

INSPIRE

IO4 Public Policy on Social Entrepreneurship

**KA220-VET - Cooperation Partnerships in
Vocational Education and Training
Innovation for Social Entrepreneurship Project
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1. GENERAL INTRODUCTION OF THE DOCUMENT – Public Policy on Social Entrepreneurship

Social entrepreneurship is a growing phenomenon in Europe. According to a 2020 report by the International Labour Organisation (ILO), there are about 2.8 million social enterprises in Europe, employing more than 11 million people. Europe accounts for 42% of all social enterprises worldwide, and the sector continues to grow, with an estimated annual growth rate of around 5%.

The European countries most active in social entrepreneurship are the UK, France, Germany, Spain, and Italy. In the UK, for example, there are over 100,000 social enterprises, employing around 2 million people and generating a turnover of over £60 billion a year. In France, the social entrepreneurship sector is growing by 10% annually, with around 40,000 social enterprises employing over 2 million people. In Germany, social enterprises represent 5% of the private sector, with over 20,000 social enterprises using approximately 500,000 people.

Social entrepreneurship is essential in addressing some of Europe's most pressing social challenges. For example, the social entrepreneurship sector can be crucial in tackling youth unemployment, which is still high in many European countries. According to a 2018 European Commission report, social entrepreneurship could create 1.5 million jobs by 2025.

Furthermore, social enterprises can be crucial in promoting social inclusion and cohesion. Many social enterprises operate in the education, health and welfare sectors, providing services to disadvantaged and marginalised communities. In this way, social enterprises can help reduce inequalities and promote access to services for all.

Thus, social entrepreneurship can also help promote innovation and sustainability. Many social enterprises operate in renewable energy, waste management and sustainable mobility, offering innovative solutions to environmental and social problems. In summary, social entrepreneurship is a growing phenomenon in Europe that is helping to create jobs, promote social inclusion and tackle environmental challenges. With the appropriate support from public authorities and the business community, social entrepreneurship can become a pillar of the European economy of the future.

In explaining the rise of social entrepreneurship, we also need to consider shortcomings in the ability of post-war modes of public policymaking to address deeply embedded social, economic and environmental challenges such as multiple deprivation and climate change – shortcomings which many believe to have been exacerbated since the rise of New Public Management¹. Critics argue that public policy is excessively focused on²:

- short-term funding, often reflecting electoral cycles and the perceived need to demonstrate immediate impact;
- a bureaucratic one size fits all mentality, ignoring complexities and nuances in the way that social, economic and environmental challenges affect diverse communities and localities differently;
- quantifiable outcomes which are relatively easy to measure in demonstrating impact;

¹ Ferlie, E. et al. (1996). *The New Public Management in Action*. Oxford: Oxford University Press.

² Osborne, S. (2010). *The New Public Governance? London*: Routledge.

Bourgon, J. (2011). *A New Synthesis of Public Administration: Serving in the 21st Century*. Montreal: McGill-Queen's University.

- political fashion, distinguishing each administration from its predecessor rather than focusing on evidence-based practice and a strategic focus;
- media reaction, leading to risk aversion.

In consequence, the result is often:

- limited impact on ‘landscape change’, when disadvantaged communities and groups are the recipients of successive short-term initiatives with little cumulative effect;
- weak core capacity in social enterprises and other not-for-profit organisations because quantifiable deliverables neglect the need to strengthen competencies, governance structures and renewal mechanisms required for sustainability;
- the suppression of enterprising behaviour by public sector staff, often linked to a blame culture, and both tacit and explicit incentives to maintain established practices;
- transactional rather than transformational relationships between public agencies and other key actors because the funding relationship leads to an unequal distribution of power and the dominance of contract compliance as the principal focus for interaction;
- few spaces for innovation because competitive procurement processes encourage bidders to pursue established approaches, resulting in conservative interventions.

From this perspective, social entrepreneurship can be seen both as a challenge to the rigidity and short-termism of traditional policy making, as well as a form of social innovation in which the creativity and energies of wider sections of society are unleashed to address otherwise intractable policy challenges.

This paper argues that social entrepreneurship’s potential to address deep-seated social, economic and environmental challenges means that it cannot be seen as the latest policy fad; rather it challenges policymakers and other actors to rethink the nature of policy production and implementation in a much more fundamental way. Based on evidence and experience from several parts of Europe, a positive role for the state in stimulating, resourcing and sustaining social entrepreneurship means moving beyond traditional ways of designing and delivering public policies and programmes. Yet this is not without difficulty. Policymakers work within a context that is shaped and constrained by history, culture and precedent as well as by explicit rules and expectations. The need now is to recognise the conservative path dependency of public policymaking as a serious obstacle: the complexity of social, economic and environmental challenges can only be addressed by introducing fresh perspectives into European, national and regional government. Yet this requires no less than a new paradigm of public policy production, one in which social entrepreneurs are seen as close partners in addressing deeply-embedded policy challenges and in which policymakers are willing to relinquish their monopoly of power and decision-making.

Critically, strategic policies for social entrepreneurship must be co-created through open and democratic dialogue with stakeholders and actors throughout the social entrepreneurship eco-system. If a new generation of policies is to achieve “landscape change” it must not only harness a wider range of ideas and fresh thinking but must accept the force of the better argument even when (or perhaps especially when) this challenges traditional policymaking.

Strengthening the social entrepreneurship eco-system must be as great a part of the strategic policy agenda as the provision of support to individual enterprises. Social entrepreneurship is most likely to thrive when there is a high level of territorial ‘organisational density’ in the eco-system – in other words the concentration of organisations and resources available to assist social enterprises in a specific geographical area, and the degree to which they are clustered and work in synergy to provide a seamlessly supportive environment for social entrepreneurs.

High organisational density regionally or nationally can have several benefits for social entrepreneurs:

1. Better access to a wide range of resources, including funding, mentorship, networking opportunities, and educational programs.
2. More opportunities for collaboration, partnerships, and knowledge sharing.
3. The sharing of knowledge and innovative practices, helping social entrepreneurs to learn from each other's experiences.
4. Fostering innovation by creating a dynamic environment where ideas are exchanged, and new solutions are developed.
5. Lowering the barriers to entry for new businesses, as they can readily access the support they need to navigate challenges and grow.

Examples include business incubators, accelerators, co-working spaces, industry associations, government agencies, venture capitalists, angel investors, educational institutions, and various support programs and service providers.

By strengthening organisational density, policy implementation should empower others at arms-length from the state itself. Rethink Ireland, for example, was established as a result of a collaboration between the Irish government and the philanthropic sector. Rethink Ireland has since played a significant role in supporting social innovation and social entrepreneurship in Ireland through the provision of financial and non-financial support. Whilst government financial support and collaboration play a significant role in enabling the organisation to carry out its work, Rethink Ireland operates independently and is not directly controlled by the state, enabling it to act responsively as a trusted member of the social entrepreneurship eco-system.

Critically, direct financial support needs to transcend current short-term contractual relations between the state and social entrepreneurs based on narrow quantitative targets. A longer term perspective is required based on partnership between the state and social entrepreneurs in which shared learning, capacity building and sustainability are also defined as core outcomes.

More specifically, our analysis of social entrepreneurship eco-systems combined with the concrete experiences of social entrepreneurs in the five INSPIRE countries has identified four good practice policy interventions:

First, social entrepreneurship needs to be stimulated by creating dedicated financial instruments.

This could be done by promoting social investment funds, which financially support social start-ups. Social investment funds could be made at the national or European level and supported by public and private investors.

Secondly, tax incentives could be used to promote social entrepreneurship. For example, tax breaks could be granted to social enterprises that reinvest their profits in their business rather than distributing them as dividends to their owners. Also, tax credits could be given to social enterprises that hire disadvantaged employees or provide services to underprivileged communities.

Third, a regulatory environment conducive to social entrepreneurship should be created. For example, governments could simplify administrative procedures for setting up social enterprises or create special tax regimes for social enterprises. In addition, governments could provide incentives for traditional businesses to collaborate with social enterprises, e.g. through responsible purchasing programmes.

Finally, training and research on social entrepreneurship should be promoted. This could be done by including social entrepreneurship in undergraduate and postgraduate training programmes and through support for academic research on social entrepreneurship. In addition, exchange programmes between social entrepreneurs could be promoted to foster the exchange of ideas and dissemination of best practices.

In summary, to foster social entrepreneurship in Europe, a favourable political and institutional environment must be created by promoting dedicated financial instruments, tax incentives, simplified regulations and the rise of training and research. This is the only way to foster the birth and development of social enterprises that can help meet Europe's social and economic challenges.

Therefore, the deliverable presented here represents a joint research among several partners in the contest of the European Project Erasmus + KA220-VET - Cooperation Partnerships in Vocational Education and Training Innovation for Social Entrepreneurship Project (2021-1-FR01-KA220-VET-000034853) to observe and outline state of the art for social entrepreneurship in the occupied countries such as Portugal, Turkey, France, Ireland and Italy. In particular, the document aims to provide policy recommendations to stimulate this economic sector increasingly.

2. BEING A SOCIAL ENTREPRENEUR IN ITALY: EXPERIENCES AND BEST PRACTICES

2.1. What is a social enterprise?

2.1.1. Relevant legislation and policies

Social enterprises are regulated by Legislative Decree No. 112 of 3 July 2017, which entered into force on 20 July 2017 and was updated on 19 August 2022. The decree consists of 21 articles regulating this case's different aspects.

In the different articles, the notion and qualification of the social enterprise are defined, the activities that can be carried out, and the non-profit status is established. Then there are the rules on incorporation, name, ownership structure, company officers and internal control body. Accounting obligations are set out. There are rules on the involvement of employees, users and other stakeholders and labour regulations. There are rules on extraordinary transactions and bankruptcy proceedings. An article is then dedicated to monitoring, research, and control functions by the Ministry of Labour and Social Policy. Then there is the obligation to allocate part of the profits to funds to promote and develop social enterprises. Tax and economic support measures are listed. In addition, the provisions of the Third Sector Code set out in Legislative Decree 117 of 3 July 2017 apply to social enterprises as they are compatible. For aspects not regulated, the provisions of the Civil Code apply to issues related to the legal form with which the enterprise is established.

The Third Sector Code provided for reorganising and revising the third sector's civil and fiscal regulations, organising it into an organic collection of laws. Decree 117/2017 is the regulatory

instrument that defines the rules concerning Third Sector entities at a general level and a specific level on certain topics. The Code defines entities belonging to the third sector and excluded entities and introduced the National Council of the Third Sector and the National Control Body.

2.1.2. Characteristics of a social enterprise

The social enterprise is part of the third sector entities with voluntary organisations, social promotion associations and philanthropic organisations. **Social enterprise is a qualification that can be acquired by a private entity that carries out a business activity in the general interest on a stable and principal basis. It is a non-profit body with civic, solidarity and socially valuable purposes.**

To qualify as social, the enterprise must carry out, on a **stable and principal basis, an activity with aims and social utility of general interest** and the activities are expressly indicated by law.

The organisation may not be profit-making. Profits must be reinvested in the activity to fulfil the social purpose or to increase the assets. Both direct and indirect distribution of profits, operating surpluses, funds, and reserves is prohibited.

The social enterprise may allocate a share of less than fifty per cent of the profits deducted from any losses accrued in the past financial years to free donations in favour of organisations of the Third Sector, which are not social enterprises, aimed at promoting socially valuable projects.

Alternatively, the share of profits can be allocated to a free capital increase paid in and subscribed by the shareholders if the entity is established in one of the forms provided for in Book V of the Civil Code.

As far as management and coordination activities are concerned, the provisions of Chapter IX of Book V of the Civil Code apply; in any case, the entity that, by the provision of the articles of association or for other reasons, can appoint most of the members of the management body is the entity exercising management and coordination activities.

Concerning corporate officers, the articles of association may reserve the appointment of certain members of the corporate bodies to external parties, it is understood that the appointment of many of the members of the board of directors must necessarily be the responsibility of the shareholders' meeting.

In addition, the articles of association must provide specific requirements of honourableness, professionalism, and independence for persons assuming corporate offices.

The articles of association must contain the appointment of one or more auditors who meet the requirements for auditors in joint-stock companies. They must monitor compliance with the law and the articles of association and compliance with the principles of proper administration.

In addition, the controlling body has the task of monitoring the company's compliance with social aims.

In social enterprises, forms of involvement of workers, users and other stakeholders must also be provided for. There must be **mechanisms for consultation and participation that allow these stakeholders to influence the enterprise's decisions**, particularly on issues that impact working conditions and the quality of products or services.

Social enterprises are inspected by the Ministry of Labour and Social Policy at least once a year. The inspection activity aims to verify compliance with the provisions of Legislative Decree 112/2017. Suppose irregularities are found that cannot be remedied or remedied. In that case, the entity loses its status as a social enterprise. The remaining assets are donated to special funds to promote and develop social enterprises through various initiatives.

To these funds, companies may allocate a share of no more than three per cent of the year's profits, and these payments are deductible for income tax purposes.

2.1.3. How to become an official social enterprise

The social enterprise status can be adopted by private entities and companies that carry out a business activity in the general interest on a stable and principal basis, without profit and for civic, solidarity and socially valuable purposes.

Companies constituted in the forms provided in Book V of the Civil Code, i.e., general partnerships, limited partnerships, joint stock companies, limited liability companies and limited liability partnerships, can be qualified as social enterprises. Associations, foundations, and social cooperatives can also be social enterprises.

Social cooperatives and their consortia acquire by right the status of social enterprise, as they aim to pursue the general interest of the community in the human promotion and social integration of citizens through the management of socio-medical and educational services and the performance of activities of various kinds with a view to the employment of disadvantaged persons.

Civily recognised religious bodies can qualify as Social Enterprises if they carry out the activities of general interest provided by Legislative Decree 112/2017.

Companies constituted by a single shareholder who is a natural person, public administrations, and entities whose deeds of incorporation limit the provision of goods and services in favour of members or associates cannot be qualified as social enterprises.

2.1.4. Main activities

A social enterprise can carry out a wide range of activities, but only among those of general interest provided for by law.

The activities that can be carried out are:

- Social interventions and services
- Health interventions and services
- Socio-medical services
- Education, vocational training, and cultural activities of social interest with educational purposes
- Interventions and actions aimed at safeguarding and improving environmental conditions and the rational use of natural resources, not including waste collection and recycling activities

- Actions for the protection and enhancement of the cultural heritage and landscape
- Undergraduate and postgraduate training
- Scientific research of social interest
- Organisation and management of cultural, artistic, or recreational activities of social interest
- Community radio broadcasting
- Organisation and management of tourist activities of social, cultural, or religious interest
- Out-of-school training to prevent early school leaving and bullying aimed at school success and educational poverty.
- Instrumental services to social enterprises and other Third Sector entities
- Development cooperation
- Commercial activities, production, education and information, promotion, representation, licensing of certification marks, carried out within or in favour of fair-trade supply chains
- Services for the insertion or reintegration into the labour market of workers or disadvantaged persons
- Social housing
- Humanitarian reception and social integration of migrants
- Microcredit
- Social farming
- Organisation and management of amateur sports activities
- Redevelopment of unused public property or property confiscated from organised crime.

2.1.5. How to set up a social enterprise?

A social enterprise is established by public deed.

In addition to the elements required for each type of organisation, the deed of incorporation must make explicit the social character of the enterprise and indicate the social object and the non-profit nature.

Specifically, the deed of incorporation must contain the information required by the legislation that regulates the entity that acquires the status of social enterprise, the corporate name of the entity must be reported, which must contain the indication of 'social enterprise', the expression of the social character of the enterprise under Legislative Decree. 112/2017, the corporate purpose, the non-profit nature of the business, how the members of the governing body are appointed, the procedures for the admission and exclusion of members and the rules of the social relationship, the appointment of the internal control body, the forms of involvement of workers and other stakeholders in the business activity of the enterprise and the appropriate provisions regarding the dissolution of the entity and the consequent devolution of the assets.

The public deed must be filed within 30 days with the Companies Register by the notary public or the directors.

Therefore, associations, whether recognised or not, foundations and committees that take on social enterprise status must also register in the Companies Register in the social enterprise section.

According to the Third Sector Code, registration in the section of the Companies Register dedicated to social enterprises also counts as registration in the single national register of the third sector.

On the other hand, registration obligations in the special section of the Company Register and the Register of Cooperatives remain for cooperative societies.

Civilly recognised religious entities that have taken on the status of social enterprise only have to file with the Register of Enterprises the regulations, drawn up in the form of a public deed or notarised private deed, that transpose the rules of Decree 112/2017 in compliance with the laws governing the activity, organisation and purposes of these entities.

2.1.6. The National Register of the Third Sector

The National Register of the Third Sector is the public electronic register set up at the Ministry of Labour and Social Policies to implement the provisions of the Third Sector Code.

Registration with the National Register allows the acquisition of the status of third sector organisations, to benefit from concessions, to access the 5 per thousand, to access public contributions or enter into agreements with public administrations and, in the cases provided for, to acquire legal personality.

Voluntary organisations, associations for social promotion, philanthropic organisations, association networks, recognised and non-recognised associations, mutual aid societies that do not have to register with the Business Register, foundations, and other private organisations other than companies established for the non-profit pursuit of civic, solidarity and socially useful purposes by carrying out activities of general interest can register with RUNTS.

Social enterprises exceeding EUR 50,000 in annual membership contributions must register in the special section of the Companies Register. Still, the acts and information entered in the Companies Register can be consulted through RUNTS.

2.2. Reporting needs

2.2.1. Accounting requirements

According to Legislative Decree 112 of 2017, social enterprises are subject to the same accounting obligations as ordinary businesses regarding bookkeeping and preparing and publishing financial statements.

In addition, **social enterprises must draw up and publish a social report.**

The organisation must keep the journal and inventory book by the provisions of Article 2214 of the Civil Code, which precisely stipulates the obligation for the commercial entrepreneur to keep a journal and inventory book, in addition to the accounting records required by the nature of the activity carried out and the size of the business.

The records must follow the rules of an orderly accounting system, and transactions may only be grouped if they are homogeneous. Accounting records must be kept for at least ten years from the last entry.

2.2.2. Financial statements

Social enterprises must draw up and file with the Commercial Register the annual financial statements prepared by the Civil Code, the provisions of Article 2423 et seq. It includes a balance sheet, income statements, cash flow statements, and notes.

The financial statements must be drawn up clearly and give an accurate and fair view of the company's equity and financial situation and the economic result for the year.

When preparing the financial statements, the principles set out in Article 2423 bis of the Civil Code must be observed, i.e., the principles of continuity, substance over form, prudence, accrual, and consistency of accounting policies.

Articles 2435 bis and 2435 ter are applicable. Article 2435 bis provide that companies, which have not issued securities traded on regulated markets, may draw up abridged financial statements if they have not exceeded two of the following limits in two consecutive financial years: total assets in the balance sheet of €4,400,000, revenues from sales and services of €8,800,000, and 50 employees employed on average during the year.

The abridged financial statements simplify the layouts in Article 2424 for the balance sheet and Article 2425 for the income statement.

Article 2435b, on the other hand, concerns the financial statements for micro-enterprises.

Micro-enterprises are companies that have not issued securities traded on regulated markets and have not exceeded two of the following limits for two consecutive financial years: total assets of the balance sheet of 175,000 euros, revenues from sales and services of 350,000 euros, and five employees employed on average during the year.

Micro-enterprises draw up abridged financial statements and, in addition, are exempt from drawing up a cash flow statement; they do not have to draw up notes to the financial statements and the management report if the information required by law is given at the bottom of the balance sheet.

A brief overview is represented in Figures 1, 2 and 3.

Figure 1. Social enterprise: main elements

Who can qualify as a social enterprise	Activities carried out by social enterprises	Profits of the social enterprise
<ul style="list-style-type: none"> • Company • Associations • Foundations • Social Cooperatives 	<ul style="list-style-type: none"> • Activities with purposes and social utility of general interest among those provided for by law 	<ul style="list-style-type: none"> • It is not for profit • Profits must be reinvested in the enterprise

Source: Authors' elaboration

Figure 2. Reporting tools



Source: Authors' elaboration

2.2.3. Social reporting strategies

Social enterprises must file a social report with the commercial register and publish it on their website. The internal control body must certify that ministerial guidelines have been drawn up on the social balance sheet.

The social balance sheet is the tool with which organisations fulfil the requirements of transparency, information and accountability towards members, employees and third parties.

This document aims to provide information that is different and complementary to the financial information in the annual report.

The purpose of the social balance sheet is to provide stakeholders with an overall picture of the organisation's activities and their quality and results, but also to encourage internal and external

participation in the organisation, to give an account of the system of reference values assumed by the company and their declination in strategic and management choices, to set out improvement objectives and provide indications on the interaction between the organisation and its environment.

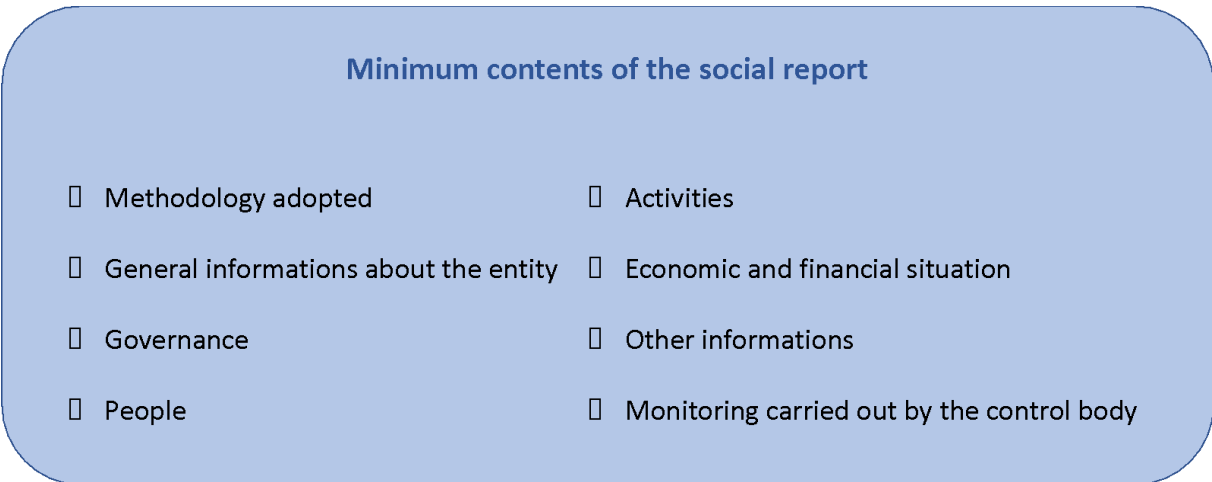
The social report must be drawn up following the guidelines of the Minister of Labour and Social Affairs Decree of 4 July 2019.

The guidelines concern certain drafting principles:

- **Completeness:** all stakeholders must be identified, and only relevant information for understanding the situation and performance of the entity and its economic, social and environmental impacts must be included;
- **Relevance:** all information relevant to a stakeholder assessment must be included;
- **Transparency:** the criteria used to capture and classify information must be made explicit;
- **Neutrality:** information must be reported impartially, emphasising both positive and negative aspects;
- **Competence:** activities and results of the reporting period must be documented;
- **Comparability:** data enabling temporal and spatial comparison must be included;
- **Clarity:** the language that can be understood even by readers without specific technical expertise must be used;
- **Truthfulness and verifiability:** reference must be made to the sources used;
- **Reliability:** over- or under-estimates must be avoided;
- **Autonomy:** if third parties are asked to collaborate in preparing the financial statements, they must be guaranteed autonomy and independence in expressing judgements.

Finally, minimum content requirements are shown in Figure 3.

Figure 3. Minimum contents of the social report



Source: Authors' elaboration

2.3.Measures to promote social enterprises

The National state has provided facilitation and incentive measures for social enterprises to foster the strengthening and spread of the social economy. These measures are intended to support the establishment and growth of enterprises that pursue deserving general interests and social goals.

These measures include tax breaks and financial incentives to encourage investment in the social sphere, both for established and newly established enterprises.

2.3.1. Fiscal benefits

Article 18 of Legislative Decree 112 of 2017 sets out the tax and economic support measures social enterprises are granted a favourable tax regime compared to other profit-making enterprises.

The tax regime for social enterprises provides that the number of profits allocated to contributing to inspection activities and other sums given to indivisible reserves is excluded from taxable income. Instead, any distribution of earnings to shareholders, whether direct or indirect, is taxable. The indivisible reserves may be used to cover any losses, but the distribution of profits will be prohibited until the reserves are replenished.

The article excludes that taxes as a result of tax changes may constitute a taxable base, i.e., it is intended to avoid that the amount owed in taxes as a result of tax changes may be subject to upward adjustment as a cost not deductible.

A benefit is provided for investments in the social enterprise capital, i.e., an IRPEF deduction equal to 30% of the amount invested; the help is offered to enterprises that have acquired social enterprise status not more than five years ago.

In the event of incapacity when the investment was made, the tax benefit can be deducted in subsequent tax periods but within the third.

The maximum deductible investment per tax period may be at most EUR 1 million and must be maintained for at least five years. Disinvestment, even partially, before the five years results in the loss of the benefit and the obligation to repay it with accrued statutory interest.

This facilitation is provided for natural persons and companies subject to IRES, the difference being that the maximum amount invested in IRES subjects can be one million eight hundred thousand euro per tax period.

2.3.2. Financial benefits

The government has provided a facilitating measure to finance investment programmes proposed by social enterprises. The programmes must have a positive impact on the territory about at least one of the following objectives:

- Increased employment of disadvantaged groups
- Social inclusion of vulnerable people
- Achievement of objectives concerning enhancing and protecting the environment, urban regeneration, and sustainable tourism. But also, goals of environmental sustainability of business activity include decarbonisation, reuse and use of recycled materials, reduction of waste and use of plastic.
- Achievement of objectives to safeguard and enhance historical and cultural assets or goals to pursue cultural, creative, or socially valuable purposes of significant public interest.

Expenditures on tangible and intangible fixed assets are eligible to the extent necessary to achieve the aims of the investment programme.

Eligible fixed assets are:

- Business land expenditure is suitable up to a limit of 10% of the total eligible productive investment
- Buildings, building works and renovations. These expenses alone cannot constitute an eligible investment
- Specific farm infrastructure
- Machinery, plant and equipment
- Computer programs, patents, licences, know-how and unpatented technical knowledge.

The maximum eligible expenditure, net of VAT, must be no less than EUR 100,000 and no more than EUR 10 million. The facilitation consists of granting a loan of up to 15 years at a subsidised interest rate of 0.5 per cent per annum.

The subsidised loan must be combined with a bank loan of the same duration at the market interest rate. Finally, the subsidised loan allows coverage of eligible expenses up to a maximum of 56%.

2.3.3. The role of social impact ecosystems: A Turin case study

Torino Social Impact

Torino Social Impact is an alliance between enterprises and institutions, both public and private, to make Torino one of the best places to do business and finance by jointly pursuing economic profitability and social impact objectives. It is a cluster of skills, activities, and services to promote the local ecosystem within the 2030 Agenda for Sustainable Development framework.

Torino is a mature and dynamic ecosystem, suitable for experimentation and with a strong tradition of co-planning at the territorial level.

In Torino, all the resources are needed to grasp the paradigm shift towards social impact and make it a determining factor for local development policies. Indeed, in Turin, there is a robust system of scientific and technological skills, an industrial system deeply rooted in society and based on know-how, a Third Sector that integrates a consolidated social, civil, and religious vocation with critical entrepreneurial capacities, a significant international openness, a new generation of incubators and social accelerators, and substantial capital oriented towards social impact.

Torino Social Impact is a platform joined by over two hundred businesses, institutions, financial operators, and third-sector actors. This has created a cluster of skills, activities, and services to strengthen and promote the local ecosystem within Agenda 2030.

The promoters and partners have signed a Memorandum of Understanding to pool ideas, experiences, projects, and resources to facilitate and attract entrepreneurial forms that aim to solve emerging social problems with economically sustainable business models.

The signatories of the MoU are part of the Turin Social Impact co-design assembly, whose operational structure is financed by the Turin Chamber of Commerce as part of the activities of the Social Entrepreneurship Committee and the Compagnia di San Paolo (a foundation). Individual projects receive targeted contributions from various partners.

The mission of Torino Social Impact is to strengthen the local system and qualify it as the best place to do business and finance by jointly pursuing economic and social impact objectives. The definition of impact for Torino Social Impact is based on three principles:

- Intentionality, i.e., acting to create social value;
- Additionality: operating in sectors that are undercapitalised due to the penalisation resulting from traditional market mechanisms;
- Measurability: i.e., applying ex-ante evaluation methods and ex-post measurement methods.

All the partners collaborate on cross-sectoral programming with a twofold objective: to build shared infrastructure and pilot projects that strengthen the ecosystem and to create a collective brand to promote it and position it on the global social impact investment map.

So, we have two types of activities: ecosystem-building actions and identity-promotion actions.

Ecosystem-building actions aim to create the best conditions for developing social impact entrepreneurship through providing services, skills, impact finance tools and innovative projects.

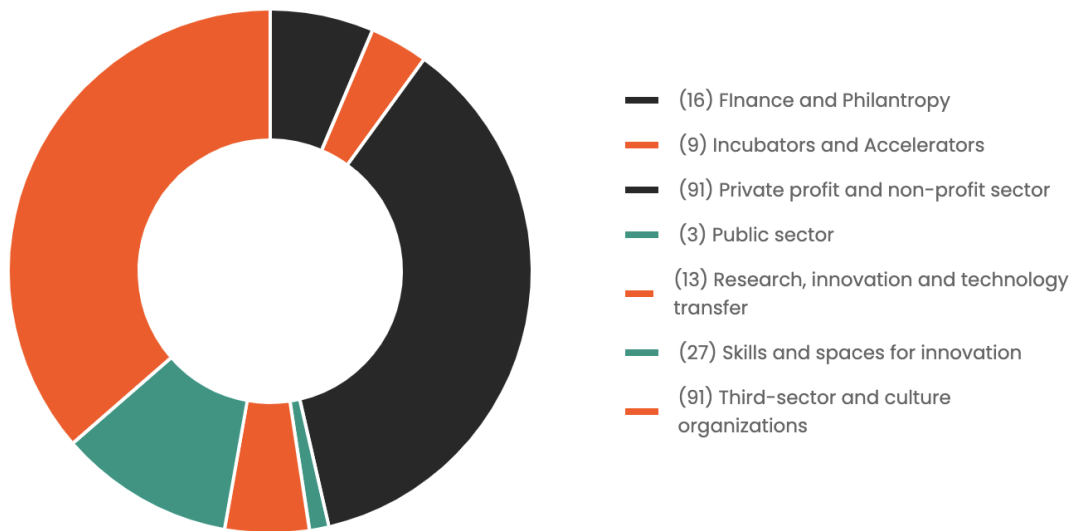
On the other hand, identity promotion actions aim to represent and attract through a collective brand to promote the city's identity and position it on the global map of social impact investments.

The main activities concern:

- **Services:** training, mentoring, coworking spaces, competence networks, accompaniment;
- **Projects:** common infrastructure, impact finance experiments, cooperative projects, individual partner initiatives;
- **Opportunities and funding:** calls for acceleration programmes, idea competitions, co-design activities, project realisation, grants and funding;
- **Events:** seminars, workshops, presentations, meetings and initiatives.

Finally, figure 4 shows the main partners of this vital network.

Figure 4. Torino Social Impact: Partners' background



Source: Authors' elaboration

2.3.4. Possible future incentives to boost social enterprises environment: Policy implications

In Italy, the Third Sector is a phenomenon that has grown exponentially in recent decades, mainly due to the reduction of welfare state services and an increase in the number of organisations that operate according to non-profit logic in various fields, such as the economic, political, and social fields, to cover the areas no longer covered by the public sector.

The for-profit sector in Italy accounts for 5% of the GDP and employs 750,000 people in paid form and 3,300,000 as volunteers. It is estimated that about 50 million citizens use the services offered by the third sector, almost all the citizens of our country.

So, this is a whole system regarding the country's economic and social growth.

One of the main problems for third-sector organisations in Italy concerns access to credit and fundraising, i.e., funding sources.

As far as access to credit is concerned, difficulties arise from several factors. First is the need for structured governance mechanisms of an effective publicity system that guarantees transparency, reporting, and budgeting obligations. The weakness of the non-profit managerial class also plays a role; non-profit managers will have to concretely realise all that constitutes networking, such as the economies of scale that can be achieved by sharing services.

To facilitate access to credit for third-sector organisations, banks should create new rating models that consider and assess non-profit organisations' peculiarities.

Regarding fundraising, there are difficulties related to the current economic crisis and government choices without commitment to the future, generating precariousness and preventing non-profit organisations from doing strategic planning.

However, fundraising must grow in quantity, quality, and transparency. Since these resources are made available by citizens' donations, they belong to everyone, so the same controls should be exercised over them as are exercised over public money.

To ensure transparency for citizens, non-profit organisations should report based on objective criteria. In addition, prospectuses of the placement of resources and data on the expenses incurred for the fundraising campaign and the results achieved should be provided.

Today, these elements are optional and only practised by a few virtuous non-profit organisations; these audits and transparency standards should instead be applied on a large scale so that they can make individual organisations and the system more efficient.

There are also problems related to the current laws governing non-profit organisations in Italy.

The difficulties are generated by two causes: the rules dedicated to legal persons in the Civil Code, which are unfavourable to non-profit organisations, and the proliferation of numerous special laws issued to facilitate non-profit organisations from a fiscal point of view, which have introduced more and more statutory requirements, new registers, and forms of control.

One problem relates to the legal form that non-profit organisations should take because the tax legislator has brought forward the idea of a unitary category of organisations as a socially typical figure, qualified only by the absence of subjective profit and a social solidarity purpose. However, this figure is regulated in the fiscal sphere rather than the civil law sphere, which always requires a distinction according to typical forms.

Moreover, oil RUNTS have been instituted, but not the tax system. Consequently, many organisations are still determining whether to register because they need to know the tax regime to which they will be subjected according to their activities.

There is a clear need for a system of laws regulating the third sector that is unambiguous and more streamlined to allow non-profit organisations to grow and develop. It is also essential to include more rules on reporting to create clear and transparent financial and non-financial information.

Furthermore, a taxonomy for social impact reporting should be created.

Guidelines should be created so that social impact is not an end but is recognised as lower taxes paid, considering the burden that the third sector carries from a social point of view. For example, in Italy, through the third sector, social health services are created in the form of social enterprises with low-cost but good-quality services; the work of non-profit organisations is the source of the greatest success in terms of reintegrating prisoners into the labour market, the commitment of organisations in enhancing forgotten cultural assets and keeping the halls of Italy's leading museums open is growing.

Specific funding activities should then be implemented to improve cooperation environments, which can come both from the national and territorial side through more funds provided, for example, through local Chambers of Commerce.

3. BEING A SOCIAL ENTREPRENEUR IN PORTUGAL: EXPERIENCES AND BEST PRACTICES

3.1. What is a social enterprise?

To begin with, it is essential to **distinguish between social enterprises and social entrepreneurship**. According to the European Commission (2020), **social enterprises** "run commercial activities (entrepreneurial/economic dimension) to achieve a social or societal common good (social dimension) and have an organisation or ownership system that reflects their mission (inclusive governance-ownership dimension)". Furthermore, there are differences between countries regarding national legislation, political strategies, academic level and social entrepreneurs.

In Portugal, social enterprises mainly operate in four following four fields:

- Work integration
- Personal social services
- Local development of disadvantaged areas

- Other, like recycling, environmental protection, sports, art, cultural or historical preservations, science, research and innovation, consumer protection and amateur sports.

The term **social entrepreneurship** is associated with innovation with a social goal.

In Portugal, the **social economy** is enshrined in the Constitution, more specifically in articles 80º and 82º, although with a different name, for reasons of historical context. On the same level, these constitutional norms guarantee the coexistence of three sectors that structure the Portuguese economy: Public Economy; Private Economy; Cooperative and Social Economy, which corresponds to what is now known as the social economy.

In more detail, social economy comprises explicitly:

- The means of production owned and managed by cooperatives, in compliance with
- cooperative principles, without prejudice to the specificities established by law for cooperatives with public participation, justified by their special nature;
- Community means of production, owned and managed by local communities;
- The means of production are subject to collective exploitation by workers;

The means of production are owned and operated by non-profit companies whose main objective is social solidarity, namely entities of a mutual nature.

3.1.1. Relevant legislation

The Lei de Bases para Economia Social (LBES) creation in 2013 contributed to this sector's institutional and legal recognition.

This general law presents the social economy as the space formed by a set of economic and social activities freely carried out by different entities. This definition adds that the already referred activities aim to achieve the general interest of society, either directly or through the pursuit of the interests of its members, users and beneficiaries, when socially relevant. In short: the social economy encompasses a wide range of economic and social activities that are not aimed at a profit but at the well-being of people.

In the adaptation to the European Commission changes in public procurement, social enterprises entered the text of the Code of Public Contracts (Decree-Law 111- B/2017, 31/08) and are defined as: “those that are dedicated to the production of goods and services with a strong component of social entrepreneurship or social innovation, and promoting integration in the labour market, through the development of research, innovation and social development programmes in the areas of services predicted”.

There is no single legal form for social enterprises in Portugal. However, the LBES refers that they usually assume one of the following:

Cooperatives

Cooperatives are autonomous associations of people who unite voluntarily to meet common economic, social and cultural aspirations and needs through a jointly owned and democratically managed enterprise.

Mutual associations

Mutual associations are private social solidarity institutions (IPSS) with an unlimited number of members, indefinite capital and indefinite duration that, essentially through the subscription of their members, practice purposes of mutual assistance in the interests of these members and their families, namely the granting of social security and health benefits.

Holy Houses of Mercy

The brotherhoods of Misericórdia or Santas Casas da Misericórdia are associations constituted in the canonical legal order that aim to satisfy social needs and perform acts of Catholic worship in harmony with their traditional spirit, informed by the principles of Christian doctrine and morals.

Foundations

Foundations are non-profit organizations endowed with sufficient patrimony and irrevocably allocated to pursuing an end of social interest. Purposes of social interest benefit one or more categories of persons other than the founder, his relatives and affine, or persons or entities linked to him by friendship or business relationships.

Associations with altruistic goals

Most of these associations develop their activity in culture, sport and recreation, highlighting the relative importance of action, social security, and cults and congregations.

The entities covered by the community and self-managed subsectors are mostly common lands, collectives of workers and other organizations of a community nature.

IPPS

The IPSS (Private Institutions of Social Security) are non-profit institutions established on individuals' initiative to give organized expression to the moral duty of solidarity and justice among other individuals. In particular, these institutions' objectives are Support for children and young people; Family support; Support for social and community integration; Protection of citizens in old age and disability; Health promotion and protection; Education and professional training; Resolution of housing problems.

Note that being an IPSS is a status that organizations can acquire if they meet specific requirements and not a type of organization. Thus, among the social economy organizations mentioned above, many IPSS are included (more than 95% of the Holy Houses of Mercy and Mutual Associations and less than 10% of the total Cooperatives and Associations with Altruistic Goals were IPSS).

3.1.2. Data from the market

The most relevant information concerning the social economy in Portugal is provided in The Social Economy Satellite Account (SESA), compiled by the National Institute of Statistics (Instituto Nacional de Estatística or INE) and António Sérgio Cooperative for the Social Economy (Cooperativa António Sérgio para a Economia Social or CASES). The key methodological references of this edition were the manual of the European System of National and Regional Accounts (ESA 2010) and the Social Economy Framework Law. This edition of SESA also takes into consideration the rules of the United Nations "Handbook of National Accounting: Satellite Account on Non-profit and Related Institutions and Volunteer Work", of 2018 (with implications in the nomenclature) and the "Manual for drawing up the satellite accounts of companies in the social economy: co-operatives and mutual societies" of the Centre International de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative (CIRIEC).

Three waves of SESA have already been published (2010, 2013 and 2016). The most recent was published in 2019 and described in 2016, so it will be the base for further analysis.

In 2016, Social Economy Gross Value Added (GVA) accounted for 3.0% of total GVA, increasing by 14.6% compared to 2013. This growth was higher than observed in the Portuguese economy (8.3%) in the same period. Social Economy accounted for 5.3% of the total compensation of employees and employment and 6.1% of employees of the economy. Compared to 2013, the compensation of employees and employers in the Social Economy increased by 8.8% and 8.5%, more dynamic than the real economy (7.3% and 5.8%, respectively).

There were registered 71,885 social entities, representing an increase of 17,3% compared to 2013. By groups of Social Economy entities, Associations with altruistic goals were more relevant in terms of the number of entities (92.9%), GVA (60.1%), compensation of employees (61.9%) and employees (64.6%).

Analyzing by institutional sector, non-profit institutions serving households constituted the dominant sector, accounting for 91.2% of the total activity units in SESA, followed by non-financial corporations and households, with 8.6% of the total units. Non-profit institutions serving households were also the most relevant sector in terms of contribution to the SE GVA (71.6% of the total), while non-financial corporations and Households and Financial corporations generated, respectively, 15.4% and 12.9% of the SE GVA in 2016

3.2. Measures to promote social enterprises

Since 2008, starting to take effect in 2011, substantial efforts have been made to promote entrepreneurship that have resulted in the granting of tax incentives and financial support to stimulate the growth of start-ups.

The most recent measures include the following:

- COOPJOVEM Program: Program to support cooperative entrepreneurship. It aims to promote cooperation, through the granting of grants, technical support, financial support and access to credit (subsidized and guaranteed under the microinvest typology), to young people who

wish to develop a cooperative project according to their qualification levels, provided for in Article 9 of Ordinance No. 985/2009 of 4 September. The Programme, with funding of 15 million euros, plans to support 2700 young people with grants, technical support and financial support up to 15,000 euros for the creation and installation of the cooperative.

- **Program Empreende Já:** Creates the Program Empreende Já - Network of Perception and Business Management and repeals Ordinance No. 427/2012, December 31. This Programme aims to stimulate an entrepreneurial culture focused on creativity and innovation and to support the creation and development of companies and entities in the social economy and the result of jobs by and for young people. Programme to support the design and development of enterprises and social economy entities, as well as the creation of jobs, by and for young people. It consists of two shares; the first consists of financial support (scholarship of 1.65 times the Social Support Indexer), training (250 hours), personal insurance and Tutoring; in the second, young entrepreneurs benefit from EUR 10,000 per project, aimed at starting up businesses or social economy entities and creating their jobs.

3.2.1. Financial benefits

Several measures have been implemented to support financial instruments to capitalize on investment projects, including the Financing Line for Business Angels Vehicle Entities and the formation of funds, such as the Debt and Guarantee Fund and the Capital fund and Almost Capital.

- **Debt and Guarantees Fund:** It is the creation of the Debt and Guarantee Fund, managed by IFD - Financial Development Institution, S.A., and aimed at the creation or strengthening of financial instruments for the capitalisation of companies using financing of European structural and investment funds. Co-finance the financing solutions of companies in the area of capital and other people to strengthen their competitive capacities. The initial capital of the FD&G is 104,428,571.43 euros, corresponding to 69,900,000 euros from the European Regional Development Fund and 34,528,571.43 euros from the national component. FD&G's capital is increased one or more times by deliberation of its participants.
- **Capital Fund:** It proceeds to the creation of the Capital Fund, managed by IFD - Financial Development Institution, S.A., and aimed at the product or strengthening of financial instruments for the capitalisation of companies using financing of European structural and investment funds. The fund has administrative and financial autonomy and is intended for the phases of creation and start-up of *companies (startup, seed, early stages)*, as well as companies with growth projects and/or strengthening of business training for the development of new products and services or with innovation in processes, products, organization or *marketing*.

New legislation on crowdfunding has also been published, and seven Crowdfunding platforms have already been registered: PPL Crowdfunding Portugal, Accelerate Azores, Novo Banco Crowdfunding, Hive, Crowdfunding Networks, Loving the Planet and BoaBoa.

Several measures have been developed to support startups. The creation of a national network of incubators, and accelerators, aimed at facilitating the relationship of startups with the Public Administration, without forgetting the improvement of the Entrepreneur's Desk and the existence of Business Spaces.

In terms of financing, some measures have been implemented, among others, to offer an alternative to bank credit and encourage entrepreneurship, in some cases, of young entrepreneurs. The introduction of incubation valleys, within the scope of the Startup Portugal Program, stands out.

The measures are:

- Startup Portugal-Incubation Vouchers
- Startup Portugal – Startup Voucher
- Startup Momentum Program
- Seed Program

To improve Portugal's performance around Entrepreneurship, several initiatives have been presented with a focus on supporting the development of companies, which, in turn, implies changes in the culture and the business ecosystem. At the beginning of 2016, the National Entrepreneurship Strategy was launched, called Startup Portugal, to extend the whole country and all sectors of activity to entrepreneurial dynamics, making the most of the investments made in the qualification of human resources, infrastructure, and technology. This strategy aims to create and support the ecosystem nationally, attract domestic and foreign investors and co-finance *startups* in the idea phase, promote and accelerate the internationalization of *Portuguese startups* and implement public measures to support entrepreneurship.

The measures are:

- Vouchers Industry 4.0
- Vouchers Portugal 2020 Entrepreneurship
- Vouchers Portugal 2020 Innovation
- Vouchers Portugal 2020 R&D

3.3. Suggestions to policymakers

There is an increasing concern regarding social causes and the importance of the social economy.

More and more measures are trying to support social projects, nationally and internationally. This is a positive indicator for the future, as more social projects mean more causes are being addressed.

However, not everything is as optimistic as it seems. The lack of legal definition continues to restrain the development of the social economy and, consequently, social entrepreneurship. Despite the presence of the term in the EU structural and investment funds frameworks— namely Portugal 2020—and in the public procurement framework, it is still necessary to work on a clear legal framework and definition for social enterprises.

As was already referred, some social enterprises can develop commercial activities, which, conciliating with their increase in popularity, lead some specialists to be concerned about the negative impacts of the opening of these companies to private funds, as they can replicate their orientation for profit, representing a deviation to the main goals and purposes of social economy. Nevertheless, this is just a hypothesis, as it is unclear whether the conventional private sector is interested in becoming a social investor. The lack of social and environmental legal frameworks and government supervision still pays off in allowing enterprises to avoid paying the negative costs of their activities. Therefore, it is not prone to developing corporate social responsibility awareness among Portuguese businesses (Ferreira, S., 2019).

4. BEING A SOCIAL ENTREPRENEUR IN TURKEY: EXPERIENCES AND BEST PRACTICES

4.1. What is a social enterprise?

A brief historical explanation

Creating social benefit and social value through personal contribution and cooperation is a concept introduced previously in Turkey. However, the word social enterprise entered the literature in the 21st century.

From the 14th to the 20th century, some foundations provided services in religion, education, health, urbanization, public development, and the military (Ertem, 2011). These foundations were established and operated mainly by following Islamic law principles. Foundations aimed to create social benefits and value, such as preventing social conflicts, regulating income distribution social relationships, increasing employment, preventing social instability and alienation, and improving social orientation (Ertem, 2011).

On the other hand, a cooperative tradition in Anatolia roots back to the 12th century emerged along with Ahi Unions. These unions consist of artisans and follow the Ahi philosophy, a combination of Islamic values and pre-Islamic traditions. In case of providing aid to members in difficulty, funds were collected from members so that the unions' operations were financed. Later, this model became an inspiration for credit cooperatives and evolved further to the establishment of the Agriculture Bank, which provided capital and fund during the Turkish Independence War. During the Atatürk period, the founder of the Turkish Republic, the cooperative movement was encouraged, and many agricultural cooperatives were established.

In 1909, the Ottoman Law on Associations regulated the right related to associations and constituted a legal form for the first time. Various types of associations were established and operated by following this law. After establishing the Turkish Republic in 1923 and adopting the Civil Code in 1926, the state mainly provided general interest services, and the impact of foundations has decreased (Çizakça 2005, Bikmen 2008). However, the tradition of philanthropy and foundation operations still endures.

Today, **social enterprises create social benefit and value by providing services and offering solutions to societal problems as cooperatives**, and Ahi Unions did in the past.

The concept of social enterprise has spread and was encouraged in Turkey during the 21st century because of the increasing number of centres and award programs developed by universities, municipalities, foundations, and associations.

According to 2016 data, there are 53,259 cooperatives with around 7.5 million partners in Turkey (Ministry of Customs and Trade 2017). However, cooperatives which comply with the EU definition are the ones under the category of women’s cooperatives. There are 114 women’s cooperatives in Turkey, and 61 operate under the Simurg Women’s Cooperatives Union, a social enterprise. Additionally, there are education cooperatives in Turkey that qualify as a potential typology of social enterprise. Lately, 77 education cooperatives have been operating in Turkey. However, identifying the ones that satisfy the EU criteria and are categorizable as social enterprises is impossible due to a lack of available data.

In the foundation's case, community foundations have five commercial enterprises in operation, and new foundations must operate 1,425 commercial enterprises. These commercial enterprises qualify as social enterprises since they fulfil the required criteria of the EU definition.

On the side of associations, there are 113,732 associations in Turkey, and 384 are categorized as in the status of public benefits associations. These 384 public benefits associations own and operate 285 commercial enterprises, which can be considered social enterprises by meeting the EU criteria.

As mentioned above, some companies can be characterized as social enterprises since they meet the required criteria of the EU. However, identifying these companies is not straightforward, so their total number needs to be clarified. For this reason, they are not included in the number of social enterprises in Turkey.

Table 1: Estimated number of social enterprises in Turkey

Typology	Estimated number
Women’s cooperatives (members of the Simurg Women’s Cooperative Union)	61
Education cooperatives	Estimation not possible
Commercial enterprises owned and operated by community foundations	5
Commercial enterprises owned and operated by new foundations	1,425
Commercial enterprises owned and used by public benefit associations	285
Companies	Estimation not possible

Source: Partner’s knowledge

Besides the legal categorization of organizations considered social enterprises in Turkey, they can be further identified with three different models:

- Social enterprises provide access to products and/or services, also including access to financial resources such as microcredit;
- Social enterprises employing disadvantaged groups in the production process of marketable goods and services, also providing training, education, and other support during the whole process (WISEs);
- Social enterprises provide tools and platforms to meet and encourage potential donors and matchmaking between beneficiaries and donors.

While most of the women's cooperatives involve the social and work integration of disadvantaged groups and providing care services for different age groups, the main activity of community foundations commercial enterprises relies on healthcare services.

Commercial enterprises owned and operated by associations as social enterprises mainly provide aid for people with certain diseases, professional development, opinions, and sports clubs.

The geographic distribution of social enterprises in Turkey needs to be balanced. Nearly half of the new foundations have been established in İstanbul (1,739) or Ankara (826). Similarly, out of 135 commercial enterprises owned and operated by associations with public benefit status considered social enterprises, 114 are in İstanbul or Ankara. Education cooperatives follow the same pattern. They generally use in the cities in the country's Western part, such as Bursa, Çanakkale, İzmir, Antalya and Ankara. On the other hand, women's cooperatives demonstrate a more balanced geographic distribution.

Below are represented some successful social enterprise examples from Turkey.

Table 2: Social enterprises from Turkey

Organization	Year of Foundation	Field of Activity	Website
Otsimo	2016	Development of a mobile application that provides access to early and primary education to all people living with ASD, thereby helping to democratize special education.	http://www.otsimo.com/
Six-dot Association of the Blind	1950	Supports blind and visually impaired people to become self-sufficient and productive individuals integrated with society and offers solutions to their social, educational, cultural and vocational challenges	http://www.altinokta.org.tr/
Foundation for the Support of	1986	Improving the quality of life for low-income women through capacity and skill development	http://www.kedv.org.tr/

Women's Work, KEDV		as well as through work and social integration	
Tomurcuk Limited Liability Education, Culture and Operating Cooperative	2006	Integration of mentally challenged individuals into work through education and skills development in Istanbul.	http://www.tomurcukkooperatifi.org/

Source: Partner's knowledge

4.1.1. Relevant legislation

Social enterprises in Turkey utilize pre-existing legal forms since there is no tailor-made legal form for social enterprises. They organize as cooperatives, foundations, associations or conventional enterprises.

Cooperatives

According to the Cooperatives Law, a cooperative is a legal form with variable partners and variable equity. Partners come together through mutual help, solidarity and personal guarantees to meet and protect their economic interests and vocational and maintenance needs by contributing their labour or monetary resources. Cooperatives are democratic and inclusive organizations. However, they do not necessarily lean towards social benefits. Currently, 32 types of cooperatives operate actively in Turkey.

Foundations

Foundations are a standardized form of help and solidarity. They constitute a group of a system whose purpose is enhancing the happiness and prosperity of humanity. Thus, all foundations can be considered organizations aiming at the general interest. They are private legal entities and should define their purpose, name, and management structure in their charters. Foundations don't operate through democratic management and are not necessarily inclusive. To pursue their goals, foundations should be engaged in commercial activity by establishing commercial enterprises. Income generated by these foundations cannot be distributed to founders. Additionally, foundations can be exempted from tax if they help to relieve government burden in general interests in health, social aid, education, scientific research and development, culture and environment protection and afforestation. There are five types of foundations in Turkey.

- **Mazbut Foundations:** Foundations established before the adoption of the Turkish Civil Code in 1926 and controlled by the Directorate General of Foundations are called "Mazbut Foundations". They were under the control of the Evkaf Ministry in Ottoman times.
- **Mülhak Foundations:** Similar to Mazbut Foundations, Mülhak foundations were established before adopting the Turkish Civil Code in 1926. However, these foundations are coordinated and managed by the founder's descendants.

- **Community Foundations:** Community Foundations are legal entities which belong to non-Muslim communities with members holding Republic of Turkey citizenship. These foundations include churches, monasteries, synagogues, cemeteries, schools, and hospitals.
- **Trade Foundations:** They were established by artisans and tradesmen. There is only one active trade foundation in Turkey currently.
- **New Foundations:** These foundations are the ones that were established after the adoption of the Turkish Civil Code in 1926.

Along with the EU definition, all types of foundations cannot be considered social enterprises. While Community and New Foundations comply with the EU definition, Mazbut and Mülhak Foundations don't. Trade foundations don't provide a relevant typology in this context.

Associations

An association is "a non-profit group which has legal entity formed by at least seven real or legal persons to fulfil a certain common goal which is not illegalized and enables the constant exchange of knowledge and studies" (Associations Law, No. 5253 of 2004)³. They are democratically governed and inclusive organizations. Although associations prioritize the objective of social aim mostly, not all associations are in pursuit of general interest. The status of a public benefit association is an official verification of social aim pursuit.

Companies

There are two types of companies in Turkey: corporate forms and non-corporate forms. They might include other subforms. The most common type of traditional enterprise in Turkey is the corporate form. Companies can state themselves as social benefit organizations by having a social mission, pursuing a social aim, and providing social goods and services. Since they capital based organizations, they cannot be governed democratically. They can make and distribute profits. Despite their legal form, some companies comply with the criteria of the EU. Therefore, they can be considered social enterprises.

4.2. Measures to promote social enterprises

4.2.1. Fiscal benefits

The current legal framework in Turkey enables social enterprises to be exempt from tax and the "public benefit" status advantages to social enterprises that satisfy specific criteria and in the forms of associations and foundations. However, these advantages are minimal and granted to very few organizations. Furthermore, these advantages and privileges don't comprise commercial enterprises run by associations and foundations. Thus, a legal form that fully fulfils the needs of social enterprises does not exist.

³ https://www.dernekler.gov.tr/en/Statute/Compiled-statute-Laws/5253_Associations-Law.aspx

4.2.2. Other benefits

The Small and Medium Scaled Industry Development and Support Directorate offers the following services to small and medium-sized enterprises (SMEs):

- Entrepreneurial support
- Research and development, technological production, and domestication support
- Enterprise development, growth, and internationalization support
- Financial support
- Laboratory services

Small or medium-sized social enterprises can benefit from these services as any other SMEs if they are eligible. However, no unique financial mechanism is developed by mainstream financial institutions to meet the needs of social enterprises. Entrepreneurs still apply to conventional credit schemes for all entrepreneurs.

Additionally, there are potential investors for social enterprises in the market. Still, they give more importance to the risk over social aim and perceive social enterprises as relatively insufficient to generate profit. Therefore, access to these financial resources is severely limited. Pleasingly, the Directorate General of Cooperatives under the Ministry of Trade initiated a process in 2018 to establish a new form of cooperative, the social cooperative. When the new form comes into force, access to significant resources to support social cooperatives is expected to be activated.

4.2.3. Ecosystem

There is a positive perception towards the concept of social enterprise in Turkey. University research centres and civil society organizations contribute to enhancing the social enterprise ecosystem by publishing studies, reports, and policy papers: organizing conferences and cooperating with private and public institutions. Table 3 below represents the organizations and initiatives contributing to developing Turkey's social enterprise and entrepreneurship ecosystem.

Table 3. Organizations and initiatives contributing to the social enterprise ecosystem

Organization/Initiative	Year of Foundation	Website
Sogla Academy (Social Entrepreneur Young Leaders Academy)	2009	http://www.sogla.org/
Bilgi Young Social Entrepreneur Award (initiated by Istanbul Bilgi University in cooperation with International Youth Foundation and Sylvan Laureate Foundation)	2010	http://www.bilgigo.org/

Istanbul Okan University Centre of Social Entrepreneurship	2011	https://www.okan.edu.tr/osgm/
Özyeğin University Centre for Entrepreneurship	2011	https://www.ozyegin.edu.tr/en/center-entrepreneurship/center-entrepreneurship/about-us
Koç University Social Impact Forum (KUSIF)	2012	https://kusif.ku.edu.tr/
Female Social Entrepreneur of the Year Award (initiated by KAGIDER, Women Entrepreneurs Association of Turkey, in cooperation with Garanti Bank and Ekonomist)	2014	http://www.kagider.org/en
Istasyon TEDU (TED University Social Innovation Centre)	2016	https://istasyon.tedu.edu.tr/tr/istasyon
Ibrahim Bodur Social Entrepreneurship Award (initiated by for-profit Kale Holding in cooperation with Ashoka)	2017	https://www.ibrahimbodurodulleri.com/
TUBITAK (The Scientific and Technological Research Council of Turkey) Social Entrepreneurship Award	-	https://www.tubitak.gov.tr/sites/default/files/2750/2238-2018_ilani-web_sitesi.pdf

Source: Partner's knowledge

4.2.4. Future trends

Regarding stakeholders' lack of expectation to enact a comprehensive and exclusive legal definition for social enterprise, the legal form needs to be clarified concerning the incorporation, operation, and sustainability of social enterprises to remain valid. However, initiating social cooperatives can provide a promising first step towards that objective. Unlike traditional models, newly established social enterprises use technology more often as a critical factor facilitating their models' diffusion. Similarly, young people tend to be more engaged in social enterprise. However, they generally found their enterprises as a company because of their familiarity with the existing entrepreneurial ecosystem. Therefore, key resources must be activated to cultivate and develop these new ideas into growing social enterprises, including finance, knowledge, ability, and experience.

5. BEING A SOCIAL ENTREPRENEUR IN IRELAND: EXPERIENCES AND BEST PRACTICES

5.1. What is a social enterprise?

Social entrepreneurship has followed a slow but steady growth trajectory in Ireland during the current century. Although starting from a low base⁴, its role has increasingly been recognized in Irish Government enterprise policies, including the *Action Plan for Jobs* (2012) and the *Programme for Government 2011-16*, plus various policy studies by Forfás (the former national policy advisory board for enterprise, trade, science, technology and innovation) and others. More recently, the Government published the *National Social Enterprise Policy for Ireland 2019-2022* (Department of Rural and Community Development, 2019), launching a portfolio of new policy and funding measures (see section 4 below).

However, Ireland has a much longer tradition of non-governmental intervention in social and environmental issues, led, for example, by secular charities, religious organizations and community groups. Some organizations see social enterprises as part of a seamless continuum of not-for-profit organizations; others (for example, Caffrey, 2020) perceive a degree of confusion in popular perceptions and call for a distinctive vocabulary, arguing that the trading *modus operandi* of social enterprises distinguishes them from the rest of the not-for-profit sector.

Social Enterprises in Ireland are generally characterized in the following terms (Caffrey, 2020; Forfás, 2013):

- Created to achieve social, societal or environmental impacts rather than maximizing profit for owners or shareholders.
- Trade through providing goods and/or services, reinvesting surpluses into achieving their social objectives.
- Independent from the government.
- Governed in a fully accountable and transparent manner.

There is no doubt that social entrepreneurship can play a significant and growing part in Ireland's future, certainly as a proven means of employment growth and economic development but also as a source of social innovation capable of addressing deep-seated economic, social, and environmental challenges largely intractable to traditional government policy interventions. Moreover, social entrepreneurship speaks to the values and aspirations of many citizens across a broad age spectrum.

⁴ The 2019 Thomson Reuters Foundation Global Study of Social Enterprise ranked Ireland 36th out of 44 countries for its social entrepreneurship environment; however this was an improvement from 43rd position in 2016.

5.1.1. Relevant legislation

There is no definition of social enterprise in Irish company law. Many Irish social enterprises are *Companies Limited by Guarantee*, in which the Directors hold minimal share value (typically €1) and are prohibited from sharing dividends.

Some worker and consumer co-operatives can also be characterised as social enterprises, which do not distribute profits to shareholders and are established to achieve a clear social impact. Though relatively few, co-operatives have a distinct legal form under the Industrial and Provident Societies Act of 1893, which lays down specific principles based on democratic control by members. ‘Members’ are defined as employees in the case of worker co-operatives, and membership is open to all service users in the case of consumer co-ops.

In the wider not-for-profit sector, registered *Charities* have a separate legal form which protects them from corporation taxes but generally limits their ability to trade commercially. Some charities have chosen to spin out social enterprises to develop trading activity, setting up Companies Limited by Shares or Companies Limited by Guarantee and retaining the shares.

Recent research commissioned by *Rethink Ireland* identified significant levels of concern about the shortcomings of current legal options, with many social entrepreneurs advocating the creation of a dedicated social enterprise form. However, the research concludes that the argument for a reliable legal form needs to be sufficiently compelling and supports alternative measures to enhance the identity and accreditation of social enterprises within current structures (Lalor & Doyle, 2021).

5.2. Measures to promote social enterprises

Ireland has a well-established enterprise creation and support framework, including *Local Authority* economic development programs, *Local Enterprise Offices* (LEOs), and *Local Development Companies*. *Enterprise Ireland* provides various services at a national level, especially for high-growth potential start-ups.

Although these services are available to for-profit and not-for-profit enterprises, their role in Ireland’s social entrepreneurship ecosystem is discussed in another section.

From a public policy perspective, social enterprise has traditionally been seen as creating jobs (see, for example, the 2012 *Action Plan for Jobs* and the *Programme for Government 2011-16*). There has been a particular focus on those sections of the labour market facing acute disadvantages, the Department of Justice and Equality, the Prison Service and the Probation Service launched their Social Enterprise Strategy in 2017, designed to support social enterprises to help ex-offenders reintegrate into the labour force (Department of Rural and Community Development, 2019). Social enterprise is also seen as part of the solution to unemployment in remote rural areas. Thus, the Western Development Commission has a specific statutory responsibility to support social enterprise creation and development on the west coast of Ireland.

Building on previous steps towards a more comprehensive policy framework, the *National Social Enterprise Policy for Ireland 2019-2022* (Department of Rural and Community Development, 2019)

represents an essential threshold in Government support for social entrepreneurship, albeit whose full implementation remains incomplete. The policy recognizes that social enterprises are distinct from the wider not-for-profit sector in that they share many similarities with the for-profit trading enterprise. It identifies the need to raise awareness of their specific nature and purpose. At the same time, the policy acknowledges that business support targeted at social enterprises falls short of that available to mainstream companies.

Critically, the document acknowledges and seeks to address the fragmented nature of public policy support for social enterprise:

Without a cohesive policy, responsibility for social enterprise in Ireland has recently been somewhat fragmented, with no single Government Department identified as taking the lead role. Schemes through which social enterprises can source funding to support their activities were also widely dispersed across Departments.

The chosen solution is to consolidate lead responsibility and funding mechanisms for social enterprise within a single Government Department – the Department of Rural and Community Development. The Department is now responsible for delivering the policy’s three core objectives:

- **Policy Objective One: Building Awareness of Social Enterprise**

For a social enterprise to fully realize its potential, it must build more coherence and raise awareness with the public, other businesses and across government. Developing and promoting an understanding of social enterprise will be vital to implementing this Policy. A particular focus will be to quantify better and explain the positive social, societal or environmental impacts social enterprises achieve.

- **Policy Objective Two: Growing and Strengthening Social Enterprise**

Various bodies, including the Department of Rural and Community Development, Local Development Companies, Local Authorities, and support organizations, currently support social enterprises in Ireland. However, supports available through public bodies can vary in terms of their effectiveness in meeting the needs of social enterprises. This Policy aims to improve the range, quality and consistency of support available to social enterprises nationwide.

- **Policy Objective Three: Achieving Better Policy Alignment**

Developing a better understanding of the interactions between government policy and social enterprise is necessary to ensure that future policy reviews and policy development across government, where relevant, are coordinated to align with this National Policy for Social Enterprise.

Direct support for social entrepreneurs, reflecting Policy Objectives One and Two, is currently realized through a broad portfolio of funding mechanisms⁵, principally the following:

- **Social Enterprise Small Capital Grants Scheme 2021**
- **Social Enterprise Start-up Scheme 2021**

⁵ <https://www.gov.ie/en/publication/624c74-social-enterprise/>

- **Awareness Raising Initiative for Social Enterprise (ARISE) 2021**
- **COVID-19 Regeneration Scheme for Social Enterprise 2021**

Based on feedback from our interviews with stakeholder organizations, this policy portfolio is recognized as a significant step forward. Yet, some respondents argue that there is still a considerable gap between policymakers and the needs of social entrepreneurs on the ground and that little has yet been done to address the broader fragmentation of the social entrepreneurship ecosystem in Ireland. We discuss more in the following section.

5.2.1. Ecosystem

Public sector provision is just one component of Ireland’s social entrepreneurship ecosystem. However, in part, it is also the longest-established and most widely distributed, providing the initial entry point for many prospective social entrepreneurs.

The 31 Local Enterprise Offices are a “local first-stop shop” for new entrepreneurs. Existing micro-enterprise and small business owners, “the front door through which all information on State supports for small and micro-businesses can be accessed and signposted to other supports and bodies with programmes relevant to a small business as important local services and compliance requirements can be provided”⁶.

Services include funding, training, mentoring and guidance for all start-ups. Specific areas of bespoke support can include business strategy, financial planning, market research, marketing & promotion, production planning, distribution, corporate organization, website planning & design, and signposting to more specialist services within the state non-state sectors. However, some of our interviewees pointed to a disparity between high levels of understanding and engagement with social enterprises in some LEO locations compared with relatively poor performance in others and called for a ‘levelling up’ throughout the national system.

Despite the widespread availability of provisions for entrepreneurs, several independent bodies have developed a growing portfolio of targeted support for social entrepreneurship in recent years, many of them social enterprises.

Enactus Ireland is part of an international programme to provide higher education students with knowledge and skills associated with social entrepreneurship (Ireland is one of 36 countries around the world that are operating under the Enactus brand). According to Enactus’s Ireland Manager Laura Dennehy:

Our primary aim is to work with students themselves. We operate a leadership and skills development programme preparing students for future work and preparing socially minded graduates. So, they may continue as social entrepreneurs, but most will go into regular employment or other types of entrepreneurship. We want them to take with them a deeper understanding of society issues and a problem-solving approach. When they finish the programme, our students are exceptionally well

⁶ <https://www.localenterprise.ie/Discover-Business-Supports/First-Stop-Shop/>

placed to go into any work because they've had that experience of running a project, sometimes running a fully-fledged social enterprise, before they graduate from university.

Our primary objective is the individual students themselves and how they can improve the world. And we want to be part of the ecosystem to support young social entrepreneurs in Ireland. That's what we're doing.

In 2021, when students were in lockdown, Enactus Ireland registered 514 participants in the programme from universities and colleges across Ireland. They created 34 social projects which impacted over 4,000 people throughout the country. At least two have now been incorporated as social enterprises. Still, all the students gained an understanding of social impact, as well as entrepreneurial skills, which they will carry forward into their careers.

Rethink Ireland's ambition is to “make our country a more just, equal and sustainable place to live” by supporting “the most innovative non-profit organisations working in communities across the country” with grants, business development and training programmes. Philanthropic donations (“Venture Philanthropy”) from several Irish and international corporates, matched by Government funding, play a large part in resourcing Rethink Ireland's programmes. Rethink Ireland's focus on social enterprise dates from 2018, and its current portfolio of programmes includes programmes to support both start-up and scaling-up stages.

In 2022, Rethink Ireland launched twice-yearly *Start a Social Enterprise Business Courses* targeted at very early-stage social entrepreneurs, even those at the ideation stage or without a clear focus. Based on some seven modules, these online courses lead circa 50 participants through the critical stages of creating a social enterprise, helping them make informed decisions and formulate clear objectives. Those ready to start a social enterprise and have attended all seven modules can apply for cash grants upon completion of the course. Up to five graduates from each course can receive a grant.

The *Social Enterprise Start-Up Fund* takes entrepreneurs to the next level, comprising a 4- month accelerator programme providing them with the knowledge and skills to:

- build a plan to grow the social enterprise;
- map key stakeholders and customers;
- create networks within the social enterprise sector;
- increase financial sustainability;
- communicate the vision and mission to a broader audience.

Participants also receive a grant of €10,000 to support the development of their enterprise (50% at the outset and the remainder on successful completion of the programme).

Entry to the programme is a competitive process. Entry criteria include the need for the social enterprise to be innovative and prove its viability by creating some traded income beforehand. In 2022, the Fund will support up to 20 social enterprises.

The *Social Enterprise Development Fund* targets more established social entrepreneurs with clearly identified innovation and growth potential. Eight social enterprises will be supported in 2022, centering on an intensive and practical six-month Programme which “provides training from best-in-class experts in the private, non-profit and public sector on key functions such as Strategic Planning, Impact Measurement, Financial Management, Governance, Business Modelling, Pitching,

Storytelling and more”. Participants also receive cash grants of €22,500, paid in two instalments upon delivery of agreed milestones, and bespoke consultancy support.

Overall, Rethink Ireland received almost 800 applications in the last four years, of which only 100 were funded due to rigorous selection processes.

Over the past 17 years, **Social Entrepreneurs Ireland** has been prominent as a passionate advocate for the sector. It has worked with more than 500 social entrepreneurs nationwide, aiming to support early-stage ideation to scale-up.

The *Spark Programme* aims to “provide the initial spark that will set some amazing ideas alight” and comprises Spark Sessions, a Spark Toolkit and small bursaries.

The next step is the *Ideas Academy*, a “three-month programme [to] provide you with the support and direction you need to help you kick-start your idea and take the next steps to start tackling the problem.” Funded by corporate philanthropy, forty-five places are available on the 2022 programme, comprising 15 social entrepreneur-led projects in groups spread across three regions. The Ideas Academy includes several “core learning days”, peer-to-peer support and networking, an initial bursary of €400, and an opportunity to pitch for a share of €40,000 seed funding at the end of the programme.

The *Action Lab* is “designed for high potential social entrepreneurs who have completed the Ideas Academy and aims to support them through the pilot stage as they build solid foundations”. Ten social entrepreneur-led projects were selected for the 2021/2022 programme. Participants receive action-based group training sessions and peer-to-peer support over five months, providing practical knowledge and skills relating to social business models, funding, governance, marketing, and communications. Each Action Lab project receives a bursary of €3,000 to support involvement in the programme. At the end of the Action Lab, the participants also have an opportunity to pitch for a portion of funding from a total pot of €15,000.

Five established social entrepreneur-led organisations will be selected in 2022 to participate in the nine-month *Impact* accelerator programme. Participants’ organisations receive support in key business areas and direct funding worth over €20,000, joining “Ireland’s largest network of social entrepreneurs working across the country to solve social problems”. The programme provides one-to-one support, coaching and consultancy, and group training in leadership development, communications, governance, strategic planning, fundraising, and resilience. Awardees receive unrestricted funding of €20,000 to support them in building solid foundations for their organisations and enhancing social impact.

High-potential social entrepreneurs can also progress to a *Scale Partnership*, offering bespoke support to increase social impact over two years.

Since COVID-19, these programmes have primarily been delivered online – undoubtedly at the expense of the closeness and peer-bonding that in-person proximity brings, but at the same time, helping to improve accessibility for social entrepreneurs in remoter regions. Creating a post-pandemic hybrid will involve continuing experimentation to understand “what works” in practice.

Social Impact Ireland’s origins date back to 2016, created as a dedicated incubator to help social entrepreneurs test and develop their ideas. The approach aims at blending entrepreneurs’ personal development with their enterprises’ business development. Pauline Gannon, Founder and CEO of SII, emphasizes the importance of working intensively and individually with social entrepreneurs.

The COVID-19 pandemic fast-tracked Social Impact on Ireland's expansion from a regional to a national reach through digital communications. As with Social Entrepreneurs Ireland, the post-COVID challenge for SII is to discover a model of hybrid delivery which optimizes both depths of engagement and breadth of reach.

The six-month *Incubator Programme* for groups of around ten prospective social entrepreneurs comprises two phases: a hybrid series of online and in-person workshops delivered over five consecutive weeks and a tailored programme of one-to-one sessions with consultants reflecting individual needs. Peer-to-peer learning is now increasingly embedded within the Incubator programme, making a tangible impact on participants. At the end of the programme, an Online Showcase celebrates the effort and progress made by participants. It brings in external funders (including Rethink Ireland), allowing social entrepreneurs to pitch for investment.

SSI is currently developing a 12-month programme to support alumni from the Incubator, strengthening business models and helping to secure sustainable funding.

In parallel, a regular programme of workshops open to all social enterprises addresses topics such as marketing, personal strategic direction and social impact, as well as offering weekly clinics for individual entrepreneurs.

Pauline stresses the importance of SII's work in building an "engaged community" of social enterprises, including through the current development of an online platform. The keyword for Pauline in this context is "engaged", moving well beyond traditional networking by building a common purpose. This includes the creation of focused partnerships and themed clusters, including collaboration with for-profit companies.

Advocacy is also central to SSI's work, collaborating with the Department of Rural and

Community Development on shaping social enterprise policy. Pauline is clear about the need to "separate and elevate" social enterprises from the broader not-for-profit sector, giving them a much stronger collective identity: "this is not the charity sector, it's about innovation, it's about creative design, creative thinking and it's about having that positive impact on the world." SSI champions the SE Mark, an international accreditation for social enterprises. At the same time, she emphasizes social impact above legal form – a perspective which can also embrace many for-profit companies concerned about their wider contribution to society.

In contrast to Social Impact Ireland, **The Wheel** represents the wider not-for-profit sector in Ireland, both in its advocacy and campaigning role as a membership organization and as a provider of training and support for business development. The Wheel emphasizes the commonality of interests between not-for-profit organizations, providing support from the start-up phase to business strategy, leadership development and governance. However, its Social Enterprise Hub also offers more targeted webinars and workshops for social entrepreneurs on demand-led themes such as procurement and financial management, a helpdesk and advice on funding sources. A dedicated Social Enterprise Network is also available to Wheel members.

The **Community Enterprise Association Ireland** (CEAI) represents a network of more than 270 government-funded Community Enterprise Centers across the Republic of Ireland, all providing co-working locations, flexible working spaces and support to smaller businesses. Many of these centres are social enterprises, as is CEAI itself. Although they support for-profit and not-for-profit companies, social enterprises are well-represented within many centers. Examples include

Dublin-based Innovate Communities, which partners with Social Impact Ireland to support social entrepreneurs and facilitates a broader range of youth and community-based projects.

CEAI provides a diverse portfolio of support to its member organizations (and, in turn, to their clients), including thought leadership, professional development opportunities, collective services, peer-to-peer exchanges and access to EU funding, and policy advocacy at the governmental level.

Social Enterprise Republic of Ireland (SERI) was founded in 2020 during the pandemic to establish clear leadership within the sector. It is currently building its internal capacity and structure as a membership organization. Its Board members have close links with the Department of Rural and Community Development.

SERI argues for a more precise definition and a higher profile for social enterprise, including creating a regulatory structure comparable to that governing the charity sector. SERI has also established a Practitioner Council providing peer-to-peer support and networking opportunities for social entrepreneurs, seen as a vital resource in overcoming the “loneliness” of the role.

The **Irish Social Enterprise Network (ISEN)** seeks to be Ireland’s representative network for social enterprise, raising the sector's profile, giving voice to social enterprises, and sharing good international practices. ISEN also runs a series of local networks, problem-solving clinics, and webinars.

5.2.2. Measuring social enterprise

The sector's diversity makes it challenging to understand social enterprises' true size and scope. Previous studies (CPA, 2018; Benefacts Analysis, 2019) suggest that there are approximately 29,300 organisations in the entire not-for-profit sector in Ireland, contributing €13.8bn in economic activity and accounting for at least 25,000 jobs.

However, there are no reliable means of disaggregating specific data on social enterprises from the not-for-profit sector. This is recognised as an issue within the *National Social Enterprise Policy for Ireland* and is currently being addressed by the Government’s Department of Rural and Community Development. A census planned for mid-2022 is intended to provide more robust data on the sector.

According to the CPA (2018):

If Ireland’s social enterprise sector were to approach mean EU levels of output, it is estimated that there would be approximately 65,000 jobs in social enterprises; this figure could grow to as much as 100,000 jobs if Ireland achieved the 9% goal set by the EU under the ‘Europe 2020’ Strategy

6. BEING A SOCIAL ENTREPRENEUR IN FRANCE: EXPERIENCES AND BEST PRACTICES

6.1. What is a social enterprise?

The term social enterprise in France is not widely used, although France has pioneered the social economy concept. The history of the social and solidarity economy (SSE) in France dates to the time of the Ancient Regime and the Middle Ages when the Catholic church and monastic orders founded the charity and educational organizations network. Craft organizations developed with other fraternal organizations that signed the beginning of mutual social protection. However, during the 1789 French Revolution period, this development was severely interrupted by the prohibition of intermediary bodies. In compliance with this attitude, it was stated in the 1793 Constitution that society owes a livelihood to unfortunate citizens, either by providing work for them or providing means of existing for those incapable of work and benchmarks of a welfare state were indicated. Throughout history and cultural evolution, it has been a solid idea that the French state monopolises public good and general interest and must oversee social wellbeing.

In the first half of the 19th century, a massive part of the wage-earning population was proletarianized by the growth of industrial capitalism, so the first working-class rebellions started. The state had to be obligated to tolerate and then recognize these movements. Mutual aid societies and workers' unions were initially born as secret, but they became open after removing the offence alliance. The first collective efforts for the procurement of essential needs were consumer cooperatives. They were responsible for answering crucial products like food and clothing since the means of subsistence were inadequate.

Therefore, the root of the economy in France is complex and multiple. Its values were primarily derived from two major ideologies, social Catholicism and Socialism on the other hand. While social Catholicism always seeks to moralize society, Socialism emphasizes the concepts like equality, protection of the most deprived, and reducing inequalities.

The social economy developed during state economic interventionism from 1945 to 1980. The banking and insurance sectors played a key role. Banking cooperatives provided credits to help finance agriculture. On the other hand, the mutuals and associations managed equipment for the health sector. Moreover, associations played an important role and took part in public education, social protection, culture, and sport.

The solidarity economy concept has been comprehensive since the end of the 1960s. Today, "social economy" and "solidarity economy" are commonly attributed to social economy. They form the term "social and solidarity economy" (SSE).

Since the early 2000s, the concept of social economy has evolved considerably. Influenced mainly by the Anglo-Saxon and the American idea of social entrepreneurship, which strongly emphasises leadership, social enterprise gets motivated today in France (Defourny and Nyssens, 2011).

According to 2015 data, the number of associations via the maximum of one employee and having more than 25% of market resources is 83,000, which includes 2,610 WISEs that have an associative

form. In the case of the cooperatives, SCICs, CAEs, persons' cooperatives, and WISEs with a SCOP form are investigated. Data from two different years are used in this context. According to 2017 data, there are 50 WISEs with a SCOP legal form in France. On the other hand, there were 500 SCICs, around 100 CAEs, and 2000-person cooperatives in 2015.

Additionally, 65,000 paid workers work in cooperatives in total. Several enterprises in the form of mutual are measured as 8,000 with 121,249 paid workers based on 2015 data. In the case of foundations, there are 1,600 enterprises with 83,000 paid workers, again based on 2015 data.

Table 4. Estimated number of social enterprises in France

Legal type	Reference year	Number of enterprises	Number of paid workers full-time equivalent)
Associations with a minimum of one employee and >25% market resources (including WISEs with an associative form)	2015	83,000 (including approximately 2,610 WISEs that have an associative form)	NA
Cooperatives (SCperson, persons coop,eratives and WISEs with a SCOP form)	2017 for WISEs 2015 for other types	500 SCICs, 50 WISEs with a SCOP legal form, Around 100 CAEs Arouperson0 persons cooperatives	65, 000 (with 54,000 S for SCIC et SCOP)
Mutuals	2015	8,000	121,249
Operating foundations	2015	1,600	83,000
Commercial enterprises of social utility within the SSE (ESUS)	2017	193	NA
WISEs with a commercial form	2017	1,200(approximately)	NA
TOTAL	-	96,603	1,731,400

Source: Partner's knowledge

Social enterprises are engaged in an extensive range of activities. The most operated fields are work integration, renewable energies, fair trade, organic food and agriculture, health, care for the elderly, fighting against exclusion, sports, education, and culture.

In 2015, SSE counted for more than 10% of the total employment in the French economy, with 2.4 million paid workers. Of the 221,000 institutions that employ paid workers, 78% are associations, 13% are cooperatives, 5.8% are joint associations, and 3.5% are foundations. The SSE produces 5% of the value added (Bisault, 2014) and pays 8.5% of the economy's wages.

Table 5. Share of SSE per sector

Sector	Share (%)
Social action without lodging	69%
Sports, recreation, and leisure	57%
Medico-social lodgings	55%
Creative and artistic activities and shows	48%
Activities linked to employment	47%
Insurance	46%
Financial services insurance and retirement funds)	30%
Education	21%
Beverage Manufacturing	21%
Travel agencies, connected activities	15%
Human health activities	11%
Libraries, music, and cultural activities	11%
Lodging	10%
Research and development in science	9%

Source: INSEE,2015

The SSE consists of numerous small organizations. In 2015, 64% of all SSEs had less than five employees and fewer than ten employees. It can be understood that small enterprises dominate the market. Only 1% of the total SSEs are large organizations with over 250 employees.

Additionally, more than 68% of the employees of SSEs are women, based on 2015 data. This implies a higher female employee density than other sectors, such as the public sector 62% and the private sector excluding SSE 40%. The sector division of employment might explain this discrepancy between sectors. SSE organizations are significant employers in social action, education, financial and insurance activities and health services.

Although the SSE is firmly embedded in all regions and substantially impacts the economy, regional differences exist in terms of activity fields, legal forms, and the weight of the SSE. For example, the SSE counts 7% of total regional employment in Ile-de-France and 14% in Bretagne. In the case of legal forms, Bretagne is known for its essential proportion of cooperatives and others such as Poitou-Charentes for their significant proportion of mutual societies in their regions.

Table 6. Social enterprises from France

Organization	Year of Foundation	Field of Activity	Website
A taste of illusion	2000	Supporting cultural and artistic projects in performing arts	http://www.illusion-macadam.coop/
Scop Ti	2014	Workers' Cooperative Their objective is to respect consumers by selling good quality products, revitalize the local industry and contribute to sustainable economic development in the region.	http://www.scop-ti.com/
Family Help	1961	Providing home care services to help families in need (in terms of housekeeping and children's education) and dependent persons (the elderly and persons with disabilities)	http://www.aideauxfamilles.fr/
Coopaname	2004	Share its savoir-faire and knowledge and develop an autonomous economic activity to become a paid worker and benefit from social security protection.	http://www.coopaname.coop/
La Varappe	-	Foster work integration on their territory	http://www.groupe-lavarappe.fr/

Source: Partner's knowledge

6.1.1. Relevant legislation

The Framework Law on Social and Solidarity Economy adopted in 2014 is France's leading and recent legal evolution. The legal framework related to the SSE is somewhat complex and diversified. They organize as cooperatives, mutuals, associations, and foundations.

Associations

The associations are defined under the 1901 law as "the convention by which two or person pool, in a permanent way, their skills or their activity with an aim other than the sharing of profits". They comprise a minimum of people who decide to pool their competencies and resources for serving a project via a the-for-profit aim. Their field of activity can be vast. The tax for associations depends on their "lucrative" character. An association that doesn't develop lucrative activities is only liable for a fiscal regulation regarding patrimonial revenues and its wage bill. Most of the associations are in this

category because they are non-profit organizations. However, associations that develop lucrative activity are liable to commercial taxes (corporation tax, VAT, territorial economic distribution).

Cooperatives

They are groups of people who pursue common economic, social, or educational goals. Members of cooperatives manage the cooperative based on equality of rights and obligations. Cooperatives operate in very diverse areas of activity, and they can be categorized based on their activity areas. There are also specific types of cooperatives in France. Some of them are explained and listed as follows:

Collective interest cooperative (*société coopérative d'intérêt collectif – SCIC*): This cooperative was introduced in 2001 by the Law on Collective Interest Cooperative Societies. It is one of the legal embodiments of a cooperative explicitly aimed at pursuing social objectives.

Cooperatives of activity and employment (*coopératives d'activité et de travail – CAE*): These cooperatives contribute to creation and development as well as job creation. This special cooperative form enables an entrepreneur to launch his/her activity in a more secure environment. Moreover, the cooperative takes care of the administrative, accountant, and fiscal side of the activity so that the entrepreneur can entirely focus on his/her activity.

These types of cooperatives (SCICs, CAEs, persons' cooperatives) can be regarded as social enterprises without any doubt. They account for about 10% of the total number of cooperatives in France. Collective interest cooperatives (SCICs) are liable to corporate tax, but their liability to VAT changes depending on the activity field. SCICs are not exempt from the territorial economic distribution.

Mutuals

Mutuals are partnerships of people rather than capital. Representatives of a mutually selected democratically. Costs regarding prevention and reaction to crisis allocated to the people collectively. The leading resource of the mutuals are the subscriptions of the participants.

Foundations

Foundations are groups of assets allocated for the success of a task or a project in the general interest of a sustainable and non-profit nature. These non-profit and general interest criteria give the social economy enterprise status to the foundations. They have different governance schemes from other institutions in the social economy. Foundation de France and the MACIF foundations can be listed as two examples of foundations in France. Foundations are not subject to paying VAT or corporation tax for activities directly related to their aim.

The cooperatives, mutuals, foundations, and associations engaged in economic activity have no procedure to satisfy since the attribute of SSE is assigned to them by right. However, the law now allows business organizations to be included in the SSE, provided they pursue “socially useful” goals and adopt a participatory form of governance.

6.2.Measures to promote social enterprises

Most of the policy schemes and support systems are generally geared towards the type of contribution related to the activity field rather than specific groups of organizations defined as social economy enterprises. Therefore, these support measures address all enterprises fulfilling the criteria by public authorities. Plenty of available public support schemes support the SSE's development. Especially after the crisis, authorities became more active and interested in the social and solidarity economy field. They consider supporting the SSE sector as a policy response to the crisis.

In 2017, the function of the High Commissioner for the SSE and social innovation was created, with a cabinet attached to the Ministry of Ecological and Solidarity Transition. Corollary, the government initiative French Impact was launched in 2018 to encourage social innovation and bring together all the socially innovative initiatives. The initiative aims to support a global development strategy for the SSE. Three priorities are identified:

- (i) freeing the energies of the enterprises of the SSE;
- (ii) strengthening the influence and empowerment of the social and solidarity economy (including the French Impact);
- (iii) putting the social and solidarity economy at the heart of the international agenda.

The EU funds play a relatively small role in the French context contrary to local and regional policy schemes and support programs. It is impossible to make a quantitative estimation of the amount of EU financing directed to French social economy organizations or social enterprises because of data restrictions. However, according to a survey conducted by Viviane Tchernonog and Lionel Prouteau (2019) on associations, EU funds constitute only 1% of their total revenue. Two major EU funds are applicable for social economy organizations: ESF and ERDF. ESF is given to organizations that fight against unemployment, encourage entrepreneurship development, and promote inclusion. This fund is not exclusively devoted to social economy enterprises, but they are eligible to benefit as long as operating in the fund's scope. Under ERDF, there are several relevant regional programs, with some aiming at supporting the creation of new infrastructure and the growth of social economy enterprises.

The law enacted in 2014 emphasises that regional authorities must design a regional strategy for developing the social and solidarity economy. In this context, the law stresses that there should be a regional conference at least every two years to discuss regional policies' orientations, means and results for developing SSE. Additionally, there is a widely known project launched in 2005 by the Regional Council of Languedoc-Roussillon Region to provide support services to social innovation projects. The project aims to support projects in the start-up phase by building an incubator and Realis (entrepreneurship center) for social enterprises.

6.2.1. Ecosystem

Since France's social and solidarity economy is a well-established and sophisticated concept, the ecosystem surrounding and influencing it comprises various actors.

Table 7. Key actors/agencies of the social and solidarity economy ecosystem

Type of Organization	Actor
Organizations promoting, certifying and awarding social business labels	DIRECCTE releases the ESUS accreditation CRESS realises, updates and publishes the list of social economy enterprises as defined by Article 1 of the 2014 Law
Governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures at the national or infranational level	<ul style="list-style-type: none"> ● Ministère de la Transition écologique et solidaire ● DGCS (social cohesion) ● Dispositif local d'accompagnement (DLA) created by the State (DGEFP- training) and the Caisse des Dépôts ● CGET (territories) ● DJEPVA (vie associative) ● France Stratégie for studies ● Conseil Supérieur de l'Economie Sociale et Solidaire ● Chambre Française de l'ESS ● Conseil National des Chambres Régionales de l'Economie Sociale (and regional organisations) (The last two are in the process of merging)
Institutions, civil society initiatives, think tanks or other social enterprises promoting social entrepreneurship education and training and presenting role models	<ul style="list-style-type: none"> ● Labo de l'économie sociale et solidaire (ESS) ● AVISE ● Fonda ● Mouvement Associatif ● Réseau des territoires pour l'économie solidaire (RTES) ● Mouvement pour l'Economie solidaire (MES) and its regional members

Source: Partner's knowledge

6.2.2. Future trends

Although public schemes and support programs favour SSE, there are essential regional and territorial disparities between the development, implementation, or access to public support schemes at the local level. It is crucial to ensure equal access to support schemes for all eligible organizations by learning lessons from the good practices of selected regions. In addition, most of France's social enterprises are small-scale and not growth-oriented, even if they need to grow. Therefore, building appropriate scaling strategies while protecting their social mission is another future challenge. In conclusion, France's social and solidarity economy can be improved by ensuring equal access to public schemes and support programs for eligible organizations and developing robust scaling strategies.

7. GENERAL RECOMMENDATIONS AND A ROADMAP FOR POLICY-MAKERS

The INSPIRE project provides further evidence of the (actual and potential) role of social entrepreneurship in addressing persistent social, economic and environmental challenges that face European countries and the EU as a whole. The project has mapped some of the passion, determination and ingenuity of social entrepreneurs in each INSPIRE partner country, as well as some of the good practices evident in the wider social entrepreneurial eco-system.

Yet whilst social entrepreneurship in its different forms has a long history in Europe, it is still only emerging as a major force in public policy. As we argued in the introduction to this report, enabling social entrepreneurship to reach its full potential challenges both the production and content of traditional policy interventions.

This concluding section focuses on a roadmap designed to help policymakers and other stakeholders both to evaluate and to develop the mode and content of policy production, principally at national and regional levels. However it is appropriate to preface the roadmap with an overview and assessment of European Commission policy frameworks for social enterprise and social entrepreneurship.

As in many other areas of EU policy the pattern is both multi-faceted and not necessarily continuous, especially because changes in the Commission itself generate evolving priorities. A key point in the evolution of EU policy can be identified in 2011 with the publication of the BEPA report on social innovation⁷, requested by the then President, José Manuel Barroso. In subsequent policy documents and research projects, social entrepreneurship was identified as part of a wider system of social innovation that included both state, business and not-for-profit actors. Several policy initiatives and Horizon Europe projects were launched in the period up to 2020, with subsequent actions largely focus on Horizon Europe and the European Social Fund⁸. Whilst the overall impact of these policy

⁷ BEPA (2011). Empowering people, driving change: Social Innovation in the European Union. Luxembourg: Publications Office of the European Union.

⁸ <https://ec.europa.eu/european-social-fund-plus/en/esf-social-innovation-initiative>

interventions is hard to ascertain, their importance lies in raising the profile and significance of non-state actors in achieving European policy goals.

The European Commission has several policies and initiatives in place to support social enterprises and promote social entrepreneurship within the European Union. The Commission adopted the European Social Economy Action Plan in November 2020, designed to strengthen the social economy, including social enterprises and cooperatives, by supporting their growth, improving their access to finance, and enhancing their visibility. The plan acknowledges that initiatives over the previous decade failed to create the right framework conditions for the social economy across Europe, including visibility and recognition, and access to finance and markets⁹. Specific measures include European Social Entrepreneurship Funds (EuSEF) to encourage investment in social enterprises, measures to improve access to finance for social enterprises and organisations that have a primary social objective¹⁰ as well as general business support through the European Investment Fund (EIF) and Structural Funds. In addition, the Erasmus for Young Entrepreneurs programme supports cross-border exchanges of entrepreneurial experiences, including those related to social entrepreneurship.

In practice, and as reported by social entrepreneurs in the INSPIRE countries, the delivery and impact of these high level, EU-wide measures are largely determined at national and regional levels. Here again, social entrepreneurial eco-systems play a part in determining their impact on the ground.

The Commission's Social Economy Action Plan (2020) identifies its contribution to strengthening the eco-system as follows¹¹:

Business environment: The Action Plan aims to ensure that policy and legal frameworks are right for the social economy to thrive, by addressing the diversity of its legal forms and looking at taxation policy, labels or certification systems, public procurement and State aid.

Opportunities and building capacity: The Action Plan improves access to funding for the social economy, it brings together in one place information on relevant EU funding, policies and initiatives, it supports scaling-up, and it maximises the social economy's contribution to the green and digital transitions.

Awareness and recognition: The Action Plan boosts the visibility of the social economy and obtains new data about it. It promotes the positive

Whilst welcome, the Plan contains a notable absence in its lack of explicit commitment to support the strengthening of organisational density in Member State eco-systems, risking the further perpetuation of inequality of provision for social entrepreneurs across Europe.

Findings from the INSPIRE project point to the importance of systemic thinking by policymakers rather than the creation of ad hoc initiatives to support social entrepreneurship with little cumulative or enduring impact. The following section offers a roadmap to support such a strategic approach.

⁹ <https://ec.europa.eu/social/main.jsp?catId=1537&langId=en>

¹⁰ <https://ec.europa.eu/social/main.jsp?catId=952&intPageId=2914&langId=en>

¹¹ <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=10117&furtherNews=yes#navItem-relatedDocuments>

7.1. The Roadmap

Through a critical examination of the social entrepreneurship eco-systems in each of their countries, blended with the experiences of social entrepreneurs themselves, INSPIRE partners have gained clear insights into the policy challenges and opportunities that face policymakers in unleashing the full potential of social entrepreneurship to create a more inclusive, fairer and sustainable Europe. We offer this roadmap as a tool to enable policymakers at national and regional levels to assess the effectiveness of their current policy frameworks and to identify opportunities for policy innovation. Likewise it provides a template to inform higher-level policy formation by the European Commission.

The roadmap draws on a typology first developed to map the distribution of policies for workplace innovation in Europe¹². It is based on three core policy types:

- **Regulation** refers to directives or rules that have the force of law and are designed to impose minimum standards of practice, or to define the specific rights and obligations of individuals and organisations. Examples include regulatory frameworks for companies, charities and other types of organisation. The role of the state in this context is to ensure compliance as well as to ensure that regulatory frameworks are updated to ensure their continued relevance.

In relation to social entrepreneurship it is important to make a further distinction between **Direct** and **Indirect** Regulation. Direct Regulation relates specifically to the legal forms that govern social enterprises. Indirect Regulation shapes the wider context, exerting a significant influence upon social enterprises. Examples include public procurement regimes, the design and operation of which may support or inhibit participation by social enterprises.

- **Eco-System** relates to interventions designed to strengthen organisational density, which in the case of social entrepreneurship includes the creation of intermediate institutions such as support agencies, business associations, incubator hubs and co-working spaces as well as peer-to-peer networks, investment funds and university programmes. It also embraces active measures to ensure high levels of synergy and co-operation between different actors and initiatives.
- **Animation** refers to proactive interventions by the state or by intermediate institutions designed to bring about social, economic or environmental changes that lie beyond the scope of passive regulatory mechanisms. We can distinguish between **Direct Animation** (for example, measures designed to support specific social enterprises such as grants, soft loans or tax credits), **Meso-Level Animation** (measures designed to raise the level of skill or create practical tools and resources for social entrepreneurship including learning networks and training programmes), and **Indirect Animation** (general awareness-raising through, for example research, advocacy, knowledge banks, good practice guides and conferences).

The roadmap can be represented in the form of the following matrix:

¹² Totterdill, P., Exton, R., Exton, O., Gold, M. "Closing the gap between evidence-based and common practice - Workplace innovation and public policy in Europe". *Lifelong Learning in Europe*, 2012, Issue 4. Available at <https://elmmagazine.eu/issue-4-2012/closing-the-gap-between-evidence-based-and-common-practice-workplace-innovation-and-public-policy-in-europe/>

THE INSPIRE POLICY MATRIX

	Intervention	Agency	Impact	Example	Comment
Direct Regulation	Defined legal status for social enterprise.	National government legislation.	To create a distinct legal and public identity for social enterprise.	Italy: Legislative Decree No. 112 of 3 July 2017.	Requires clear definition and compliance mechanisms.
	Simplified regulatory and tax regimes for social enterprise.	National government legislation.	Incentivises social entrepreneurship and minimises time spent on paperwork.		
Indirect Regulation	Incentivise social enterprise participation in public procurement.	National government regulation with impact across the public sector.	New market opportunities for social enterprise whilst bringing fresh ideas and talent to public procurement.	Ireland: government includes social and community benefit clauses in public procurement. Some contracts are reserved for social enterprises.	The 2021 “Social Enterprise Policy for Ireland” strengthens commitment to social enterprises in public procurement.
	Move to a partnership-based model of collaboration with social enterprises, away from competitive tendering based on narrowly-defined 1 – 3 year quantitative targets.	National government procurement regulation with impact across the public sector.	Long-term strategic vision to make a sustainable impact, including internal capacity-building for social enterprises and other key qualitative outcomes.	Scotland: Public Social Partnerships.	Flexibility exists within EU regulations for innovative approaches to public procurement based on long-term partnerships with not-for-profit organisations.

Eco-System	Creation of intermediate agencies to provide seamless support packages for social entrepreneurs.	National / regional / local governments as instigators, delegating control and funding to intermediate agencies.	Enhanced access to training, mentoring, funding, incubators and other resources for social entrepreneurs. Decentralised, arms-length provision enhances flexibility, responsiveness and innovation, as well as accountability to social entrepreneurs.	Ireland: Rethink Ireland.	The aim is to provide seamless support from initial ideation, skills development, social business planning, funding and launch through to subsequent growth and sustainability.
	Creation of social investment funds drawing on public, business angel and philanthropic capital.	National governments and intermediate organisations can broker relationships between EU and national funds, private investors, philanthropists and others to create an integrated investment “pot”.	Accessible funding aligned to the needs of social entrepreneurs.	ES: Creas Impacto Fr: ESG Global Impact. Irl: Rethink Ireland. NL: DOEN Foundation. UK: Big Society Capital.	
	Alignment of universities and other post-19 education providers to the stimulation of social entrepreneurship and the development of social entrepreneurs.	Universities can be incentivised by national governments using grants or by adding targets to core funding agreements.	Raising awareness amongst students of social entrepreneurship as a career choice and integrating relevant learning and support within their	Ireland: Enactus Ireland Italy: University of Turin. Portugal: ISCTE	University staff may need incentives to participate in social entrepreneurship programmes as an addition to core teaching and research.

			university education.		
Direct Animation	Tax credits for social enterprise.	National governments; may also apply to local/ regional taxation in some countries.	Incentivising and securing the sustainability of social enterprises, recognising their contribution to the achievement of public policy goals.	??	
	Grant funding and soft loans for social entrepreneurs.	May be funded by national / regional / local government but delegated to intermediate organisations.	Flexible and targeted allocation of funds.	Ireland: Rethink Ireland	Delegation to intermediate organisations enables decision-making based on local / sectoral knowledge.
Meso-Level Animation	Learning and development opportunities for social entrepreneurs during start-up and growth phases.	May be funded by national / regional / local government but delegated to intermediate organisations.	Accessible courses and mentoring enhance personal learning and development and increase the sustainability, resilience and growth potential of social enterprises.	Ireland: Rethink Ireland.	Delegation to intermediate organisations harnesses local / sectoral knowledge and enhances targeting.
	Creation of peer-to-peer / learning networks.	May be funded by national / regional / local government but delegated to intermediate organisations.	Many social entrepreneurs cite the importance of peer-to-peer exchanges of experience and problem sharing in learning and enterprise development.	Ireland: Social Impact Ireland.	Delegation to intermediate organisations harnesses local / sectoral knowledge and enhances targeting.

Indirect Animation	Raising public and institutional awareness of social enterprise.	National / regional / local government and other stakeholders.	Individuals more likely to consider social entrepreneurship as a career choice. Public knowledge and esteem enhanced. Institutional /client credibility enhanced.	Ireland: grants for building awareness are part of the government's current social enterprise policy framework.	Requires a co-ordinated, multi-channel approach involving all stakeholders.
	Research into good practice and impact of social enterprise.	Government bodies, universities, private foundations.	Enhances the credibility of social enterprise and provides an evidence base to inform education and practice.	Spain: Institute for Social Innovation Research. UK: Open University Centre for Social and Sustainable Enterprise.	

8. “Good Practice” Annexe

8.1.1. Social Impact assessment (SIA): a tool to measure and evaluate social enterprises and their impacts

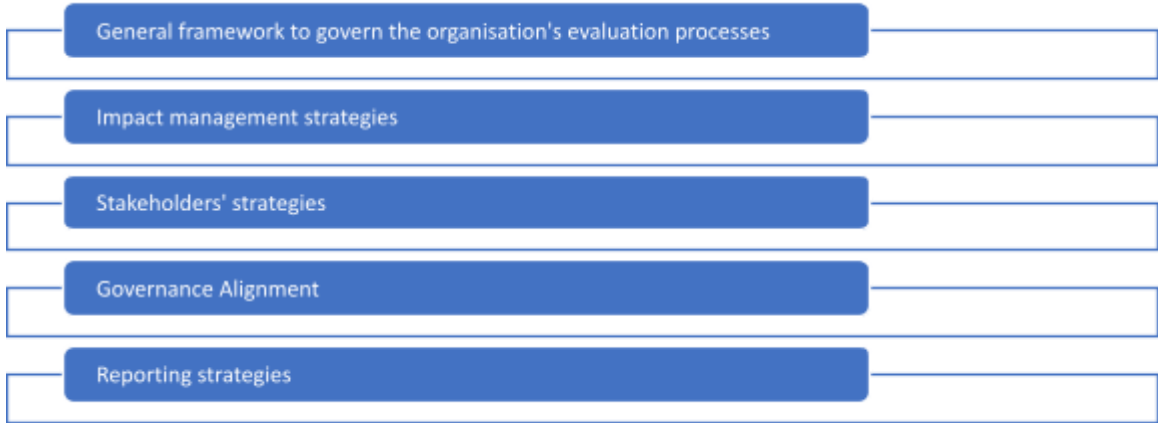
An evaluation process is a strategic tool helpful in reporting results, defining short, medium, and long-term objectives, and planning and managing activities.

At the national and international levels, evaluation processes and the impact dimension are becoming increasingly important in reporting on results and objectives achieved; at the national level, this growing interest is witnessed by adopting the Guidelines concerning social impact assessment and social reporting.

The Social Impact assessment (SIA) Guidelines guide the process for arriving at impact evaluation and encourage a reflective and measurable approach to report on social impact.

The evaluation process is made up of five steps and several supporting tools; these allow you to identify the overall framework to guide the evaluation process, define a strategy to include and manage the interests, needs and expectations of your stakeholders, develop a culture and implement evaluation practices and report externally on the results and products of evaluation activity.

Figure 5. Social impact assessment: phases



Source: Authors’ elaboration

- **General framework to govern the organisation’s evaluation processes**

The first phase aims to develop a general framework to help guide the evaluation process towards achieving nationally and internationally recognised objectives.

The reference frameworks for defining the plan and the evaluation objectives are Sustainable Development Goals (SDGs) and Cohesion Policies.

The SDGs framework comprises 17 Sustainable Development Goals and 169 sub-goals.

This first step requires establishing the SDGs that the organisation commits to achieving and then verifying the alignment of the selected SDGs with its mission and integrating them into organisational practices.

Like the SDGs standards, the Global Reporting Initiative (GRI) system identifies mechanisms and processes to facilitate this integration.

- **Impact management strategies**

The second phase is the elaboration of an impact management strategy. It aims to develop a strategic approach to impact management to understand and measure the effects and changes of the activities carried out by the organisation, starting from the impact objectives identified in the General Framework.

To carry out this second phase, it is first necessary to identify the guiding principles for evaluation activities.

The internationally recognised and adopted principles concerning the evaluation process that offer guidance for formulating and implementing evaluation processes are in Expert group on social economy and social enterprises (GECES) 2014 and Social Value International.

The Guiding Principles of Geces, 2014 include relevance, reliability, comparability, transparency, and communication.

The Social Value International Guiding Principles, 2015, are a reference for those who want to understand how their actions contribute to the social value component. Social Value International's guiding principles include engaging stakeholders, understanding change, evaluating only what is relevant, including what is material, not overstating, being transparent and verifying results.

The change processes must then be understood and mapped, i.e., stakeholders must be identified, and the tools that make up the value chain must be defined to develop systems to measure the results generated by the organisation.

One can use widespread intervention planning, implementation and evaluation tools to map social change: **the Logical Framework and the Theory of Change.**

Underlying these tools is the Impact Value Chain. This logical model illustrates the progress of the resources invested in a project, programme or policy up to the goal or social issue it aims to address.

In the chain, the resources invested serve to produce an output, i.e., services or projects and generate desired changes. These changes create an impact when they occur over time and at a broader societal level.

The **theory of change** is a tool that describes the sequence of venues necessary to achieve the desired change in a sequence of causal connections and highlights the factors that prevent and enable the achievement of the final goals. To complement this, the hypotheses underlying the desired impact are made explicit, thus emphasising how and why a change process can occur according to specific circumstances. The set of these elements and their logical connection is represented graphically as a change map.

The **Logical Framework** is a tool based on several reporting systems donors use internationally. It allows organisations to make explicit their final and specific objectives, outcomes, activities and outputs by differentiating indicators on three levels: output, outcome and impact indicators.

It is a more systematic and descriptive tool than the Theory of Change.

After identifying the guiding principles for evaluation activity and having understood and mapped the promoted and expected processes and results of change, it is necessary to locate suitable measurement approaches and methodologies and choose the outcomes and indicators for verifying results.

This second phase of the evaluation process has as its aim the elaboration of an impact management strategy. It thus also includes impact evaluation as a process of determining the value and significance of possible organisation-induced effects.

A strategic approach to social impact management includes a clear understanding of the value chain so that the change generated becomes measurable and that organisations can also judge the evaluation's relevance, effectiveness, efficiency, and sustainability. It also includes compliance with the principles of impact evaluation.

Impact assessment is characterised by a cause-effect analysis and addresses two other types of questions: descriptive, i.e., it seeks to understand what is happening and to describe the processes, conditions, relationships, and stakeholder perspective; normative, it compares what is happening with what should be happening.

The Impact Assessment Guidelines recall principles and process standards to provide a framework for organisations to carry out the evaluation.

The impact assessment process consists of three phases: analysis of the context and stakeholder needs, planning of long-term objectives, analysis of activities and choice of methodology, tool, and timing of measurement concerning the set goals and characteristics of the intervention.

The planning of an impact evaluation is developed based on the elements of the Field of Analysis, which leads to outlining the operational framework and defining the evaluation questions. The features that make up the field of analysis are the project study, the purpose of the research, the time of the investigation, the type of evaluation, the human and financial resources, and the type of analysis.

The most suitable evaluation approach and methodology are defined, starting by defining the analysis field and the research questions.

Thus, there are multiple evaluation approaches, including different research designs, methodologies, and specific methods for the evaluation.

The approaches also differ in their objectives and evaluation questions, with some having more scientific rigour, such as experimental and statistical studies. In contrast, other techniques focus on understanding the theory and context in which interventions occur.

The five main approaches to evaluation are experimental or quasi-experimental, statistical, theory-based, economic evaluation, and participatory process.

After identifying the dimensions of change that the intervention intends to or has generated, it is necessary to construct the analysis tools to support the measurement activity. Appropriate

measurement indicators must be developed, and Sources of Verification must be identified simultaneously as the indicators are created to understand whether they are realistically measurable with a reasonable amount of time and resources. In practice, measurable indicators are used in quantitative and qualitative terms and in terms of time (QQT) and SMART indicators, i.e. Specific, Measurable, Accessible, Relevant, and Time-bound.

The next step is the construction of survey instruments for data collection. Data collection can occur through quantitative approaches such as questionnaires or surveys and qualitative methods such as in-depth interviews, focus groups, participant observation, case studies, and ethnography.

Data collection and management will then be carried out through good planning in agreement with the actors and partners involved.

Depending on the evaluation objective, approach and methodology chosen, the analysis will proceed after the data have been systematised and organised.

A vital part of the process is the communication of the impact assessment results. Communication must be done externally by disseminating the results to strengthen accountability and transparency, sharing good practices, and giving back to stakeholders the changes generated and the commitment made.

Moreover, the evaluation also has a learning role for the organisation itself. The results serve food for thought and planning for the organisation's activities, fostering operational improvement, strategic changes and innovations, or possibly mission transformations.

- **Stakeholders' strategies**

The third step of the impact assessment process is to develop a stakeholder strategy through mapping, analysis, and involvement.

Stakeholders are informants but also producers of knowledge.

Involving stakeholders in the evaluation process enables them to understand the effects and changes generated and their relevance, the consistency and robustness of the information gathered and strengthens accountability and transparency outside the organisation.

To carry out this phase, it is necessary to identify the organisation's key stakeholders, i.e., individuals, groups, and organisations whose interests are affected by the organisation's activity because of their exchange relationships with it or because of the possible positive or negative external effects of the company's transactions.

It is then necessary to ascertain their interests, needs and expectations, their involvement and exposure to the problem and how this affects the organisation.

Based on the results of these two steps, a strategy for managing the relationship between the stakeholders and the organisation is developed.

Some key objectives are determining the stakeholder engagement strategy with which tools are associated to meet different organisational needs.

These objectives are Monitor, Inform, Consult, Engage and Collaborate.

For impact organisations to develop a stakeholder approach, one can use the Business for Social Responsibility™ 5-Step Approach tool that provides a strategic and structured approach, an adaptation according to the organisation's priorities and the development of a Stakeholder Plan.

It then proposes the Stakeholder Power/Interest Matrix that provides four different types of stakeholder profiles and courses of action to be taken and a helpful approach to assessing the importance of stakeholders according to their decision-making power and influence and according to their interest in the organisation's service, process, objective.

- **Governance Alignment**

The fourth step in the impact assessment process concerns governance.

Governance is a system and process that ensures the organisation's overall direction, oversight, and accountability. This phase aims to foster alignment and strengthen the organisation's strategic planning, learning and growth systems.

This fosters greater board awareness of the importance of strategic planning and goal setting, integration and alignment between objectives, operational plan and governance, greater control and management of internal processes and awareness and management of external effects, and more significant growth, sustainability, and coherence of the organisation.

As a tool to carry out an initial analysis of governance performance and promote its alignment with strategic objectives, the WCVA Self-Assessment Toolkit is worth mentioning. This checklist is produced for voluntary organisations in Wales based on codified principles for **good** governance.

Below are the principles in which the checklist is structured and through which the board can ensure good governance and leadership. Understand the board's role, ensure the realisation of the organisation's purpose, operate effectively individually and collectively, exercise effective control, and act with integrity, transparency, and accountability.

An organisation that wants to report by GRI standards must analyse and report how it manages its economic, environmental, and social impacts and assess its management and governance approach.

GRI 103 refers to the assessment of the Management Approach as an element to be considered in sustainability reporting. **Three aspects are identified: the mechanisms for monitoring the effectiveness of the management approach, the results of the management approach assessment, and any adjustments made to the management approach.**

- **Reporting**

The fifth phase of the impact evaluation process is developing a reporting system and communicating results. This phase is essential because reporting communicates and makes the state of the organisation visible to the outside world, the progress of its activities and the value it generates.

The report is a document that contains all the information in narrative, graphic and tabular form created periodically on an ad hoc basis. In addition, it is a process that accompanies the planning and implementation the monitoring and evaluation cycle by facilitating an internal learning analysis.

Reporting tools differ in objectives, depth and content based on various elements such as type of organisation, regulatory obligations and purpose.

To strengthen and promote an evaluative culture, it is essential, where possible, to focus not only on the reporting of economic and financial value but also on environmental, social and economic sustainability initiatives and performance, taking into account the role and relevance of stakeholders and the community.

One reporting tool is the Social Report, which is an instrument to report on the responsibilities, behaviours and results of the activities carried out by the organisation, also responding to the objectives of transparency and information towards a plurality of internal and external stakeholders.

Among the most widely used reporting standards among large companies is the GRI.

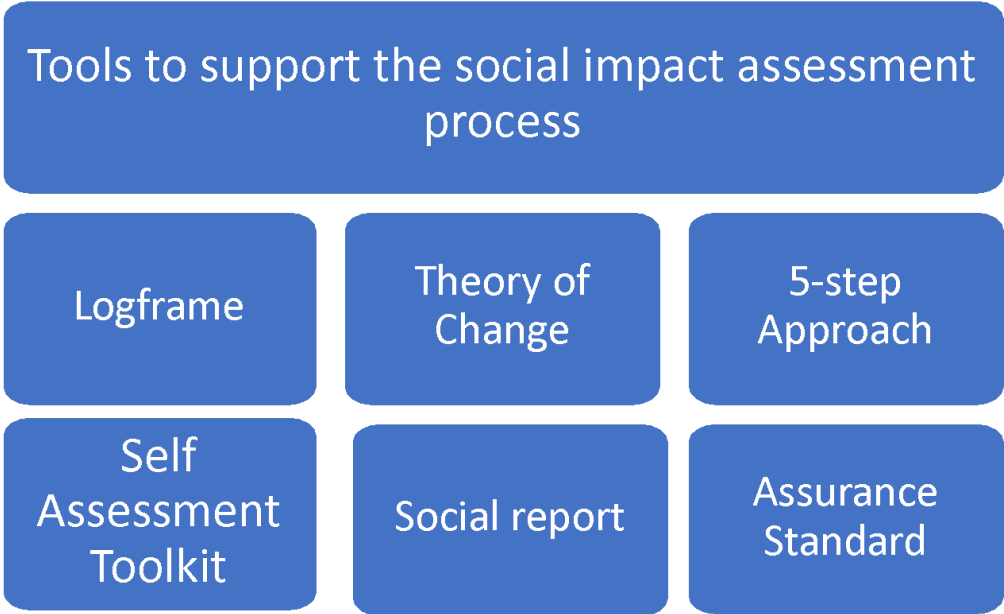
The GRI has a modular and interconnected structure of standards that guide and support public and private organisations in drafting sustainability reporting, allowing both to consider the impact on different aspects and to be more transparent concerning the risks and opportunities encountered.

Internationally, several metrics and frameworks can be found for measuring and reporting the effectiveness and efficiency of an organisation's operations, including IRIS+ and the London Benchmarking Group.

IRIS Metrics measure and report on an investment's environmental, social and economic performance. IRIS* Core Metric Sets is a list of Key Performance Indicators of the impact that reflect a precise structure to be used by organisations: Investment or business objective, outcome to be measured, key reference questions, additional metrics, and custom functionality.

Finally, Figure 6 highlights all the tools supporting social impact assessment processes.

Figure 6. Social impact assessment: tools and methodologies



Source: Authors' elaboration

9. CREDITS

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