

# Review of good practices regarding the activities of regional authorities for the development of social economy

SCOTLAND - BELGIUM - ITALY



as part of the project

**Coherent Regional Integration of Social Economy**

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Report prepared by:

Anna Matejczuk-Rosa  
Izabela Grabowska, PhD

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In the developed material, we presented three examples of countries and regions in which the social economy sector is well developed. We hope that they will become an inspiration for new initiatives. The history and characteristics of the social economy sector in Scotland, Italy (Emilia Romagna) and Belgium (Flanders) are different. However, several common elements can be identified. These are important factors for the development of the sector in these countries..

- 1. The sector's long and rich history is of great importance for its condition today.** Years devoted to developing solutions and creating a legal framework have allowed the evolution and improvement of systems. But not only support systems and legislative solutions have been functioning for years in the countries and regions studied. Also, many entities have a long history. Thanks to their many years of presence on the market, the sector is sustainable, which facilitates the exchange of experience between entities. The years of presence of social economy entities on the market also translate into a significant size of the sector. Thanks to their long history, social enterprises have found their permanent place in some areas of operation (e.g. as part of financial, housing and childcare activities), and have enabled establishing federation and networking. The duration of operation also contributes to good recognition of the social economy, both at the local and national level. This is also important for the high position of the sector in the frameworks of public policy.
- 2. The sole support for creating new social economy entities is not enough for development.** Local, regional and national measures turned out to be a very important element aimed at increasing the sector's visibility, including the opportunities it provides for public administration. Intensively promoting of social entrepreneurship as a provider of social services, support in solving local problems and as a tool for community development has brought the expected results. That was possible thanks to the efforts of sector leaders. They assumed the role of advocates, directing their activities to a wide range of decision-makers, including those not directly related to the social economy. Examples from other countries have shown that rapid development can also be ensured by the economization of the non-profit sector and the departure from subsidy support for social investments. A possible direction of development is also the change of traditionally operating entities into those with a clear social mission and acting in the general interest.
- 3. Social enterprises are playing an increasingly important role as providers of social services at a local level.** This is supported by effectively implemented legal regulations ensuring preferences for social enterprises in obtaining public contracts at the local level. This means various types of social, ethical or environmental provisions, the use of which in local governments is supported by various tools (e.g. advisory). In the

analysed countries, strong emphasis is placed on supporting cooperation of local governments and social enterprises. As a result, there is gradual moving away from subsidising those entities to stabilising their financing through public contracts.

**4. The social economy sector is very diverse, both in legal forms and ways of operating.**

This raises definitional difficulties. But in practice that approach worked well. It turned out that the lack of a rigid framework facilitates flexible response to social and labour market changes. This happens when the criteria entitling the use of support tools or preferences relate to the implementation of specific activities, fulfilling a specific social mission, or employing specific people. It is not important what legal forms the supported entities take.

**5. The sector in the analysed countries was forming slowly, evolutionarily, to a large extent as a grass-root process.**

Active participation in various activities of a wide range of stakeholders played an important role in the development of the sector. The principle of participation (inclusivity) was applied in practice. An example of such activities is the multi-level system of consultation or work in smaller groups on the assumptions of public policy addressed to the sector (such as round tables in Italy). Many support tools were created at grass-root levels, inclusive of the voice of interested parties. Thanks to this, networks and federations gathering sector entities were strengthened. They represent the interests of their members, mediate in mutual cooperation, in contacts with other entities and provide external services. It is also important that representatives of the sector work on its strategy and vision, while the role of public administration is auxiliary in this area.



### We want to learn from experiences of other countries and regions

The Polish system of supporting social economy has been evolving for years: it is being improved thanks to the increasingly extensive experience of the sector. However, in addition to learning from own mistakes and successes, exchanging experience, sharing knowledge and trying to understand other solutions are very important for improving systems. Such an approach allows us to look beyond the everyday life of our struggles, look at our system from a slightly different perspective. Based on this assumption, we decided to take a closer look at the activities implemented in regions of other European countries. We did not look for examples of the best projects or success stories, but we focused on the activities of the authorities and the environment of the social economy sector, which our regional authorities could adapt to their own support systems.

It turned out that the support system for the social economy sector, which operates in Poland, is a comprehensive system, using the latest solutions, complete and coherent. This does not mean, however, that it is perfect. In our view, much remains to be done.

However, solutions used in foreign regions cannot be a remedy for the difficulties we encounter on our way while supporting the development of the system in Poland. Instead, they can be a source of reflection, inspiration and new ideas.

It is also worth remembering that there are many restrictions on the use of solutions

used in other support systems. We must warn you that simply copying the solutions usually does not work. Therefore, each time one should consider not only what we would like to do at home, but what conditions must be met in order for the solution to be successfully applied. Each time we must remember that we are different from other countries, that our legal and institutional systems are different. And that often cultural and social capital is the factor that plays a decisive role in development. It is worth mentioning that many of our foreign interlocutors emphasised that

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*The success of their system development results from grass-roots activities, self-organization of the sector, social trust and the involvement of local, regional and national leaders who successfully lobbied the authorities to make social economy an important branch of development and solving social problems.*

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And these are not conditions that can be directly transferred and applied in our regions.

Searching for good practices proved difficult. It resulted from the need to learn from other administrative structures in selected countries the entire structures of support systems, legislation and the history of ecosystems development. But the basic problem was to identify those actions, solutions and formulas that are not yet applied in our regions.



## How can we learn from the experiences of others? Our approach

The analysis focused, as a rule, **at the regional level of support**. We were looking for good practices there, i.e. proven solutions that are not commonly used in the Polish support system. An important element was also the possibility of using selected solutions in Poland.

In order to organize the analyses, it was necessary to determine **how the social economy support system is understood** (see *textbox*), what are its components and around which specific areas the analysis of good practices will be performed.

It was also important **to determine the organisational level** which will be the main area of interest. According to the assumptions, the separated systems should be analysed from the point of view of regional authorities. For this reason, we adopted as a reference the territorial division at **NUTS 2** level, corresponding to EU regions. The exception is United Kingdom, where we analysed the Scottish system. Scotland corresponds to the NUTS 1 level.

A broader justification for this approach is provided in the section on that country. For the order of analysis, 7 areas have been specified that make up the support system. At the same time, research focused around them. Those are:



### **I. Definition of social economy and its subjective scope**

The definition of social economy is determined by the shape and scope of activity of social economy entities, as well as the forms and scope of support from the state and local governments. This was the starting point for further analysis.

### **II. Strategic foundations of state and regional self-government activities for the development of social economy**

An important element in creating the social economy system is its inclusion in strategic planning in a given country and region. We identified basic documents that point to the role and importance of the social economy in strategic planning at various levels.

### **III. Legal environment**

Another area concerns legal regulations regarding the functioning of the social economy sector. It is in particular the legal framework for the functioning of the sector in a given country.

### **IV. Institutional environment**

The institutional environment of social economy was an important element of the

analysed systems. We tried to get to know and analyse the role of key players in the system.

### **V. Support for social economy entities**

We analysed social economy support tools. We took into consideration both help in establishing the entity and its development. We have focused on public policy tools. We also analysed "soft" support, including incubation, advisory, training, mentoring, etc. We verified whether the effectiveness of support is assessed at the systemic level.

### **VI. Management of development support**

We analysed the mechanisms and structure of management of public support for the development of social economy. We checked the distribution of competences between different levels of management and their mutual cooperation.

### **VII. System evolution, history**

We analysed the way the system was created, its evolution, factors affecting the development and creation of support institutions.

An important preparatory stage was the selection of countries and regions for analysis. We first adopted a set of criteria:

- a) **Maturity of the sector:** We tried to select countries with a **mature sector of social economy**. In addition, we took into account **the state of system development** and social economy **support tools**.
- b) **Abundance of solutions:** In this case, it was about selecting those countries, and then regions, which use **interesting and diverse solutions** in the field of social economy support system at the regional level.
- c) **Geographic diversity:** We wanted the selected regions to represent different parts of Europe: southern, northern and new member states.

At the initial stage of analysis, we reviewed documents describing SE support systems in many countries. In addition, we conducted in-depth telephone interviews with Polish experts who encountered foreign support systems.

On that basis, we selected **three regions** for further analysis.

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*We did not include any of the new member states in the analysis. The analysis showed that the systems in these countries are not sufficiently developed compared to the Polish system to constitute a rich source of good practices.*

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The proper analysis included in-depth examination of documents (strategies, studies, websites, reports) and telephone interviews with the following groups of respondents:

representatives of regional authorities responsible for SE development;

experts, researchers of SEs field;

organisations operating directly for SEs;

organisations associating SEs

In total, we conducted 19 in-depth telephone interviews.

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*At this point, we would like to thank the people who contributed to this report and supported us in the analysis, patiently explained the complexities of the systems and helped to reach subsequent interlocutors.*

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Selected countries and regions



-  Italy: Emilia Romagna  

-  United Kingdom Scotland  

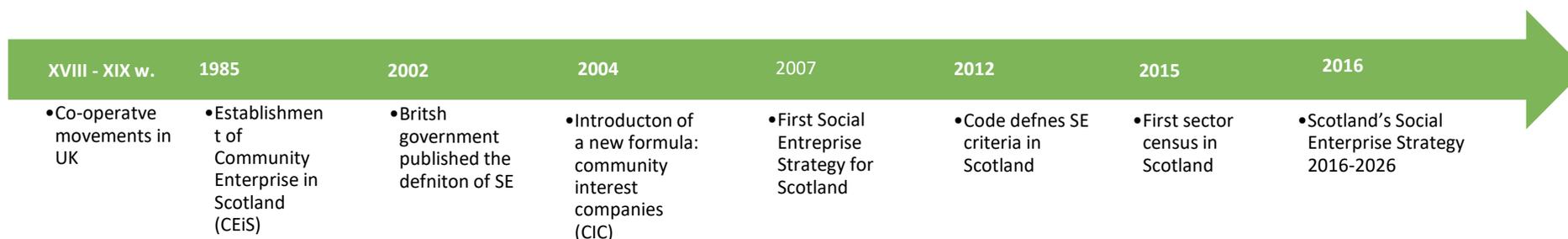
-  Belgium: Flanders.  


## UNITED KINGDOM - Scotland

- The Scottish support system grew organically on the basis of active social enterprises, which began to organise themselves into federations and umbrella organisations. Over time, they received funding from the Scottish Government.
- The sector's strength is internal cooperation between entities and their strong networking.
- The role of government administration is auxiliary. The government financially supports the system, but development directions are jointly determined by representatives of the sector in cooperation with the public party.
- Education, including children and young people, plays an important role in the system. From an early age, the Scots get familiar with the idea of social entrepreneurship and learn to implement it.



## History of SE in Scotland



### Legal system

Social enterprise was founded in UK on the basis of cooperative movements from the 18th and 19th centuries. Its development in Scotland was largely shaped by the political context. During the welfare state (1945-1979) the pace of development of this sector was slow. Social inclusion was largely taken over by the state. In

turn, during the rule of the Conservative Party (1979-1997) the protective role of the state decreased. This created a gap in supporting people in difficult situations. It was an impulse for the development of the cooperative. The so-called Community Business, i.e. institutions operating locally, providing employment and services to the local population were established. Their creation

was possible thanks to the support of local authorities (also through grants) and by taking over ownership of important resources, including land and real estate. Such solutions were particularly intensively implemented in the mountainous and insular Scottish Highlands and Islands region, characterised by low urbanisation, underdeveloped industry and domination of traditional sectors.

Year **1997** brought another, big change, covering the whole of UK. The new Labour government promoted cooperation between the third sector, business and administration, contributing to the strong development of social entrepreneurship in its contemporary shape. A unit responsible for combating social exclusion (SEU) was created in the government, and in **2001** a department dealing with social enterprise in the Department of Trade and Industry (SEnU) was established. At the same time, grants and loans were launched. The government started subsidising support institutions.

Partial independence of Scotland from the United Kingdom in **1999** and the establishment of the Scottish Parliament and Government allowed the development of its own tools to support the social economy sector, while leaving some legislation in this respect at the British level. Such a solution was the introduction of community interest companies (CIC) in the United Kingdom in **2004**. Not much earlier, in **2002**, the British government published the official definition of a social enterprise. However, over the years it has proved to be insufficient from the perspective of the sector in Scotland. Selected organisations started working together on their own criteria. Thanks to these efforts, the response from the Scottish

sector came in **2012** when the *Voluntary Code of Practice for Social* In **2014**, the public procurement approach was reformed in Scotland, while adapting it to changes at the EU level. The reform envisaged the possibility of separating orders for social enterprises employing a minimum of 30% of people from disadvantaged groups, including selected industries in which it is recommended (e.g. furniture, work clothes, production of various types of signage).

Further Scottish legislative solutions included the implementation of the Community Empowerment Bill in **2015** to help local communities take ownership of land and real estate for economic development, revitalisation, or increase in social well-being and reduction of social inequalities. As a result, financial and political support for social enterprises has been strengthened.

### Development of support institutions

Parallel to the legal changes, the sector's support institutions were developing. Already in **1984**, CEiS (Community Enterprise in Scotland) was founded- currently the largest and most experienced social enterprise support agency in UK. The agency was created thanks to the efforts of the SE community in Scotland, without support from public administration, with only limited funds from the Urban Aid program. Since its foundation, the organisation has developed a number of training, support and investment programs that have contributed to the development of the sector. CEiS works intensively to this day.

Smaller organisations felt the need to mutually cooperate, inform and combine efforts to improve the development of social

enterprises. Senscot, an organisation that works to support a strong and sustainable community of social enterprises in Scotland, started to operate in **1999**, initiating the establishment of Local Social Enterprise Networks (SENs). The first of them began to be created in **2004**.

That period was a key moment in the development of the sector. It began to intensively self-organise, which contributed to the emergence and development of major support institutions. In **2004**, the first important document setting directions for development was created- *Futurebuilders Scotland - Investing in the social economy*, which specified what funds will be invested in the development of SE support organisations (18 million £), as well as what funds will be allocated to complementary activities (1 million £). That document had the rank of a government document. It was created in response to the analysis of the social economy sector carried out by the Scottish Executive (that is government).

Thanks to the financial support of the *Futurebuilders* program and the efforts of Senscot, CEiS and UnLtd, the *Social Enterprise Academy* was created. This institution is still involved in supporting social entrepreneurs and the third sector in developing key skills, including management and entrepreneurship. The Academy also implements teaching programs on social entrepreneurship in schools.

Year **2007** brought the establishment of *Firstport*- an organisation supporting new social enterprises financially and through consultancy. In the same year, in May, the first *Social Enterprise Strategy for Scotland* was adopted.

In **2015**, the first pan-Scottish census of social enterprises was carried out. Over a dozen institutions from the sector and the Scottish government were involved in its organisation. 1,100 social enterprises took part in the census.

In December **2016**, the Scottish Government, in cooperation with representatives of the sector, published the Scotland's Social Enterprise Strategy 2016-2026 to complement it in **2017** with a document supporting its implementation- Action Plan for 2017-2020. Its next editions are planned for 2020 and 2023. The Strategy sets three main goals:

- 1 stimulating the creation of new social enterprises:** by reaching thousands of people with knowledge about establishing social enterprises in their places of residence or with education, and by facilitating the creation of new entities;
- 2 development of existing organisations:** by providing them with resources, knowledge and networks for optimal development;
- 3 using market potentials:** by encouraging consumers, public authorities and companies to cooperate with social enterprises.



## Scotland's understanding of social economy is based on the Code

In Scotland, the social economy sector is unlikely to be highlighted as such. All studies, strategic documents and names refer to the concept of social enterprise. Although there are also integrative entities operating there, financing activities to a large extent from grants.

*Social enterprises are business with primarily social objectives whose surpluses are principally reinvested for that purpose in that business or in the community, rather than being driven by the need to maximise profit for shareholders and owner.*

### Criteria according to the Scotland's Code

SEs work for profit by selling goods or providing services, but their main goal is to **achieve social benefits**.

Profits are **reinvested in the SEs or the beneficiary community** - and are not distributed among private owners, shareholders or investors.

At the time of termination of assets, assets must be **reinvested in another organisation** with similar objectives.

SEs are managed in a **responsible and transparent manner**.

SE may not be an organisation dependent on public bodies.

In 2002, the definition of social enterprise was introduced in UK, which is also in force in Scotland.

In the following years, the popularity of SE increased dramatically. Unfortunately, the meaning of the concept of "social enterprise" was becoming more and more blurred. In response, the Scottish community developed a list of values and activities that defined social enterprises more precisely.

The document was called *the Voluntary Code of Practice*- or simply *the Code*. It recognises the five basic criteria of a social enterprise. In addition to these, the Code sets out additional rules that SEs should follow:

**Being based on values:** social justice and the protection of the planet should be the basic conditions for all economic activities and all business practices should be fair.

**Good employers:** SEs offer decent working conditions, including a wage sufficient for living. SEs form flat pay structures (maximum ratio 1:5 between the lowest and highest salary).

**Democratic management, strengthening local communities and problem solving in communities, as well as cooperation within the sector (also in the area of sales of goods and services) are further distinguishing features of SEs according to the Code.**

Social enterprises in Scotland can take different legal forms: both as limited liability companies and registered charities. Individual types of SE overlap. There is no single list of legal forms and types of SE. However, it is worth mentioning a few main types.

**600 co-ops**  
owned by 1m people

**6% Scottish SEs**  
are social firms

**Approx. 900 CICs**  
operate in Scotland

**Approx. 250**  
local development trusts

**Approx. 90 credit unions**  
associating about 415 th. members

**CO-OPERATIVES AND MUTUALS** - Democratic value-based companies that give members, clients or employees direct shares. Co-operatives can register on the basis of Co-operative and Community Benefit Societies Act 2014.

**SOCIAL FIRMS** are social enterprises created to create jobs for the excluded persons (disabled, addicted, homeless, with sentences).

**COMMUNITY INTEREST COMPANIES** are companies created by people who want to run a business or other community activity. CICs must set a specific social purpose and must report this activity to the UK regulatory authority. This solution, introduced 15 years ago, has recently gained popularity in Scotland.

**DEVELOPMENT TRUSTS** are organisations owned and managed by the community. They focus on the economic, social, environmental and cultural needs of local communities. They combine entrepreneurship and creativity to improve the quality of life of residents in urban, rural and island communities. They may take different legal forms (including CIC).

**CREDIT UNIONS** are co-operatives that financially support their members by providing them with inexpensive loan products as well as other financial services. They often have a local character or are directed to a selected group of people who are connected by something (e.g. an employer, an organisation).



## Support system in Scotland differs from the one in Poland

When analysing the case of Scotland, territorial division should be borne in mind. This country is part of the UK (at NUTS1 level), which corresponds to Polish macro-regions. On the other hand, there is no separate administration at NUTS2 level in Scotland. The division of the country into 5 regions was made only for statistical purposes. Local government administration operates at NUTS3 level, which corresponds to Polish *poviats*. That is why, when speaking about the region in this report, the authors primarily meant Scotland as the macro-region of the UK, but we also refer to lower-level local government units that are key to understanding the development of the sector in this country.

In Scotland, the support system is significantly different from Polish, although it uses similar tools to stimulate the development of the sector, such as business consulting, training and grants. The main differences result from the history of the emergence of social enterprises and organisations supporting them.

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*In Scotland, the ecosystem growth was organic:*

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More enterprises, co-operatives and local initiatives were established, which in time acquired legal personality and accumulated resources needed for market functioning.

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*Over time, their multitude led to the fact that they began to self-organise into smaller and larger networking and support organisations.*

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Some of them remained informal (especially at the local level), other turned into conglomerates and umbrella organisations. Some of them obtained funding for support activities of the SE directly from the Scottish Government, others were co-financed by larger organisations.

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*Thus, there is no rigid, hierarchical support system in Scotland.*

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The institutional environment is made up of organisations that have arisen spontaneously over the years. They are not in any way subordinate to central or local government administration. The only dependence on the authorities concerns their financing and legislation. The government is responsible for solutions in the field of public procurement law. Public authorities are responsible for registering selected types of social enterprises (e.g. CIC and co-operatives, as well as foundations and associations).

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*The role of the authorities in Scotland is to stimulate the development of the sector by providing funding for ongoing activities.*

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Authorities in Scotland (both nationally and locally) are an important strategic partner for the sector. The government provides selected organisations with funds for operations, as well as funds for start-ups in the SE sector (also through one of the intermediaries- *Firstport*) and educational activities directed at the sector and to schools. Government funding has been directed to a number of programs (including *Just Enterprise*: personalised business support for social

enterprises; and Developing Markets: a program that facilitates access of social enterprises to public sector contracts). Since 2011, the government has also financed a contact point for non-governmental organisations and social enterprises (TSI-Third Sector Interfaces) in each local community.

#### Strategies for the sector:

The Scottish Government was also involved in the preparation of strategies for the sector. For the first programs (*Futurebuilders* from 2004), the role of the Scottish Executive was very great. Further strategies were also prepared with the participation of the Government. The latest document also functions as governmental, although it actually sets out the goals and ambitions that the sector itself has chosen and developed. Sector organisations were also responsible for its consultations.

Independently of government activities, representatives of the sector prepared their own document in 2015, identifying their vision until 2025. Nine largest support institutions have signed up to it. The document was consulted with 400 representatives of the sector.

An important distinguishing feature of the SE ecosystem in Scotland is its strong networking.

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*The sector is largely based on local and thematic networks, which have been spontaneously emerging since 2004.*

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They operate under the name SENs (*Social Enterprise Networks*). They are made up of groups of active social enterprises that meet regularly with the intention of increasing the opportunities for themselves and the social

enterprise sector at local level. In this way, they strive to provide more efficient services to their local communities and support each other.

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*Local networks play an important role as advocates for the sector in local governments.*

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They represent the environment operating in a given location. Thanks to the fact that they manage to be close to officials and authorities in their area, they can cooperate to solve social problems together. They also work together for socially responsible public procurement.

In addition to local networks, thematic networks (sport, culture, food, tourism, employment, health) were created.

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*An important element in the Scottish support ecosystem is a strong focus on education.*

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Already four-year-olds in kindergartens will learn the idea of social entrepreneurship. Separate programs are directed to schools at different levels of education. Adults can also attend extracurricular education. In Scotland there are relevant fields of study dedicated to social entrepreneurship, and many researchers and scientists deal with this topic in their work.

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*For several years, strategic plans for the sector have emphasised a new direction of development - internationalisation of operations.*

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The sector in Scotland is already so developed that social enterprises are starting to look for outlets outside their own country. Based on the experience of selected enterprises and organisations, a separate strategy was developed in 2016 (*Internationalising Social Enterprise Strategy*).

According to this strategy, the strong position of the sector in the country allows it to expand its activities beyond its borders. It is not just about exporting goods and services provided by Scottish social enterprises, but also about engaging in international activities, sharing experience and solving social problems in threatened regions.

The sector's representatives also want to develop international activity through support for international social enterprises to choose Scotland as their headquarters, and plan to develop tourism in Scotland for foreign visitors using the strength of the sector and local cultural heritage.

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*Strength of the sector lies also in the fact that it is very well known*

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Not only did the scientific activity described earlier contribute to this, but above all the sector's efforts to organise a census and a survey of the condition of the sector every 2 years (from 2015).

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*Resulting reports in a transparent and useful way describe the situation of social enterprises, as well as changes taking place within the sector.*

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The census describes not only the structure of enterprises but also their financial condition, level of dependence on grants and estimates their added value to the Scottish economy.

Reports can be downloaded from the sector dedicated website:

<https://socialenterprisecensus.org.uk/>

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*What distinguishes Scotland from other countries is the takeover of land and buildings by NGOs, social enterprises and local communities for their own use.*

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The Scottish Land Fund finances such ventures, while the *Community Empowerment Act* regulates the rules for taking over and buying these resources.



## In Scotland, the social economy sector is well developed.

6 025

social  
enterprises

According to data from the last census (2019), there are over **6,000 SE** (per 5.5 million inhabitants) in Scotland. In turn, over the past two years, the number increase by 425 enterprises (including **912 new** and 487 terminated).

Social enterprises provide employment to many people, including from groups disadvantaged on the labour market. The sector currently has 88,000 posts.

88 000

Full-time equivalent  
employees

The number of entities in the sector has increased by as much as 16% since 2015. Interestingly, the fastest development is currently recorded in rural areas (+ 22%), where every third social enterprise in Scotland already operates.

+16% more  
SEs

increase 2015-  
2019

Scottish SEs represent various industries, although there is a certain tendency. **Cultural centres** and **community day rooms** are the most common (17%). Fewer enterprises operate in the areas of **art and creative industries** (14%) as well as **healthcare and social services** (13%). Social enterprises often provide **childcare and pre-school services** (11%). Many others operate in the following industries: tourism, education, sport, housing, trade, real estate, food, transport and finance.

21 years

average age of SE

The age structure of SE shows how strongly they are rooted in the community. Only 15% of them have been operating for less than 4 years, and as many as **2/3 have been operating for over 10 years**. Among those with the longest seniority, you can most often find entities dealing in financial, housing and childcare activities.

71% SEs

are NGO

The youngest enterprises most often represent the food, catering and hospitality sectors, as well as sport and organisation of free time and retail.

£4,4 bn

Total SE income in  
2019

It is interesting to what extent the SE sector permeates with the third sector. It turns out that most social enterprises are also registered charities. In turn, among all non-governmental organisations as many as 18% conduct business activities which makes them social enterprises.

Social enterprises in Scotland generated revenues of **£ 4.4 billion** in 2019, of which 70% came from the sale of goods and services (the rest from grants and other sources).



## Main success factors of the system in Scotland - summary



**Long history of social economy.** The development was initiated by cooperative movements in the 18th century. Support of subsequent governments since the 1990s and strong consolidation of entities in local communities meant that not only the sector has a long tradition, but individual SEs have been operating on the markets for many years, providing valuable experience to other entities and ensuring continuity and sustainability of the sector.



**Strong cooperation of support institutions.** Entities supporting SEs grew organically within the sector in order to undertake joint activities. So it is natural that they interact to form collegial bodies (networks, consortia) that control the distribution of support. Thanks to this, aid is not duplicated and the sector has strong spokespersons at the local and macro-regional level.



**Emphasising education.** Social entrepreneurship is present in the school system and in informal and non-formal education. Educational tools, courses and curricula are made available to all interested parties. At universities, you can study a field related to social entrepreneurship or choose such a subject.



**Sector is well known and researched.** There are research centres dealing with the research of and for the sector (Yunus Centre at the University of Glasgow Caledonian, Social Value Lab). Since 2015, a large census survey has been regularly taking place covering the Scottish sector and, in addition, a British-wide survey.



**High self-awareness of entities in the field of fulfilling the social mission.** Each entity has the opportunity to conduct its social audit (it is supported by the Social Audit Network and Social Value Lab), and the Evaluation Support Scotland Institute was established for the third sector, which helps organisations learn how to assess their own work. Thanks to this, SEs in Scotland know to what extent they fulfil their social mission and how they generate added value in the community.



**Strong focus on economisation of operations.** Unlike England, which developed the sector with loans, its origins in Scotland were largely based on grants. Now social enterprises make their living mainly from the sale of goods and services, not from subsidies or projects. The development of the sector also involved the economisation of NGOs (18% of them are also social enterprises). Despite a strong sales orientation, the sector has not lost its social mission.

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**Development directions of the sector are well planned.** Multi-annual strategic plans (currently for 10 years) and short-term Action Plans (three years) are being developed together with representatives of the sector. Documents are prepared FOR the sector and BY the sector, without imposing a top-down vision on the part of the administration. Local and educational plans as well as internationalisation plans are also being developed.

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**Progressing internationalisation.** The sector is growing not only in Scotland, but goes beyond it. A strategy for the internationalisation of activities was created, covering sales, cooperation and education on an international scale. Scotland is strongly present on the international forum for the exchange of experience of representatives of the social economy sector from around the world. The World Social Entrepreneurship Forum was created thanks to CEO CEiS.



## SUPPORTED PUBLIC-SOCIAL PARTNERSHIPS

Over the past 15 years, the Scottish Government has developed and tested various models of public-social partnerships. In addition to providing well-designed social services with the participation of local partners, they were to provide a long-term source of financial security for social enterprises.

The PSP was defined as "a partnership agreement that at an early stage and thoroughly involves the third sector in the design and launch of public services". The Scottish Government emphasised the need for user orientation and sustainable service design using the 3rd sector knowledge and experience. It was also to break traditional silos in this area and to encourage and strengthen the involvement of service users. Following pilot studies, the Scottish Government decided to support the development of six strategic model public-social partnerships:

- HMP Low Moss- support for prisoners with short sentences;
- NHS Lothian- support for new rehabilitation models (e.g. for people after traumatic experiences, rehabilitation through sport);
- East Renfrewshire Health and Social Care Partnership- assisted housing;
- The Life I Want- support for adults with learning difficulties;
- Strathclyde Partnership for Transport- social transport services;
- Elevate- training and employment for addicts finishing treatment.

To improve the operation of partnerships, representatives of the Ready for business Consortium were sent to support the parties involved. The RfB Consortium included: Senscot, Social Firms, CEiS and Social Value Lab (i.e. the largest social entrepreneurship support institutions in Scotland) as well as law and consulting companies. In the initial phase of the project, the consortium organised awareness raising events regarding social clauses and PSP. Later, the focus was on field support. The RfB initiative supported partnerships by working directly with the social and public parties. The RfB consortium organised a number of workshops and other events to involve public sector organisations and representatives. In addition, the Consortium played a key role in supporting the tested PSP models at every stage of development, acting as an intermediary reducing tension in model partnerships, enabling dialogue between third sector organisations and public representatives, solving problems of partnership functioning.

RfB project participants were seen as a mediator and strong support in the implementation of the planned undertaking. Organisation representatives helped establish a mission, vision, business plan, logical model and partnership communication plan. RfB support was also important in developing policy-based management structures and processes that reflected the contributions of all partners.

The example given shows how important it is to introduce independent advisors and mediators between the public and social side. RfB activities have proved that some mechanisms will not work spontaneously, even with the best regulations and financial support from the administration.

More information: <https://researchonline.gcu.ac.uk/en/publications/co-production-and-the-third-sector-conceptualising-different-appr>

## ADVOCATES OF SOCIALLY RESPONSIBLE PUBLIC PROCUREMENT

At present, in Scotland many social enterprise support institutions act locally and globally for socially responsible public procurement (implementation and application of social clauses and maximising social values in public procurement), acting as mediators between the sector and awarding entities.

**P4P** is an initiative managed by Senscot, which provides individual tender support and support in creating consortia or other types of partnership. P4P assumes that **many small social enterprises are not able to compete in tenders on their own, so they should be helped by creating consortia of enterprises, connecting them with awarding entities**. P4P materials include a 10-step order guide, a set of collaboration tools, as well as a number of download templates, case studies and instructional videos. In addition to providing ready-made materials, P4P organises regular meetings throughout Scotland, including workshops and webinars. Tenders and partnerships for the third sector are promoted via the P4P website. The site also has a Ready for Business **register**, which is **a database of social enterprises** willing to participate in tenders and ready to act as partners with other entities.

Similarly, **CEIS**, in addition to cooperating with the SE sector in the field of public procurement, helps public administration in developing social clauses, advises public entities on the possibility of creating social value through procurement, evaluation of tender offers and how to inform bidders about providing social value.

**RfB**, in addition to supporting model PSPs, until 2018, it provided specialist knowledge and practical support to the public sector in Scotland in public procurement so that public contracts adequately maximise social benefits and broadly involve the third sector, social enterprises and their special category of "supported business". The consortium assumed that "social value" could be maximised at every stage of the procurement cycle, usually at no additional cost. This can be achieved by understanding the social values of contracting parties, better defining services and by deepening relationships with third sector suppliers.

More info:

Partnership for Procurement (P4P)

<http://www.p4p.org.uk/>

CEIS:

<https://www.ceis.org.uk/social-procurement/>

## LOCAL AND THEMATIC NETWORKS OF COOPERATION

The strength of the sector in Scotland is its networking, based on direct contacts of sector representatives. The most common are Local Social Enterprise Networks (SEN) managed by Senscot, which in 16 territorial networks bring together 20% of the entire sector across the country. These networks were created in an organic, spontaneous way through self-organisation of the sector. Some of them are formalised, others act ad hoc, without distinguished structures and rigid regulations. Their purpose is to provide members with the possibility of mutual support, sharing resources, joint work and development of markets, as well as jointly solving problems specific to social enterprises. They also constitute a clearly audible collective voice, both local and national. In addition, many SENs work to raise awareness about social entrepreneurship at both local and national level.

Formalised networks play an important role as a representative body connecting local sector representatives to other local agencies and, where appropriate, try to influence policy at local level.

SEN help unite members by organising events. They also act as intermediaries between their members and those responsible for public procurement. Their role is also to guide the emerging social enterprises.

The role of SEN is also to help in the sustainable and economic development of the sector, e.g. through joint contracting of IT services for its members, joint marketing, training, wholesale purchases, etc. They can also offer opportunities for cooperation and sharing of expert knowledge between members, capacity building and collective strength to secure contractual and investment opportunities.

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*For example, Fife SEN (FSEN) acts as **a local contact point** for social enterprises and those who are just about to start a business. FSEN **provides online platforms that facilitate contact** with representatives of local government and TSI (local branch of the institution responsible for contacts with the third sector). **One can also advertise** on FSEN platforms. FSEN **helps recruit** employees and volunteers. At FSEN one can **get advice on access to finance and public procurement**. FSEN helps in **renting a room for meetings** (rooms run by PS associated with FSEN). One can also find out **how to apply for the takeover or purchase of land and buildings** under the Community Empowerment Act. In addition, representatives of the network **regularly meet**, organise **events** and act for the benefit of the local community.*  
(more on: <http://fsen.squarespace.com/>)

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In addition to local networks, there are also 6 thematic networks that group SEs operating in similar industries (sport, culture, food, tourism, employment, health), sharing common problems, opportunities and ideas.

The networks have contributed to reducing the isolation of social enterprises, facilitated cooperation, and became independent from large support institutions that play an advisory and coordinating role for the sector.

More information:

Senscot: <https://senscot.net/about-us/the-sens/>

SEN database: <https://senscot.net/network/members/>

## SE TEACHING PROGRAMS AT SCHOOLS

The strength of the sector in Scotland is partly due to the practical learning of social entrepreneurship at every stage of education. An educational program for social entrepreneurship has been implemented in over 500 Scottish schools since 2008.

In Scotland, curricula have been created for preschool children, primary and secondary schools, as well as at universities. Courses for adults who want to become familiar with this topic are also available.

Social Enterprise Academy (SEA), which is funded by the Scottish Government, is responsible for the preparation and implementation of these programs.

Curricula not only focus on the theory behind social entrepreneurship, but also include a practical approach to the topic. SEA teaching is based on the assumption that anyone can open a small social enterprise, even a fifth grade student. The academy's trainers and students discuss real ideas for the enterprise, help prepare a business plan and support children and teachers in its implementation. Children are taught how to use a social enterprise to achieve sustainable development goals.

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*For example, in one of the **primary schools**, vegetables were grown. Every September, after planting, weeding and harvesting, students sell fresh produce from their own cultivation in the local community. Students organise a farmer's day at school, or a soup day for seniors, and pay the money they collect to finance the garden next year.*

*In **high school**, a social enterprise prepares treats for Christmas and Easter, and then sells them to students. Profits are donated to small charities that focus on children in need and the rest is re-invested in future projects.*

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The Academy provides plenty of materials, an on-line platform, as well as training support in each region. Thanks to educational programs, young people not only learn what social entrepreneurship is but they also learn to influence social changes in their localities while developing key skills.

Extensive experience in teaching about social entrepreneurship has also resulted in curricula for other countries. At SEA, a social franchise model was developed that allows services and programs to be exported directly to international markets. The Scottish model

is adapted to any culture in the co-design process. Based on its twelve years of experience in Scotland, the Academy in 2016 reached the students in over 30 countries and now has centres that are developing in 10 locations worldwide.

More information: <https://www.socialenterprise.academy>

## TAKING OVER RESOURCES BY LOCAL COMMUNITIES

Already in the 1990s, an innovative idea of taking over resources by local communities was implemented in Scotland. The purchase or acquisition of publicly owned land and buildings by organised local communities was to help them develop in a sustainable way. The Scottish Land Fund has been operating since 2010, which helps financing such purchases up to 95% of the price (on average, the funding is around 80%). The remaining resources must be collected by the local community. One of the types of entities that can apply for funds for the purchase are social enterprises (apart from them only NGOs and municipal councils).

In addition to funds for the takeover of buildings and land, the Fund also financially provides expertise related to the assessment of the condition before purchase (often damaged, old buildings were taken over) and feasibility studies. In addition, the Fund also finances project engineers for complex projects.

Thanks to this formula, many local communities were mobilised and developed, and social enterprises played a key role in many of them. The financed projects, in addition to increasing the resources of program beneficiaries, contributed to mobilising local communities to work together, improved the availability of social services, provided new jobs in marginalised communities and created new recreation places for residents. An ecological effect has been additionally achieved in many projects (e.g. wind farms and hydroelectric systems were created).

One of the many examples of success is the Abriachan Forest Trust. This rural small community (130 people) located on Lake Ness managed to buy 540 ha of forests and hills from a public forest enterprise. Since then, the social enterprise, Abriachan Forest Trust, manages this land, creates jobs and ensures plant biodiversity in its areas. In addition, thanks to additional activities, it was possible to create a network of walking routes, bicycle routes, as well as implement innovative methods of outdoor teaching. The Trust also develops projects to use forests in mental health therapy and provides its areas for people with mobility difficulties.

More information:

About the fund: <https://www.tnlcommunityfund.org.uk/funding/programmes/scottish-land-fund#section-2>

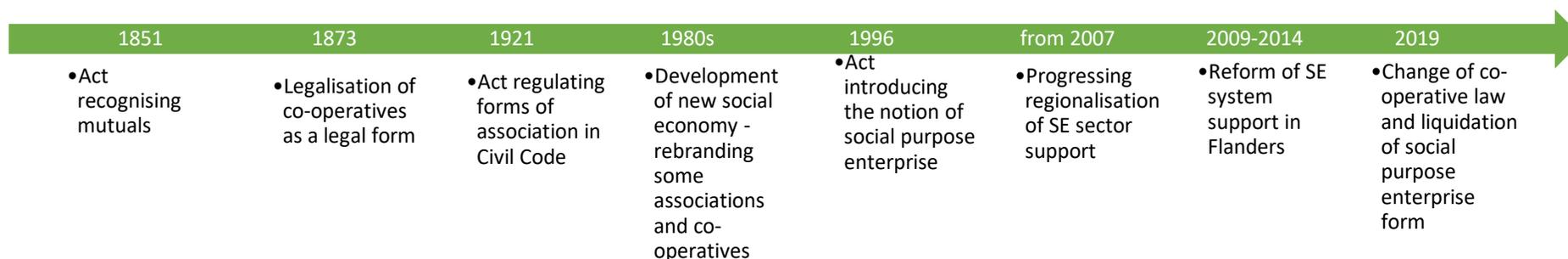
List of projects: <https://www.tnlcommunityfund.org.uk/media/documents/scottish-land-fund/Scottish-Land-Fund-awards.pdf?mtime=20200102111915>

Good practice: Forest in Abriachan [www.abriachan.org.uk](http://www.abriachan.org.uk)

- The social economy sector in Belgium has a long and rich tradition, especially in the field of associations, cooperatives and mutual societies (mutuals). The sector has undergone many changes. But two trends of change seem crucial: the reorientation of associations and co-operatives towards activities in the general interest and the increase in the importance of social mission, and the growing economisation of the sector.
- There is no single, comprehensive definition of a social enterprise, and the social economy sector is very diverse. There are many strong networks and federations that bring together social economy entities, provide them with various services, and represent their interests outside.
- Public policy, including support tools, is of a regional nature, although legal regulations apply to all of Belgium. The regionalisation of public policy towards the sector is the result of general decentralisation of the country.
- Grants and subsidies are still an important source of financing for the sector, but the importance of public contracts and financing in the form of social investments is growing dynamically.
- Social economy is an important part of the Flemish government's activities, along with labour market policies.
- Currently, the emphasis is on individualising support by increasing the flexibility of available tools.



### SE history in Belgium



The SE sector in Belgium has a rich tradition which consists of several elements:

**1. Tradition of associations:** there has been freedom of association in Belgium since the 19th century. Legal forms of associations appeared already at the beginning of the 20th century. The issue of their association was regulated by the Act of **June 27, 1921**. It defined the association as a private assembly of persons, not intended to provide profits to its members. Despite the amendment in 2002, the basic assumptions expressed in the Act have not changed. This legal act, thanks to its high flexibility in the scope of activities and sources of income, contributed to the dynamic development of associations. The Act allowed the development of commercial activities of the associations, provided that its social mission was subordinated. The only condition was the need to reinvest profits into business development, not to distribute it among members. **Therefore, many types of commercial activities undertaken by co-operatives in other countries were carried out in Belgium by associations.**

In recent years, a strong trend has been observed among associations to increase the scope of economic activity. The share of financing through grants or public subsidies is decreasing. Their share in the revenues of associations fell from 57% in 2012 to 48% in 2015. There is also a clear rebranding trend among the main associations of the sector from "*non-profit*" or "*non-market*" (non-marchand) to "*social*

*profit*". This is a manifestation of the economisation of this sector.

**2. Tradition of co-operatives:** the co-operative movement in Belgium arose in the mid-nineteenth century. The co-operative as a legal form was legalised in **1873**. However, the legal act only contained a very basic definition of the co-operative as an enterprise with flexible capital and membership. Compliance with universally recognised principles and co-operative values was optional on the basis of this act. A separate authentication process has been organised for co-operatives that adhere to these rules. Ultimately, a large number of organisations operate in the form of co-operatives (**currently around 30,000**), of which around **several hundred can be considered social co-operatives** in the international sense. Most of them underwent the authentication process. At the turn of the century, co-operatives developed in the agricultural, pharmaceutical, retail, banking and insurance sectors. Since the 1970s, the dynamics of establishing new co-operatives has increased, and the existing ones have diversified their activities, focusing on social or ecological innovations. The new co-operatives focused on the challenges of that time: creating jobs, taking over enterprises in crisis, fighting unemployment and social exclusion. The second wave of newly formed co-operatives were initiatives related to sustainable development (recycling, energy production, organic farming, etc.). In the last few years there has been a public debate pointing to

the need to return to co-operative values that have been blurred. As a result of the ongoing debate in 2019, a precise definition of co-operatives was introduced, referring to traditional co-operative values. This regulation also ordered the existing systems of accreditation of social co-operatives functioning in individual sectors of activity.

**3. Tradition of reciprocity:** Mutual assistance societies are the third branch of the tradition underlying the development of the social economy sector. These societies have been institutionalised and constitute an important part of the healthcare system. Mutual societies were founded in the 19th century and were intended to provide financial security in the event of illness or incapacity for work. Their activities were regulated by **the Act of 1851**. Currently, the societies have returned to the more entrepreneurial nature of their activities. This is due to the need to rationalise social spending, as well as European regulations exposing societies to competition from private insurance companies. Currently, mutual societies are focusing on developing innovative solutions to meet social needs in the area of health and education. These are the areas where they have a market advantage over competitors.

**4. The new social economy:** Many social economy initiatives originated in the 1980s and grew directly from the trend called the new social economy. They do not form a separate category of social enterprises in relation to those described above. Rather, they point to a new trend in their evolution - particularly common to co-operatives and

associations - placing more emphasis on values and practice. In this way, they strive to achieve social goals (mainly in the field of integration of disadvantaged groups) through economic tools. This solidarity approach is manifested in the employment of people from disadvantaged groups. In this way, they become part of the staff of these organisations, and not just the recipients of their activities.

**5.** As a supplement to the above-mentioned forms, **social purpose enterprises** should be mentioned. This legal form was introduced to the Code of Enterprises in **1996**. Each enterprise could obtain the status of a social purpose company provided that a number of requirements were included in the statute: a. lack of aiming at enriching members (profit cannot be the main goal, striving to maximise profit should be limited), b. applying the principles of benefit distribution in accordance with the internal and external objectives of enterprises, c. defining the principles of stakeholder participation. The introduction of this form was preceded by a large public debate. The multitude of conditions necessary for the applicant company to meet and the complicated registration procedure meant that the number of registered social purpose enterprises was not large. In 2014, there were only 598 in Belgium. It was therefore considered that this solution did not work, and **in 2019 it was decided to liquidate the legal form of the social purpose enterprise.**

**6. Philanthropy and social investments:** recently, the development and recognition

of the social economy and social enterprises is supported by foundations and other philanthropic actors, both public and private. Their activities focus on helping in the establishment and early development of social enterprises, supporting the development of existing ones, financing research and scientific works in the field of social economy. They also implement other activities aimed at promoting the sector. Support from philanthropic organisations is part of the wider trend of moving away from grant-based charitable activities to supporting social investment generating specific benefits. This approach is also taken by the state, which supports the social impact bonds system.

**7. Business approach:** together with social investments, **the individual activity of social entrepreneurs** has been increasingly developed. In this approach, the key role is played by the individual (a social entrepreneur) and not the social enterprise as such. Therefore, support is directed directly to the social entrepreneur

and aims at his/her development. Belgian support structures for such initiatives are *Oksigen Lab*, *Poseco* and *Sociale*. Unlike a social enterprise, social entrepreneurship refers to the principles of general entrepreneurship focused on social innovation and social impact.

The history of social economy development described above is common to all of Belgium. However, one can distinguish some historical specificity of the social economy in each region.

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*In Flanders, social enterprises were historically identified with the integration of specific population groups. For this reason, regulations at the regional level, including support tools, refer to the mission of enterprises, including the employment of people from disadvantaged groups, rather than to their legal form. The support was gradually extended to other areas of activity, including in particular the provision of social services at the local level.*

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There is no single definition of social enterprises; There are several operating models for social enterprises in Belgium

**In Belgium, the concept of *social enterprise* is not regulated by law.** A public debate is currently underway on the organisational forms that a social enterprise can take. The specificity of his actions is also discussed. Regional differences are observed. **Currently, Flanders only has the definition of *social economy* understood as social entrepreneurship which can be developed through various organisational forms and within various sectors. Still, social economy is understood rather as a subset of the concept of social enterprise and social entrepreneurship.**

Three models of the functioning of social enterprises in Belgium can be distinguished. This classification concerns the method of operation and distribution of benefits resulting from the activity. It is not excluded from the typology according to the forms of activity, which was described in the previous part of the chapter, but rather clarifies it.

#### **Model 1.**

##### **An entrepreneurial approach in the pursuit of the general interest**

This model refers to the rich tradition of associations in Belgium. A substantial part of organisations (usually associations or foundations) carries out a public mission focused on general interest. These

organisations complement the activities of public authorities by **focusing activities on specific groups of recipients, often at a local level.**

There is a strong trend among these organisations to engage in economic activities. This is supported by legislation enabling these organisations to develop commercial activities, provided that they are subordinated to the social purpose. Public subsidies remain the main source of income for these organisations, although public policy in this area is evolving towards public contracts. This is by far the most common social enterprise model.

A significant **part of organisations involves volunteers** as supplementary to paid staff. The management structure is based on employees and volunteers or other stakeholders, but not on representatives of the recipients of the activities. Decisions are made democratically: one person - one vote.

#### **Model 2.**

##### **Combination of mutual and public interest**

The second model of social enterprise combines mutual interest (understood as the common interest of members) and the public interest. This model is implemented mainly by co-operatives and mutuals.

**Members of the organisation under this model benefit from the products or services provided by the organisation,** which is accompanied by wider benefits for local communities that go beyond the interests of members.

Management bodies are mainly composed of members, sometimes the composition of management structures is supplemented with other stakeholders. Formal decision making is democratic (one member-one vote). The source of income is mainly the sale of products or services on the market, which are supplemented with funds from public subsidies or grants. The model is gaining popularity, although it is still less widespread than the first one. Good examples can be found in the organic food, social finance and renewable energy industries.

### Model 3.

#### Combination of private and public interest

The third model results from the trend related to the development of social entrepreneurship, its networks and support structures. It is connected with its previous social mission with previous models, but it differs from them in several elements. Firstly, **the resources of the entities operating in this model are based on market revenues.** Secondly,

management is not a differentiator. These enterprises are often managed by the entrepreneur himself in cooperation with a board composed of experts (and not employees). Thirdly, the goals of such projects are a combination of social mission (social goal) and private goal (generating profits). Some vagueness of this model sometimes causes difficulties in establishing a clear border between market-oriented social enterprises and forms that implement wide-ranging corporate social responsibility activities. Good practices can be found in the organic food, social finance and fair trade sectors.

In addition, **reintegrating entities** operate in Belgium as part of the social economy system, dealing with broad support for the most excluded. They act as **protected and social workshops**. Their participants require constant support. They are usually people who are unable to function on the open labour market and require special conditions (e.g. adaptation of the place and work environment).



### Legal and institutional system of SE support

There is no single law in Belgium covering the social economy sector or social economy entities. Different regulations apply. They relate to the organisational forms in which enterprises can operate, as well as sectors of activity or types of social mission. The most regulated sector of activities of social enterprises is health protection and education.

Despite the high degree of regionalisation of the policy regarding social enterprises all

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*the legislation on the forms of operation of social enterprises (associations, foundations, cooperatives, mutuals or social purpose enterprises) is central - federal.*

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At the national level in 1999-2007, the relevant minister or secretary of state was responsible for the social economy, supported by an appropriate office, but

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*over time, most competences were transferred to regions, and public policy in the field of social economy became a regional issue. This was the result of general decentralisation of public policy in many areas.*

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In order to ensure the coherence of social economy development policy, the federal government signed agreements with regional governments in 2000 and 2005. These agreements provided funding for regions.

**In Flanders**, social economy, in particular social enterprises, is on the border of several areas of public policy: work, economy, science and innovation, although of course with an emphasis on the former. The Minister of Local and Supralocal Management, Civic Integration, Housing, Equal Opportunities and Poverty Reduction is responsible for it.

Support structures at the regional level are managed by the Department of Labour and Social Economy, which prepares data necessary to conduct public policy in this area.

It is worth pointing out the important place of social economy in **strategic programming at the regional level**. Every two years, the Flemish Government regularly indicates activities to be implemented in the field of social economy. **The plans for 2018-19 included support for employing people from disadvantaged groups and increasing their flexibility and mobility on the labour market, using the potential created by social economy in local communities, and supporting and promoting sustainable entrepreneurship.**

In the medium term (five years) directions are indicated for public policy in the scope of social economy.

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*Social economy is treated equally with the labour market policy,*

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which highlights its importance in strategic planning at the regional level. The latest document indicating the policy objectives for the sector for 2019-2024 **emphasises the need to revise support tools in terms of their adaptation to the specific, individual needs** of people from excluded groups, but also more broadly to the needs of social enterprises or local communities.

### Examples of key public policy instruments available to social enterprises in Belgium

In Belgium, there is a large range of public policy tools supporting companies or creating services. This applies to areas such as support for innovation, entrepreneurship, healthcare, social services, culture, education, etc.

Many of these instruments are available to social enterprises. **Some of them were of key importance for the development of the social economy sector.**

A notable example of this type of tool is **SINE (Social Integration Economy) which was transferred to regions in 2014.** Its goal is to support the employment of long-term unemployed people in various types of organisations, including social enterprises.

**Another example of a tool from this group is the voucher system,** which supports enterprises employing and integrating people from disadvantaged groups and aims to support legal jobs in the household

In practice, this should mean greater flexibility for the tools used.

It is worth pointing out that the Flemish government's activities in the field of social economy are subject to **regular monitoring and evaluation.** Every year, a detailed report is created summarising the activities targeted at the sector in a given period, indicating successes and failures.

services sector. Both examples are described in detail in the good practice section.

At this point, it is also worth mentioning tax and social security regulations that create incentives for social enterprises.

**Work integration enterprises can benefit from a reduced VAT rate** (6% instead of 21%) when they sell recycled or reused goods that have been freely collected (for example, clothing or electronic devices).

Enterprises integrating through work can also benefit from tax exemptions when they formally implement the asset lockout procedure, which prevents the use of the generated surplus for private purposes.

Another fiscal tool is the „Maribel Social” Fund, which provides tax exemptions and a reduction in social security contributions in non-market sectors such as healthcare, social services, etc.

### Program of social enterprise support in Flanders

There is a separate support program for social enterprises in Flanders. The assumption is to build their potential to

implement public contracts. This program consists of three decrees from 2013. The first decree is horizontal and defines

support tools targeted at the sector, the second clarifies the subjective scope of integration enterprises through work, and the third regulates the system of local services. The decrees are interrelated, thus creating a coherent structure.

**The first decree concerns support for social enterprises that go beyond social integration and local services.** The decree regulates

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*the inclusion of various types of organisations with a social purpose in the support system available to social enterprises.*

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**The purpose of this act is to optimise public support in terms of efficiency and effectiveness.** Under this decree, a Committee was established at the Flemish Socio-Economic Council to regulate the support program. The program consists of: **subsidies, loan and investment systems, consulting, support of innovation and corporate social responsibility, training courses,** etc.

The Program includes the Social Investment Fund, created in 2009. It provides beneficial loans to social enterprises. The Fund does not grant them directly, but grants "drawing rights" to accredited financial institutions, i.e. the right to grant loans on certain conditions. The loan amount can reach up to 350,000 euro. For beginner enterprises with high risk it is possible to obtain a micro loan up to the amount of 25,000 euro.

As part of the decree, there is also the Trividend Investment Fund, addressed to

new social enterprises and projects generating social value, but with high risk.

**Trividend works in two ways and acts as an intermediary.** On the one hand, it provides social enterprises with capital for specific investments that bring measurable social benefits. On the other hand, it obtains external financing for the implementation of these projects. The amount of financing ranges from 50 to 150 thousand euro. Financial resources come from investors, both public and private (individuals, companies, etc.). The investor becomes a social shareholder of the financed undertaking. The fund's activities should be considered as a form of support for social investments.

It is worth noting that the decree regulates **the support directly provided to social enterprises.** Enterprise federations and networks have limited ability to apply for them. Earlier this type of support was provided through intermediaries, mainly networks (in Flanders mainly through the VOSEC network), which distributed them further among social enterprises. Following the implementation of this decree, VOSEC lost social enterprise support grants. According to the decree, support was provided directly through government agencies. Therefore, there was a departure from the support system based on self-organisation of the environment of social enterprises towards a system based on public institutions or contractors acting on their behalf.

Under the support program regulated by the decree, other activities are also financed: promotion of social

entrepreneurship, refresher courses, and knowledge dissemination networks.

**The second decree of 2013 regulates the integration sector through work. The purpose of this act is to provide support to a broader group of enterprises that carry out integration activities through work. Therefore, it is not limited to social enterprises only.**

Enterprises with institutionalised social inclusion objectives are required to implement a non-profit or social purpose enterprise formula and employ min. 65% of people from disadvantaged groups (min. 20 people), i.e. people with disabilities, people in mental and life crisis, the poor. In the case of a conventional enterprise that integrates people from disadvantaged groups through work, an obligation has been introduced to create a separate department in the company dedicated to supporting these people (min. 5 people from disadvantaged groups).

**The third decree of 2013 focuses on the local service economy, i.e. services that are provided at home (cleaning, gardening, occasional childcare) or in the neighbourhood/immediate vicinity (e.g. childcare or elderly care organised at neighbourhood levels). These services are provided by people from disadvantaged groups who are employed by social enterprises.**

The Flemish Government also:

- I. announces grants for consulting services for social enterprises;
- II. carries out investments for the infrastructure of protected workshops;

- III. supports local authorities in developing public policy in the field of social economy and corporate social responsibility;
- IV. supports innovative activities through calls for innovative activities and start-ups.

Support for social enterprises is also carried out through European funds, in particular the European Social Fund (ESF). In Flanders, the ESF is managed by a specialised body that announces competitions and manages funds. It is worth noting that support from the ESF is integrated with other activities of the Flemish Government that are targeted at the social economy sector.

### Public procurement in Flanders

Currently, public procurement is of key importance for the development of the social economy sector. **Public procurement law is federal, but its implementation has been entrusted to regions.** In Belgium, it is possible to use social, environmental and ethical clauses in public procurement. In some cases, contracts may be reserved for a certain type of organisation, which puts enterprises that employ and integrate people from disadvantaged groups in a favourable position.

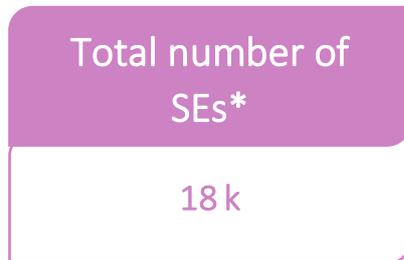
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*There is a Flemish Action Plan for Ethical Public Procurement in Flanders, coordinated at regional level. Regional authorities support implementation of these provisions through advocacy and pilot projects*

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Public contracts are awarded by public authorities at various levels. The application of social, ethical or environmental clauses is monitored under a specially built system. Advice is also provided to local authorities, supporting them in conducting proceedings using appropriate clauses. Importantly, public

procurement at local level is seen as the main mechanism for the development of the social economy and social enterprises in Flanders. The shift in focus from subsidy support to social enterprises to building capacity to implement contracts with the public sector is clearly seen in regional public policy.



The subject structure of social enterprises is as follows:

- associations: 334,945 jobs (90.1%)
- foundations: 8,922 jobs (2.4%)
- co-operatives and social purpose enterprises - 14,126 jobs (3.8%)
- mutuels: 13 383 jobs (3.6%).



There are also strong networks and federations in **Belgium**, bringing together various types of social enterprises. Their tasks focus on representing the interests of their members in various forums, providing support and services. The networks support cooperation between members and also mediate in contacts with other institutions. Networks can be organised around a specific organisational form, sector of activity or a combination of form of activity and sector. They can also include many organisational forms and many sectors (transverse and umbrella networks).



In Flanders, the VOSEC network existed until 2013. After passing the 2013 decrees, this umbrella organisation was abolished, and in its place the Flemish government set up a social enterprise support program (described above).



Consultations between the Flemish Government and social enterprise networks take place within the Social and Economic Council, which is an advisory and consultative body on social and economic issues for the Flemish Government.

\* Data for 2014 (Concert-ES and the University of Liège).



## Main success factors of the system in Belgium - summary



**Long history of social economy** – a well-established sector of associations and co-operatives, which has been undergoing a process of transformation since 1980 to increase the significance of social mission and activities of general interest implemented as part of economic activity. The rich history and tradition is also associated with high recognition of the social economy sector.



**Diversity of forms of operation of social economy entities** – emphasis on social mission. The possibility of functioning in the area of social economy under various models.



**Social economy is an important element of the work of the regional government** - public policy towards the sector is planned in the short and medium term. A unit coordinating support at regional level has been established. Strategic documents in the field of social economy development are regularly developed and evaluated.



**Coherent regional support program** - based on a wide catalog of tools available for social enterprises. This applies to tools available to a wider range of organisations as well as activities focused solely on social enterprises.



**Strong networks and federations of social enterprises created on the basis of sectors of activity or organisational form** - play an important advocacy role for the benefit of their members, representing their interests in consultative bodies in various forums. They also provide services or mediate in cooperation between members and stakeholders.



**Clear trend of moving away from subsidy support in favour of ethical public procurement** - at the regional level, the Flemish Action Plan for Ethical Public Procurement was created, giving the possibility of extensive use of social, environmental and ethical provisions. Importantly, the document is supported by dissemination activities carried out at the regional level, which helps local governments in the implementation of relevant activities, often providing support and advice.



### Support vouchers

**The voucher system** was introduced in 2001 at the federal level and was aimed at developing jobs in the household services sector. Since 2015, it has been managed and supervised at the regional level.

The purpose of the system is **to create new jobs for people with low qualifications, to provide incentives** for transforming undeclared work (in the gray area) into regular and legal employment, offering the possibility for the unemployed to obtain regulated employee status, and to support the balance between work and family obligations through outsourcing of some household services.

Support affects the supply and demand for social services. Works through a system of vouchers (coupons). The client (voucher user) reports to accredited intermediaries who provide him with specific contractors to perform the ordered service. The client signs a contract with the broker instead of the service contractor. For each coupon received by the company from the end user, the contractor receives a payment of EUR 22.04 (data for 2013). This amount consists of the price paid by the user (EUR 8.5 or 9.5) and subsidies from regions (EUR 13.54 or 12.54). What's more, everyone who wants to use this type of service buys a voucher and can count on a tax reduction on this account. In Flanders, this reduction amounts to 30% of the coupon value, but is limited to EUR 1,400 per person per year. One coupon entitles you to 1 hour of service. The contractor is employed by an accredited broker. After 3 months of fixed-term work, the company must offer contractors an indefinite contract

In addition, employers can also receive training support through the Federal Training Fund (financed up to EUR 7.6 million per year). They are also entitled to other regular employment support for low-skilled workers, long-term unemployed etc.

The coupon system can be used by for-profit and non-profit organisations. In 2013, 2,577 companies operated in the system. They included:

- Commercial entities (49%);
- Private employment agencies (1%);
- Adaptation companies (special form of sheltered employment) (4%);
- Nonprofit organisations (11%);
- Local authorities and local entities (11%);
- ALE (special employment system for the long-term unemployed) (10%);
- Natural persons (13%).

The system is characterised by open competition. All companies can apply for accreditation.

The voucher system has significantly contributed to the increase in the size of the social economy sector. Only in the first 4 years of operation it contributed to the creation of approximately 80,000 new jobs in Belgium (net). It should be noted that only part of the vouchers were used in the social economy sector. For example, in 2013, 149,782 employees were employed in the voucher system, which is 97,156 full-time employees. A significant proportion of these employees (around 35%) were unemployed before entering the system. In addition, some characteristics of system employees can be indicated:

- Contractors/employees are mainly women (97.4%);
- About 50% of employees are over 40 years old, and 23% are over 50 years old;
- 54% of employees are low-skilled and 4% are highly qualified;
- About 70% of employees have Belgian nationality and 20% of employees are from EU-27.

Moreover, the voucher system indirectly created 4,595 additional management jobs in companies in 2013, representing 3,152 full-time positions. These employees are employed to administer employees/contractors. On average, one administrative employee employs 33 employees of service coupons. Evaluation studies of the system show that it allows users of vouchers (principals) to spend more time on professional work, and even return to it after a break. In fact, 10.6% of users have declared that they are able to increase their working time or employability by delegating certain tasks with service coupons instead of spending time doing housework. Finally, 10.8% of users declared that without service coupons they would be required to shorten their professional work time for household chores. For users who have declared that thanks to the system they can stay at work longer, the growth seems to be significant. According to 60% of these users, service coupons allow them to spend at least 1 additional day on their work. Service coupons also seem to have a significant impact on the hours worked by their life partners. Considering all users (and their partners), it was estimated that the total number of additional work days was 5 million, which is 23,000 additional full-time jobs.

More information:

<http://impact-phs.eu/national-practices/belgium-the-service-voucher-system/>

## SINE (Social Integration Economy)

- **SINE (Social Integration Economy)**. It is an employment program **targeted at hard-to-hire employees and people with the right to a living wage** (this issue is governed by separate legislation). These people are employed in enterprises prepared for this, which specialise in employing and supporting people from groups at risk of long-term unemployment, social exclusion, or who have difficulties in navigating on the labour market. The program aims to support the employment of long-term unemployed people in many types of organisations, including social enterprises.

The support mechanism is based on a reduction in social security contributions (up to EUR 1,000 per quarter) and the so-called co-financing labour costs, constituting the financial compensation of part of the remuneration (up to EUR 500 per month), granted by the National Employment Office to enterprises which employ persons authorised to use this tool. Organisations applying to the system must prove that they meet certain criteria. The system does not focus only on social enterprises. Many organisations using the system are local public centres of social activity (CPAS/OCMW). The tool therefore has a broader scope.

The ultimate goal of the program is that after a certain period of employment in enterprises covered by the system, during which eligible persons gain professional experience and new skills, they can return to the open labour market. However, the system assumes some deviations from this rule, recognising that return to the open labour market is not possible for all entitled persons.

Currently, a system reform is planned to make the tool more flexible, allowing it to be better adapted to the individual needs of disadvantaged employees.

More information:

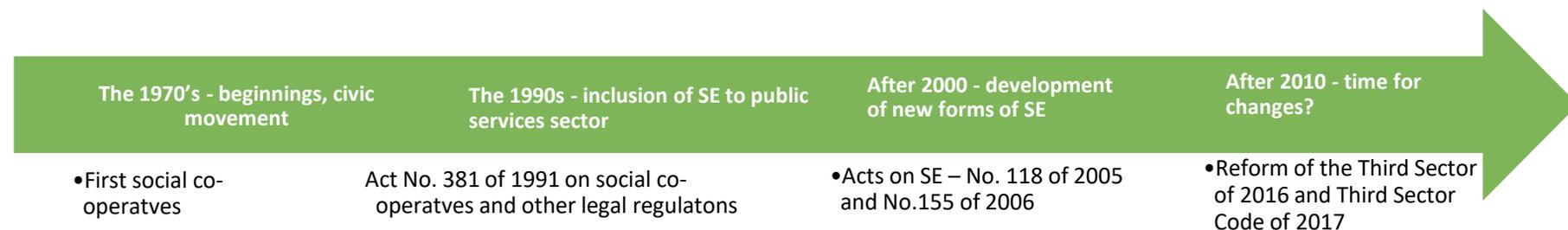
<https://eminnetwork.files.wordpress.com/2013/04/emin-belgium-2013-report.pdf>

## ITALY – Emilia Romagna

- The first Italian social enterprises were created as a result of grassroots actions of citizens who decided to provide important services to those in need due to state failure.
- Over time, throughout the country, social co-operatives entered into partnership with local authorities and began to provide social services on their behalf. Currently, they help around 5 million people and achieve an annual turnover of 10 billion euros.
- The Italian social enterprise environment creates the support structure foundations for itself.
- Public authorities, including regional ones, focus primarily on creating regulations conducive to the development of social enterprises and they strengthen the partnership between them and local authorities. This happens, among others by promoting social clauses in tenders and using collaboration tools to create services.
- Regional authorities also provide some direct support tools (e.g. loan funds and grant programs).



## SE history in Italy



**The 1970s**- the end of the decade, as a result of grassroots actions of citizens, the first social enterprises appear. On the one hand, they are a response to new social problems caused by the oil crisis (unemployment, addictions, homelessness), and on the other, to the inability of the state to provide adequate public services, not only in terms of new challenges, but also in other areas, e.g. in long-

term care. This type of function was also not performed by the NGOs, which were underdeveloped in Italy. In response to this gap, the engaged citizens establish a new type of co-operative- social cooperatives. They run their business not so much in the narrow interest of their members as to improve the situation of wider groups in need.

**The 1990s** - At the beginning of this period, social co-operatives were legalised and the framework of their activity was defined, thereby introducing social enterprises to the legal order (Act No. 381 of 1991). At the same time, the state monopoly on the provision of social services, which had been in force since the 19th century, was abolished and local authorities were allowed to outsource public services to private entities (judgment of the Constitutional Court of 1988 and Acts No. 142 and 241 of 1990). These regulations led to an increase in the scale of public procurement and intensive development of social co-operatives.

**Period after 2000**- Traditional associations and foundations are also beginning to develop their business activities on an increasing scale. As a result, in the years 2005-2006 the Act on Social enterprises was introduced. The new law defines what conditions must be met by an entity to be recognised as a social enterprise, without imposing organisational form. This means that from now on you can create social companies without having to use the form of a social co-operative.

**Period after 2010**- With the crisis of public finances, there was a reflection that SEs became too addicted to public procurement, losing the ability to diagnose new social needs and introduce innovative solutions. In years 2016-17, reforms were adopted, which main goal is to harmonise the regulations for the entire third sector, but in relation to social enterprises; they introduce several solutions that can help to respond to these challenges, among others: SE was allowed a limited distribution of profit (in order to

attract investors), possible areas of activity of social enterprises have been expanded, co-creation of services together with public authorities is promoted (so-called *co-designing*).



## SE definition

SE is any entity that:

- \* Is a private entity;
- \* Conducts regular business activities but pursues a public benefit purpose rather than generating profit;
- \* Can make profits, but only in part they can be paid out to its members, owners or investors. Most must be reinvested in the SE;
- \* Must be managed in a transparent and responsible manner and favour the greatest possible participation of employees, recipients and other stakeholders in decision making;

Although the concept of social economy in Italy is of course known, for the purposes of social policies and legislation they rather use a related term of the third sector. **On the other hand, the notion of social enterprise is well defined, also in law.**

Act 118 of 2005 and Legislative Decree 155 of 2006 define social enterprises through selected criteria that must be met in order for a given entity to be considered a social enterprise.

Such entity must, inter alia, **conduct business activities for the social interest, and its profits and assets cannot be distributed among members or shareholders.** Subsequent regulations of 2016 and 2017 (the so-called Reform and the Third Sector Code) soften these provisions by allowing a limited distribution of profit (see textbox).

**The law in Italy does not impose the organisational form in which social enterprises can operate.** As a result, in addition to social co-operatives, they also function in the form of associations, foundations, mutual societies, limited liability companies and joint-stock companies.

## Social co-operatives

There are 2 main types of social co-operatives in Italy:

**Co-operatives type A** - providing social, health and educational services;

**Co-operatives type B** - which integrate people in a particularly difficult situation on the labour market (they must constitute at least 30% of employees).

Additionally, mixed co-operatives combining type A and B activities are possible.

It is worth remembering that in Italy, **social co-operatives were the first, legally regulated form of social enterprises although other name was used.**

Act No. 381 of 1991 regards as social those co-operatives that pursue the general public interest through:

- Providing social, health or educational services; and
- All kinds of activities leading to the employment of people marginalised on the labour market.

The Act also imposes restrictions on social co-operatives in terms of distribution of profit as well as a ban on the distribution of assets. In contrast, democratic management mechanisms are the essence of the operation of each type of co-operative.

Subsequent regulations do not change the law on social co-operatives but recognise them directly as social enterprises (Act No. 381 of 1991 is still in force).



## SE support system in Italy

Looking at the Italian support system for SE, one cannot help feeling that its shape is the outcome of the historical formation of Italian SEs.

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*Social enterprises in Italy arose from the bottom-up without the interference of public authorities. They took the form of co-operatives, taking advantage of the long tradition of the Italian co-operative movement as well as the support offered by associations of traditional co-operatives.*

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Admittedly, public authorities were of key importance for the development of the sector, but mainly through contracting public services (to this day they are the main customer of SE in Italy). Considering the above, it is understandable that the basic support structures for SE in Italy operate within the co-operative movement and within the framework of social co-operative network organisations.

However, the main task of public authorities, including regional ones, is regulation- creating a legal framework for the operation of the SE sector and introducing mechanisms conducive to the creation and development of SE. It is worth adding that participatory regulation-making mechanisms work well in Italy. The practice of including the social side, including SE, to work at the stage of creating regulations, and not only to consult ready entries, is common at both the national and regional levels. To this

end, smaller or larger working groups (so-called 'tables' or 'round tables') are established, which, depending on the complexity and extent of regulation, can operate at many levels (e.g. local, regional, national) and concern different themes.

All that has been said above does not mean that public authorities do not have tools to directly support social companies. Public guarantee and loan funds for SE as well as various types of grant programs (usually multi-annual) are available at both the national and regional level.

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*On the other hand, it is significant that there were no public institutions at both national and regional level that would specialise in supporting social enterprises.*

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### NETWORK ORGANISATIONS

Within the SE environment and more broadly within the entire co-operative movement, there are two basic types of structures providing SE support: co-operative federations and consortia of social co-operatives.

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*Consortia of social co-operatives - These are associations of social co-operatives, operating at all levels: local, regional and even national.*

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Usually, higher-level consortia combine not so much individual co-operatives as consortia operating at a lower level. They are established primarily to increase the

economic potential of the co-operative by using economies of scale effect and differentiation of services. Therefore, most consortia act as a general contractor, offering small entities access to large contracts.

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*Consortia play an important role in developing new services (including innovative ones) and creating new co-operatives that consortia appoint to provide.*

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In addition, apart from direct business activity which seems to be equally engaging, they intensively support their members. Assistance concerns both internal issues (training services, technical and administrative assistance, transfer of knowledge and information, etc.) and external issues (development planning, project coordination, support in tenders). Some consortia also assume the role of guarantor in relations with banks, which allows smaller co-operatives to obtain a loan.

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*Federations of co-operatives - These are organisations performing the role of political representation and advocacy for the co-operative movement.*

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The largest of them, **Confcooperative** and **Legacoop**, already in the 1970s supported the first initiatives aimed at creating social co-operatives, and then encouraged their consolidation (the first consortia in Lombardy arose at the instigation of the federation). Federations played a large role in the adoption of the law on social co-operatives in 1991 and further retain significant influence on the legislation

regarding the SE sector. Over time, both organisations established separate units dedicated to social co-operatives, they are respectively: **Federsolidarietà** and **Legacoopsociali**.

Both federations have their mutual funds from which loans to member organisations are paid out (funds come from the profits of associated co-operatives which donate 3% of their income for this purpose).

At the regional level, federations develop various types of services for co-operatives (including social ones). Examples of the Emilia Romagna region include:

- **Demetra Formazione** and **Irecoop Emilia Romagna**- training institutions established to educate employees of associated co-operatives;
- **CoopUpIn** and **Innovacoop**- initiatives supporting co-operative innovation and internationalisation through research and technology transfer;
- **CoopUp** and **Coopstartup**- SE incubators that direct their activities primarily to young people.

## **PUBLIC AUTHORITIES**

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*Central authorities have primarily the role of the regulator.*

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In addition to the previously mentioned legal acts, which are the basis for the operation of SE, it is worth mentioning a few detailed regulations favourable to SEs:

- Preferential contracting of services in SEs employing at least 30% of people in a difficult situation on the

labour market (provided that the contract does not exceed EUR 200,000);

- Exemptions from insurance premiums for employees in difficult situations (as long as they are employed in a SE that integrates with the labour market);
- Exempting a SE from profit tax if it is fully invested in the company's development;
- Possibility of obtaining financing for SE through crowdfunding platforms;
- Tax credits or deductions from income, in the amount of 30% of the amounts invested by natural and legal persons in the share capital of SE.

As far as the direct support for SE is concerned firstly there should be mentioned the launch of the Guarantee and Credit Fund for Social Economy which provides subsidised loans for investment in and development of SE.

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*Regional authorities in Italy have a lot of autonomy, including the issuing of legal acts. However, in practice they do not use it to create extensive SE support systems.*

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(probably due to financial constraints and the extensive self-organisation of the sector described above). The most commonly used support tools include subsidy programs for SE, launched under Regional Operational Programs (ROP). Regions also have the option of providing similar assistance from their own resources

but this is not very common (see the description of good practices to find an example of such a program from the Province of Trento). Another common form of support is advising local authorities and SE on public procurement and the use of social provisions, and recently the so-called co-design of services (more on this in the description of good practices). Some regions are launching their own guarantee and loan funds for social enterprises (e.g. Piedmont, Lombardy). It should be emphasised, however, that none of the described forms of support is compulsory or universal- regions are free to decide whether, and to what extent, they support SE.

This is highlighted by the example of the **Emilia Romagna region** we are analysing, one of the most developed in terms of social entrepreneurship and known for being favourable to the third sector. As part of the study, we identified the following forms of SE support occurring in the region:

**Law regulations** - Together with Law No. 17 of 2005, the region introduced an interesting solution supporting employment of people with disabilities (DP). This law allows employers who, under national laws and under pain of a fine, are obliged to employ up to 7% of DPs to partially alleviate this obligation. They have the option of commissioning additional services to social co-operatives that will employ DPs for their implementation. By the end of 2017, 262 agreements between companies and 30 social co-operatives were signed in the region under this law,

424 employees were employed, and the co-operatives' turnover was close to EUR 7 million (for more information, see good practices).

**Support programs** – Until recently, as part of the Regional Operational Program for 2014-20, there was no support module dedicated to SE (although they could apply for subsidies as support for the SME sector). It wasn't until December 2019 that a competition was announced for training projects supporting managers in social enterprises. The further activities financed from the funds of the Regional Operational Program 2014-20 are to include:

- **Developing evaluation criteria for bids in public tenders** in terms of the social added value they create (which is to help social enterprises compete with private entities);
- **Establishing innovation cluster for social enterprises** (environments for collaboration between social enterprises and innovative companies, universities, etc.).

Activities are to be continued in the future financial perspective and from the funds of the regional development agency ERVET. The region also runs a subsidy program from its own funds, supporting the creation of new social enterprises through training of future entrepreneurs and projects promoting internationalisation and the creation of innovations in the social economy sector.

**Advising**- The Region, through its ERVET development agency, in cooperation with local authorities and third sector entities

(including SE), has developed a Guide to co-creating social services. It aims to promote the use of cooperation tools between public administration and the third sector. It covers both the description of good practices and the characteristics of administrative procedures adopted for the purposes of co-creating services. The guidelines contained in the guide have been tested in four metropolitan areas in the Emilia Romagna region.

**Research** – The ERVET regional development agency has been conducting research activities in 2011 in the area of social economy and- more broadly- sustainable development. Some of the activities directly concern the examination of the condition of SE functioning in the region. In addition, the region together with the regional division of Unioncamere (association of chambers of commerce) and the Third Sector Forum (a nationwide advocacy organisation for the third sector) have signed an agreement to establish a regional social economy observatory (work on its launch is still ongoing).

## RESEARCH INSTITUTIONS

Also throughout the country, the issue of researching the social economy sector occupies a large group of researchers. In Italy there are three research centres focused in this area: **Iris Network** (network of scientists and research institutes for social enterprises), the **European Research Institute for Co-operatives and Social Enterprises (Euricse)** and **Italian Association for the Promotion of the**

### **Culture of Cooperation and Non-Profit Organisations (AICCON).**

Statistical data about the sector is provided by the National Statistical Institute (ISTAT). It runs the "Census of Production and Services" containing, inter alia, information about SE. Unioncamere also collects data on SEs recognised by law, including their turnover. It can be said that Italian SEs are well studied. Both official statistics and the multitude of research projects contribute to high visibility of the sector. They also

help clarify the importance of social enterprises for the Italian economy and social life. Finally, they are used by the SE environment itself to reflect on their own condition and possible directions of change.



## In Italy, the SE sector is very well developed

**25 900\***  
**Social Enterprises**

**530 000**  
**Employees**

**30 500**  
**Employees from marginalised groups**

**10,3 bn euro**  
**Turnover**

**5 m**  
**Beneficiaries**

*\*Data refer to all types of social enterprises, in other textboxes data only on social co-operatives and "ex-lege" social enterprises.*

*\*\*Data for "legal" forms of SE come from 2016 (Ministry of Labour and Social Policy), while for associations and foundations - from 2011 (Nonprofit Census, ISTAT).*

Legislative Decree No. 155 of 2006 gives various organisations the option of obtaining the status of a social enterprise. In practice, however, few entities apply for such an official recognition (at least until recently as this status brought too little benefit compared to the administrative red tape). For this reason, the estimates of the social enterprise sector in Italy take into account both entities recognised as social enterprises by law and those which, neither being social co-operatives nor having the status of a social enterprise, in practice meet all of its criteria. They must also employ at least one employee and at least 50% of their income must result from income-generating activities.

Given the above assumptions, it can be said that in Italy there are about 25.9 thousand SEs, and in this number:

- 12,570 social co-operatives;
- 1,367 social enterprises „ex lege”, including limited liability companies, public limited liability (joint stock) companies, mutual societies and social co-operatives);
- 11,940 foundations and associations.

**SOCIAL CO-OPERATIVES AND SE „EX-LEGE”**-employ around 530 thousand employees, of which about 30.5 thousand are people in a difficult situation on the labour market. They also engage approx. 45,000 volunteers, and with their services reach about 5 million recipients. Social co-operatives have an annual turnover of around EUR 10 billion, and social enterprises “ex-lege” EUR 314 million.\*\*

**The number of active consortia of social cooperatives is estimated at around 400.**



## Main factors of the social enterprises success in Italy



### Social enterprises are established as a result of citizens' engagement

Italian social enterprises emerge from grassroots, without the participation of planned state action. The citizens' energy, their ability to self-organise and self-help are important factors that that enliven the sector.



### Strong networks of cooperation of social co-operatives

Co-operatives establish efficient consortia that significantly increase their economic potential (facilitate the application of the economies of scale, diversifying services, reaching for big contracts). They also create support networks by developing various services for their members. Simultaneously, the consortia are structures within which new social co-operatives arise.



### Own, influential political representation

Federations of co-operatives played historically an important role in the development and institutionalisation of social co-operatives, and they still substantially influence the legislation concerning the sector of social enterprises. They play an important role in elaborating regulations of social provisions, also on regional level. Additionally, they develop support tools for their members, including Mutual Funds.



### Partnership relations with local governments

Social enterprises are the main partner of local government authorities in public services implementation, especially social and health ones. Due to the development of social co-operatives and opening the way for contracting public services to private entities there took place a huge progress in their accessibility, also in those areas where were present only to a small extent before.



### Healthy economic grounds

Italian social enterprises live mainly, namely in as much as 90%, from the sales of services and products. Social co-operatives and social enterprises „ex-lege” reach the annual turnover of 10 mld EUR.



### Strong drive to fulfil a social mission and ability to self-reflection

In the environment of Italian social enterprises there is still vivid the ethos of first co-operatives and the mission of helping those in need. Through the prism of that mission, the community delivers a regular reflection on its condition. An example here is explicitly voiced need for the change of the model of conduct in the face of the public finances crisis. Italian social enterprises want to respond, inter alia, with development of household services while still taking care of their affordability.



## CO-DESIGN OF SERVICES

**Co-design of services** (It. *co-progettazione*) is a new model of cooperation between public administration and third sector entities (including social enterprises).

In the last two decades, the most common model of relations between self-governments and social economy entities (in Italy, they are rather referred to as third sector entities) was the purchase of services through competitive tenders. However, it has been noticed that this market approach has many disadvantages, including its leading to harmful price competition between SEs, which reflects on the quality of services and hinders the conduct of innovative and experimental interventions. In the very environment of social economy entities, there was also a reflection that this strong orientation towards obtaining a public contract and the implementation of services with certain predefined parameters, distances them from the communities they are to serve - social economy entities lose their ability to diagnose social needs and to introduce innovative solutions.

As a result, there has recently been a tendency in Italy to apply solutions that promote cooperation between (various) social economy entities and public administration. The path to this was opened wide by the so-called Third Sector Code which in Article 55 promotes the use of so-called tools for cooperation between the public sector and social economy entities.

One of such tools is **co-design of services**. Instead of selecting one bidder, public authorities form a team of partners which first diagnoses needs and maps resources, then designs or modifies services, and then implements them. For this formula to work, it is necessary to adhere to several rules:

- Partner **recruitment mechanisms** must be **transparent** (open invitation to tender, clear selection criteria);
- **Diagnosis of needs** or development of a service formula cannot be dominated by public administration, it must be the **action of many partners**;
- **Process of designing the service cannot be separated from its implementation**, i.e. the effects of design work cannot be the subject of an open tender afterwards, as partners would lose motivation to participate in the entire process and to share knowledge and ideas.

In Italy, cooperation tools are used by more and more local governments (among others Brescia, Bologna, Trento). It seems that their popularity will increase over time, because there is a favourable social climate for them. Because these tools are most widely used at the local level, an important role of the regions here is to promote, advise and train local authorities/entities of social economy, as well as analyse and propose appropriate legal solutions under which such activities may take place. This is a very important function,

because such cooperation is difficult in principle, and it also requires breaking the existing patterns of conduct.

The analysis of the approach, which assumes a broad partnership, highlights several of its significant advantages over the competition-based model:

- **It favours innovation** – such interventions are undertaken that were never undertaken before, because no one thought about them or they were not possible in the absence of joint action of the partners. Existing services are also renewed and improved;
- **It is conducive to creating a support system**- cooperation between various partners has a chance to consolidate, create social and institutional capital in a given area;
- **It helps to overcome sectoral limits**- by engaging appropriately diverse partners, it is possible to create integrated services covering various dimensions: e.g. health, housing, care for the elderly.

It is worth adding here that a similar solution in Poland was developed under the *Model of social services contracting*- a project implemented with the participation of the European Social Fund in the perspective of 2007-14. One of the proposed models of ordering services here is the so-called co-operative problem solving:

<http://www.zlecaniezadan.pl/informacje/partnerstwo>

## PROVINCE OF TRENTO: INTERVENTO 18

**Intervento 18** program (initially under a different name) was launched by the **Province of Trento** in 2012 and continues to this day. It aims to support the employment of people in a difficult situation on the labour market, especially people with disabilities in social co-operatives and other enterprises that are socially responsible and guarantee good jobs. The program consists of several elements:

- **Vouchers** that cover the costs of adjusting the workplace and support of the work coach. Vouchers are awarded to a person in need who carries them out in one of the companies accredited by the region;
- **Subsidies for integrated combining projects**: trainings conducted during internships with the agency of work in the scope of getting a fixed-term job, and then support in the transition to stable employment: psychological help, training, consulting, etc.;
- **Support module for social enterprises** implementing the first two elements. The support includes: employee training, consulting in the field of organisation and development of enterprises, assistance in social marketing and sector research, support in creating and strategic planning of consortiums of social enterprises.

Program evaluations show that it generates savings for public finances of around 6,000 EUR per employee (estimate includes a reduction in social and health care costs). They also emphasise that its success is determined by good cooperation between social enterprises and the public sector.

More info: <https://www.agenzialavoro.tn.it/Schede-informative/Interventi-per-lavoratori-svantaggiati-disabili-in-cooperative-sociali-Intervento-18>

#### PROVINCE OF EMILIA ROMAGNA: REGIONAL LAW NO. 17/2005

Regional Law No. 17/2005 *On the promotion of employment, quality, safety and stability of work*, was adopted in the context of national law (68/1999), which **imposes on employers mandatory amounts of employment of persons with disabilities (DP)**. Employers with more than 50 employees must have at least 7% of employees with disabilities, smaller organisations (from 15 employees), from 1 to 2 such employees. Failure to comply with this obligation, as in Poland, is associated with criminal charges. In practice, many employers, especially larger ones, do not employ adequate amounts of DPs, exposing themselves to severe financial penalties.

The regional law discussed here creates the opportunity to alleviate this problem. **Under agreements with social co-operatives, employers can be dismissed up to 30% of the amount of mandatory employment of DPs, provided that they outsource certain services to social co-operatives that employ DPs to perform them.** The order value is calculated as the equivalent of the cost of employing one employee by the enterprise (or of course a multiple thereof).

Initially, implementation of the regulations was slow, but after signing agreements between co-operative federations and employers' organisations, it accelerated significantly. According to data from 2017, 262 co-operation agreements have been signed in the region, covering 30 co-operatives and employing 424 people with severe disabilities. Thanks to the contracts, co-operatives generated a turnover of EUR 6.9 million. The services they offered to the company consisted primarily of: cleaning, maintaining greenery, entering data, activity in social media and administrative work.

It should be noted that a similar legal solution exists in Poland. Employers in our country can get a reduction in the mandatory payments to PFRON, provided that they purchase goods or services from entities employing at least 25 employees, of which at least 30% are people with severe or moderate disabilities. In the latter case, they must be persons with a mental illness, mental disability, comprehensive developmental disorder, epilepsy or blind people. Discounts are calculated on a monthly basis and may amount to up to 50% of the obligatory

payment. According to PFRON reporting, in December 2019 7494 employers benefited from such a reduction from the total number of 23 207 entities obliged to pay fees.

In the context of Polish social enterprises, an important barrier to the use of this regulation may be the requirement to employ 25 employees and 30% of DP. In many cases, these are too small entities to fit within the impact of this law (to a lesser extent, some integration entities, e.g. ZAZ). It should be emphasized that in the Emilia Romagna region, social co-operatives first sign contracts with employers, and then employ DPs to implement them. It is therefore a different, detailed mechanism of intervention as compared with the Polish case.