

A map of social enterprises and their eco-systems in Europe



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Executive Summary

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Executive Summary

Mapping social enterprise activity and eco-system features in Europe

Recent years have seen a burgeoning interest in social enterprise across Europe, strongly driven by a growing recognition of the role social enterprise can play in tackling societal and environmental challenges and fostering inclusive growth. Impetus has come also from the 2009 global economic crisis which has resulted in widespread public discontentment with the functioning of the global economic system and fuelled interest in more inclusive and pluralistic economic systems. Subsequent implementation of austerity measures - against a backdrop of new and growing social needs - have created both challenges and opportunities for social enterprise in Europe.

Yet, despite interest in and the emergence of examples of inspirational and ‘disruptive’ social enterprise, relatively little is known about the scale and characteristics of the emerging social enterprise ‘sector’ of Europe as a whole. Studies have come forward to detail the possible forms and range of ‘the family of European social enterprises’ and to distinguish these developing enterprise forms from both the social and mainstream economy¹, but the diversity of national economic structures, welfare and cultural traditions and legal frameworks has meant that measuring and comparing social enterprise activity across Europe remains a challenge. There exists both a lack of availability and consistency of statistical information on social enterprises across Europe.

The European Commission launched this Mapping Study in April 2013 as a follow-up to Action 5 of the Social Business Initiative (SBI)² to help fill this gap in knowledge. **This Study maps the broad contours of social enterprise activity and eco-systems in 29 European countries (EU 28 and Switzerland) using a common ‘operational definition’ and research methodology.**

The Study outputs comprise a Synthesis Report including an Executive Summary (the present document) and 29 Country Reports. The Synthesis Report brings together the findings of the individual Country Reports to provide a high level European ‘map’ or snapshot of social enterprise activity and select features of their eco-systems that are of particular policy interest to the European Commission, namely: national policy and legal frameworks for social enterprise; business development services and support schemes specifically designed for social enterprises; networks and mutual support mechanisms; social impact investment markets; impact measurement and reporting systems; and marks, labels and certification schemes.

By definition, this mapping exercise does not provide an assessment of social enterprise eco-systems or policies but, rather, a description of current characteristics and trends to support future research and policy making. Recognising the current conceptual and methodological limitations in measuring and mapping social enterprise activity, the Study adopts a pragmatic approach to generate a ‘first map’ based on existing academic and grey material and interviews with over 350 stakeholders across Europe.

The substantial diversity in economic and welfare contexts, legal frameworks and cultures associated with the emergence of social enterprise in nations and regions means that **this initial mapping of drivers, characteristics and eco-system features should be followed by more targeted and specific research as individual policy initiatives are formulated and developed.**

Developing an ‘operational definition’ of social enterprise

In order to measure and map social enterprise activity and eco-systems, it is important to first understand just what social enterprise is. The Study developed an operational definition that could be used to (a) distinguish social enterprises from mainstream enterprises and traditional social economy entities; and (b) map social enterprise diffusion and activity – in a consistent and coherent manner -

¹ See especially the work of EMES, <http://www.emes.net/what-we-do/>

² COM (2011) 682 final - Social Business Initiative: Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation.

across 29 countries with different economic and welfare contexts, traditions and social enterprise development pathways.

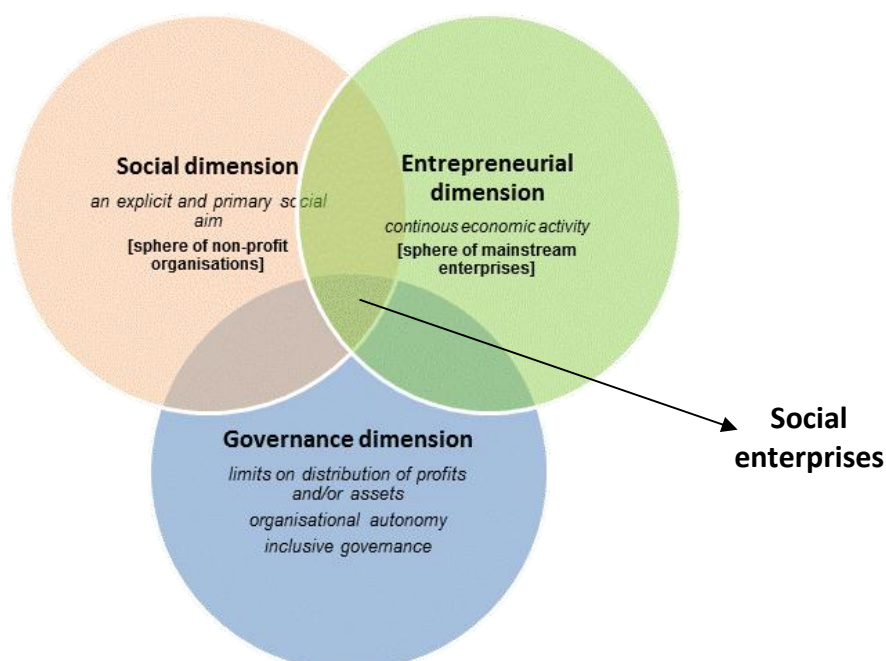
The Study did not develop a new definition of social enterprise; rather it 'operationalised' the existing and widely accepted notion of social enterprise as articulated in the European Commission's SBI communication. The SBI definition incorporates the three key dimensions of a social enterprise that have been developed and refined over the last decade or so through a body of European academic and policy literature:

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

Each of the above dimensions were operationalised by developing a set of core criteria – reflecting the minimum *a priori* conditions that an organisation must meet in order to be categorised as a social enterprise under the EU definition (Figure 1). The following core criteria were established:

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

Figure 1: European social enterprise



Application of the EU level ‘operational definition’ to national contexts

The mapping Study finds that there is both a growing interest and convergence in views across Europe as regards the defining characteristics of a social enterprise; however, important differences remain, especially with respect to the interpretation and relevance of the ‘governance dimension’ of a social enterprise

Organisations fulfilling the ‘EU operational definition’ of social enterprise can be found in all 29 countries – either as part of, or alongside, national concepts, interpretations and definitions of ‘families’ of social enterprise.

The EU operational definition however, represents the ‘ideal’ type of social enterprise – ‘national families of social enterprise’ generally share most, but not often all, of the criteria specified in the operational definition. For example, concerning the governance dimension especially:

- Of the twenty nine countries studied, twenty have a national definition³ of social enterprise, but in six of these countries the definition does not require social enterprises to have ‘inclusive governance’ models. Similarly, in several of the remaining nine countries that do not have a national definition, inclusive governance is not seen as a defining characteristic of social enterprise;
- In most countries of Study, the criterion relating to ‘independence’ is understood/ interpreted as “managerial autonomy” and/or “autonomy from the State”. Only in Italy and Portugal, do national definitions emphasise autonomy from the State and other traditional for-profit organisations.

Furthermore, in a few countries (Finland, Lithuania, Poland, Slovakia and Sweden), the notion of social enterprise as articulated in national laws and policy documents, narrowly focuses on work integration social enterprises (WISEs). This restricted definition excludes enterprises pursuing societal missions such as provision of social and educational services, environment, well-being for all, or solidarity with developing countries.

Whilst social enterprises are growing in visibility, including within legal frameworks, many continue to operate ‘under the radar’

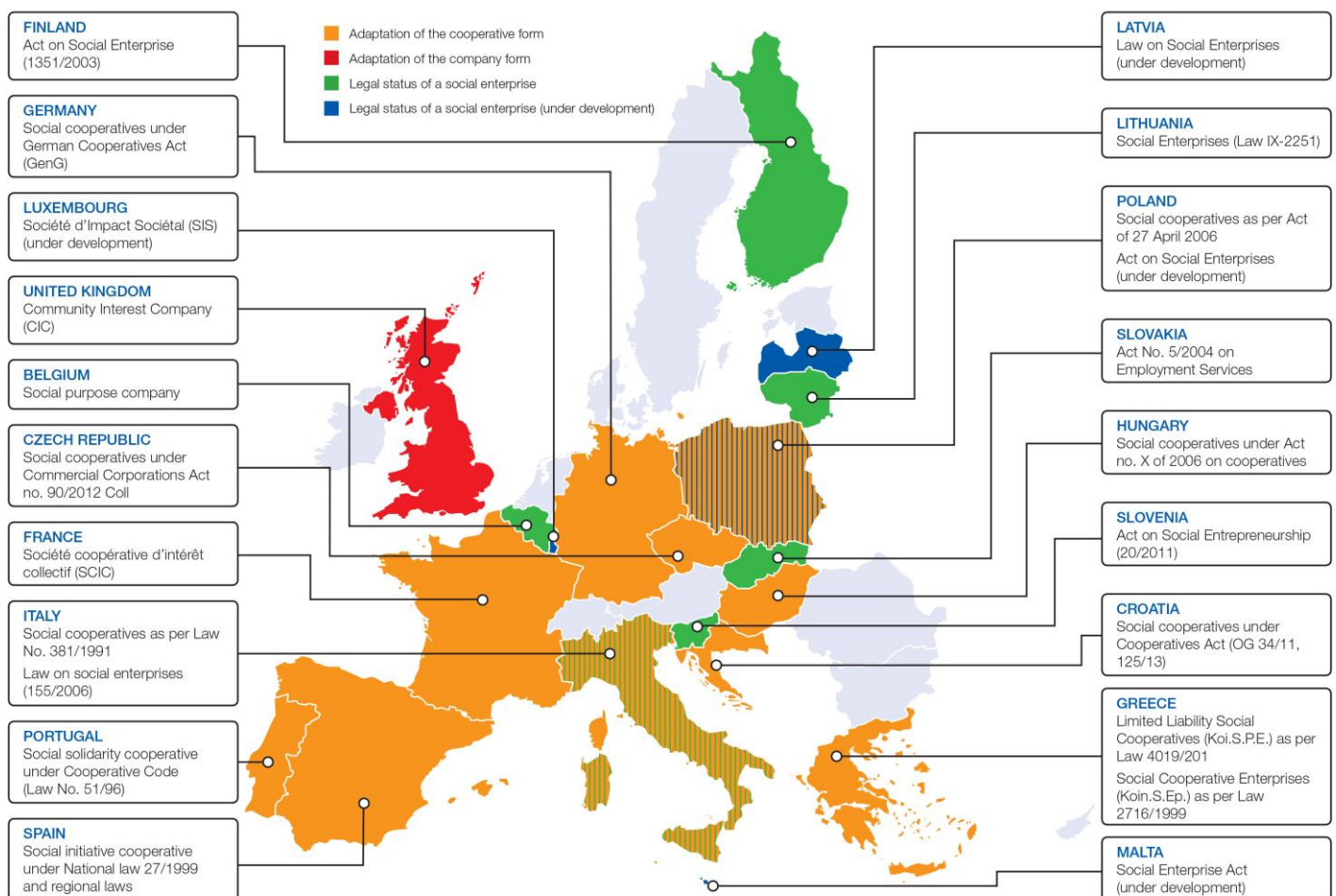
A number of countries have institutionalised the concept of social enterprise either by creating tailor-made legal forms for social enterprise and/or a transversal legal status (Figure 2). Additionally, specific social enterprise marks or certification schemes can be found in four countries (Finland, Germany, Poland and the UK) to provide visibility and a distinct identity to social enterprises.

Although growing in number, legally or institutionally recognised forms of social enterprise (where these exist) do not capture the ‘de-facto’ universe of social enterprise. De-facto European social enterprises are often ‘hidden’ among existing legal forms, most notably amongst:

- Associations and foundations with commercial activities;
- Cooperatives serving general or collective interests;
- Mainstream enterprises pursuing an explicit and primary social aim.

³ National definitions refer to (i) official definitions (or criteria defining social enterprise) as articulated in policy documents or national legislation (that is transversal in nature and does not refer to a specific legal form) or (ii) an unofficial definition which is widely accepted by various social enterprise stakeholders.

Figure 2 Countries with specific legal forms or statutes for social enterprise



Notes: (i) Social enterprise laws in Finland, Lithuania and Slovakia narrowly refer to work integration social enterprises; (ii) Italy is the only European country with both a law on social cooperatives (legal form) as well as a law on social enterprises (legal status); (iii) Poland has a specific legal form for social enterprises (social cooperatives) and a draft law proposes the creation of a social enterprise legal status.

The European social enterprise 'movement or family' is incredibly diverse, encompassing a range of organisational and legal forms and statuses

Social enterprises adopt a variety of legal forms and statuses: (i) existing legal forms such as associations, foundations, cooperatives, share companies; (ii) new legal forms exclusively designed for social enterprises by adapting or 'tailoring' existing legal forms e.g. social cooperatives in Italy, Société Cooperative d'Interêt Collectif in France, Community Interest Companies in the UK; (iii) legal status that can be obtained by selected or all existing legal forms, which comply with a number of legally defined criteria (e.g. social enterprise legal status in Italy or the Social Purpose Company in Belgium; iv) new types of legal forms that allow traditional non-profit organisations to undertake economic activity such as e.g. Non-profit Institute in Slovenia.

Scale and characteristics of social enterprise activity in Europe

Reported levels of social enterprise activity adopt a variety of definitions and research methods but do suggest recent growth in numbers - although absolute numbers of social enterprise are very small relative to mainstream enterprises

It remains highly challenging to measure and aggregate social enterprise activity across Europe given that much of it takes place 'under the radar'. Moreover, national estimates of the number and characteristics of social enterprise – in the few cases where they exist - revealed a diversity of definitions and methods of data collection and estimation that makes aggregation problematic. Estimates of numbers of organisations that meet all of the criteria set by the EU operational definition used in this Study are even more difficult to establish.

The mapping suggests that the level of activity, relative to the number of 'mainstream enterprises', is small, perhaps in the order of less than 1 per cent of the national business population. However, the on-going withdrawal of public agencies from supplying social services of general-interest, increasing pressures on traditional non-profit organisations to diversify their income sources and rising interest in social innovation among mainstream enterprises suggest a strong growth dynamic in social enterprise across Europe.

European social enterprises are undertaking a growing breadth of activity beyond work integration and social services of general interest

There is a lack of standard and consistently used classifications of social enterprise activity within and across countries. **It is problematic to obtain a statistically robust picture of what European social enterprises do.** However, a broad typology of activities can be drawn on the basis of existing, if discrete, sectoral classifications:

- Social and economic integration of the disadvantaged and excluded (such as work integration and sheltered employment);
- Social services of general interest (such as long term care for the elderly and for people with disabilities; education and child care; employment and training services; social housing; health care and medical services.);
- Other public services such as community transport, maintenance of public spaces, etc.
- Strengthening democracy, civil rights and digital participation;
- Environmental activities such as reducing emissions and waste, renewable energy;
- Practising solidarity with developing countries (such as promoting fair trade).

Whilst seeing an expanding array of activities by social enterprises, **in certain countries the legal definition of social enterprise reduces the allowable range of activity.** One example would be understandings of activities contained within legal definitions of 'public benefit' which are held by de-facto social enterprises in a number of countries such as Austria, Bulgaria, the Czech Republic, Germany and Switzerland.

Notwithstanding such issues, the most visible (but not necessarily dominant) activity of social enterprise in Europe can be identified as **work integration of disadvantaged groups** (by WISE). In a number of countries, WISE activities do constitute the dominant form of social enterprise (for example, Czech Republic, Hungary, Latvia, Poland, Slovakia, Slovenia) with strongly identifiable organisational forms in these activities such as Italy's "type B" or "working integration" social cooperatives, French enterprises for the reintegration of economic activity, Finnish social enterprises (as per Act 1351/2003) and Poland's social cooperatives. The delivery of work integration activities is, however, achieved through the provision of a very wide range of goods and services.

Beyond work integration itself, the majority of social enterprise services are to be found across the full spectrum of social welfare services or **social services of general interest (long term care for the elderly and for people with disabilities; early education and childcare; employment and training services; social housing; social integration of disadvantaged such as ex-offenders, migrants, drug addicts, etc.; and health care and medical services).** Childcare services, for example, are the major social enterprise activity in Ireland (one third) whereas in Denmark a survey showed that forty one per cent of enterprises deliver health and social care and forty per cent of Italian social enterprises

operate in social care and civic protection. A related, and overlapping, set of activities are those which are sometimes termed **community or proximity services**. These often include forms of social care, but also the broader concepts of community development and regeneration.

There are further common extensions of economic activity that meet collective needs in additional areas: **land-based industries and the environment** (for example, agriculture, horticulture, food processing, through to environmental services and environmental protection) in countries like the Czech Republic, Malta, and Romania; serving **community interest** needs in countries like the UK, Germany and the Netherlands (for example, housing, transportation, and energy) and **cultural, sport and recreational activities** (for example, arts, crafts, music, and increasingly tourism) in Croatia, Estonia, Finland, Greece, Hungary, Malta and Sweden.

Finally, there are a few European countries where **social enterprise reflects much more closely the full extent of activities possible within any economy** (for example, in Belgium, Germany, the Netherlands and the UK). Within these countries, social innovation is driving new forms of provision and this even goes as far as new activities such as business services, creative and digital/internet-based services and the provision of sustainable consumer products and services.

Overall, as European social enterprise has developed, the main activity fields of work integration and welfare service provision are being expanded to sectors of general-interest other than welfare, such as the provision of educational, cultural, environmental and public utility services. Nevertheless, as identified by the EU SELUSI project⁴, there exist important and substantial cross-country differences in the nature of activities undertaken by social enterprises.

Social enterprises exploit a range of sources and in most countries, but the majority of their revenue comes from the public sector

While for-profit enterprises usually base their business models on revenues generated through trading activity, **social enterprises typically adopt a ‘hybrid’ business model i.e. they derive their revenues from a combination of:**

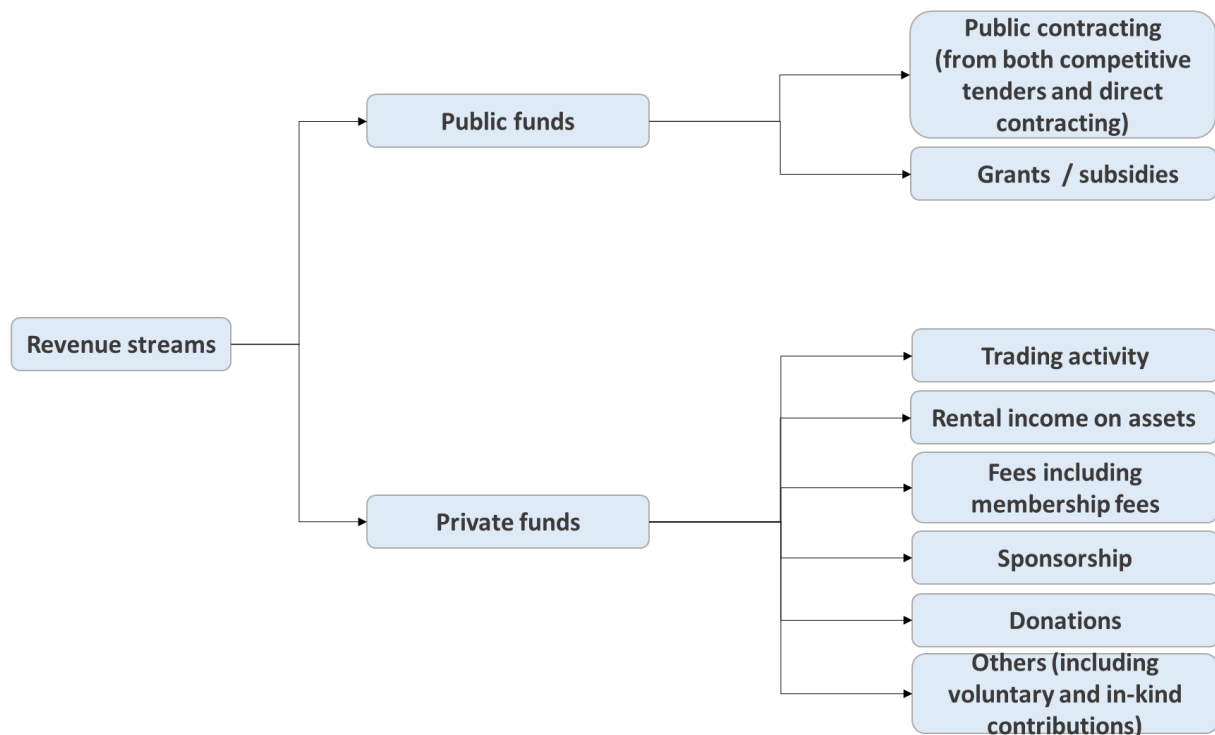
- **Market sources** e.g. the sale of goods and services to the public or private sector; and
- **Non-market sources** e.g. government subsidies and grants, private donations, non-monetary or in-kind contributions such as voluntary work etc.

Social enterprises thus rely on a mix of revenue streams. The main revenue streams can be described as follows (Figure 3):

- **Revenue derived from public contracts:** Social enterprise contract with public authorities and agencies to receive fees for defined services (quasi-markets). The structure of these payments can be quite different, varying from direct payment by public authorities to social security systems, voucher systems, or indirect payment through third-party intermediaries;
- **Direct grants / subsidies:** provided to social enterprises by public authorities e.g. grants for specific project based activity, employment subsidies are often made available to WISE as ‘compensation’ for employing people with impaired work ability and for the resulting productivity shortfall;
- **Market based revenue derived from private sources:** through the sale of goods and services to other businesses and final consumers;
- **Membership fees, donations and sponsorship;** and
- **Other forms of revenue** include income from renting assets (such as property), penalty payments, prize money or income from endowed assets, and non-monetary forms such as in-kind donations (e.g. old IT equipment, food or building material). Volunteering time, especially, has remained an important source of in-kind revenue.

⁴ <http://www.selusi.eu/index.php?page=business-platform>

Figure 3: Revenue streams for social enterprises



Adapted from Spiess-Knafl (2012) *Finanzierung von Sozialunternehmen - Eine empirische und theoretische Analyse*.

Where mapping data allows (and it is incomplete for many countries), it suggests that **income derived from market sources varies by country and by organisational form**:

- In countries like the Czech Republic, Finland, France, Italy and the UK, social enterprises derive a majority of their revenue from market sources and particularly from the sale of goods and services to public authorities. In several other countries for which data are available (e.g. Austria and Poland), the entrepreneurial dimension was found to be less strong with social enterprises deriving less than 50 percent of their revenue from market sources;
- There also appears to be a strong correlation between the organisational/ legal form adopted by a social enterprise and the level of revenue generated from market sources. Institutionally recognised forms of social enterprise and WISEs (note that the two categories are not mutually exclusive) typically are more market orientated than de-facto social enterprises that have originated from the more traditional non-profit sector (i.e. associations, foundations, voluntary and community organisations).

Country Reports show that public sector funding dominates the revenue streams of social enterprises, reflecting in large part their missions and activity focus such as work integration, and provision of social and welfare services. For example, an estimated 45 per cent of social enterprises in Italy have public bodies as their main clients. In the UK, 52 per cent of social enterprises derive some income from the public sector and 23 per cent describe it as their main or only source of income.

A notable dynamic by which social enterprise are generating earned income is the increasing contracting out of services in healthcare, social care, education, criminal justice, leisure and a host of other areas by public authorities across Europe as a means of securing best value for money and offering greater choice and personalisation to the users of these services.

Excessive reliance of social enterprises on the public sector has, however, raised concerns about the long term sustainability of their business models in the face of austerity measures being implemented across Europe, although evidence suggests the importance of the specificity of

national context, activity and enterprise business model in shaping impacts. In Italy, for example, such cuts are currently challenging social cooperatives whereas, in the UK, such cuts have further encouraged social enterprises to successfully identify new market opportunities.

The main drivers of creation of social enterprise activity and the varied modes of creation of European social enterprise

Systematic evidence on the type and prevalence of modes of creation of European social enterprise is lacking. However, evidence from country reports suggests that public sector contracting and active labour market policies of the Government play an important role in stimulating the creation and development of social enterprise. Looking across Europe, a potential typology of modes of creation can be put forward – with the balance of modes in any one country strongly determined by the pre-existing political economy and shaped by the national framework conditions and ecosystem for social enterprise. Individual modes can be grouped based on their drivers: ‘citizen-led’; ‘marketisation of traditional non-profit organisations such as charities, associations, foundations, voluntary and community organisations’; and ‘public sector restructuring’.

Citizen-led

- *Citizen-driven mission organisation:* whereby groups of citizens have set up organisations, often with few resources at their disposal, to address new needs and societal challenges and/or integrate disadvantaged people through work. This is by and large the predominant mode of creation of social enterprises.
- *Social start-up:* a social entrepreneur sees the opportunity to trade a new good or service to meet a social aim or need. Generally, these social enterprises are viewed as more individual-based and commercial in outlook from the start (but nevertheless with a social mission), and associated with a narrower ‘Anglo-Saxon’ understanding of social entrepreneurship.

Traditional non-profit organisations such as charities, associations, foundations, voluntary and community organisations **embark on marketisation and commercialisation**

- *An existing organisation transforms itself into a ‘social enterprise’:* an existing voluntary organisation, charity, association or foundation begins to generate traded income and reaches a traded income threshold as a proportion of all income whereby the organisation is understood by stakeholders to be, or becomes, a social enterprise.
- *An existing organisation sets up a trading arm which is the social enterprise:* in many instances legal, regulatory or risk appetite precludes an existing voluntary organisation, charity, association or foundation from undertaking economic activity or only doing so to a certain limit. To overcome this restriction a trading arm is created - and which reinvests a certain level of profits in to its parent organisation. This mode of creation is relatively popular in new member countries of central Europe.

Public Sector Restructuring

- *Public sector spin-out (opportunity entrepreneurship):* management/staff recognise the greater potential for innovation and new investment sources through autonomy and independence, leading to a spin-out of the service. This process may actively be supported by the ‘parent’ institution or policy makers more broadly through specialist advisor programmes, investment and finance support and initial service procurement agreements;
- *Public sector spin-out (necessity entrepreneurship):* drivers such as shifting views on the role of the state in provision, new forms of procurement and provider, social innovation and/or funding cuts lead to an enforced ‘decommissioning’ of an internal public service and an enforced (but possibly supported) ‘spin out’;

The country reports also point to the emergent growing expectation of, and activity by, businesses to contribute to the social and public good as part of the enterprise’s business model. Initially understood as corporate social responsibility or responses to regulatory requirement, there is growing evidence of the continued expansion of this dynamic through other activity forms (such as social investment or impact investing), alongside developing arguments for new business models that connect ‘corporate

and societal value creation' within shareholder companies and the concept of "Profit-with-Purpose businesses". Corporate citizenship examples are currently rare, but put forward in this Study to acknowledge possible new dynamics in modes of creation of the European family of social enterprise. It is suggested that these dynamics are leading certain mainstream businesses towards social enterprise forms.

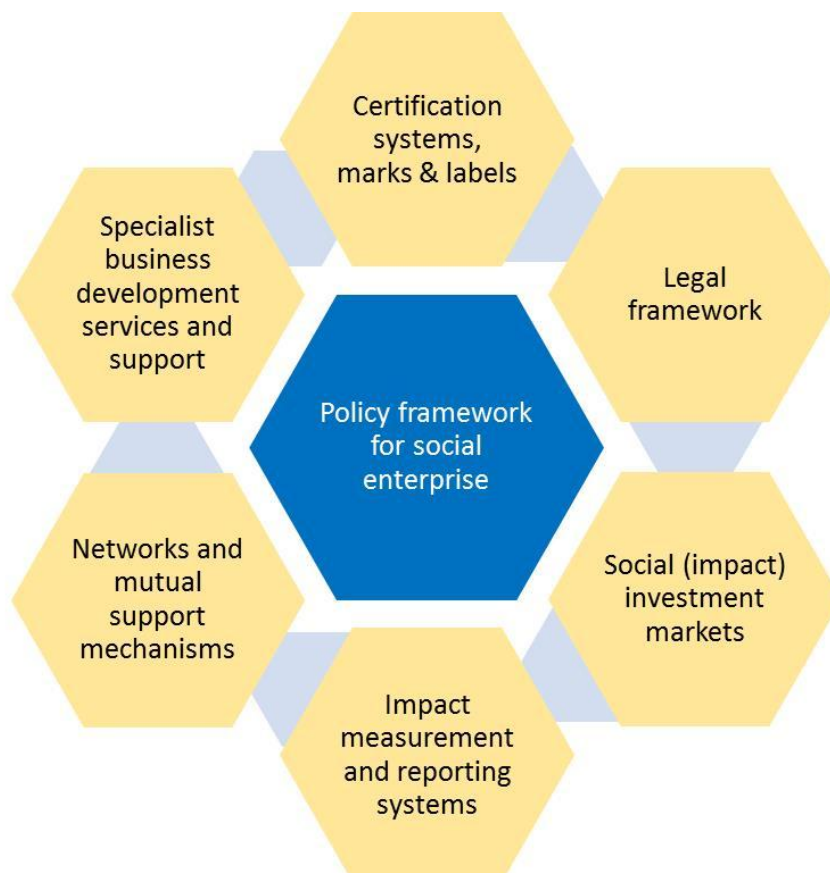
The evidence does not permit any strong ranking of importance of the modes of creation of European social enterprise listed above. In terms of existing scale, associations and foundations far outweigh social enterprise numbers but estimation of the extent to which traditional voluntary organisations, charities, associations and foundations in Europe are undertaking marketisation to the point of their attainment of social enterprise status is virtually impossible without substantial and highly detailed research. The potential comprehensive identification of public sector 'spin outs' is easier given that such modes of creation are far fewer in number and relevant in only a very few countries (for example, evident in the UK and Slovakia).

Eco-systems of support for social enterprise

The features of an 'eco-system for social enterprise' - necessary to overcome barriers to growth – tend to still be in their infancy in most countries but can be seen to be slowly emerging, although formal enabling/ supportive policy frameworks remain scarce

The conceptualisation of a social enterprise eco-system is based on commonly recognised features able to contribute to providing an enabling environment for social enterprise including the potential to address key constraints and obstacles (Figure 4).

Figure 4: Key features of an eco-system for social enterprise

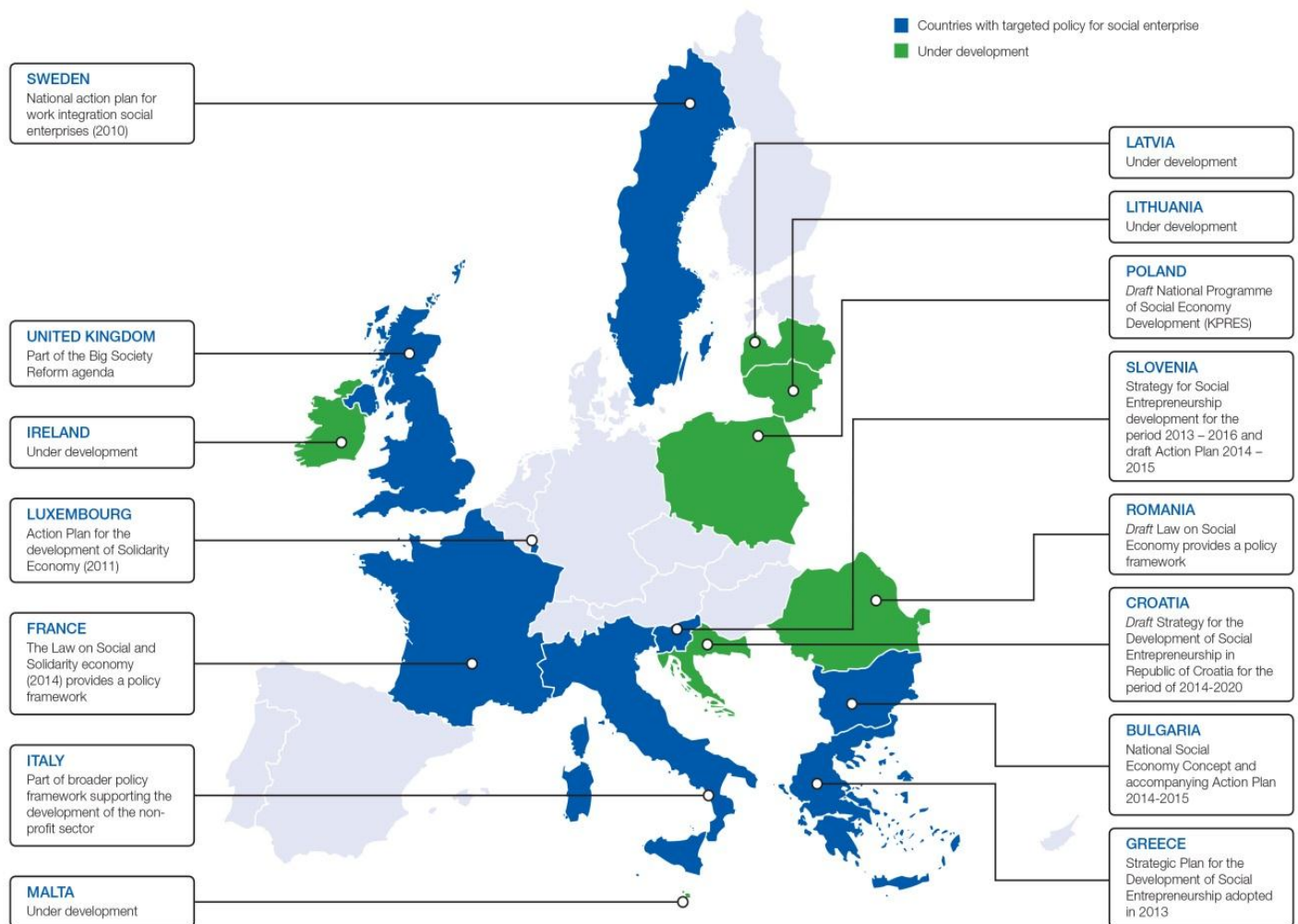


The following sub-sections summarise the presence and development of these features as mapped in the Country Reports. Not all features can be identified in any one country, and the mix and development of these features at national level differs substantially between the 29 countries studied.

National policy frameworks for social enterprise

Twenty one out of twenty nine European countries studied do not have a specific policy framework for supporting the development of social enterprise (although seven are in the process of developing one) - see Figure 5. Where policies exist, they differ widely in scope, coverage and content. As a mapping project, it was not the remit of this Study to assess the effectiveness of national policies.

Figure 5: Countries with policy frameworks targeting social enterprise



National legal frameworks for social enterprise

Sixteen European countries have some form of legislation that recognises and regulates social enterprise activity. There are three broad approaches to social enterprise legislation (Figure 2 on page 4):

Adaptation of existing legal forms to take account of the specific features of social enterprises.

Five countries have created new legal forms for social enterprise by adapting or tailoring existing legal forms. Two main approaches can be observed across Europe:

- In four countries (France, Greece, Italy and Poland) a separate, new legal form for social enterprise has been created by adapting the cooperative legal form. Additionally, eight countries recognise social cooperatives (or the social purpose of cooperatives) in their existing legislation covering cooperatives. These are: Croatia, Czech Republic, Germany, Hungary, Portugal and Spain.

- The UK has developed a legal form for use by social enterprises (Community Interest Company) that specifically adapts the company form.

Creation of a social enterprise legal status. Some countries have introduced transversal 'legal statuses' that cut across the boundaries of various legal forms and can be adopted by different types of organisations provided they meet pre-defined criteria. These countries are: Belgium, Italy, Finland, Slovakia, Slovenia and Lithuania. Other countries planning to create social enterprise legal statuses include Latvia, Luxembourg, Malta and Poland. In addition the Czech Government is considering introducing a legal status for social enterprise in 2015.

A legal status can be obtained by select or all existing legal forms provided they comply with pre-defined criteria. An example of the former is the "Social Purpose Company" status in Belgium which can be adopted by any type of enterprise (cooperative or share company) provided it "is not dedicated to the enrichment of its members". An example of the latter is the legal status of a social enterprise in Italy (as per Law No.155/2006). This legal status can be obtained by all eligible organisations which could in theory be traditional cooperatives, social cooperatives, investor-owned firms (i.e. share companies) or associations and foundations.

Recognition of specific types of non-profit organisations that allow for the conduct of economic activity (e.g. non-profit institute in Slovenia; public benefit corporation in Czech Republic⁵).

Business development services and support schemes specifically designed for social enterprises

A number of countries have initiated a broad variety of business development services and support schemes specifically designed for social enterprises and social economy entities more widely. These include Belgium, Croatia, Denmark, Germany, France, Italy, Luxembourg, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland and the UK. The scope and scale of such publicly funded schemes, however, varies significantly across countries. For example, in Sweden the public support initiatives are narrowly targeted at WISEs, while in countries like Belgium, France, Luxembourg, Portugal and Spain, the support is targeted at the much broader social/ solidarity economy.

There are also a number of European countries that have very limited or no publically funded schemes specially designed for and targeting social enterprises. This is particularly the case in newer Member States, particularly from Eastern Europe - Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Slovenia, Slovakia and Romania where ad hoc and fragmented initiatives have been funded through Structural Funds. However, there are also a few examples of older Member States where publicly funded schemes targeting social enterprises are very limited or non-existent, including Austria, Finland, Germany, Ireland, and the Netherlands. In a few countries (Finland, Netherlands), it has been a deliberate policy choice to not develop bespoke schemes for social enterprise.

European Structural Funds (ERDF and ESF) have also played a key role in many countries (particularly new Member States such as Bulgaria, Poland, Romania, Hungary, but also older Member States such as Italy and the UK) in raising the visibility and profile of social enterprise through awareness raising activities such as events, workshops, awards/ competitions and pulling together a fragmented community of actors - and also contributed to financing the creation of new social enterprises.

Across Europe, the following **typology of public support measures** has been identified:

- Awareness raising, knowledge sharing, mutual learning;
- Specialist business development services and support;
- Investment readiness support;

⁵ Public Benefit Corporation (PBC) – in Czech "obecně prospěšná společnost/o.p.s." (Act No. 248/1995 Sb., on Public Benefit Corporations – The Act as such is abolished, but it is de facto considered as frozen, so that no more PBC may be established according to it, but existing PBCs may either continue and remain regulated by it as under the Old Regulation norms, or change the legal form into the Institute (NR10) or a Foundation (NR8) or a Fund (NR9))

- Dedicated financial instruments (e.g. social investment funds);
- Physical infrastructure (e.g. shared working space); and
- Collaborations and access to markets.

Networks and mutual support mechanisms

Social enterprise networks and/or some form of mutual support structures exist in almost all countries. The experience of Italy, France and the UK shows that these can play an important role in supporting the development of the sector by offering support, guidance and advice, as well as acting as an advocate for the sector. For example, social cooperatives consortia are the most common support structure for social enterprise in Italy and provide training and consultancy support to their members. Another example is the business and employment cooperatives in France, which utilise peer support to assist new entrepreneurs. Similarly, in the UK, several umbrella organisations for social enterprises have been established and have played an important role in both bringing recognition to the sector and in the development of a range of policy.

There are a limited, but growing number of social enterprise incubators, mentoring schemes, specialist infrastructure and investment readiness services across the EU (examples can be found in countries like Belgium, France, Germany, the Netherlands, Slovenia, Hungary, etc.).

Social impact investment markets

The importance of gaining access to finance relates to the particular mode of creation and business model. As business models move towards greater levels of earned (or traded) income, so evidence suggests that, like any other enterprise, social enterprises need external finance to start-up and scale their activities. Similarly, in common with any start-up, new or small business – unless holding property - social enterprises face problems of access to finance due to track record, lender transaction costs and so on. **However, given their specific characteristics (especially around governance), accessing finance from traditional sources can be particularly problematic for social enterprises.** Measures to improve access to finance have included:

Dedicated financial instruments – Given that social investment markets are currently under-developed in most European countries (and at best, nascent in the more ‘advanced’ countries like France and the UK), governments can play a key role in designing dedicated financial instruments (using public funds to provide loan or investment (equity) facilities). Interesting examples of publicly funded dedicated financial instruments can be found in Belgium, Denmark, France, Ireland, Germany, Poland and the UK; and,

Social impact investment markets - Social investment (or impact investment as it is more commonly known outside Europe) is the provision of finance to organisations with the explicit expectation of a social – as well as a financial – return and measurement of the achievement of both. The potential balance between the two forms of return (what type and scale of financial return and what type and scale of social impact) implies the possibility of a substantial range of investors, investment products and investees.

Impact measurement and reporting systems

There are **very few countries that have nationally recognised systems or common methodologies for measuring and reporting social impact.** Moreover, where they exist they do not tend to be mandatory to use for social enterprises. The only exception is Italy where social reporting is mandatory for social enterprises ex lege. Table 1 below provides an overview of the systems and methodologies that are in place and/ or that are being developed through pilot schemes.

Table 1: Overview of social impact reporting schemes

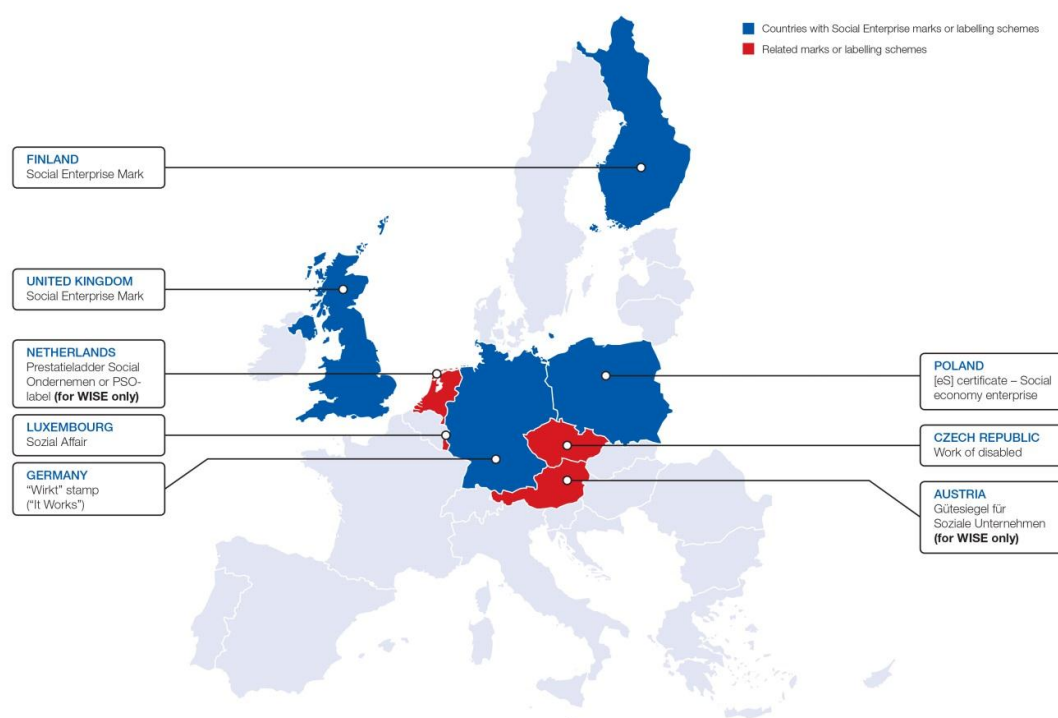
Country	Social impact reporting system	Voluntary/ Mandatory
Austria	Common Good Balance Sheet	Voluntary
Belgium	A social purpose company has to produce an annual report (non-standardised) on how it acted on the established social goals of the organisation	Mandatory
Estonia	Social entrepreneurship sector pilot statistical report (EU funded) and impact assessment handbook	Voluntary
Germany	Social Reporting Standard	Voluntary
Italy	Bilancio Sociale (social report)	Mandatory for social enterprises ex lege
Portugal	Pilot projects aimed at designing tools	Voluntary
United Kingdom	A number of actors have published guidance and toolkits. There are current attempts to further develop and agree common frameworks	Voluntary

At an EU level, the GECES has also set-up a working group to develop a methodology to measure the socio-economic benefits created by social enterprises⁶.

Marks, labels and certification schemes

Marks, labels and certification systems for social enterprises are not particularly widespread across Europe, but they have been implemented in four European countries (Figure 6). However, only a very small number of social enterprises are using these marks and labels.

Figure 6 Countries with marks, labels or certification schemes for social enterprises



⁶ http://ec.europa.eu/internal_market/social_business/expert-group/social_impact/index_en.htm

Barriers and constraints to the development of social enterprise

Notwithstanding the above developments, social enterprises across Europe continue to face a number of barriers. Although barriers are context driven and country-specific, they typically relate to:

- **Poor understanding of the concept of social enterprise:** Poor understanding of the concept of a 'social enterprise' was cited as a key barrier by the majority of stakeholders across Europe. Recognition of the term 'social enterprise' by policy makers, public servants, the general public, investors, partners and prospective customers was seen as low. There are also issues around perception. For example, in some countries the public associates the term 'social enterprise' with the activities of charities or work integration of disadvantaged and disabled people, and not entrepreneurship. Certain negative stereotypes also affect the broader perceptions of social enterprises. Misunderstandings and lack of awareness negatively affects social enterprises growth and financing prospects and is also a pivotal factor in preventing development of relations with customers.
- **Lack of specialist business development services and support such as incubators, mentoring and training schemes, investment readiness support etc.** Most social enterprise support needs are similar to those of mainstream businesses, but at the same time social enterprises have specific features (their dual missions, business models, target groups, sectors of activity etc.) that create complex needs which require diversified and, at times, tailored solutions. In most countries, specialist support for social enterprises is largely absent and, where it exists, it is limited and fragmented.
- **Lack of supportive legislative frameworks:** The lack of legal recognition of social enterprise in many countries makes it difficult for authorities to design and target specialist support or fiscal incentives for social enterprises;
- **Access to markets:** Inadequate use of social clauses, current public procurement practices (large contract sizes, excessive pre-qualification requirements, etc.), payment delays all reportedly make it difficult for social enterprises to effectively compete in public procurement markets;
- **Access to finance:** Conventional investors and lenders do not typically understand the dual purpose and hybrid business models of social enterprises. However, specialist investors, financial intermediaries and instruments are currently non-existent or under-developed in most European countries. Consequently, social enterprises find it difficult to access finance from external sources;
- **Absence of common mechanisms for measuring and demonstrating impact:** Currently measuring or reporting of social impact by social enterprise in most countries is very limited (except where mandatory). Consequently, information is lacking on the societal impact of these organisations and awareness of 'the difference that social enterprise makes'. Impacts need to be demonstrated for the benefit of funders and investors and to comply with public procurement rules. Development of common social impact measurement systems could result in more transparency, accountability, better recognition of the impact of social enterprises and hence more interest, from private investors and wider public.

The general economic environment is currently viewed mainly as a constraint on the continued development of social enterprise (via cuts in public spending which remains the dominant source of income of social enterprises) with potential opportunities yet to be fully exploited (new areas of activity and diversification of markets and income sources).

The survival and growth of social enterprise is also constrained by internal factors such as lack of viable business models (particularly, in the case of social enterprises with a traditional non-profit provenance), excessive reliance on the public sector as a source of income, lack of commercial acumen/ entrepreneurial spirit and managerial and professional skills/ competencies necessary for scaling-up activity.

Concluding remarks

Today, social enterprise in Europe is a dynamic, diverse and entrepreneurial movement encapsulating the drive for new business models that combine economic activity with social mission, and the promotion of inclusive growth. This Mapping Study, and its 29 Country Reports, has mapped this dynamism, identifying the European family of social enterprise, its defining features and the policy and business environments within which such social enterprise development is taking place.

The Mapping Study finds that whilst there is both a growing interest and convergence in views across Europe on the defining characteristics of a social enterprise, understanding and approaches to social enterprise when articulated in national legal, institutional and policy systems differs substantially across (and sometimes even within) countries. These differences, together with the lack of systematic national level evidence on the type and scale of activity and of related policy frameworks, makes it extremely difficult to identify common patterns of development across Europe.

There is general consensus from stakeholders and available evidence that the concept of social enterprise will gain in strength in Europe and that current activity will expand, including the continued likelihood of the emergence of ever more new forms of social enterprise. To both learn from and track such developments, monitoring systems tailored to the particularities of national approaches and understanding of social enterprise are required across Europe as the basis of future national and European research and policy development – including identification of the range of features and relationships that could comprise an effective and efficient ecosystem for social enterprise development

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Abstract

Despite a growing interest in social enterprise and increasing levels of activity, there is limited understanding about the current state, size, and scope of social enterprises in Europe. To fill this gap, the European Commission launched the present study in April 2013 as a follow-up to its 2011 Communication on the Social Business Initiative (SBI). This first-of- its-kind study maps social enterprise activity and eco-systems in 29 countries using a common definition and approach. Specifically, the Study maps (i) the scale and characteristics of social enterprise activity in each country; (ii) the national policy and legal framework for social enterprise; (iii) support measures targeting social enterprise; (iv) labelling and certification schemes where these exist; and (v) social (impact) investment markets. The Study also provides insights on the factors constraining the development of social enterprise and potential actions that could be undertaken at an EU level to complement and support national initiatives. It is based on: (i) in depth review of national policy documents, academic and grey literature on social enterprise; and (ii) semi-structured interviews with a range of stakeholders such as social enterprises, policy makers, social enterprise networks, support providers, investors and intermediaries.