



SEETF

Social Enterprise and
Entrepreneurship Taskforce

Unlocking the Potential of Social Enterprise & Entrepreneurship

A Submission to Forfás

July 2012

SEETF Members: Clann Credo, Dublin Emoyment Pact, Social Finance Foundation, Social Entrepreneurs Ireland, The Wheel, Partas, CLPN, ILDN, DCC, Dunhill Rural Enterprises Ltd and SocialEnterprise.ie

“The Government will promote the development of a vibrant and effective social enterprise sector. We will instruct agencies to view social enterprises as important stakeholders in rejuvenating local economies.”¹

1. Introduction

The Social Enterprise and Entrepreneurship Task Force (SEETF) was established in 2009 to promote social enterprise and social entrepreneurship as a viable and vibrant part of the Irish economy.

In this submission, the SEETF presents a coherent set of proposals for releasing both the job creation potential and the social dividend that social enterprise confers, neither of which has yet attained anywhere near their full potential in the Irish context. Our proposals, if implemented, would give operational effect to the commitment in the Programme for Government, quoted above.

The social enterprise sector in Ireland has traditionally been fragmented. However, since June 2009 the SEETF has provided a valuable springboard from which to build greater cohesion and policy development for the sector for the longer term.

The core messages of this submission are that:

- (i) Social enterprise can create real and sustainable employment.*
- (ii) The scale of job creation is proportionate to the extent to which an enabling environment for social enterprise is created.*
- (iii) Social enterprise should be an indispensable component of the quest for a wider integrated jobs and enterprise strategy which is led by the Department of Jobs, Enterprise and Innovation.*
- (iv) Social enterprise merits parity of treatment – in terms of supports and incentives - as any other type of new business initiative.*

Some key features of social enterprise are:

- Social enterprise is about enterprise. It is a model of enterprise that focuses on delivering social returns using business principles and reinvests any surpluses it makes into furthering its social goals rather than those profits being claimed by any one individual or group of shareholders.
- Social enterprise is outstripping conventional SMEs in terms of growth and resilience².
- Social enterprise is attracting students and graduates to consider it as a viable path, fuelled by both the rise in youth unemployment but also a growing social

¹ Programme for Government (2010), page 13.

² Ní Ogáin, E., 2010, ‘Are social enterprises more resilient in times of limited resources’, NPC: London

conscience amongst what is termed Generation Y (those born between 1976 and 2000)³.

- Social enterprise is dominated by services, which are job intensive. Up to 70% of their costs are related to human resources.
- Social enterprise is an important pillar of EU enterprise strategy⁴ and there are opportunities for Ireland to avail of new initiatives in the social enterprise sphere at EU level.
- DG Internal Markets is the lead DG in the European Commission and the Commission has decided to launch a multi-pronged approach including use of Structural and Regional Funds, establishing European social investment funds and their regulation, amending public procurement rules to facilitate social business, etc.
- Social enterprise is about innovation. Social enterprises identify social needs that are not being adequately addressed (if at all) and devise innovative solutions to meet these needs in a cost effective manner. Social enterprises also look at what is currently being delivered and devise better and more effective ways to meet needs.
- Social enterprise is about 'local heroes'. They are grounded in the community, provide goods and services to local people, they are run by people from the local community and employ local people.
- Social enterprise investment minimises leakage out of the Irish economy. The investment is made in organisations that buy most, if not all, of their goods and services in Ireland and employs people who pay taxes in Ireland.
- Social enterprise in Ireland is under-developed when compared to other EU countries. It has the potential to generate significant additional employment but needs some support to achieve this. This includes access to supports and services that conventional enterprises already have.
- Social enterprise needs to be better integrated into existing enterprise supports, public procurement policy, and access to enterprise funding streams.

The Department of Jobs, Enterprise and Innovation should lead on to the creation of a favourable environment for the development of social business in Ireland; what we mean by enabling environment is fleshed out in section 4 below.

2. Definition – What is Social Enterprise?

A useful definition – and one which we suggest be adopted by Government and all other stakeholders in Ireland - has been set out by the European Commission in its

³ Global Entrepreneurship Monitor.

⁴ http://ec.europa.eu/internal_market/social_business/index_en.htm

Communication to the European Parliament on the new €90m Social Business Initiative :

*“A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities”.*⁵

This paper also adopts the Commission’s formula in using the terms 'social business', 'social enterprise' and 'social entrepreneurship' as if they are equivalent and interchangeable. More detailed consideration of the EU Social Business Initiative is given in Section 5 below.

3. Jobs Potential

3.1. Arriving at Realistic Projections

The social enterprise sector is significantly underdeveloped in Ireland at present. Clarke and Eustace (2009)⁶ used the findings from a survey of nine partnership areas of the Republic of Ireland, to make an estimate that social enterprises in Ireland generate some €240 million in revenue, spend €230 million in Ireland and employ over 9,300 people directly and support a further 5,100 indirectly. The researchers also estimated that at least 12,500 people are involved with social enterprises in a voluntary capacity, thereby making a significant contribution to national policies on active citizenship.

Research by DKM Economic Consultants (2011)⁷ suggested an economic multiplier of 1.32 for social enterprises. In other words, for every €1 injected into the Irish economy, the Irish economy benefited to the tune of an additional 32 cent.

If Ireland attained the average European levels of social enterprise employment, an average of 5,000 jobs per year would be created in Ireland over the next five years. Government policy should seek to reach the European average on a graduated basis. An initial target would be to seek the creation of 1,500 new jobs in the sector annually.

To begin to significantly increase levels of job provision, social enterprise must be treated similarly to conventional sources of employment, while acknowledging the specific community motivation that drives job creation in this area.

Social enterprises need to adopt traditional business tools such as business plans, precise mission statements and goal setting to improve their performance. A

⁵ European Commission Communication COM(2011) 682 final dated 25.10.2011.

⁶ A. Clarke & A. Eustace, 'Exploring Social Enterprise' FINAL REPORT. Eustace Patterson Ltd., September 2009

⁷ DKM Economic Consultants, 'The Economic and Social Contribution of Clann Credo – the Social Investment Fund', 2011.

substantial programme of capacity building for social entrepreneurs is required. Third level institutions should develop social enterprise under-graduate and post-graduate programmes as well as short courses in this area. Some third level institutions have already embraced social enterprise. For example, Trinity College Dublin has a lectureship in Social Entrepreneurship within the Business School for the last number of years and has integrated social entrepreneurship into undergraduate and postgraduate studies. The DCU Ryan Academy Menter Iontach Nua programme has as one of its aims the development and delivery of a Masters Degree in Social Enterprise over the next three years. The DCU Ryan Academy is also developing a range of non-accredited programmes of short training courses, peer networking and mentoring for social enterprises.

Example: SEL supporting the development of social enterprise

The pilot initiative, Social Enterprise Longford (SEL), commissioned by Longford Community Resources Limited through the Rural Development Programme and co-financed by the EU and the Department of Environment, Community and Local Government, is seeking to identify jobs potential by supporting the establishment of social enterprises in Co. Longford. Run by the Irish Social Finance Centre, Longford EDI Centre and Clann Credo - the Social Investment Fund, the programme provides training and mentoring in feasibility testing and business planning for potential social enterprises. It has attracted over 50 individuals and 17 projects in Co Longford and is currently at the initial mentoring stage of supporting these potential job creating enterprises.

3.2. The European Dimension

At European level, Professor Mike Campbell, Director of Research and Policy at the UK Commission for Employment and Skills (UKCES), analysed the social economy in eight EU member states in 2005 and found that:

- It employed around 7.2 million people;
- 7.7% of people in employment worked in the social economy;
- More people were employed in the social economy than in agriculture;
- Numbers employed in the social economy equated to one-third of the number of self-employed.

However, despite a greater density of social enterprise in certain regions / EU member states than in others, the Commission now holds the view that:

“the growth potential of the social business model in the Single Market is not being exploited fully. Social businesses find it difficult to gain access to funding. There is a low degree of recognition for their work and the regulatory environment does not take into account their specific characteristics.”⁸

⁸ European Commission Memo 11-735 of 25 October 2011, accessed via <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/735&format=HTML&aged=0&language=EN&guiLanguage=en>

The mission of social enterprise is to generate significant social, environmental and/or community impacts and thus contribute to realising the European Union's objectives under its 2020 strategy by:

- Generating sustainable jobs and facilitating social and work integration.
- Improving the quality of social and healthcare, etc. (thus contributing to inclusive growth).
- Introducing efficient ways to reduce emissions and waste, and to use natural resources and energy more efficiently (thus contributing to sustainable growth).
- Focussing on innovation and the participatory use of the internet (thus contributing to 'smart' growth).

Example: Social Enterprise in Scotland

An independent survey in Scotland illustrated the ability of social enterprise to create jobs in meaningful numbers – including jobs amongst those normally under-represented in the labour market. (State of Social Enterprise 2009, accessed at www.socialenterprise.org.uk/.../state-social-enterprise-survey-2009)

Social enterprises are profitable. Two-thirds of Scottish social enterprises are making a profit, a further 20% are breaking even – at the height of a significant economic downturn. The survey was able to collect data on the employment profile for 814 of its respondents and gather information on their gender, ethnicity and whether they had a disability. In total these 814 organisations had 38,694, employees of whom two-thirds were women. 17% of the sample employed more than 25% of their staff from people disadvantaged in the labour market. 70% of respondents reinvested profits into development activities – expanding services or providing new services to their beneficiaries.

3.3. *Displacement and Substitution Effects*

The methodological challenges in determining potential displacement or substitution effects of exchequer support for social enterprise initiatives are formidable. Social enterprise projects should be required to provide the same evidence or data relating to potential displacement or substitution effects as is currently required of private enterprises and SMEs who benefit from the Employment and Innovation Incentive Scheme.

A particular strength of social enterprises is their ability to identify social needs that are not being adequately addressed by either the private or public sectors.

Example: Sensational Kids

Sensational Kids was set up as a social enterprise by a group of parents in Co. Kildare to provide accessible, affordable and high quality clinical services for children with special needs. The service is funded by a combination of fee income, sale of materials in its shop and on-line store, fund-raising and training service. It provides a range of clinical services including occupational therapy, speech and language therapy, orthoscopies and craniosacral therapy as well as access to a reading teacher and

educational psychology. It has over 1,000 children attending its services from all over Ireland.

3.4 Societal Impact

Social enterprises can represent a strategy for civil society organisations to mobilise community resources, foster active citizenship and develop partnerships for social innovation.

According to the European Commission, social entrepreneurs are striving to make a significant impact on society, the economy and the environment. Social entrepreneurs have been pioneers in re-engineering supply chains and distribution networks, or developing, promoting and establishing business standards and norms for inclusive and sustainable development.

Example: Clann Credo – the Social Investment Fund

Clann Credo was established by Sr. Magdalen Fogarthy who recognised that non-profit and not-for-profit organisations found it difficult to access conventional loan finance from commercial banks. Clann Credo provides loan finance to these organisations and approves around €10m per annum. All its income comes from its day to day business activity and it meets a social purpose. It has also been instrumental in the on-going development of social impact investing in an Irish context whereby private capital would be raised to fund social initiatives that have clear measurable outcomes.

Everett (2009)⁹ identified a range of benefits that social enterprises provide, particularly to marginalised communities and their residents. These include delivery of goods, services and resources that are not adequately provided for by private and public sector entities, creation of employment, especially for persons who are unable to access mainstream employment opportunities, leveraging of external finance into these communities, enhancement of local economic development, underpinning of progress achieved through regeneration programmes, creation of additional streams of income to support the achievement of voluntary organisations' missions.

Example: Dunhill Ecopark

Dunhill Ecopark is an umbrella brand under which an integrated set of innovative projects operate in Co. Waterford. Positive environmental management is a key part of the developments which include cultural and heritage tourism, multi-education centre, housing development and enterprise space. The Ecopark includes an Inventors Village, biogas digester, eco services, enterprise space and wetlands. It has attracted around 30 companies to locate in it employing over 100 people.

⁹ Everett, J., on behalf of the Dublin Employment Pact and Clann Credo, 'Developing and Supporting Social Enterprise in the Dublin Region – the Basis for a Comprehensive Strategy', 2009.

3.5. *Recommendations re Job Creation*

The SEETF makes the following recommendations:

- Given that social enterprise in Ireland is under developed and the enabling environment is embryonic, an achievable job creation target should be set for the social enterprise sector for the next 3 years as follows:
 - 200 new jobs in Year 1;
 - 450 in Year 2;
 - 850 in Year 3.
 - Total = 1,500 jobs
- Select nine County/City Enterprise Board and Local Development Company areas to pilot the stimulation and development of social enterprise.
- Within each area, a member of staff should be given the role of Social Enterprise Development Officer to raise awareness of social enterprise, to meet with community groups and entrepreneurs interested in social enterprise, to support them in testing the feasibility of social enterprise ideas, to develop business plans and to access relevant training, funding and other supports available.

4. **Enabling Environment**

4.1 *National Strategy*

Countries where social enterprise forms a strong, growing and vibrant part of the economy have national strategies and support systems. An enabling structure in Ireland is necessary to assist provision of funding, mentoring and supports and to leverage seed money from EU initiatives and other funding.

Example: Scotland

Scotland is an example of a country that has embraced the social economy and now has a thriving social enterprise culture with 71% of the population being aware of social enterprise. There are over 3,000 social enterprises, most of them profitable, employing over 100,000 with a combined annual turnover of Stg£3.1 billion¹⁰. Key lessons from the Scottish experience¹¹ include the development of a clear vision and voice by the sector, cross party political support, the establishment of a dedicated unit in the Scottish government and the creation of a sophisticated national support strategy. Public procurement was used to boost the sector. Considerable work was undertaken to overcome parochialism and to embrace innovation. Finally, an evidence base was developed to show how the sector was growing and its impact.

Issues that government, in many cases in partnership with the social enterprise sector, should address include:

- How better to create linkages between the public, private and social sectors to stimulate job creation.
- How to involve the business community.

¹⁰ *State of Social Enterprise, 2009*

¹¹ Jonathan Coburn, Social Value Lab Scotland, address the Clann Credo *Common Cents Conference* 2011.

- How the two key government departments can best drive social enterprise policy in conjunction with the County/City Enterprise Boards and Local Development Companies.
- How an Enterprise Ireland High Performance Start-Up type mechanism might be applied to social enterprise.
- How social enterprise can be incorporated into the economic, planning and development strategies and plans of local authorities.
- What overseas initiatives could be quickly adapted for an Irish context?
- How new programmes can be undertaken cost effectively and without placing a significant burden on public finances.
- How social finance providers, credit unions, commercial banks and Local Development Companies can facilitate access to credit for social enterprises.
- What equity-type investment instruments would work best for social enterprises?

4.2 Contributing to Public Policy Objectives

Social enterprises have emerged as an effective tool to achieve policy objectives in service delivery and social inclusion.

Example: Roscommon Home Services

Roscommon Home Services provides flexible, affordable and professional services to families who require respite or who want to support elderly relatives to remain in their own homes. It provides services in Counties Roscommon, Mayo and Galway and employs over 300 people. Services include respite care, meal preparation, light housekeeping, laundry, and garden maintenance. A cleaning service is also provided to private and corporate clients. Its services enable older people to remain in their homes rather than having to go into residential care.

Example: Speedpak

Speedpak was set up by the Northside Partnership to provide employment opportunities for the long term unemployed or for people who experience social exclusion, e.g. former drug users, ex-prisoners, etc. It achieves this by operating a business in a commercial manner that provides re-packaging services and makes rosettes but which also provides the necessary supports and training to help people get back into the work environment. People have the opportunity to build up a recent work history, accredited training and a reference to help them return to the work place.

Example: Waterford & Suir Valley Railway

The abandoned Waterford/Dungarvan line was used to develop a community heritage project connecting Waterford City and Kilmeadan by means of 17km of narrow-gauge track. The railway forms part of a linear park concept linking a number of tourist attractions together and forming a major tourist attraction in the south-east. Since it opened in 2003 over 200,000 passengers have taken the trip. The railway is funded by a combination of fee income, grants, loan finance and sponsorship/ donations.

According to the OECD¹², the following is required to deliver policy goals at national and regional level:

- Regulatory efforts to consolidate and recognise organisational forms that compose the social enterprise sector. As new forms of social enterprises develop in specific sectors, efforts to provide legal frameworks that allow for some flexibility in meeting emerging needs and interests are a common trend across countries.
- The need to provide adequate support services, including access to finance, knowledge sharing and business support services, whether provided by autonomous sector organisations, or other relevant organisations and institutions.
- Social enterprises have increasingly developed autonomous sector organisations and networks as a way of facilitating collective responses to the needs and opportunities of the sector. Among other things, networks can facilitate productive alliances, foster human resource development, leadership and knowledge dissemination.
- The need to foster research capacity on the sector's contribution to national and subnational policies. The collection of both quantitative and qualitative data and analyses on social enterprises and their contribution to public policy within and across countries is a necessary tool for improved policy and strategy making.

4.3. Parity of Access

While social enterprises are structured in such a way that private individuals or shareholders do not benefit from the surpluses they generate, they are still businesses and increasingly recognised as an important and valid business model. They experience many of the challenges faced by conventional SMEs such as access to finance, management development, human resource management, strategic planning, business development, etc. As such, they should have parity of access to the existing support infrastructure and range of supports that are available to SMEs in Ireland.

4.4. Recommendation re Enabling Environment

The SEETF makes the following recommendations:

- The Irish government should adopt the definition of social enterprise as set by the EU Commission.
- Assign a Minister for State with responsibility for social enterprise within the Department of Jobs, Enterprise and Innovation.
- The Department of Jobs, Enterprise & Innovation, with the assistance of Forfás, should have primary responsibility for developing a national strategy for social enterprise in consultation with the sector, including the SEETF.
- Establish a Social Enterprise Development Unit to implement this strategy within the Department of Jobs, Enterprise & Innovation.

¹² OECD The Social Enterprise Sector: A Conceptual Framework. See: www.oecd.org/dataoecd/43/40/37753595.pdf

- Incorporate social enterprise into the service-provision brief of County Enterprise Boards/Local Development Companies/Integrated Local Enterprise Offices to ensure that these and related bodies provide both existing enterprise support services, and any additional support services identified in the national strategy for social enterprise, to social enterprises.
- The potential of social enterprise should be built into sectoral and job creation strategies and, in particular, into the plans of each County Enterprise/County Development Board/Integrated Local Enterprise Office.
- Each County Enterprise Board/Integrated Development Company/Integrated Local Enterprise Office should be asked to submit a plan incorporating proposed outcomes as to how they will support social enterprise and social entrepreneurs within their area. Within this plan they should identify the resources they will make available to support social enterprises and social entrepreneurs (e.g. either through in-house resources, contracted specialist expertise or panels of mentors with experience of working with social enterprises and social entrepreneurs).
- Existing good practice in social enterprise support, such as County Waterford and County Offaly, should be promoted nationally to County Enterprise Boards/Local Development Companies/Integrated Local Enterprise Offices.
- Raise the profile of social enterprise and present it as a realistic and attractive option to promote use of an entrepreneurial energy and talent for social change.
- Establish a strengthened focus on social entrepreneurship, supporting the development of tools, information and funds available to aspiring social entrepreneurs on a similar basis and terms as supports already in place in respect of conventional SME businesses (e.g. R&D, Credit Guarantee, export promotion, etc).
- Support the introduction of high profile social business awards with the aim of increasing awareness of the social enterprise business model.
- Promote social enterprise in schools, further education and higher education to build awareness and establish social enterprise as a career option.
- Establish strong Irish representation as part of the Social Enterprise World Forum, an annual gathering of social enterprise leaders from across the globe.
- Attract an annual meeting of the Forum to Ireland (600+ delegates normally),
- Adopt a ‘kite mark’ or other form of identifier to promote social enterprise as a unique business model.¹³
- Provide access to existing enterprise training supports, in particular those provided by the County/ City Enterprise Boards to social enterprises and raise awareness of the availability of such support amongst the social enterprise community. Key challenges identified by social enterprises¹⁴ were management development, financial management and planning and human resource management.

¹³ For example, in the UK the Social Enterprise Mark is a ‘Fair Trade’ style brand available to social enterprises that adhere to set criteria. In return social enterprises can access a widely recognised, well-supported brand, applying it to marketing materials and products. Companies identified by the Mark will raise awareness of what social enterprises do. Further information at:

www.socialenterprisemark.org.uk

¹⁴ Clarke and Eustace 2009

- Encourage third level institutions to develop social enterprise under-graduate and post-graduate programmes, as well as short courses as appropriate.

5. Addressing the Funding Challenge

5.1 *The Domestic Context*

The financial viability of social enterprises depends on the efforts of their members, who are responsible for ensuring adequate financial resources. Social enterprises therefore involve a significant level of economic risk¹⁵.

A study¹⁶ of social enterprise in nine partnership areas in Ireland revealed that healthcare provision and energy, major areas internationally for social enterprise, did not feature in the survey sample, while childcare provision accounted for 29% of the sample. Most of the enterprises had been in business for ten years or less and were mainly structured as companies limited by guarantee.

This research also established that 58% of the income for these businesses was in the form of grant aid and contracts from state agencies (e.g. HSE), with 38% coming from the sale of goods or services and the balance coming from donations.

The sector has been relatively risk averse and reluctant to use loan finance. Management training and development specifically targeted at the sector is needed to facilitate a more entrepreneurial outlook to underpin future development.

5.2. *EU Social Business Initiative*

The Single Market Act 2012 involved a series of twelve measures to boost the European economy and create jobs. These included the Social Business Initiative which has been set up as an action under the EU Programme on Social Change and Innovation as an instrument to strengthen the social enterprise sector. Championed by Commissioner Barnier under the full support of President Barroso, it is geared to enable positive social outcomes combined with fair financial returns.

At a practical level the European Commission is:

- Creating a financial instrument of €90 million to improve access to funding for social enterprises.
- Introducing an investment priority for these organisations in the 2014-2020 regulations of the European Regional Development Fund and European Social Fund, which will provide potentially far greater levels of funding.
- Proposing a new regulatory regime to facilitate the development of private investment funds specifically targeting social enterprises.
- Revising public procurement procedures to ensure greater consideration for ‘social and environmental criteria and the integration of vulnerable and disadvantaged persons’.

¹⁵ OECD The Social Enterprise Sector: A Conceptual Framework. See: www.oecd.org/dataoecd/43/40/37753595.pdf

¹⁶ Clarke and Eustace 2009

- Planning for measures to improve visibility and a simplified regulatory environment, including a proposed European Foundation Statute and state aid measures for social and local services.

The Social Business Initiative is one of 12 measures adopted in 2011 to give new momentum to the Single Market, the core economic driving force of the European Union. Social enterprise will play a key role in future EU policy on job creation and service delivery and access to potentially hundreds of millions of Euro via social investment in future.

Ireland needs to develop clear governmental structures and policies to enable social enterprises to benefit from the emerging supports and funding from EU level. It will also be necessary to improve the investment readiness of social enterprises here as well as manage the expectations of social investors.

The European Commission has now established an expert group, the Group d'experts de la Commission sur l'entrepreneuriat social (GECES), to advise on the Social Business Initiative. At its first meeting on June 5th 2012, the GECES began a process of formulating ideas and proposals for consideration for inclusion in the priorities for 2013 Single Market Act. Each Member State is entitled to be represented on the GECES at governmental level.

5.3 *Developing Access to Finance*

In 2011 the Task Force for a European Social Investment Facility outlined how to attract substantial sums of private capital alongside the European money¹⁷. The EU wants to stimulate the development of financial markets and funding mechanisms that will fund social enterprises. The European Investment Fund (EIF), a member of the European Investment Bank (EIB) Group, is finalising a new initiative dedicated to social entrepreneurship and innovation, the ESIEF (the European Social Innovation and Entrepreneurship Fund). It will be funded by a mix of private capital, EU Commission funds and the European Investment Bank.

The EU is proposing the development of European Social Entrepreneurship Funds (EuSEF) to label investment funds targeting social enterprises and to enable cross-border investment and has proposed a specific regulatory framework for such funds. It also proposes a common definition for venture capital funds that invest primarily in SMEs including social enterprises.

Microfinance is also included in the proposed Commission Programme on Social Change and Innovation including the objective of establishing micro finance instruments capable of supporting the development of social enterprises.

5.4 *Recommendations re Funding*

The SEETF makes the following recommendations:

¹⁷ See: www.euclidnetwork.eu/projects/.../social-investment-taskforce.htm

- The Irish government engages fully with the Commission and the GECES so that Ireland will be positioned to avail of the opportunities that may flow from this major initiative.
- Explore the potential to attract cross-border EuSEF funds to locate and operate out of Ireland.
- Support the development of the social finance sector to provide a range of flexible finance options such as underwriting, equity-type instruments, loans, etc.
- Change the regulatory framework for credit unions to end the anomaly whereby they are largely precluded from lending to social enterprises.
- Initiate a programme of support to raise awareness among aspiring social enterprises and entrepreneurs of available financial products and build ‘investment readiness’.
- Ensure parity of access for social enterprises to the new Irish micro-finance fund and credit guarantee schemes.
- Utilise the EU Social Business Initiative and EU Commission funding and policy developments to enable Ireland attain the EU average level of social enterprise.

6. Using Procurement to Support Social Enterprise Development

6.1. Opening Up Public Procurement

Community benefit or social clauses recognise the social value of work being contracted for and assess applicants on both social and economic merits. This can include encouraging employment of the long-term unemployed or disadvantaged people or requiring the private sector to work in partnership with social enterprises.

Increasingly across the European Union¹⁸, Community Benefit Clauses (CBCs) are incorporated into public procurement contracts in order to ensure a wider social impact beyond the narrow focus of a given public contract. Under proposals for the EU’s Social Business Initiative, public procurement procedures will be revised to ensure greater consideration for ‘*social and environmental criteria and the integration of vulnerable and disadvantaged persons*’.

In the UK, the Public Service (Social Value) Act, due to be implemented in January 2013, calls for all public service commissioning to factor in social value. As a consequence, all public bodies in England and Wales will be required to consider how services they commission and procure might improve the economic, social and environmental well-being of the area.

Social clauses could be used to ensure equal opportunities employment, to upskill workers and the use of local suppliers, thus maximising job creation in Ireland.

Example: Community Benefit Clauses

Community Benefit Clauses (CBCs) provide a means of achieving sustainability in public contracts by allowing a procurement officer or team to build in a range of

¹⁸ Later this year, the Internal Market & Services Directorate General at the European Commission will publish proposals to reform the procurement directive.

economic, environmental or social conditions into the delivery of contracts. Typically these include: Targeted Recruitment and Training; Small Business and Social Enterprise development; Community Engagement. CBCs are being promoted by the Scottish Government. In Glasgow, the City Council developed a policy on Community Benefits, approving its implementation in June 2008 and has since gone on to ensure that it is a mainstream part of the procurement process with notable successes in the procurement of capital infrastructure projects relating to the Glasgow 2014 Commonwealth Games. For further information:

www.scotland.gov.uk/Topics/Government/Procurement/policy/procurecombenefits

Public Social Partnership (PSP) is an innovative model for public service delivery that originated in Italy. It is based on the public sector and social enterprises working together to design and deliver excellent public services.

Example: Public Social Partnerships

The Scottish Government has supported a two-year pilot programme to identify and then develop 10 PSPs to provide co-planning and delivery of services to local communities. The PSP Scotland Project comprises three stages: social enterprises working with public sector purchasers to design a service; a consortium of public sector and social enterprises participating in a short-term pilot, helping to refine service delivery parameters; and the service is then further developed to maximise community benefit before being competitively tendered. For further information:

www.pspscotland.co.uk

6.2. Potential for Supporting Public Service Delivery

Social enterprise is being used in other jurisdictions as a mechanism to transform public services and infrastructure. An example is a programme operated by the Department of Health in England which actively supports the creation of social enterprises to deliver better health services. Another example is the takeover of privatised water supply by a social enterprise in Wales to deliver better and more effective services.

Examples: Delivering Public Services through Social Enterprise

The Department of Health in England's The Social Enterprise Investment Fund (SEIF) was set up in the UK in 2007 to stimulate the role of social enterprise in health and social care, through providing investment to help new social enterprises start up and existing social enterprises grow and improve their services. The benefits are being seen in higher productivity, greater innovation, better care and greater job satisfaction. The Department of Health's Right to Request Programme has provided the opportunity for NHS staff to transform their organisations into employee-led social enterprises that they themselves control, freeing them to use front-line expertise to structure services around what really works for patients. For further information:

www.dh.gov.uk/en/Managingyourorganisation/Socialenterprise/index.htm

Welsh Water (Glas Cymru) is a social enterprise that took over a privatised service, secured new investment and operates the service more effectively than either former private or public providers. As a company limited by guarantee without share capital, any financial surpluses are retained for the benefit of Welsh Water's customers. Its

assets and capital investment are financed by private bond markets (with European Investment Bank support) and retained financial surpluses. The business model aims to reduce Welsh Water's asset financing cost, the water industry's single biggest cost. Financing efficiency savings to date have largely been used to build up reserves to insulate Welsh Water and its customers from unexpected costs and reduce costs in the years ahead.

The examples show that there are opportunities to use future procurement policy in Ireland to maximise social, economic and environmental impacts, including stimulation of social enterprise.

6.3. Recommendations re Procurement

The SEETF makes the following recommendations:

- Promote the use of community benefit/social clauses for all public and local authority tendering procedures in Ireland, with the medium-term aim of making their inclusion mandatory.
- Provide full technical guidance that offers a clear route for public bodies to include such clauses in contracts.
- Initiate a programme of awareness raising and training for public procurement officers and service managers relating to effective commissioning from the social enterprise sector.
- Pilot the use of community benefit/social clauses in a small number of high profile procurement projects being taken forward by the Irish government.
- Prepare guidance and deliver associated training workshops to the social enterprise sector on 'Preparing for Tendering'.
- Promote etenders.ie and other public service commissioning portals to prospective social enterprise suppliers.
- Encourage the use of local 'Meet the Buyer' events that bring together public service and local authority commissioners and social enterprises to build business relationships.
- Introduce measures to promote the use of social enterprises in the supply chain for delivery of the next phase of Irish infrastructure investment. For example, piloting a set of Public Social Partnership projects, through which public service managers and social enterprises can co-design and test new service models.
- Promote the development of community-led renewable energy projects and energy co-operatives to contribute to the national renewables targets, in consultation with the Department of Communications, Energy and Natural Resources.

7. Measuring Impact

7.1. Developing a Framework

The SEETF believes that all public expenditures, whether through direct provision, contracting, grant aid or tax expenditures should be subject to similar independent evaluation and reporting of outcomes. This should apply to all such expenditure whether by public, private or social sectors.

Social enterprise in Ireland is still at an early stage compared to other countries and the evidence base is currently incomplete. There is, however, a growing recognition of the value of demonstrating impact especially to those stakeholders whose continuing support is essential to business survival. Some recent and current trends in the social enterprise sector in this regard include:

- A results/outcomes focus as an issue of central importance.
- Growing competitive pressure to focus on their organisational development and strategies, not just the social value their organisation creates.
- Examination of ways to produce measurable proof that what they do works.

Example: Social Evaluator

Social Evaluator is a tool designed to stimulate and facilitate the measuring of social value creation within organisations that aim to optimise social return of their projects. It facilitates impact measurement using SROI (Social Return on Investment) principles. The ambition is to create a platform where the actors of the social impact sector communicate together and contribute to shape a new and global instrument for accuracy and professionalism in social impact measurement. Social Evaluator is in widespread use by grant-making foundations, public agencies, local authorities, social investors, third sector intermediaries, and social enterprises across Europe and North America. Further information at: www.socialevaluator.eu.

Agreed frameworks for understanding, measuring and managing the outcomes of an organisation's activities need to be devised and disseminated, that can encompass all types of outcomes - social, innovation, economic and environmental. At a micro level, social enterprises need to address a few basic questions to help them formulate their intended impact:

- Who are the intended beneficiaries?
- What benefits do our programmes create?
- What do we want to maximise?
- How do we define success?
- What won't we do?
- What would make us obsolete?

7.2. Recommendations re Measuring Impact

The SEETF makes the following recommendations:

- Support the inclusion of social enterprise as a distinct category in CSO surveys of business in order to establish reliable baseline data on the sector.

- Develop one or more national indicators that are capable of measuring the growth of social enterprise in Ireland and the investment and support by the public sector in it.
- Ensure Ireland participates in the mapping exercise of social enterprise being conducted by the European Union as part of the Social Business Initiative.
- Pilot and roll out an appropriate measurement system as a tool that can be used to measure the social impact and return on investment in social enterprise.

Appendix: Membership of the Social Enterprise & Entrepreneurship Task Force

Ann Clarke, Social and Economic Consultant
Dr. Senan Cooke, Lecturer, School of Education Studies, Dublin City University
Ivan Cooper, Director of Advocacy, The Wheel
Sean Coughlan, CEO, Social Entrepreneurs Ireland
Deirdre Crossan, Assistant Professor in Social Entrepreneurship, School of Business Trinity College
Dublin
Fiona Descoteaux, Economic Development Manager, Ballymun Whitehall Area Partnership
Niamh Dowler, Community, Enterprise & Economic Development, Offaly County Council
John Gallagher, Communications Consultant
Deirdre Garvey, CEO, The Wheel
Chris Gordon, SocialEnterprise.ie
Maurice Healy, CEO, The Healy Group
Helen Kavanagh, Project Development Officer, Dunhill Rural Enterprises
John Kearns, CEO, Partas
John Murphy, CEO, Speedpak
Phillip O'Connor, CEO, Dublin Employment Pact
Rhona O'Connor, SocialEnterprise.ie
Aileen O'Donoghue, CEO, Archways
Paul O'Sullivan, CEO, Clann Credo – the Social Investment Fund
Kathleen Prendergast, Economic Development Officer, South Tipperary County Council
Bernie Walsh, CEO, Sunflower Recycling
Brendan Walsh, CEO, Social Finance Foundation