

National Social Enterprise Policy

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Prepared in cooperation with Communities Creating Jobs



LIT

ACTIVE LEADERSHIP IN
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1. Introduction

LIT has developed specific expertise and knowledge in the field of Social Enterprise over the past 4-5 years. This expertise has been built up on the knowledge and experience gained from participation in a number of EU funded projects as well as its work within the field of Innovation and Entrepreneurship. LIT has led or is a partner in the following EU Funded Projects

- SESBA: Social Enterprise Training for Business Advisors – www.sesbaproject.eu
- SEDETT: Social Enterprise Development, Education and Training Tools – www.sedett.eu
- IntSenSE: Internationalising Trading for Social Enterprise – Sustainability in Education - <http://www.intsense.eu/>
- EMwoSE: Emigrant Women in Social Enterprise

Further information on these projects is available at <http://www.lit.ie/RDI/Development/SocialEnterprise/default.aspx>

LITs focus has been on capacity building and knowledge creation, developed through a collaborative process and seeking to ensure that Ireland can learn from expertise across Europe, while also highlighting the excellent work of Irish Social Enterprises within its work.

LIT welcomes the National Policy for Social Enterprise as a long overdue development to support the sector. LIT has collaborate with Communities Creating Jobs (CCJ) who have also made a submission to the consultation process. The responses to the Policy Objective questions below in general concur or reflect exactly the submissions made by CCJ. Where appropriate LIT has made additional points to highlight its specific views

2. Policy Objective One - Creating Awareness of Social Enterprise

Role of Social Enterprises in raising awareness

In implementing this Policy, the Government will work with social enterprise stakeholders to help raise awareness of social enterprise, social entrepreneurship and social innovation in Ireland. The type of policy initiatives which the Government could take through the Department of Rural and Community Development to help raise awareness could, for example, include:

- *Working closely with social enterprise stakeholders to develop an Awareness Strategy to raise the profile of social enterprise in Ireland.*
- *Identifying, with social enterprise stakeholders, best practice examples of social enterprises to improve public understanding of such enterprises and to highlight their contribution to society and the economy.*

- ***Holding an annual Social Enterprise Forum for all stakeholders to participate in shaping policy, building understanding of social enterprise, disseminating information, and sharing best practice.***

Are these suggested policy measures sufficient to achieve the objective of raising greater awareness of social enterprise?

CCJ Submission:

This largely depends on the nature of the awareness-raising strategy and the actions which it contains. The principle of developing such a strategy is good but it needs at least three things to be effective. Firstly the strategy needs to be very clear as to who is its target market. How will an increase in the awareness of social enterprise benefit the sector unless the awareness is raised amongst those in decision-making roles who can facilitate the establishment and operation of social enterprises and make decisions which will provide them with support and resources. Merely highlighting them to the general public is not a priority. Secondly the strategy needs to have clear actions which will be taken by all stakeholders including Government, with a commitment to the implementation of actions by a particular time and thirdly, the resources which are necessary to allow the implementation of the actions need to be identified and put in place. In other words, a strategy without an Action Plan will not be helpful.

LIT Submission

The identification of best practice should be the dominate focus of this awareness raising campaign and should not just be restricted to Irish examples. There are many excellent examples of Social Enterprise activities across Europe which could be applied within Ireland and we should seek to learn from these models. The purpose of development Best Practice should be clear however, and primarily these should serve to inform decision makers of the impacts which Social Enterprises can have in communities, regions and Ireland.

Are there other actions the Government could consider to raise awareness of social enterprise, and if so, what are those actions?

CCJ Submission

The raising of awareness would not be the highest priority which I would identify. Awareness will be raised when other actions are taken which give more scope and capacity to social enterprises to make a bigger contribution to society.

Initiating social enterprises

Building on a number of current initiatives around social entrepreneurship and social enterprises, in finalising this Policy the type of policy measures which the Government could take to increase social enterprise initiation could, for example, include:

- *Supporting social innovation and social enterprise start-ups through targeted programmes and initiatives.*
- *Exploring the scope for further inclusion of social enterprise and social entrepreneurship modules in the education and training system.*
- *Working with education and research bodies to further support the development of social innovation.*

Are these suggested policy measures sufficient to achieve the objective of increasing social enterprise initiation?

CCJ Submission

These may well be useful initiatives but, on their own, they won't achieve a greater number of social enterprise start-ups. The targeted programmes and initiatives could be particularly beneficial provided that they are well focused and well resourced. If they are not then the incentives for people to set up social enterprises will be limited.

LIT Submission

LITs experience is that there is not capacity within the overall enterprise sector to deal with Social Enterprise, and therefore just providing incentives to establish social enterprises will not have sufficient impact. There is a need to consider the entire social enterprise chain and also support Business Advisors, Accountants, Financial Experts as well and communities and social enterprises leaders on how to successfully establish and sustain a social enterprise. This is particular reflected in the SESBA project.

Are there other actions the Government could consider to achieve this objective, and if so, what are those actions?

CCJ Submission

Other initiatives which might be considered could include the following –

- Resourcing is one of the major difficulties facing many social enterprises especially in their start-up phases. Additional incentives to philanthropic organisations to provide resources to social enterprises (such as tax-breaks for example) would be helpful.
- Consideration needs to be given to the legal context within which social enterprises operate. While good governance is importance, the weight of governance expectations on all organisations in the voluntary sector and especially social enterprises is becoming overpowering. Specific support needs to be provided in this area in the form of mentoring, provision of clear standard templates compliance with which will be taken as prime facie evidence of compliance with good governance and provision of support officers within say Local Government or Local development organisations.
- Consideration needs to be given to the establishment of a new form of corporate entity for social enterprises similar to the community interest company in the UK.

- A number of pilot projects which would facilitate the establishment of social enterprises should be supported. One such model which should be considered for support is the Cumasú model developed by Communities Creating Jobs and which is aimed at using community-based resources to facilitate enterprise development and job creation. This process has been trialled successfully in a small way but needs support to be piloted in a more substantial way, lessons learned and modifications made to the model prior to full roll-out.

LIT Submission

LIT invites the Department to review the resources and materials developed in particular from the SEDETT and SESBA projects which have been informed by research on needs of Social Enterprises. In due course resources will also emerge from the IntSenSE project which focuses on internationalisation. The Government should consider also how Social Enterprises can engage not only enterprises at a regional/national level but also have the potential to work internationally and this should be supported in any future initiatives.

3. Policy Objective Two - Growing and Strengthening Social Enterprise

Leadership and Governance

In finalising this Policy, the type of measures which the Government could take to improve business and leadership supports for social enterprises could, for example, include:

- *Compiling and making available information on the various business supports available to social enterprises, along with details of the providers of those supports.*
- *Identifying any gaps which may exist in business supports available to social enterprises and working to address those gaps.*
- *Providing access to advice and supports to assist social enterprises and social entrepreneurs to develop their business proposals.*
- *Providing tailored training for social enterprises to help them to improve their business potential as well as leadership and governance skills.*

Are these suggested policy measures sufficient to achieve the objective?

LIT Submission

There has been considerable resource already undertaken in this regard and LIT would suggest that every effort should be made to avoid duplication of effort. LIT is will to meet with the Department to demonstrate the resources available and research that has been done. IoTs are particularly well placed to deliver specific training on social enterprise given their applied nature of education and strong networking with stakeholders in their regions.

Access to Finance and Funding

In finalising this Policy, the type of measures which the Government could take to improve access to finance and funding for social enterprises could, for example, include:

- *Cataloguing and disseminating information on financing/funding schemes available to social enterprises at national and EU levels.*
- *Identifying gaps in financing/funding schemes and working to address those gaps.*
- *Exploring the potential for new innovative funding schemes for social enterprise.*
- *Seeking to improve alignment of funding schemes to support the objectives of social enterprises, whilst avoiding any displacement of existing supports for Community and Voluntary organisations.*

Are these suggested policy measures sufficient to achieve the objective of improving access to finance and funding for social enterprises?

CCJ Response – LIT Concurs with all points below

It all depends on what the outcomes are. The policy approaches are certainly addressing some of the key areas but if responses which facilitate more support for social enterprises don't emerge from these reviews etc. then the benefits will be small. Phrases like 'exploring the potential' and 'seeking to improve' are limited and do not offer any guarantee of improvement. The reality is that the funding available to social enterprises is quite limited and a major expansion and ring-fencing of funding would be required in order to make a major difference to the social enterprise sector.

How could current government funding streams be improved to support social enterprises?

By broadening the criteria for eligibility to apply for such schemes and by expanding the total funding which is available.

Are there other actions the Government could consider to achieve this objective, and if so, what are those actions?

Social enterprise has particular potential to replace services which are being lost in various areas due to demand deficiency. This potential is particularly relevant where a community organisation seeks to provide the service, mobilise community assets and volunteers and engage the community at large with the service.

Particular supports and assistance should be provided to such facilities when certain criteria such as a lack of deadweight and displacement can be demonstrated. Among the supports which might be considered are –

- Targeted grant aid for the establishment of such bodies
- Removal of water charges and rates from their facilities
- Tax exemptions on profits provided they are re-invested in the community
- Allowances for loan repayments as set-off against tax.

Such supports could be provided to a defined set of services initially, subject to conditions such as those set out above and with limitations as to the levels of profit which could be generated.

Enabling market opportunities

In finalising this Policy, the type of measures which the Government could take to improve access to markets for social enterprises could, for example, include:

- *Supporting capacity-building for social enterprises in relation to procurement processes through workshops and training.*
- *Working with stakeholders to identify how to improve opportunities for social enterprises in the business-to-business supply-chain.*
- *Helping policy makers to better understand how procurement can be used to facilitate the advancement of social policy objectives within appropriate and structured public procurement guidelines.*

Are these suggested policy measures sufficient to achieve the objective of improving market opportunities for social enterprises?

CCJ Response

These approaches would be likely to be of benefit to social enterprises in bidding for relevant contracts. However, they are unlikely to be adequate unless they are enhanced. Helping stakeholders to understand the potential of social enterprises is not sufficient unless there are more specific policy obligations on those doing the procuring. These could include the following –

- An obligation to seek to assign a certain percentage of projects or project expenditure to social enterprises
- A requirement that environmental and social benefit be given a certain percentage of the marks awarded in marking frameworks. These marks could be available to Social enterprises or to consortia which include social enterprises.
- Removal of the limitations which impact on the capacity of SMEs to benefit from publicly procured contracts would also benefit social enterprises. This means that for smaller contracts in particular, the systems need to be streamlined and the cost of submitting tenders considerably reduced. Most social enterprises can't afford the cost of submitting a tender with a small chance of success.

LIT Response

Lessons can be learned from the models developed to support Green Public Procurement and applied to the Social Enterprise sector. Through appropriate design of procurement structures and approaches there should be greater opportunities for Social Enterprises to engage in such procurement.

There is also the potential to create develop and deliver appropriate training and education to SEs on how to prepare and submit tenders, thus increasing their quality and chances for success. This

should be enhanced through central provision of templates, costing models and other associated supports to reduce overheads of SEs in preparing bids, as well as facilitating development of consortia.

Furthermore, other sectors should be encouraged to include Social Enterprises in their consortia when they are bidding for relevant contracts.

Are there other actions the Government could consider to achieve this objective, and if so, what are those actions?

- See above for additional actions
- Other actions which might be considered include the provision of a support service (not just training) for social enterprises which wish to compete for tendered contracts, so that they have a reasonable chance of success at least. Such a service might be provided to the smaller social enterprises only as larger organisations are likely to be equipped with resources more akin to those of a commercial enterprise.

What should the Government's priority be in working towards achieving this objective?

Primarily to create an environment in which social enterprises would be provided with the means and the support to compete for tendered contracts and where those assessing the allocation of such contracts were under obligation to give serious consideration to proposals from social enterprises and, for a period of time at least, to provide some affirmative action for them.

4. Policy Objective Three - Achieving Better Policy Alignment

In finalising this Policy, the type of measures which the Government could take to improve better policy alignment for social enterprises could, for example, include:

- *Developing a better understanding of the interaction between social enterprises and relevant policy areas across Government to ensure closer alignment with social enterprise and enabling social enterprises to increase their contribution to delivering on policy objectives.*
- *Ensuring that Ireland engages closely on social enterprise policy developments at international level so that Ireland can influence international Social Enterprise policy development and, where relevant, social enterprises can benefit from international supports.*

Are these suggested policy measures sufficient to achieve the objective of achieving better policy alignment for social enterprises?

CCJ Response – LIT Concur with all points below, for all questions

Both of the policy approaches are important but insufficient. While a better understanding of how social enterprises can help to deliver policy objectives will be helpful it will achieve little unless

steps are taken to facilitate social enterprises in achieving this. Sometimes social enterprises can help deliver social and economic objectives directly and sometimes they can do so indirectly by helping to create the environment in which other mechanisms can help to achieve this.

A critical element in achieving positive outcomes in this area is that those responsible for the design of policy implementation frameworks would actively consider the potential role of social enterprises in policy delivery and would include a role for those enterprises in the implementation frameworks. Where such a role is identified adequate resources should be provided to enable social enterprises to fulfil this role.

In this context, social enterprises should not be regarded as cheap alternatives for policy delivery and provided with low levels of resources with high expectations.

These models are already in place in the health and social care areas in particular where many social enterprises deliver major parts of public services with state funding. The range of services which are delivered in this manner should be increased steadily with an overall target that a certain percentage of services be delivered through social enterprises in all areas.

Again, engagement in international policy-making processes is important but it needs to be followed up by the adoption and implementation of discretionary policies in this area. Many of the developments of policy in this area allow a large element of discretion to national governments and this discretion needs to be used in an expansive way for this engagement to have any real impact.

Are there other actions the Government could consider to achieve this objective, and if so, what are those actions?

The policy changes suggested above should be included as undertakings in this policy document so that investigations, reviews and examinations will be followed with actions.

Are there specific areas of Government policy which are causing difficulty for social enterprises, or which could be improved?

This is a somewhat different question to the others in this section. There are a number of areas of Government policy regarding social enterprises which could be of assistance.

1. As noted earlier the introduction of a Community Interest form of company structure which requires good governance but in a somewhat less extreme form for social enterprises with a smaller turnover would be of assistance.

2. The removal of restrictions which prevent state enterprise development agencies from providing support to social enterprises and particularly those which are replacing social and community services in demand-deficient environments
3. Social employment schemes of various types are extremely important for social enterprises and there are some in the community who are more suited to employment through these schemes. The restrictions recently placed on these schemes should be reconsidered and removed.
4. Many of the programmes which currently offer support to social enterprises are focused on capital investment rather than on-going operational costs. For many social enterprises, however, the operational costs are critical. Consideration should be given to the alteration of current policies so that operational funding can be more easily provided to social enterprises in an ongoing way. Consideration might also be given to mechanisms for encouraging philanthropic and CSR giving of this nature by commercial and philanthropic organisations.

However, in many ways it is the absence of policies rather than the presence of policies which is the issue. As noted elsewhere in this response the following would be of assistance –

1. A policy which requires that a certain percentage of the procured services and products of public bodies would come from social enterprises.
2. A policy which requires that allowance for the ancillary benefit which a social enterprise brings in social or environmental terms should be a criterion in procurement evaluation frameworks
3. Policies which monitor procurement processes to ensure that the criteria which are being used don't exclude social enterprises in practice
4. One technical matter which should be considered for social enterprises is the prevention of a Director or Committee member from benefiting from the activities of the enterprise, even in terms of paid for services. While the reason for this approach is understandable it can be a significant inhibiting factor in getting good people on to Boards particularly in smaller communities. This should be reviewed with the intention of modifying it so that Directors can benefit subject to safeguards.

What should the Government's priority be in working towards achieving this objective?

The overall focus of Government policy should be to provide a framework within which social enterprises can flourish and be supported, particularly in those areas where they can bring better value to the state or provide products and services for communities which will not be provided by the state or the commercial enterprise sector. Particular attention should be paid to the needs of social enterprises for operational funding.

Data and Impact

In finalising this Policy, the type of measures which the Government could take to improve better policy alignment for social enterprises could, for example, include:

- *Improving data collection relating to the extent of social enterprise and the areas in which social enterprises operate.*
- *Developing mechanisms to measure the social and economic impact of social enterprises across the full spectrum of social enterprise.*

• Are there other actions could the Government consider to establish a reliable evidence-base for social enterprises?

CCJ Response

The gathering of data on social enterprises is very important. However, such data should include the reason for the existence of the organisation and its purpose as well as its intentions regarding its future trading activities.

Mechanisms for measuring social and economic impact should particularly focus on those benefits which are unlikely to be delivered through any other mechanism, either public agency or private enterprise. It should also include an evaluation of the comparative cost of other forms of provision where such are possible.

Social and economic impact measures should also allow for consideration of indirect benefits which may arise through the use of a social enterprise model for the delivery of a service.

LIT Response

LIT has gathered a significant number of case studies of SE in Ireland which are available via the various projects listed earlier. It is critical that any data collected is biased towards the qualitative information behind the creation, development and operation of the SE. The quantitative data in terms of employment, services provided is of interest but the very nature of SE is that the concepts and drivers for the creation of the SE are varied and can only be captured through appropriate data collection methods. This data also needs to be processed and reflected appropriately to further stimulate and inform the market.

• What should the Government's priority be in working towards achieving this objective?

The priority in this area should be on developing a framework through which social, economic, environmental and cultural benefit can be measured. Both quantitative and qualitative data should be gathered. Where necessary and where data can't be gathered in any other way social enterprises should be asked to carry out evaluation exercises with their customers using processes and frameworks developed centrally.