



COMMUNITY LOAN FINANCE  
FOUNDED 1996



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# Clann Credo - Community Loan Finance

## Submission in response to the Government's Draft National Social Enterprise Policy for Ireland 2019-2022

Clann Credo - Community Loan Finance is a social enterprise which not only serves but is also proud to be a part of the Community and Voluntary Sector.

We provide loans to community organisations, charities and social enterprises.

We help organisations achieve their social, economic and financial potential on terms and conditions that may not be available to them commercially.

- We only lend to projects that have a social impact
- We do not ask volunteers to give personal guarantees
- No penalties for early repayment and
- We lend where the banks may not.

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## Introduction

### Social Enterprises:

- Provide goods and services to the local communities and people who cannot afford them;
- Contribute to the economic development of underserved communities;
- Create new job opportunities;
- Enable work integration for people who stand poor chances of finding jobs in the “open” market,
- Contribute to the social cohesion, accumulation of social capital and to a more even economic development.

For over a decade now, Clann Credo has worked with other stakeholders to gain recognition for the social enterprise business model that is inspired by an ethos and commitment to social justice.

In 2009, Clann Credo, the Dublin Employment Pact (DEP) and PLANET (the Partnerships Network which later became the Irish Local Development Network, ILDN) commissioned two Reports, focusing on social enterprise in Dublin and nine regions respectively.

In 2010, DEP and Clann Credo established the Social Enterprise Task Force (SETF) to advocate for a National Policy on Social Enterprise.

Its Report, *Adding Value, Delivering Change - The Role of Social Enterprise in National Recovery*<sup>1</sup>, identified practical ways in which national and local policy could create a more supportive and receptive framework for social enterprise.

The Commission Expert Group on Social Entrepreneurship (GECES) said in its 2016 Report *Social enterprises and the social economy going forward*<sup>2</sup>

*“The social economy and social enterprises must become a priority for public authorities at the European, national and local level because they embody the power of change and have the ability to bring people back to the core of the European economy.”*

As Duncan Thorp of Social Enterprise Scotland<sup>3</sup> said earlier this year in The Scotsman, *“We need to embrace change and drive forward community-owned social enterprises as the beating heart of every neighbourhood.”*

We are delighted and welcome the announcement by Minister Michael Ring, TD, Minister for Rural and Community Development of the publication of a draft National Policy on Social Enterprise.

We look forward to assisting the Minister and his officials with its implementation.

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<sup>1</sup> *Adding Value, Delivering Change – The Role of Social Enterprise in National Recovery*, Social Enterprise Task Force (2010) an initiative of Clann Credo and the Dublin Employment Pact.

[https://www.clanncredo.ie/docs/report\\_social\\_enterprise\\_task\\_force\\_sml-13052019-130652.pdf](https://www.clanncredo.ie/docs/report_social_enterprise_task_force_sml-13052019-130652.pdf)

<sup>2</sup> *Social enterprises and the social economy going forward*. European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs; October 2016

<sup>3</sup> Social Enterprise Scotland (2019) The Scotsman <https://www.scotsman.com/news/opinion/duncan-thorp-it-s-time-to-ditch-the-old-ideas-of-economics-1-4883402>

## Overall Observations on the Draft Strategy

Our specific comments and observations on the draft policy and recommendations for action are set out below.

### *A New Policy for a New Era*

Clann Credo believes the primary objective of the strategy should be to grow and strengthen the social enterprises and as such would suggest re-ordering of the objectives as follows:

- Objective 1: Growing and strengthening social enterprise
- Objective 2: Building awareness about social enterprise
- Objective 3: Achieving better policy alignment

### *Definition*

Clann Credo strongly supports the proposed definition and in particular, that social enterprise should not distribute profits to private shareholders and the asset lock contained in the proposed definition.

We believe that it is important that all three proposed characteristics contained in the definition of social enterprise are met by any organisation claiming to be a social enterprise and that organisations do not pick and choose from these.

### *Benefits*

Reference should be made on page 7 to the role social enterprise plays in sustaining the current unique levels of social capital that exist in Ireland and in providing a better quality of life in rural and urban communities.

OECD and EU studies show that social enterprises are more resilient than the private or public sectors in an economic downturn<sup>4</sup> and we believe that this should be referenced in the section on benefits.

### *Social Enterprise in Ireland*

It is important that policy is evidenced based. The final paragraph on page 7 needs to reflect that studies<sup>5</sup> into social enterprise in Ireland show that the vast bulk of social enterprise activity originates in community-based organisations; see for example, 21 Case studies Chapter 4 *The Enterprising Community*.

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<sup>4</sup> "Social enterprises were resilient during the crisis: in places such as Italy, Belgium and France employment in them grew at a rate of 20%, 12% and 0.8% respectively between 2008 and 2014, while employment in mainstream or private enterprises decreased during the same period." OECD/EU (2017), *Boosting Social Enterprise Development: Good Practice Compendium*, OECD publishing, Paris [https://www.oecd-ilibrary.org/industry-and-services/boosting-social-enterprise-development\\_9789264268500-en](https://www.oecd-ilibrary.org/industry-and-services/boosting-social-enterprise-development_9789264268500-en)

<sup>5</sup> E.g. Breffni Integrated CLG (2018) *The Social economy in Cavan -an overview of the current status of social enterprise in Cavan*: and Gardner C., Isard P., Dermody A., Fraser S., & Quigley M. (2014) *Research into Social Enterprise in South and East Cork: Supports Required to Develop the Social Enterprise Sector in the SECAD Area*. SECAD <http://qualitymatters.ie/wp-content/uploads/2014/10/Social-Enterprise-in-South-and-East-Cork-.pdf>

Communities need to be '*recognised and supported as drivers of enterprise, job creation and community regeneration*'<sup>6</sup>.

### *Social Entrepreneurship and Social Innovation*

Social entrepreneurs have been supported to scale up through initiatives by Social Entrepreneurs Ireland. However, there has been no similar focussed attempt to help community based social enterprises to scale up and to seek international markets. We believe this should form an important plank of the strategy.

### *Synergy with the Community and Voluntary tradition*

The word 'many social enterprises' contained in the first sentence of paragraph 2 should be changed to 'most social enterprises'.

Clann Credo's experience of supporting social enterprises over the past 20 years has been that social enterprises started from community-based organisations have a higher survival rate than those established by individual unconnected social entrepreneurs. We believe that this is because the former have the community (geographic or community of interest) to fall back on for support, fund raising, volunteers, etc.

### *Local Level Support*

We note that while the sections on Local Authorities and LDCs both contain examples of local level support, the section on LEOs is silent in this regard. Clann Credo is aware that Longford LEO gave significant support to a social enterprise programme run by the Longford LDC.

### *Forfás Report*

The link to the Forfás Report on the bottom of page 3 of the draft policy should probably be to the Departmental source <https://dbe.gov.ie/en/Publications/Publication-files/Forf%C3%A1s/Social-Enterprise-in-Ireland-Sectoral-Opportunities-and-Policy-Issues.pdf>

## **Policy Objective One – Creating Awareness of Social Enterprise**

### *Overall Comment*

Clann Credo believes this should be objective 2 as it supports growing and sustaining social enterprises.

### *Awareness Raising*

Clann Credo welcomes any policy measures that raise the profile, awareness and understanding about social enterprise. However, it is important that any measures are adequately resourced.

Close working by Government through stakeholders in the social enterprise space is of key importance to raising the profile of social enterprise in Ireland.

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<sup>6</sup> 2018 *The Enterprising Community - A Bottom Up Perspective on The Capacity Within Communities to Regenerate*; Dr. Senan Cooke. <https://www.cci.ie/the-enterprising-community-book>

Initiatives such as the use of best practice examples are to be welcomed and should incorporate examples from other EU member states as well as Ireland. We believe that it is particularly important that Ireland looks beyond the English speaking world for models of social enterprise, especially in the context of Ireland being a member of a post Brexit EU.

A social enterprise mark along the lines of the Fair-Trade brand that enables the public to make an informed choice about purchasing from and supporting social enterprises should be developed in time.

Other suggestions about awareness raising measures are provided in the Appendix 1.

### *Increasing Social Enterprise Initiation*

Clann Credo believes that supporting Social Enterprise Initiation is an essential component of Growing and Sustaining Social Enterprises. Therefore, the section *Initiating social enterprises* [pages 16 & 17 Draft policy] should form part of the chapter *Growing and Strengthening Social Enterprise*.

There is a need to raise awareness in the community and charity sectors to help specific groups to identify whether they are already following the social enterprise approach and how this might be developed further or whether social enterprise is an appropriate route they might pursue for their activities. This in addition to the need to raise awareness in the public and private sectors as well as the general public.

Policy should enable and support community-based organisations to effectively respond to market failures, i.e. by providing a product or service where there is clear evidence that there is a demand and where the private sector is not active. However, it should also be acknowledged that social enterprise is not the solution to every socio-economic challenge.

Clann Credo understands the high-risk nature of social enterprise start-up and the critical role early stage financing and cash flow plays in success. It therefore believes it is critically important that there is ring-fenced funding for start-up social enterprises that is not solely reliant on debt finance. This could be channelled through the Local Development Companies supported by Local Enterprise Offices (LEOs) and Business Innovation Centres (BICs).

Our understanding is that Micro Finance Ireland (MFI) is currently precluded from providing finance to CLGs. Clann Credo recommends that this legislative block be removed and MFI be given the opportunity to support CLGs in the social enterprise space.

The Implementation Group to be established to oversee and monitor progress on the policy should include a role of 'social enterprise proofing' government policies similar to the small-business proofing of policies conducted by the Small Business Forum in the 2000s.

### *Education and Training*

Getting young people involved in enterprise is already embedded within the education system at second and third level. Clann Credo believes that social enterprise should be mainstreamed in transition year as part of initiatives on micro-enterprises, volunteering, equality and sustainability.

Targeted training and education should be provided at further and higher education levels. For example, short accredited courses and modularised post graduate degree programmes.

The values and principles of social enterprise should be embedded in as many higher education courses as possible. Higher Education Institutes (HEI) already have a remit to engage with industry and enterprise. Specific inclusion of social enterprise in HEI performance compacts<sup>7</sup> would ensure that social enterprise is specifically included in dialogue between HEIs and the Higher Education Authority.

A national higher education social enterprise competition could be run along similar lines (with similar funding and structures<sup>8</sup>) to the Enterprise Ireland Student Entrepreneur Awards.

## Policy Objective Two – Growing and Strengthening Social Enterprise

### *Overall Comment*

Clann Credo believes this should be the primary objective of the strategy.

As mentioned previously, measures that support initiation of social enterprise should be included under this objective.

### *Business Supports*

Clann Credo welcomes initiatives which will make available information about the availability of supports for social enterprises. It is important however that there is consistency in access to and quality of supports provided around the country and that social enterprises are not disadvantaged because of location.

LDCs have links in communities, experience of supporting small business start-ups and provision of wrap around supports and already provide supports to social enterprises under SICAP. However, we believe the level of resourcing is inadequate and recommend that in the next SICAP, funding for social enterprise initiatives is increased along with a corresponding increase in social enterprise targets for LDCs.

The Community Services Programme, when used as a mechanism to support social enterprises, should move away from prescribing the target group from which employees can be recruited.

LEOs could also play an invaluable role in supporting start up and established social enterprise. Clann Credo recommends that LEOs be given annual targets for supporting social enterprise within their Service Level Agreements.

LEO staff would however require training about the nature of social enterprise, the unique features of these enterprises and the types of support they require.

Business skills are often the area that social enterprises are vulnerable in and social enterprises should be encouraged to attend training courses provided to for-profit enterprises as the business skills required are the same for both types of entity. This will have the added advantage of facilitating networking and potential access to public procurement opportunities through joint applications.

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<sup>7</sup> <https://hea.ie/assets/uploads/2017/04/Mission-Based-Performance-Compact-Template-2020-2021.pdf>  
<https://hea.ie/funding-governance-performance/governance/governance-framework-for-the-higher-education-system/>

<sup>8</sup> The Student Entrepreneur Award is funded by Enterprise Ireland, the LEO network, Grant Thornton and Cruickshank.  
<https://studententrepreneurawards.com/>

### *Leadership and Governance*

While we are mindful of not placing an undue compliance burden on social enterprises, Clann Credo believes that reflecting the principles of the Governance Code would benefit social enterprises.

### *Access to Finance and Funding*

Clann Credo supports identification of gaps in funding and financing schemes as we are aware of the challenges start up social enterprises in particular face in accessing funding. We have made suggestions in respect of MFI and ring-fenced funding above.

### *Enabling Market Opportunities*

Clann Credo believes that fostering the embedding of social enterprise in for-profit enterprise networks such as the Chambers of Commerce would raise awareness about social enterprise amongst the business community and improve opportunities for social enterprises in the business-to-business supply chain.

Access to public procurement is an important tool used in other countries to support the development of the social enterprises.

The recommendations of the GECES Report<sup>9</sup> on public procurement should be included in Ireland's National Policy.

- *Public buyers should make the best use of the new public procurement rules and incorporate social considerations into their tendering procedures.*
- *Policymakers should increase awareness of state aid rules and their impact on social enterprises providing services of general economic interest.*

In addition, we propose that:

- Workshops that make social enterprises aware of potential opportunities and public procurement requirements and criteria and that also facilitate public servants involved in procurement to become aware of the particular characteristics and needs of social enterprises would be a good starting point.

### *European Union - Social Enterprise Policy*

Clann Credo recommends that Government should commit to implementing the recommendations contained in the 2016 report by the Commission Expert Group on Social Entrepreneurship (GECES). The GECES report makes 13 recommendations for concrete actions to tackle the issues currently preventing social enterprises from working to their full potential. These recommendations are set out in Appendix 2 and the associated actions are dealt with in the body of the report.

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<sup>9</sup> Report of the Commission Expert Group on Social Entrepreneurship (GECES) *Social enterprises and the social economy going forward*. (2016) [https://ec.europa.eu/growth/content/social-enterprises-and-social-economy-going-forward-0\\_en](https://ec.europa.eu/growth/content/social-enterprises-and-social-economy-going-forward-0_en)

The Government should commit to participating in the reconstituted GECES.

Oversight of Ireland's participation in GECES should form part of the work programme of the proposed Implementation and Oversight Group.

## Policy Objective Three – Achieving Better Policy Alignment

Clann Credo supports better alignment of policy across government departments that will enable and support the development of social enterprise in Ireland.

### *Interaction with National and International Policies*

#### European Union

The Council of the European Union recognises that, *“social economy enterprises create jobs, provide socially innovative services and goods, facilitate social inclusions and promote a more sustainable and locally anchored economy. They are based on solidarity and empowerment principles.”*<sup>10</sup>

Clann Credo believes it is important that the State participates in and avails of opportunities to be involved in EU policy development with respect to social enterprise.

The European Commission's actions for social economy and social enterprises are:

1. Access to finance;
2. Access to markets;
3. Improving framework conditions;
4. Social innovation, technologies and new business models and
5. International dimension.

### *Data and Impact*

The creation of satellite accounts for the social enterprises was a key recommendation of the GECES Report and the Council of the European Union<sup>11</sup> urged member states to adopt such accounts.

The EU Statistical Office, EUROSTAT aims to develop satellite account for the social economy for Member States and EFTA countries and in 2018 published a call<sup>12</sup> with up to 90% grant funding as part of this process.

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<sup>10</sup> Europe Council Conclusions December 7, 2015: *The promotion of the social economy as a key driver of economic and social development in Europe* 15071/15 SOC 711 EMPL 464 <https://data.consilium.europa.eu/doc/document/ST-15071-2015-INIT/en/pdf>

<sup>11</sup> Conclusions of the Council of the European Union on 7 December 2015 (point 19)

<sup>12</sup> EUROSTAT call for *Proposals from European Union statistical institutes to develop Social Economy Satellite Accounts* (ID: B2796-2018-SESA)

In addition, an update of the UN handbook for a satellite account on non-profit institutions has recently been finalised<sup>13</sup>. The handbook sets the methodological framework for a satellite account for the social economy, consistent with the 2008 SNA.

The Government should require the Central Statistics Office (CSO) to actively participate in the EUROSTAT initiatives to learn from the experience and to ensure consistency with studies in other member states.

The Government's priority should be that the data collection is carried through the CSO and thus ensure the development of credible data that is also systematically comparative to data on social enterprises in the rest of Europe.

Social enterprise should be included in international studies of entrepreneurship such as the GEM Global Entrepreneurship Monitor (currently funded by Enterprise Ireland) and the Global Entrepreneurship and Development Institute (GEDI) entrepreneurship rates. Inclusion of social enterprise in these types of research projects would support mainstreaming of the concepts, role and achievements of social enterprise in the wider entrepreneurship community.

Clann Credo believes it is important that Ireland's social enterprises benefits to the maximum from the forthcoming EU Horizon Europe 2021-2027 research programme.

## Policy Implementation and Oversight

Clann Credo welcomes the proposed establishment of an Implementation Group with representation from key Government Departments and social enterprise stakeholders, to oversee and monitor progress on the policy.

Clann Credo suggests that one way of measuring progress would be to undertake an initial and thereafter six-monthly, self-assessment using the OECD Better Entrepreneurship Policy Tool. The Better Entrepreneurship Policy Tool is an online tool designed for policymakers and other interested parties at local, regional and national level who wish to explore how public policy can support the development of social enterprises. <https://www.betterentrepreneurship.eu/>

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<sup>13</sup> "Satellite Account on Non-profit and Related Institutions and Volunteer Work"  
[https://unstats.un.org/unsd/nationalaccount/gclitemSA\\_NP\\_Vol.asp](https://unstats.un.org/unsd/nationalaccount/gclitemSA_NP_Vol.asp)

## Appendix 1: Additional Clann Credo Suggestions for Awareness Raising

- Measures that would support awareness raising amongst the general public include initiatives via primetime radio and television programmes.
- A Social Enterprise Week along the lines of Science Week, Mental Health Week, etc. could also be initiated.
- Specific presence at major community events such as the Ploughing Championships is another method to be considered.
- Prizes for individuals and committees involved in social enterprises should form part of a national awards ceremony that celebrates individuals and specific communities, e.g. geographic, new communities, LGBT+, etc.

## Appendix 2

## Main Recommendations of GECES Report



# RECOMMENDATIONS

The GECES report makes 13 recommendations for concrete actions to tackle the issues currently preventing the social economy and social enterprises from working to their full potential. These recommendations are presented below. The associated actions are dealt with in the body of the report.

## Towards increased visibility, recognition and identity

1. The European Commission, the Member States and social enterprise organisations shall gather stronger evidence on social enterprises' added value and communicate it better.
2. The European Commission, the Member States, regional and local authorities, and social enterprise organisations should nurture a more assertive and coordinated social enterprise community.
3. The European Commission and Member States, as well as their local and regional authorities, should mainstream the social enterprise dimension in relevant policies, programmes and practices. They should consult with and engage social enterprises as much as possible in the creation of new policies and actions. Social enterprise organisations should actively promote and use these opportunities.

## Improving access to funding

4. The European Commission and Member States should provide increased resources to training programmes, incubators and intermediaries that provide tailored capacity building support to social enterprises required to build their managerial skills and to encourage their financial sustainability.
5. The European Commission, the Member States and organisations from the social enterprise funding community should implement concrete measures to unlock and attract more funding that is better suited to social enterprises.
6. The European Commission and the Member States should continue to direct public funding to mobilise private capital, through investment in and de-risking of social enterprise funders, as well as by putting proper governance structures in place.

## Improving the legal environment

7. The Commission should propose a soft legal measure which could help Member States design an adequate framework to support the flourishing and expansion of social enterprises.
8. The Commission and the Member States should stimulate cross-border operations for mutuals and cooperatives to enable them to use the full potential of the Internal Market in order to expand their activities.
9. Public buyers should make the best use of the new public procurement rules and insert social considerations, including reserved contracts for the social and professional integration of disabled and disadvantaged persons (art. 20) as well as health, social and cultural services (art.77), in their tendering procedures.
10. The Commission and the Member States should increase awareness of state aid rules and their impact on social enterprises providing a service of general economic interest (SGEI).

## Driving international development and growth

11. The European Commission/EEAS should contribute, through the next cycle of its international development programmes, to a significant and ongoing increase in open source intelligence about the social economy and social enterprises, and support ecosystems globally.
12. The European Commission should take a leading role in fostering global cooperation to support the social economy and social enterprises by acting as a market convener and harnessing knowledge exchange.
13. The European Union and the EEAS should mainstream tailored support in all its existing and future policies and initiatives and international negotiations promoting social and economic development (cooperation and development, foreign policy, trade policy, neighbourhood policy etc.) and embed social enterprises and the social economy more broadly in strategic thinking in order to build supportive ecosystems as reflected by the pillars of the Social Business Initiative.