and they cannot become a real market-oriented venture.

The **issue of networks and relationships** also appeared among the challenges; however, only a few partners highlighted this problem. There are several dimensions of the question. Typically, not only the relations and cooperation among the SEs are weak, but the networks with other relevant parts of the economy are also unstructured and sparse. As a result, the development of networks and cooperation has become one of the most significant needs.

**Table V.**

Partner country	The categories of the challenges of SEs						
	Policy background	Financing and credits	Entrepreneurship abilities	Market and products	Support services	Low visibility of the sector	Other
Czech Republic/Moravia Region	Missing special policies and strategic view.	Low ability of investments, missing financing programs.	General lack of professional entrepreneurship skills.	Low added value services and products. Not perfect marketing skills.	Mistrust about the support services among the SEs, lack of trust for networking.	Missing general understanding of politicians as well as public what is SEs and its value.	The organizations hardly sustainable without grants and subsidies. No will to educate and develop the employees.
Germany/Brandenburg Region	Not specified in the country report.	Financial markets for social investment are still underdeveloped, special financing programs for SEs are missing.	Not specified in the country report.	Not specified in the country report.	Missing specific support services for SEs.	Low visibility of the sector.	
Hungary	Missing consensus strategic view for the development of the sector. Missing legislative background.	Lack of financial capital and working capital; weakness of the financing environment.	General lack of professional entrepreneurship skills. Often one-man leadership.	Low added value services and products. Not perfect marketing skills. Weak local markets in rural areas.	Supporting the social enterprises is diverse, but hardly meets the real needs of SEs.	Low visibility of the sector.	Lack of social capital/relations. Missing networks and partnerships. There are very few self-sustaining organizations: strong dependence on subsidies.
Italy	Bureaucracy and ever-	Cost reduction of the social services	General lack of professional	Lack of innovation in	General need for support	Low visibility of the sector	Excessive "localism".

	changing complex legislation. The legal reform of the third sector, what will results significant changes.	carried out by the social cooperatives. Competition for the subsidies in the social services.	entrepreneurship skills. Less innovative activities.	the services and products. Strong competition with bigger players in the market: not competitive size of the cooperatives.	services, but lack of training opportunities.		Weak local networks among the partners.
Poland/Podkarpackie Region	Excessive bureaucracy.	Insufficient financial resources. General lack of capital for development.	General lack of professional entrepreneurship skills.	Lack of marketing skills and information about the market.	A well-based supportive environment, but still adapted to the real needs of the SE.	Not ideal image of the entire sector.	Sometimes not perfect cooperation among the members or founders of the organizations.
Slovenia	Missing data about the real importance of sector in the economy, which is a barrier for strategic planning.	Lack of special financing programs for SEs, hard to get loans from the market.	General lack of professional entrepreneurship skills.	Lack of marketing skills and information about the market.	Well based supporting environment, not always meeting the real needs of the SEs.		Without capital and capacities, hard to become self-supported and competitive.

## 6. Special needs of the social enterprises

The most important goal of this report is to define the special **support and networking needs** of the SEs in the partner countries. This output is necessary for creating a practical fundament and guide for the pilot activities in the SENTINEL project and for the development of the handbook and toolbox.

As mentioned above, the SEs in the partner countries face numerous similar challenges and barriers during their activities and everyday operation. There are also a lot of similarities related to the special needs of the organizations. Naturally, these needs defined are strongly dependent on the various features of the countries; however, it is possible to make a general classification in these questions and problems. During the process of the country report elaboration, the project partners were collecting information on the various needs of the SEs. In the joint report, we made five categories, suitable for each identified need (See Table VI.):

- Strategies and policy background
- Support services and mentoring activities
- Networking and knowledge exchange
- Financing
- Public awareness

### Strategies and policy background

According to the reports, the modification of the strategies and policies is a relevant need of SEs, almost in every partner country, except for Italy and Poland. Of course, this need is considerably different for each partner.

In the **Czech Republic**, it would be necessary for the development of SEs to create a well prepared strategic environment and a future vision, and a special law on social entrepreneurship. The modification and creation of other regulations for supporting the sector is also a relevant need.

The situation is almost the same in **Hungary**, where the practical strategic and legislative environment is almost completely missing, and there is also a defined need to create a legal framework and development strategies for the SEs.

The problems in **Germany, Brandenburg state** are not much different. Here, there is also a defined need to create a specific legal framework for social enterprises, to prepare the

opportunities for data collecting about the sector which is important for measuring the impact of SEs, and to make changes in some fiscal policies.

In **Slovenia**, where there is a modern legal framework for the development and regulation of SEs, the defined need is the better communication of the legislative changes and other relevant information by the governmental actors. There is also a need for a new sectoral strategy and a program of measures, because the actual is currently missing.

The country reports have not defined any special needs related to strategies and policies in Italy and Poland.

### Support services and mentoring programs

As mentioned above, there are some general challenges in the operation of social enterprises. The most important are the lack of entrepreneurial and marketing skills and deficits in the existing supporting services that are not always suitable for SEs. Consequently, the **absolute general need defined by the partners is to develop or create various supporting and mentoring services for the SEs**. This problem has been approached differently by each partner, but the essential elements are virtually identical in all cases. The support or mentoring service needed can be outlined as follows.

The supporting initiatives should be **flexible** to give usable services in **the entire life-cycle** of the SEs. The support services should have many functions. One important element is **training and education** of the leaders to develop their entrepreneurial and **leadership skills**. Another important element is providing help for the strengthening of the often weak **marketing capacities** and promoting **innovation** abilities. In addition to this, it is always a prerequisite for these initiatives to work as a **knowledge or advising centre**, where the SEs can get any relevant information for their day-to-day operation and development: legal advising, markets and products, access to finances, subsidies, trainings, strategic and financial planning and many others.

### Networking and knowledge exchange

Another general necessity of the SEs in the partner countries is networking and, in addition to this, the opportunities for knowledge and information exchange. Although this need appears in every country, its content is very different in each case; nevertheless, there are a lot of similar elements. The need for networking is justified by several reasons we cited above, like weak

competitiveness in the market, the missing networks or the lack of partnership between the organizations. Consequently, the need for networking depends on the specific challenges existing in the partner countries or regions.

The problem and the need for networking cannot always be separated from the needs related to supporting services. In Czech Republic and partly in Hungary one of the recommended tasks of the networks is to provide support services and mentoring activities for the members.

One almost general need related to networks is to **develop the weak market activities**. Usually most of the social enterprises have problems with the market, because of the low added value services and products or the weakness of the local, regional markets. According to the country reports, the organizations hope that they will be able to achieve the most important goals of cooperation: extend markets, with the help of a common brand, cooperative products or virtual and physical sales platform.

Another general expectation is that the networks will **provide opportunities for knowledge exchange**. It seems to be a general need of the organizations to exchange experiences with each other, **build strong partnerships**, which can contribute to improving their competitiveness and innovation abilities, and can provide opportunities for lobbying.

In Hungary and Poland, it is not only the need to strengthen networks between the SEs that appears, but the necessity to build active relationships with the for-profit sector and the financing units was also mentioned.

## Financing

The fourth category of the development needs is related to the problems of financing. The inadequate or few banking programs, the shortage of capital, the inability to become self-supported and many other financing challenges are nearly general for the SEs in Central-Europe. Therefore, the need **for strengthening the financing possibilities** appears in almost every case.

Out of the necessities defined, this one is perhaps the most difficult to solve. Financial resources are needed by almost every organization, but for this, a lot of conditions need to be met. Maybe that is the reason why the needs defined were many times no more than **merely suggestive ideas and less specific expectations**.

There are various financing possibilities for Social Enterprises in Poland, but there is still a need to look for new solutions in the area of financial support for new or existing Social Enterprises. To help in the development of the entire sector is essential to the use of effective

and efficient financial instruments to support the development of social entrepreneurship and the manner of organizing the resulting system of access to capital. There is a need: tax breaks, increase the use of social clauses in public procurement, improving instruments offer feedback, beyond the need for new project financing.

In Czech Republic, the promotion of innovative solutions for financing new or existing SEs was defined as a need.

In Germany, where many financing possibilities already exist for SMEs, the necessity of specific SE financing instruments was identified, such as: CSR, crowdfunding, governmental financing programs, grants for public support programmes and creating a functioning market for impact oriented investments.

In Hungary, where the financing or banking programs for SEs are partly missing or not very extensive, there is a general necessity for all types of financing initiatives, like loans, subsidies, and other banking programs. Another need is to encourage and convert the EU-based subsidies to support the economic sustainability of the SEs, as opposed to single project development.

The problems are partly similar in Slovenia too, where there is also a lack of financing programs for SEs. Thus, the country report defined a need for return loans and tax reliefs to improve the competitiveness of the whole sector. There is also a similar need in Italy: to improve the financing situation and access to EU funds.

### Public awareness

In all of the partner countries, the SEs have a marginal position in the economy and in the society. This problem can be traced back to a great number of factors, but one of the most important of them is that **the majority of society are only partly or not at all aware of the values and importance of the SEs**. This is not only a problem in marketing and sales, but also determines a large part of the everyday operation of the organizations. Strengthening public awareness could help the SEs to obtain more donations, build partnerships, support the lobby-abilities, extend the markets, facilitate the local/regional belongings and overall it could promote public policy changes.

Therefore, there is a strong general need in every partner country to promote the values and the economic importance of the SE sector in the whole society, to increase their visibility and acceptance.

The country reports have not specified the actors who should elaborate this public awareness campaign; however, with governmental and media support, this could be one task of the recommended networks and partly the support services.



**Table VI.**

Partner country	Categories of the special needs				
	Strategies and policy background	Support services/mentoring activities	Networking and knowledge exchange	Financing	Public awareness
Czech Republic/Moravia Region	Higher number of strategic and program documents relevant to SEs – strategic view. Special regional and local policies. Extending the practice of public procurement to help SEs. Law on social entrepreneurship. Register of social enterprises.	Multiple types of supporting services in the whole life cycle of the organizations. System of education and counselling to respond to the realities faced by social entrepreneurs.	(Partially match with support services.)	Promote innovative solutions for access to finance for new or existing SEs.	Promotion program to introduce all the benefits, impacts and values of social entrepreneurship.
Germany/Brandenburg state	Reliable indicators and impact reporting schemes. Specific legal framework for social enterprises. More flexibility in applying the tax code to non-profit entrepreneurial initiatives	Specific consulting services and training programs for the SEs. Consulting offering and support services for social enterprises at German universities.	Networks for knowledge exchange, and cooperation for the innovation transfer into rural areas.	Availability of financing instruments: CSR, crowdfunding, governmental financing programs, grants for public support programmes. Creating a functioning market for impact oriented investments.	To increase the acceptance and the visibility of social entrepreneurship.
Hungary	Specific legal framework for social enterprises.	Individualized and flexible supporting services for	Creating networks with several tasks:	Financing program and subsidies encouraging sustainability.	To increase the acceptance and the visibility of social

	A related need is to build or transform the strategic environment for the development of SEs.	SEs in every part of the life cycle. A knowledge centre where day-to-day operational information and advising are available. (Relevant also as a part of a network.)	common marketplace platform, branding, partnership building, knowledge exchange, lobbying, etc. Strengthening relations with the for-profit sector. Common brand for social enterprises.		entrepreneurship. Sensitization of the whole society, promotion campaign.
Italy	Not specified in the country report.	Strengthening innovation capacities. Specific support services to develop the entrepreneurial skills and competitiveness. Training dedicated to social enterprises. Support to increase the strategic planning capacities. Services for start-ups. Communication and connections. (Internet.)	Urgent need to evolve or transform into a new model of “community co-operative” creating new partnership and offering non-traditional services. Building networks and strong relations.	Access to credit and to EU funds.	Communication with the society. Strengthening the local identity and belonging of the organizations – cultural vision.
Poland/Podkarpackie Region	Extend the practice of public procurement to help SEs.	Preferential access to accounting, marketing and legal advice. Defined need for a Social Economy Support Institution with various services.  Various support for newly created organizations: finding, education,	Building cooperation between individual entities of the social economy. Networks and partnership for SEs, enterprises from the open market and budgetary units. Networks for	There is a need: tax breaks, increase the use of social clauses in public procurement, improving instruments offer feedback, beyond the need for new project financing.	Promotion of social economy in the media, need to build a positive image of the entire industry.

		integration of future co-workers, law, accounting.	exchange of experiences, discovering new opportunities for cooperation and lobbying for changes in regulations. A platform for marketing and partnership.		
Slovenia	Better communication of legislation changes and all the regulations. Relevant strategy with the programme of measures.	Personalized and flexible supporting and mentoring programs or services. Possibilities for human resources development for the employees.	Various needs in marketing activities: supporting, branding, common platform. Networks and cooperation for marketing. Establish the Chamber of SEs for experience exchange and lobbying.	Need of funds, return loans and tax reliefs for improving the competitiveness of SEs.	Strong, comprehensive promotional, and awareness raising campaign about the values of SEs.

## 7. Conclusions, recommendations and the connection with the Handbook and Toolbox

### Summary

The goal of this joint report was to **summarize the results of the country reports** about the **support needs** of SEs in the partner countries. The study presented several topics: the status of the SEs, the business ecosystem, the challenges and as the most important element, the related needs. The viewpoint of the analysis was not only descriptive, but also synthesising to find the common points of these diverse issues.

As the first chapter presented, in many aspects the **status of the SEs is different** in the partner countries. Social enterprises can operate in a **variety of legal forms**, the most common of which are public benefit business companies, NGOs and civil associations and social (or other types of) cooperatives. In some countries there are strict legal categories for SEs. Because of these various forms, it is generally not possible to define the real status of the SEs in the partner country's economy and society completely. The lack of exact data often makes it more difficult to outline the position of the sector.

In line with the goals of the SENTINEL project, the partners made their analyses in **less developed regions**. This concept was approached in many ways. For Slovenia and Hungary, the level of the analysis was the whole country. The Czech, Polish and German partners focused on only on one region (or federal state). The Italian partners wrote their analysis about two provinces with the highest level of social cooperatives implementation in the whole country, but they highlighted two mountainous micro-regions as disadvantaged areas. In this diverse interpretation, the concept of less developed region bears several different meanings; however, there are highly significant common points identified, such as not ideal social indicators, like depopulation, unemployment, ageing, unsatisfying level of income, and low economic outputs. About the **ecosystem for SEs** we could make two main categories. In some countries, a clear legal and strategic framework exists for the SE sector. Italy, Slovenia and Poland belong to this group. In Germany – Brandenburg state, Hungary and Czech Republic this specific regulation is missing, or only some parts of it have been built so far. The different phenomena **determine a lot of other circumstances** related to the supporting opportunities, also effecting the relevant needs.

Using several research methods, the project partners mapped the **challenges of the social enterprises** in their countries or regions. Depending on the local characteristics and

opportunities, many different problems were formulated by the partners. The task of the joint report was to try to synthesize them.

As the revealed features were **similar in many aspects**, it was possible to create six categories. Thus, the keywords of the **challenges** are **policy background, financing, entrepreneurship abilities, market and products, support services and the low visibility of the sector**. (There is a seventh category for other problems not belonging to any of the previous categories.) With a few exceptions, all partner countries or regions have problems related to these issues.

For this reason, the **needs of social enterprises** can be described through common categories as well. Naturally, the special needs are slightly different in each case, but the essence of the problem is largely the same. Therefore, the development needs of the organizations can be summarized in five common topics: **strategies and policies, support services, networking, financing and public awareness**.

As presented above in Table VII., which summarizes the defined challenges and needs, the status of the SEs is complex. All of the needs are related to more than one problem or barrier. This also means however, that fulfilling just one need can hopefully solve or give answers for several problems.

**Table VII.: Challenges and related needs**

		<b>Challenges</b>						
		<b>Policy background</b>	<b>Financing and credits</b>	<b>Weak entrepreneurship abilities</b>	<b>Market products and</b>	<b>Support services</b>	<b>Low visibility</b>	<b>Other (self-sustainability, weak networks and local relations )</b>
<b>Needs</b>	<b>Strategies and policies</b>	General need to strengthen the legal and conceptual framework	Help to access subsidies	x	x	x	Governmental programs for the popularization of SEs	x
	<b>Support services</b>	x	x	To increase business knowledge and skills	To increase the marketing activities and to develop higher added value products/services	Supporting and mentoring activities in the full life cycle of SEs	x	Help the organizations to become self-sustainable
	<b>Networking</b>	x	x	x	Common marketing activities, sales, production	Possibility to offer services in the networks	Increase the visibility, marketing	Strengthen the local and sectoral relations
	<b>Financing</b>	x	Special banking and crediting programs, loans	x	x	Strengthen the financial skill of SEs	x	Provide financial programs with focus on self-sustainability
	<b>Public awareness</b>	Effective lobbying	Donations	x	Gain more markets	x	Increase the visibility, marketing	Build strong relations

## Conclusions

The project partners have been analysing organizations operating in several legal forms and the socio-economic situation of each country is different. However, the features revealed in each country have a great similarity, which can be summed up by the **peripheral status of social enterprises**. Compared to other units in the economy, social enterprises are marginalized.

Nonetheless, as economic business organizations, **social enterprises are barely different from traditional SMEs**. In many parts of Central Europe, especially in the post-socialist countries where the process of capitalist transformation is currently taking place, the status of SMEs is very similar. The lack of capital, weakness in the acquisition of the market, the lack of network cooperation, mistrust in support services, weakness of access to subsidies are all very common problems. From this point of view, it is questionable whether it is meaningful to interpret “traditional” SMEs and SEs in a completely separate way.

What justifies the treatment of social enterprises separately from SMEs in the economy is their dual nature. They are not only business organizations, but they serve social goals as well. Their peripheral status mainly comes from this situation. **Social enterprises must have almost duplicated resources compared to traditional SMEs**. They do not only have to compete fairly on the market, but also serve their social goals. Besides capital invested, this dual ambition requires a specific leadership approach. (The latter is related to the often experienced poor entrepreneurial skills mentioned above.) However, if the dual characteristics (and needs) of social enterprises do not meet the potential of the supporting ecosystem, the result is the marginal situation of the sector. As presented above, there are highly remarkable differences between needs and opportunities.

It is also important to point out that **different territorial aspects did not affect the needs of social enterprises significantly**. As mentioned, project partners have interpreted the issue of less developed areas differently. Despite this diversity, the status of the social business organizations is almost the same or very similar in every region. It is possible that if the partners had carried out their analysis in economically developed metropolitan areas, the results would be different in many aspects. It can be assumed that many problems, such as the weakness of local markets, the lack of networks and usable relations, the inadequate services, would have been less challenging. At the same time, there are problems such as the shortage of capital, lack of public awareness, weak leadership skills, missing strategic view and many more, which can be considered a more or less general problem, irrespective of the territory. However, in the rural

regions with disadvantageous socio-economic indicators involved in the project, social enterprises face similar problems.

The partners identified the needs of social enterprises, which justified the support of the entrepreneurial ecosystem. **The activities of the SENTINEL project will be able to provide partial answers to these needs.** The pilot activities of the project will be able to give practical support to the selected organizations. On the other hand, the outputs of the program, both the “Handbook” and the “Toolbox”, can help to solve (at least partially) the identified problems in a longer term and with a wider perspective.