



The State of Social Entrepreneurship - Executive Summary Country Reports



About SEFORIS: Social Enterprise as FORce for more Inclusive and Innovative Societies

SEFORIS is a flagship multi-disciplinary, multi-method international research project on social enterprise funded by the European Commission. Through the generation of robust evidence and internationally leading research, SEFORIS aims to better understand the role that social enterprises play in the EU and beyond in the development and evolutions of inclusive and innovative societies.

SEFORIS will investigate key processes through which social enterprises deliver inclusion and innovation (spanning a range of domains, from organisation and governance, over financing and innovation to behavioural change) as well as the contexts in which social enterprises thrive. In terms of methodology, we will start from policy and social enterprise practitioner questions and challenges together with critically scrutinising existing academic literature. We use this first step to develop theoretical frameworks that then serve as a basis for thinking systematically about innovation and inclusion processes in context. This is followed by field and lab experimentation with social enterprises and in-depth case studies to expand and enrich our understanding of social enterprises. Unique longitudinal survey data will be collected across 9 distinct countries to test new (and at times counterintuitive) hypotheses to reach novel insights and generalizable conclusions. We engage policy makers and social enterprises throughout the research process to ensure that our research is relevant for them and can inform their practice.

The SEFORIS partnership

SEFORIS is a consortium of 12 organisations from 10 countries including Belgium, China, Germany, Hungary, Portugal, Romania, Russia, Spain, Sweden, and the UK.

Academic partners and research institutes:

KU Leuven (Belgium), Hertie School of Governance (Germany), Autonomous University of Barcelona (UAB, Spain), University of Aveiro (Portugal), Centre for Economic and Financial Research (CEFIR, Russia), Stockholm School of Economics (Sweden), Aston Business School (United Kingdom)

Social entrepreneur support and financing organisations

Oksigen Lab (Belgium), i-propeller (Belgium), Non-Profit Incubator (NPI, China), Nonprofit Enterprise and Self-sustainability Team (NESsT, Hungary & Romania), and The Foundation for Social Entrepreneurs - UnLtd (United Kingdom)

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1. Belgium - Executive Summary

Belgium is facing societal challenges – poverty and social exclusion, the aging of the population, youth unemployment, environmental issues like air quality and renewable energy – in a (post-) financial and economic crisis period and high sovereign debt.

Some percentages demonstrate the importance of these societal challenges:

- 15% of the Belgian population lives in poverty. 20% struggle every month to make ends meet and many more *feel* poor.
- Between 2011 and 2060 spending on pensions would increase by 4,6% of GDP.
- Unemployment hits disproportionately Belgian youth (their unemployment rate in 2013 was 23,1%) and immigrant population.

Societal innovation and social entrepreneurship have definitively an important complementary role to play in our economy and society at large in tackling these major societal challenges. Pursuing social goals in an entrepreneurial way, combining societal and economic progress, grow a “shared value” economy which contributes positively to society and its challenges.

This Belgian SEFORIS country reports highlights below 10 remarkable questions, findings, topics of debate to illustrate the current status of social entrepreneurship. Therefore some literature and desk research, interaction with stakeholders took place.

1. Awareness about social entrepreneurship is rising

Despite the lack of a common definition and understanding of the concept of social entrepreneurship, several initiatives (receiving attention from media) demonstrate more interest for this topic: the launch of dedicated platforms for networking, training in the academic world; new dedicated financing players; ..

2. Majority of social enterprise population is not brand new

A recent study shows that 75% of a representative sample of social enterprises exists over more than 10 years. There is also the suggestion of some renewal in the sector but at a lower rate than in other EU countries surveyed (Spain, Hungary, Sweden, Romania and UK).

3. Large diversity of sectors and activities in which social enterprises are active – reflecting societal needs?

Several activities per social enterprise (in average 3,3 per organization). Most popular sector is “business activities” including building maintenance, marketing and communication, recruitment & outplacement etc. The proportion of social enterprises active in the area of education, health and social work is quite low. Given high youth unemployment this current low activity rate of social enterprises in education can be considered as a potential future area of growth?

4. Shift taking place towards (even) more market-orientation

Already 56% of annual revenues on average were generated from selling products or services on the market. During these recent interviews the trend popped up of social enterprises proactively searching for new revenue sources in order to reduce the share of subsidy and become more and more independent. In part due to government budget cuts, there is a growing sense of urgency amongst mission –driven organizations to diversify revenue streams, more market-facing, more social entrepreneurial.

5. Legal form ‘with social purpose’ not widely taken up (yet?) by social enterprises, in contrast with non-profit

Almost three quarters of social enterprises interviewed recently had a non-profit legal statute (71%). Cooperatives (CVBA, CVBASO) were present (14%), but far from the dominant legal form. The dedicated legal form “with social purpose” has so far not widely spread across the sector of social enterprises, only 5% of the sample adopted this statute. This finding raises some doubts about on the adequacy and added value of this legal form for social purposes.

6. Employment model & fee for service/product model are by far the two most popular operational models for social enterprises

54% of the organizations have at least one service configured following the employment model. This confirms that work integration remains a key model in the sector and that plenty

of Belgian social enterprises generate their revenues by creating economic activities to employ or train specific target groups. 46% of the organizations have at least one service following the fee-for-service model. Two main raisons link this model to social impact: first, the product or service is in effect the medium to create social impact and realize the social mission; second, the fee-for-service activity generates revenues allowing to finance a social mission.

7. Landscape of financing institutions in movement

Some new initiatives and modifications at existing offer-side, in both public and private institutions, demonstrate dynamics in the financing world of social enterprises in order to better fit their needs.

8. A large majority of social enterprises do some social impact measurement but can benefit from some strengthening

80% of recently interrogated social entrepreneurs reported that they have at least 1 indicator in place to track their social impact. Most of them expressed high interest to strengthen their social impact measurement approach. In fact, two trends were noticed: first a lack of in-depth and tailored indicators to capture the entire social impact of the organization; second, a dissociation of the social performance indicators and the social mission of the organization (for ex. only HR indicators expressed as social performance by an environmentally oriented social enterprise).

2. China - Executive Summary*

The market mechanism inherently contains many limitations, and there are many issues that the market cannot resolve. Government resources are limited and income derived from taxation can only be directed towards a finite number of projects. Non-governmental Organizations (NGOs) are by and large charity organizations. Charity organizations require a continuous flow of donations for their operations. Therefore, their impact is limited and dependent on the continuous inflow of funding. If government, NGOs, and businesses cannot resolve these problems, then we need another form of solution.¹

Social enterprises arise in this situation. As a new model of innovative social organization, social enterprises combine the efficient, professional, and flexible characteristics of a business with the goal of taking on and resolving social issues in China. As such, social enterprises are well positioned to efficiently participate in the process of societal management and development, providing a lively and innovative method for the construction of a harmonious society in China.²

This China Seforis country report highlights below 9 noteworthy questions, findings and topics of debate to illustrate the current status of social entrepreneurship in China.

1. Social enterprises are rising in China

- In comparison to the established concept of social enterprise in Western countries, there are very few mature social enterprises in China. However, NGOs, public institutions, social welfare enterprises, and co-operatives, among others, have in fact been performing the functions of social enterprises for many years.³
- The concept of social entrepreneurship began to surface in 2004 in China, and with the spread of the idea of social enterprise, more and more nonprofit organizations and other institutions attempted to adopt this and similar forms to achieve their missions.

2. Social enterprises lack of legal framework or policy from the government in China

- Presently, the legal framework supporting social enterprise is still underdeveloped in China. As an innovative organizational form, social enterprises have not yet received a clear legal designation and lack the relevant judicial and supervisory frameworks. This creates numerous different issues to overcome for their future development.

*This country report of social enterprise in China is written by the Social Entrepreneur Institute of NPI. Strictly speaking, it is just gather and assort information based on existed literature and reports of social enterprise in China to response the questions what the European Union agency put forward, which for the further study of social enterprise in China.

The reference data mainly from the three social enterprise reports of China, "China Social Enterprise Report 2012", "2013 China Social Enterprise and Impact Investment Report", and "The general report of social enterprise in China".

This report focus on social enterprises in the mainland of China (not including those in Hong Kong, Macao and Taiwan).

¹ United Bank of Switzerland(UBS).2013."2013 China Social Enterprise and Impact Investment Report". Accessed April 26, 2014. <http://www.sec-china.org/index.php/news/542-0814->, p2.

² United Bank of Switzerland(UBS).2013."2013 China Social Enterprise and Impact Investment Report". Accessed April 26, 2014. <http://www.sec-china.org/index.php/news/542-0814->, p11

³ Ding Kaijie.2007." Social Enterprise: Practice in China". "Social Enterprise Overview: A UK and China Perspective".

3. Most of social enterprises in China are in its early development stage and have limited potential for job creation

- According to the report “China Social Enterprise Report 2012”, 54% of surveyed social enterprises in China are under 3 years, of whom 21% being less than 1 year. And 38% were more than 5 years.
- 41% of respondents of these social enterprises created a maximum of 4 jobs, 38% made between 5 and 10 jobs, and only 21% have made more than 10 jobs.

4. Key focus areas and location of social entrepreneurs in China

- Social entrepreneurs in China work mainly in the fields of education, economic development through fair trade and social inclusion of disadvantaged community groups. 14% of surveyed social enterprises in China are classified as learning and educational, 12% are fair trade/handicraft enterprises, 11% are working for the more social inclusion of disadvantaged groups, including the disabled and the elderly, and 10% focus on the environment.
- Two-thirds of social enterprises are located in Beijing or Shanghai. Social enterprises surveyed were located in Beijing (50%), Shanghai (17%), and other cities including Shenzhen, Tianjin, Suzhou (17%) and others (17%).

5. Institutional and stakeholder landscape of social enterprise in China

- From the perspective of the institutional landscape, the Chinese government is faced with a strained social welfare system, massive unemployment and a drain of ecological resources. 28% of respondents cite government policy or the lack of such policy as a severe challenge to their operation and 19% perceive it as a momentous challenge.
- The main stakeholders of social enterprise in China are policy makers (Ministry of Civil Affairs of the People's Republic of China and local government), nonprofit organizations (NPOs), commercial organizations, (social) business support organizations, research institutions.

6. Legal forms of social enterprise in China

- There are four sorts of institutions that can be categorized as quasi-social enterprises: NGOs & NPOs; co-operative; social welfare enterprise; community service center.
- Civilian institutions have been growing rapidly, but they play merely a minor role. The Co-operatives are developing rapidly and play a positive role in uniting the disadvantaged for common development. But they have to perform in a relatively narrow sphere. Social welfare enterprises have created jobs for some of the handicapped. Due to reforms affecting social welfare enterprises, their public welfare related traits are fading. Community service centers keep growing, which effectively improved the efficiency and quality of public services.

7. Revenues of social enterprises and social impact investors

- 71% of social enterprises generate less than 500,000RMB in annual revenues. Less than half of social enterprises achieve fiscal sustainability.

- The main impact investors in China include: private foundations, government agencies, overseas foundations, private equity funds, venture capital, corporate social responsibility funding sources.

8. Innovation drivers and barriers of social enterprise in China

- Innovation drivers: The social and economic realities faced by people are the ultimate drivers of social entrepreneurship in China.
- Innovation barriers: access to funding; access and retention of human resources; and government policy and the legal framework.

9. Social impact of social enterprise in China

- Half of the respondents have a monitoring and evaluation system in place to assess their quality and impacts.
- The impact measurement tools mostly used include Social Return on Investment (26%) and Cost- Benefit Analysis (22%).

3. Germany - Executive summary

Germany is facing societal challenges: unemployment and skills shortage, inequality in education, increasing division between rich and poor, environmental challenges and health challenges that come with the aging society and the rise of lifestyle diseases. As a recent report has shown⁴, those challenges at the same time constitute opportunities for social entrepreneurship.

This German country report summarizes remarkable questions, findings and topics of debate to illustrate the current status of social entrepreneurship. It is based on literature and desk research as well as interactions with stakeholders. Some of the main findings are:

1. The strong welfare state as a differentiator

The strong welfare state in Germany has slowed down the rise of social enterprises compared to other countries with a more liberal welfare system such as the UK. The position and role of social enterprises within the welfare state is strongly debated in Germany until today and the ability of social welfare organizations and social enterprises to cooperate and / or complement each other's activities is perceived as highly important.

2. Awareness about social entrepreneurship is rising

Social entrepreneurship and social innovation are increasingly on the agenda of policy makers and are more and more present in public discourse. Various universities have recently started to offer courses in social entrepreneurship, there is increasing research effort to gain a better understanding of the phenomenon, and a funding program has recently been launched by the KfW.

3. Majority of social enterprises is not brand new

Social entrepreneurship in Germany is not a new phenomenon. Almost 50% of the social enterprises investigated in the Mercator study⁵ were over 10 years old. However, the label "*social entrepreneurship*" is still quite new in the German context and many social entrepreneurs and social enterprises do still not identify themselves as such.

4. Focus of activities of social enterprises on social services

Most of the social enterprises in Germany are active in the field of education, work integration, societal inclusion and social services. However, there are strong indications that many social enterprises are active in the environmental area (such as sustainable energy or sustainable consumption). However, those enterprises tend to take a for-profit legal form and may therefore be more difficult to identify.

5. Need for more cooperation

There is a strong need for more cooperation between social entrepreneurs, established welfare organizations and policy makers. Willingness to cooperate, leading experts propose, will be decisive for social entrepreneurship in Germany to unfold its full potential.

⁴See Müller, Susan, Dominik Rüede, Kathrin Lurtz, Hartmut Kopf, and Peter Russo. 2013. Deutschland 2030: Herausforderungen als Chancen für Soziale Innovationen. World Vision Center for Social Innovation, Wiesbaden.

⁵ See Jansen, Stephan A., Rolf G. Heinze and Markus Beckmann, eds. 2013. Sozialunternehmen in Deutschland. Springer: Wiesbaden for a general overview of the project

6. New legal forms needed?

There are not yet particular legal forms for social enterprises in Germany. Some of the social enterprises take legal forms characteristic to the third sector, while others take private sector legal forms. The variety in legal forms also creates a measurement problem as particular social enterprises, such as those taking a private sector legal form, may tend appear as conventional enterprises.

7. Landscape for financing in movement

There are ongoing discussions about financing opportunities for social enterprises such as the potential of social impact bonds in the German context. Options for financing social innovation are currently strongly debated in the German context. While specialized actors like Ashoka have been active in financing for several years, throughout the last year other actors like the KfW have started to invest in social enterprises.

8. Measurement and scaling of social innovation

There are strong efforts to establish measurement and scaling options for social innovations that are currently not available. Impact measurement is closely connected with investment problems as social investors have difficulties to evaluate potential social or ecological impact of their investments.

9. Link between governance, legal form and hybridity

There are ongoing discussions about governance structures that may enable social enterprises to balance societal contribution and financial sustainability without drifting to either of both. However, until today social enterprises tend to float somewhere along the continuum from non-profit to for-profit forms of organizing.

4. Hungary - Executive Summary

In Hungary due to the economic crisis certain societal challenges – poverty and social exclusion, the ageing of the population, youth unemployment, discrimination against Roma and homelessness - have worsened in the recent years.

Some percentages demonstrate the importance of these societal challenges:

- 32.4% of the Hungarian population (40.9% of the children) lives at risk of poverty or social exclusion.
- Between 2007 and 2050, the age-related public expenditure will increase by 4,1% of the GDP.
- Unemployment disproportionately affects Hungarian youth; their unemployment rate in 2013 was 30.5%.

Societal innovation and social entrepreneurship have definitively an important complementary role to play in our economy and society at large in tackling these major societal challenges. Pursuing social goals in an entrepreneurial way, combining societal and economic progress, contribute to growing a “shared value” economy which contributes positively to society and its challenges.

The Hungarian SEFORIS country report highlights ten remarkable findings to illustrate the current status of social entrepreneurship.

1. Awareness about social entrepreneurship is rising

Despite the lack of a legal definition of social enterprise, and the fact that the non-profit and business sectors are still segregated in Hungary, non-profit organizations have recently started to show a growing interest in the self-financing and social entrepreneurship model.

2. Social enterprises are quite new

Social enterprises in Hungary tend to be young. The SELUSI research found that their average age is 15.9 years, although according to the NESsT’s definition- enterprises that solve critical social enterprises in a sustainable manner, social enterprises are even younger, averaging about seven to eight years. Half of the social enterprises are small (1-10 employees) and only 12% has above 1M € revenues.

3. Large diversity of business and social activities in which social enterprises are active

76% of the organizations carry out their primary **business activities** in the following five industry sectors: Health and Social Work; Business Activities; Education; Community, Social and Related Services; and Wholesale and Retail Trade. 72% of the social ventures identified their primary **social activities** belonging to the following 8 social sectors: Social Services; Other Education; Environment; Employment and Training; Recreation and Social Clubs; Business and Professional Associations/Unions; Nursing Homes; and, Other Health Services.

4. Ambiguous social perception of the economic activities carried out by non-profit organizations

The lack of transparency and the weak professional level of financial management in the non-profit sector negatively affect their perception among the public. People generally reject the

idea that non-profit organizations can carry out economic activities. However, lately, as the concept of social enterprise has become better known, this perception is gradually changing.

5. Social enterprises can opt for a non-profit or a for profit legal form

Social enterprises in Hungary can choose to function either in a non-profit or in a for profit legal form. Social enterprises functioning in non-profit legal form can only carry out business activities in a complementary manner. Those social enterprises which have a special public benefit status may enjoy some discounts or exemptions from taxes, duties and customs. Business activities are regulated in different legal norms which are sometimes inconsistent and the related concepts are unclear.

6. Fee for service/product model, low-income client and employment models are the most popular operational models for social enterprises

44% of the social enterprises offer at least one service following the fee for service/product model while 20% follows the low-income client model which is a variation of the fee-for-service model. 12% of the organizations have at least one service following the employment model.

7. Diversified sources of revenues and funding

Hungarian social enterprises are financing their activities from various sources (e.g. loans, private donations, microfinance etc.) but sales and/or fees (38%) and grant finance (36%) are the most important sources of capital. Social enterprises have recently realized the importance of diversifying revenue streams.

8. There are new, dedicated players in the field

The social enterprise financing field is diverse: there are several players like private social impact investors (NESsT, Ashoka), banks (Citibank, Raiffeisen Bank, Erste Bank), venture capital and private equity organizations (Hungarian Private Equity and Venture Capital Association) and private funds (EEA/Norway NGO Fund).

9. Social enterprises reported to be much more innovatively active than commercial enterprises

Social enterprises identified various innovation drivers like the social and environmental effect of their businesses or the need to increase range/quality of products and services. The main innovation barriers were cost-related innovation, internal, regulation-related or market barriers. 84% of social enterprises introduced at least one new or significantly improved service, product and/or process to their organization and 59% of those ventures had introduced at least one 'new-to-the-market' innovation.

10. Impact measurement is still in an initial phase

Impact measurement among Hungarian social enterprises is still in a very initial phase as most of them lack tools and resources to track the actual impact of their activities. The few impact results that are available are rather quantitative but do not say much about the quality dimension.

5. Portugal - Executive Summary

Portugal is facing big social challenges. In 2011, it was the sixth most aged country in the world and currently there are 130 seniors for every 100 young people. On the other hand, due to the financial crisis, in the last year the youth unemployment reached record highs with a rate of 37.7%. Social organizations, affected by government budget cuts, are concerned to diversify their sources of revenue in order to become more sustainable and survive the crisis. For these reasons, the social entrepreneurship is increasingly at the center of discussions, especially between academics and actors from the social economy.

Societal innovation and social entrepreneurship have definitively an important complementary role to play in our economy and society at large in tackling these major societal challenges. Pursuing social goals in an entrepreneurial way, combining societal and economic progress, grow a “shared value” economy which contributes positively to society and its challenges.

This Portuguese SEFORIS country reports highlights below 5 remarkable questions, findings, topics of debate to illustrate the current status of social entrepreneurship in the country. Therefore some literature and desk research, interaction with stakeholders took place.

1. Awareness about social entrepreneurship is rising

Despite the lack of a common definition and understanding of the concept of social entrepreneurship, the number of discussions around this theme is growing trying to bring together people from different sectors. Some annual competitions have been launched to award individuals that have innovative ideas that can help to solve social problems. Recently, some projects have been launched to help the understanding of the state of the art, such as of the Map of Innovation and Social Entrepreneurship and the Social Investment Lab, by the Social Entrepreneurship Institute.

2. The definition and the scope for social innovation and enterprise is still taking shape

Whereas the year of 2013 was marked by the promulgation of the law of social economy an explicit mention of definition of the scope and terms of social entrepreneurship is still lacking. The notion is emerging from practice, as social initiatives take place, but the lack of a formal definition and categorization, creates difficulties for measuring the activity and its impacts.

3. Social entrepreneurs are socially engaged people, with a previous history of involvement in associations and social causes, and typically have a high level of formal education

The community of social entrepreneurs is still fragmented and not many platforms or contexts exist for sharing the knowledge and experiences. The social entrepreneur typically is someone who learns along its way, through a history of former experiences in social causes, associations, etc. Emerging social entrepreneurs are typically citizens with university education, notably in areas linked to culture, agriculture, arts, and care.

4. Societal challenges related to aging population and unemployment are key areas for social innovation and entrepreneurship initiatives.

Portugal is facing important challenges to the sustainability of the welfare system, due to an increasingly aging population and high unemployment (e.g. youth unemployment, long term unemployment for population aged 45-50). This is stimulating the society to rethink its social

model, and to look at social entrepreneurship as a way to address social needs while creating employment opportunities.

5. The profile and capabilities of the structures and tools to support entrepreneurship are still more oriented toward supporting technology based enterprises

The country's R&D policy has promoted the development of technology based companies for some time, with a strong investment in universities, research labs, and structures such as business parks and incubators. Under this framework social enterprises are still hard to frame. The tools for supporting new venture development (e. g. risk capital) and the capabilities needed to develop services to support entrepreneurial development still hold a lens which cannot fully assess the value and sustainability of social initiatives.

6. Romania - Executive Summary

The diminishing funds available for NGOs, the high unemployment rate especially among disadvantaged groups, the risk of poverty and the inability to cover basic quality living standards and other social disparities led Romanian civil society to find entrepreneurial solutions to solve these problems otherwise unanswered by the public or private sector.

According to Eurostat, Romania is among the European countries with the highest poverty rate; 28% of Romanian population is at risk of poverty and the deprivation rate exceeds 25%. Moreover, due to the high unemployment rate of youth (24%) and the growing number of aging population, Romania will most likely experience a significant increase in public spending at 7% of GDP or more.

Currently, in Romania, social enterprises are seen by the general public and key stakeholders (government, non-profits, social entrepreneurs) as a way to promote economic and social inclusion.

The Romanian SEFORIS country report highlights nine findings to illustrate the current status of social entrepreneurship in the country.

1. Sector development and awareness

In the past year, social enterprises have received increasing attention in Romania, but even so the sector is still in its infancy. EU funds have played an important role due to the large funding available for social economy supporting projects designed to promote the concept of social enterprise through activities such as the creation of various websites, physical or online resource centres, domain specific conferences, information campaigns etc. While the increased availability of information has had positive results in raising the visibility of social enterprises in Romania, many projects – and enterprises created through such projects - do not seem to have realistic sustainability strategies that would ensure their long-term survival once EU project funding has ended.

2. Sector statistics

Due to the lack of a common understanding of the concept, it is fairly difficult to get objective, accurate and up to date numbers. However, according to the most recent statistics realized by National Statistics Institute and the Ministry of Labour, Family, Social Protection and Elderly , the social economy in Romania includes approximately 70 000 registered organizations, out of which about 25 000 have been identified as active organizations, registered in the National Statistics Institute.

3. Social entrepreneur profile

The social entrepreneur is a person who develops a social enterprise with a viable business model with the sole purpose of solving a social problem he/she is close to. Business skills are very important but not sufficient and definitely not a precondition for starting a social enterprise. While the business skills can be learnt and improved with experience, the intrinsic drivers and motivation of the entrepreneur to solve the social problem can't be taught or learned. Therefore, the background of the social entrepreneur is not important. However, what is common to all entrepreneurs, including those starting social enterprises, is the entrepreneurial mind-set: the constant alertness and readiness to leverage new opportunities to develop the business and the long term vision.

4. Social enterprises can opt for a non-profit or a for profit legal form

Social enterprises in Romania can choose to function either in a non-profit or in a for profit legal form. Social enterprises functioning in non-profit legal form can only carry out business activities in a complementary manner. Those social enterprises which have a special public benefit status may enjoy some discounts or exemptions from taxes, duties and customs. Business activities are regulated in different legal norms which are sometimes inconsistent and the related concepts are unclear.

5. Major challenges

In general, a major challenge perceived by stakeholders is the lack of a clear legal and regulatory framework for social enterprises. Furthermore, the lack of a common understanding of the concept and a fostering policy framework brings out some other challenges social entrepreneurs face:

- Difficult access to finance; SEs are ignored or discriminated by mainstream financiers, such as banks.
- Lack of access to markets; SEs are excluded from public procurement processes.
- Various challenges working with state institutions as the concept is not known and policies are most often subject to interpretation.

6. Diversified sources of revenues and funding

The source of revenue and funding differs based upon 2 main criteria: (1) legal form of the social, and (2) nature of funding, meaning direct funding for SE and sources relevant to SE, but not directly addressed to this field. Associations and foundations, the most common form of SE in Romania, are financing their activities mainly from grants, sales revenues representing on average only 18.5% of their income. The for-profit legal form of a SE (e.g. companies, cooperatives) can access incentives and grants for direct investment in tangible and intangible assets designed mainly to increase sales of products or services (Minimis Aid, National Programme for Young Entrepreneurs, National Programme START, etc.).

7. There are new, dedicated players in the field

The social enterprise field is diverse: there are several players like private social impact investors (NESsT, Romanian-American Foundation), companies (OMV Petrom), banks (Citibank, UniCredit Tiriac Bank) and the European Social Fund. However, traditional donors supporting the civil society sector have just recently started to realize the potential of supporting social enterprise instead of one-time projects.

8. Monitoring impact is an external request

Evaluating and monitoring impact seems to be an external request for most SEs. The most monitored indicator is employment-related. However there is no national wide statistic regarding social enterprise impact.

9. Social enterprises reported to be much more innovatively active than commercial enterprises

According to the SELUSI research, Romanian social enterprises are fairly innovative. The grand majority of the social enterprises which are present in Romania continuously look for new products and services they could bring to the market so that they are always well perceived by their customers.

7. Russia - Executive Summary

1. Russia experiences many social challenges

According to the population survey the main societal challenges that Russia faces are:

- Inflation, rising prices for goods and services
- Unemployment
- Alcoholism, drug addiction
- Corruption and bureaucracy
- The low level of public wealth.

Apart from these there are some challenges that do not concern the majority of population and thus do not get the first positions in the survey, they concern some specific groups of socially deprived/disabled people. This includes such issues as availability of inclusive education, easy access to the buildings and organizations for the disabled, labour participation for the disabled, social integration for orphans, etc.

2. Social entrepreneurship is a tool

Social entrepreneurship could help dealing with these problems using business measures. Already during the time of the Soviet Union there were attempts to open entities similar to the European labour integration social ventures.

3. The discussion has just been started

The concept of social entrepreneurship has been introduced into the discussion in Russia only very recently and there is still no consensus on the definition of it.

4. Social entrepreneurship in Russia is in a transition period

Russia is currently going through a transition from separated social entrepreneurs who are not aware of the concept and their position in it, to a growing public interest and attention for social entrepreneurship.

5. The level of social entrepreneurial activity is low

The level of social entrepreneurial activity in Russia is among the lowest, compared to other countries, only 1,2% of the adult population undertake it.

6. Dedicated financial players are emerging

There have appeared some funds supporting social entrepreneurship in Russia. Their aim is to reveal the existing social entrepreneurs, to support starting projects and the popularization of the social entrepreneurship concept.

7. There is lack of data on social entrepreneurship in Russia

There is lack of data on social entrepreneurship in Russia. The SEFORIS survey and research will fill in many existing gaps.

8. Spain - Executive Summary

The effects of the economic crisis have reshaped the economic and societal landscapes of Spain and for the past 5 years, the Government has adopted several heavy reforms. Over the period 2000 – 2008 Spain's economy was growing fast and significant investments were made in the health, education and social services. The social expenditure increased with almost 6% (20,2% to 26%) and the Spanish government launched several initiatives to support social entrepreneurship or social economy oriented organizations.

The main societal challenges affecting Spain are unemployment and immigration. Consequently, the at-risk-of poverty and social exclusion rates have been increasing.

Some percentages demonstrate the importance of these societal challenges:

- Youth unemployment has reached the highest rates in the European Union (54.6%). Since the crisis, there has been an increase of the number of young people who continue their studies (university or post-secondary education), but the education budget has been reduced and the fees for public universities have risen.
- Long term unemployment is affecting almost 50% of the unemployment population. Due to the lack of qualifications and skills, untrained people, who used to have part-time or seasonal jobs, are having more and more problems rejoining the labor market. Long term unemployment is having a negative effect on social exclusion and poverty risk, as people who have been out of the labor market for more than one year, are no longer benefiting from social aid (unemployment pay or social pay).
- 22% of the Spanish population is at-risk-of-poverty or social exclusion. If it is harder than never for average Spaniard to get a job, the situation is even more difficult for immigrants, disabled, ill or elderly people.

Social innovation and social entrepreneurship have definitely an important complementary role to play in our economy and society in tackling these major societal challenges. Pursuing social goals in an entrepreneurial way, combining societal and economic progress, stimulates a "shared value" economy which contributes positively to society and its challenges.

This Spain SEFORIS country reports highlights below 7 remarkable questions, findings, topics of debate to illustrate the current status of social entrepreneurship.

1. Awareness about social entrepreneurship is rising

Spain was the first European country to adopt a law on Social Economy, identifying three main legal forms for social enterprises to operate. Following the lead of the European Commission, the Spanish government (the national government and individually, the government of each autonomous community), along with institutions and organizations, are developing policies and proposals to change the legislation in order to facilitate social entrepreneurship and innovation. Practitioners and academics are focusing their attention on the understanding and scaling up of this new concept in the Spanish societal and economic landscape.

2. Majority of social enterprise population is not brand new

Historically, worker-owned cooperatives have played an important role in addressing and promoting social needs. Autonomous communities have empowered the solidarity and cooperation spirit. In the recent years, many work integration program-based social enterprises have been emerging. The results of the SELUSI project show that almost 65 % of the Spanish social enterprises included in the study were active for more than 10 years.

3. Large diversity of sectors and activities in which social enterprises are active – as an answer to the societal challenges

Spanish social enterprises span over a diverse area of industry and social services. Nevertheless, a certain trend can be spotted: social enterprises activities revolve around the current societal challenges, in the attempt to lower the levels of unemployment and social exclusion. Work-integration-programs, training/retraining and education programs have been developed to ease the process of work reintegration.

4. Shift taking place towards (even) more market-orientation

Almost 62% of annual revenues on average were generated from selling products or services on the market. Saving banks were one of the most important financial supporters for social enterprise initiatives. Their recent transformation into commercial banks has caused a significant rate of failure among social enterprises. Moreover, in their desire to become independent, social enterprises undertake more market-oriented activities, but still focus on important social matters, such as recycling, ecologic products, retail reuse etc.

5. Struggling to capture “social entrepreneurship” in a definition, differentiating it from pure not-for-profit organizations and CSR

Spain, as many other European countries, is having a hard time to differentiate between social entrepreneurship and pure not-for-profit organizations. The lack of a specific legal form and the diversity of legal entities identified make it harder for academics and practitioners to frame the concept. Important steps have been already made in Spain in the attempt to identify and scale up social actors and their profiles.

6. Employment model & fee for service/product model are by far the two most popular operational models for social enterprises

This confirms that work integration remains a key model in the sector and that plenty of Spanish social enterprises generate their revenues by creating economic activities to employ or train specific target groups.

7. Landscape of financing institutions in movement

BBVA – Momentum Project, LaCaixa – Emprenduría Social Program, Banesto – Entrepreneurship platforms, are the most active financial institutions in movement, promoting and supporting social entrepreneurship and innovations initiatives. Noteworthy initiatives are: StoneSoup Consultancy is a pioneer of the social impact bonds market in Spain and UpSocial through their proposal to create a fund for social R&D in Spain.

9. Sweden - Executive Summary

After almost 100 years of Socialism it might appear surprising to some that Sweden is the home of many large international companies and innovative technical inventions. The extensive public sector, the inclusive non-profit sector and the innovative commercial sector have however largely operated independently. Perhaps, this is also the reason why the introduction of the concept of social enterprise has been late in Sweden.⁶

Societal challenges are, however, changing and the nature of issues calls for different solutions. For many Swedes, they view the government as ultimately liable for addressing these challenges and as constituting the legitimating authority of welfare operators⁷. However, the best innovative solutions may not solely come from the government. Indeed, one could ask if social enterprise could contribute with its own innovations in addressing existing and future societal problems?

Some substantial societal challenges Sweden is now facing include:

- An aging population – with an increase in the mean age from 37,1 to 41,2 years and an increase of the share of the population above 65 years from 13,4% to 19,1%, between 1968 to 2012⁸. There are even bigger geographical differences.
- High youth unemployment – amounts to 25%⁹, which is both high compared to European standards and has been increasing in the past decade.
- Increasing economic inequality and segregation – trends during the past 20 years show that economic inequality is rising in Sweden, irrespective of the measure used¹⁰.

Recent development of innovative social initiatives show that social enterprise has an important role to play in tackling societal problems in Sweden. This country-report on Sweden within the research project *Social Enterprise as Force for more Inclusive and Innovative Societies* (henceforth SEFORIS) is based on desk research, official statistics, literature reviews and numerous invaluable shared experiences of social entrepreneurs; staff at incubators, intermediaries, and public agencies. Additionally it uses data on social enterprise collected as part of the “*Social entrepreneurs as ‘lead users’ for service innovation*” (SELUSI, 2010 henceforth) project¹¹. Tables from the SELUSI report (2010) are complemented with comments or indicators of tentative changes since the report, with the aim of capturing some of the latest trends. The report can be summarised in the following six points:

1. There is an increasing awareness of the Social Enterprise sector in Sweden

The growing number of awards, articles in the media, grants, and political debates related to social entrepreneurs, social enterprise and social innovation has increased the knowledge and common understanding about social enterprise. Many new dedicated platforms, forums, incubators, university courses, and financial players are filling the gap while there is still a lack of more formal definition, official statistics and streamlined political programs. Social entrepreneurship is twofold in Swedish and consists of “*Samhällsentreprenörskap*” and “*Socialt Entreprenörskap*”. The first encompasses the innovative initiatives enhancing society

⁶ See in particular Moe in M. Gawell, B. Johannisson and M. Lundqvist.. 2009. “*Samhällets entreprenörer – En forskarantologi om samhällsentreprenörskap*”. Stockholm”. Stiftelsen för kunskaps- och kompetensutveckling.

⁷ See E. Augustinsson and M. Brisvall . 2009. “*Tjäna pengar och rädda världen– Den hållbara ekonomins entreprenörer*”. Stockholm: Bookhouse Publishing.

⁸ “*Åldrande befolkning*.” Statistics Sweden, SCB. (Accessed 15 March, 2014).

<http://www.scb.se/sv/Hitta-statistik/Regional-statistik-och-kartor/Statistikatlasen/VisletBehallare/Aldrande-befolkning/>

⁹ “*Ungdomsarbetslöshet*.” Statistics Sweden, SCB. (Accessed 15 March, 2014)

<http://www.scb.se/sv/Hitta-statistik/Artiklar/Statistiken-over-ungdomsarbetsloschet-ar-jamforbar/>

¹⁰ J. Roine in M. Persson, and E. Skult, eds. 2013. *Tillämpad Makroekonomi*. Chapter 7. “Inkomstfördelningen”. Stockholm: Studentlitteratur AB,.

¹¹ In the Swedish case, this data-wave includes responses from approximately 100 social enterprises collected 2 years prior to the SELUSI report.

in a wider sense and the second more focuses on the entrepreneurship that improves the society for people.

2. The Social Entrepreneurial sector in Sweden is thriving

A large share of the social enterprise industrial sector is not entirely new. The most renowned and established have many full time equivalent workers (FTEs) and the Swedish SELUSI (2010) indicates that the mean age of the sector is over 15 years. However, a significant rejuvenation of the sector with many small social enterprises is taking place. In recent years, there has been an increase in the numbers of support-organisations for social enterprises. These organisations can be seen as intermediaries, where they link the social enterprises to potential investors or financiers; create networks, platforms and organise seminars, support with business and operational models, offer incubator programs or evaluate social impact. This makes the social enterprise sector more of a full-fledged sector.

3. The increased diversity of the social enterprise sector

The social enterprises and intermediaries interviewed for this report suggest that there is an ongoing diversification of social enterprises. The representation in education and integration are increasing. Also in the Work Integration Social Enterprise (WISE) sector, there is a diversification. Possibly the WISEs are increasingly able to take advantage of the participants', employees' and members' unique understanding about the target-groups or the regional context. We see a renewal of the sector; both in terms of rejuvenation of the entrepreneurs behind social enterprises and in the ways in which they are operating. This is evident from a surge in interest among young entrepreneurs with no history in any sector, and that new operators are increasingly driven by Swedish societal challenges.

4. Financing sources are diversifying

The growth diversification and rejuvenation of the sector call for more and varied financing sources. Many new sources of financing are currently developing in Sweden, while previously there were few. Discussions about current alternatives include: Crowdfunding¹², Impact Investment, Micro-funding, Regional Investment funds, and Social Impact Bonds. Few financing solutions come from the purely private sector. Through a political motion ([October 7, 2013](#)) suggesting that the parliament try a pilot scheme of Social Investment Bonds¹³, this has now been introduced in the political discourse.

5. Social-impact measures of increasing importance?

Social impact measures are on the rise in Sweden. Nevertheless, all interviewed social enterprise and representatives from incubator programs and support-functions explicitly expressed the need to improve the capacity of measuring social impact, mainly since it is still considered to be complex and time-consuming. The requirements of inclusive social impact measures will further increase with

payment structures such as *pay for performance* and Social Impact Bonds, which will be increasing in use as more social enterprises will be providing services traditionally run by the welfare state.

¹² Lamptey, Rebecca. 2013. "Crowdfunding växer som finansieringsalternativ". *Mötesplats Social Innovation*. (Accessed 15 February 2014). <http://www.samhallsentreprenor.se/sv/crowdfunding-vaxer-som-finansieringsalternativ/>

¹³ Stefan, Svanström. 2013. "Social impact bonds, Motion 2013/14:Fi275". *Sveriges Riksdag*. (Accessed 15 March, 2014) http://www.riksdagen.se/sv/Dokument-Lagar/Forslag/Motioner/Social-impact-bonds_H102Fi275/?text=true

6. Many new innovations aim to improve the quality of societal goods and services

Many new innovations emerge from the failure of the welfare state. The main barriers to innovations are cost-related. The role of business incubators is increasingly important in fostering innovations.

10. UK - Executive Summary

Social enterprises play an increasingly important role in tackling significant societal issues, delivering public services and creating social impact in entrepreneurial ways.

The United Kingdom SEFORIS country report aims to portray the current state of social enterprises in the UK and the ways in which social enterprises try to create inclusion and innovation within their organisations, in their communities and the wider society. This report is an overview of current affairs, trends, debates, opportunities and challenges based on a number of different academic, policy and practitioner sources.

1. The social enterprise field is very diverse.

Social enterprises in the UK represent a great range in terms of age, size, revenues, location, scope, activities, and legal forms. There is a significant number of mature or large organisations that operate at large scale. Additionally, government interventions and bottom-up innovation from within the sector are stimulating a renewal of the sector with young enterprises. Sixty-eight per cent of participating social enterprises generate revenues through activities in the service sectors. Social enterprises operate in a number of different sectors and regions, however, they are more likely to be found in rural or deprived areas of the country.

2. There is a growing social enterprise support ecosystem.

The number and type of social enterprise intermediaries is growing. There are over 100 such organisations in the UK, including incubators, accelerators, networks, co-working spaces, social impact measurement tools, social investment financial intermediaries, and universities, that provide support for starting up, sustaining, growing, and internationalising social enterprises.

3. Support is becoming more specialised.

Support for social enterprises, including impact investment, is becoming more specialised to meet the needs of a very diverse group of organisations. Specialised intermediaries focus on different sectors (e.g. health, technology, education, energy), regions (e.g. North of England), and types of social entrepreneurs (e.g. women and youth). However, little focused support is available for the different stages of social enterprise development and growth.

4. Financing and funding social enterprises is still a challenge.

Lack of, or limited access to, financing and funding is the most common barrier to starting up, growing and innovating, according to social entrepreneurs in the UK. This is in contrast with commercial enterprises for which access to financing is the 6th biggest perceived barrier to sustainability and growth. Two challenges that underpin this issue are: 1.) lack of understanding of social enterprises among mainstream financial organisations such as banks and 2.) lack of access to high-risk early-stage finance.

5. The impact investment market is growing.

Access to financing should improve with the growth of the social impact investment market in the UK, which reached £202 million with 765 deals made by 29 social investment financial intermediaries in 2012. New and more specialised funds have been launched to invest in specific sectors, outcomes or regions. Additionally, the number of social impact bonds has

drastically increased from one in 2011 to 13 in 2013, a number larger than the rest of the world combined.

6. There is increasing pressure and support to demonstrate social impact.

The need to measure and demonstrate social impact is increasing, especially with the implementation of the Public Services (Social Value) Act and the growth of social impact bonds. This is essential for the 52% of social enterprises that trade with the public sector. Recognising this need, more initiatives are focusing on providing impact measurement support and standardising the processes, outcomes, and language of impact measurement.

7. The government remains heavily involved.

Improving the legal form for social enterprises, introducing a tax relief, modifying legal structures, enabling a stronger social enterprise support ecosystem, and creating demand for the services of social enterprises are examples of the government's heavy involvement in the field.

8. Social enterprises catalyse inclusive and innovative activities, practices and societies.

Social enterprises in the UK create and catalyse inclusion and innovation in four different ways.

- First, addressing social issues and removing barriers to inclusion and innovation is often part of their mission and operational model. Based on the most common operational models, social enterprises create products and services that directly address social issues, including those for low-income individuals, and provide support for entrepreneurial and innovative activities.
- Second, the majority of social enterprises employ individuals who experience barriers to enter the labour market, especially in the most deprived areas of the country.
- Third, social enterprises are more representative of our communities, challenge the glass ceiling, and attract population segments that are less likely to participate in commercial entrepreneurship (e.g. disabled individuals).
- Lastly, social enterprises are inclusive and participatory in their ownership, governance, management and innovation practices and give voice to employees, beneficiaries, customers, clients, and even similar organisations that would be considered competitors by commercial entrepreneurs.



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