National Social Enterprise Policy for Ireland

2019 – 2022

Pobal Submission

May 2019

Introduction

Pobal welcomes the opportunity to provide commentary to contribute to the public consultation process on the National Social Enterprise Policy. We welcome the draft policy report, which sets out the rationale for reviewing the social enterprise sector and for putting in place a policy framework to support the development of the sector.

Social enterprise is a model of doing social good. Social enterprises contribute significantly to the delivery of government policy in a wide range of areas such as labour market activation, health care, social inclusion and housing. They trade in many markets, selling goods and services to individual consumers, local authorities, government and private businesses and aim to make a profit like any private sector business. However, all of their profits or surpluses are reinvested back into their social and/or environmental purpose and they target specific causes or groups to support such as health care, the environment, housing, second chance employment for ex-prisoners etc.

The draft policy is to be commended for being a relatively short and accessible document and it contains the building blocks for implementation. The draft policy is a useful starting point but would, however, benefit from being more specific and action orientated.

Pobal: Intermediary between Government and Community

Pobal has significant experience in supporting implementation and delivery in the social enterprise sector.

- Pobal manages the **Community Services Programme** on behalf of the Department of Rural and Community Development. The Community Services Programme supports community companies and co-operatives to deliver local social, economic and environmental services that tackle disadvantage by providing co-funding. CSP is based on a social enterprise model, whereby community companies and co-operatives are expected to generate a traded income from the delivery of services, which in turn can co-fund the cost of employment, and cover other overheads associated with the delivery of services. In 2018, 413 organisations were supported by CSP with allocations totalling €41.8m.

- The **Social Inclusion and Community Activation Programme** (SICAP) 2018 – 2022, funded by DRCD and managed on its behalf by Pobal, includes a Goal 1 objective to support social enterprises operating in disadvantaged communities in providing services and linking people to employment opportunities. In 2018, 270 social enterprises were supported and they created 52 jobs (part-time and full-time). Approximately €45,000 was allocated to the enterprises in the form of small grants from Local Development Companies through SICAP.

- Pobal supports the social enterprise sphere through its work in delivering the **Dormant Accounts Fund (DAF) Measure 1: Social Enterprise** on behalf of DRCD. The 2017 measure

1 had an available budget of approx. €2.2m supporting 53 projects. The aim of this DAF measure is to support social enterprises that provide services to or employment opportunities for disadvantaged people or communities, particularly in rural areas, and funding to cover capital costs e.g. machinery, specialised equipment, refurbishment costs.

- On behalf of the Department of Children and Youth Affairs (DCYA), Pobal manages the **Early Childhood Care and Education** (ECCE) and the **Community Childcare Subvention** schemes that are delivered in some cases by community providers. Some of these providers operate along similar lines to social enterprises and are required to generate an income to remain viable, in a very similar fashion to private providers.

Based on our breadth of experience supporting the social enterprise environment, and as an intermediary operating on behalf of government to progress social inclusion and equality in Ireland, Pobal is a stakeholder in the process and we are available to work closely with DRCD to support the policy framework as it moves into implementation phase. We note that Pobal is not referred to within the document and would suggest that in the next iteration of the report that our role within the sector and experience, as outlined above, are noted alongside the other primary stakeholders.

Areas to Consider:

Pobal has a number of suggestions of further areas to consider and next steps. These are structured as general responses to sections 1, 2, 3 and 7 of the report (Introduction, Understanding Social Enterprises, Establishing Policy Objectives, Policy Implementation and Oversight) and followed by specific recommendations for policy objectives 1, 2 and 3.

General Recommendations

1. Setting an Ambitious Vision for the Sector

The draft policy clearly sets out the objective of government to assist the social enterprise model in Ireland to grow and contribute to social and economic progress. The policy will open new opportunities for social enterprises to address social and environmental challenges, revitalise areas and support many people excluded within society. As stated in the report, this provides a new opportunity for the sector to be developed in a more coordinated and integrated way and serve as a roadmap for the development of the sector. However, there is scope for the Department to be more ambitious in setting a vision for the sector and imbuing this with energy and momentum.

This policy is the opportunity to clearly distinguish social enterprises from community and voluntary bodies and a social enterprise-specific roadmap could be drafted to suit the needs of the social enterprise (SE) sector. There is an inevitable trade-off that in order to better support 'real' social enterprises which

generate a profit; SEs need to be differentiated from the non-trading community and voluntary groups and a separate identity and the required legal regulations created to support them. This is an important next step if the state is to support the growth of a strong, vibrant, distinguishable social enterprise sector. Community and voluntary groups, as Pobal has experienced through its work in supporting CSP over the last ten years, are invaluable community champions working to keep community facilities and activities operating, however they are not and should not all be considered as social enterprises.

This is partly acknowledged within the report which states that "social enterprises are differentiated by their more entrepreneurial approach and the generation of revenue from the on-going provision of goods and services…the social enterprise model does not suit all non-profit activities". The draft report could be more confident and ambitious in stating this and message a clear vision that social enterprises will be supported by the state as a dynamic sector in its own right, separate from the wider community and voluntary sector, to allow for a more suitable and tailored set of policy and funding responses. This would also require further consideration as to the most appropriate legal form for social enterprises.

2. Definitions for the Sector

The report sets out what appears to be a new definition for the sector. The rationale for developing a new definition could be put forward and particularly why the Forfas definition is no longer considered to be suitable. The definition can be strengthened by being more specific as it is currently somewhat open to interpretation. For example, we suggest removing the sentence which states 'having an ambition to trade' as this is vague and could be exploited by groups which are not social enterprises but could meet eligibility criteria by stating they have an ambition to have a social impact.

The definition does not make it clear if social enterprises must be registered charities. We would suggest that this is not desirable as charitable status can be exclusionary. Social enterprises should not need to be charitable organisations and indeed many operating as social enterprises are not charities. It would appear that the rule around the transfer of assets is an asset lock – the rationale for including this within the definition needs to be provided as this generally applies to charities rather than social enterprises.

We would suggest that further clarity be given on the term 'not for profit' in this document. Not for profit is a term used by some social enterprises to distinguish themselves from commercial/private operators whose purpose is to generate profits for the individual sole trader or its shareholders and it does not mean that an organisation/enterprise cannot generate income and profit. However, some organisations use the term to argue that they cannot and should not trade, so a clear statement needs to be made that this is not the case.

The report includes terminology for social entrepreneurship and social innovation. It is unclear, nonetheless, if this policy is seeking to provide a roadmap for social enterprises solely or if there is a

wider aspiration to provide a framework for the social economy and setting out where social entrepreneurs sit within this milieu. We would suggest that in order to reduce confusion on the interchangeability of these terms that the policy also provides definitions for 'social entrepreneurship' and 'social innovation' and sets out how they interconnect.

The OECD and EU have developed very useful definitions for the sector and we would remind the Department to refer back to these to ensure that any Irish definition is consistent with international approaches. The OECD Local Employment and Economic Development (LEED) Unit within the Centre for Entrepreneurship conducts empirical research on the social economy, in collaboration with the European Commission. Pobal has recently established a LEED Dissemination Network[1] to act as a conduit into OECD policy recommendations and research to inform Irish government making and to inform discussions at an international level. Pobal holds the Irish Delegate position on the LEED Directing Committee and is available to assist DRCD in accessing and sharing learning on social enterprises.

3. Policy Duration

The timeframe for the policy framework is four years (2019 to 2022). With 2019 already underway this timeframe would appear to be somewhat limited and DRCD may wish to consider a longer scale of possibly six to eight years, commencing in 2020 (e.g. 2020 to 2028). A mid-year review point should be built in at the three/four year point to assess where delivery is. The final year/two years could be used to hold a consultation and evaluation process to evaluate progress against the agreed benchmarks and set out the direction for the successor policy. A longer term framework is probably more realistic and practical in terms of the Department's workload, would facilitate longer term direction setting for the sector, as well as providing a greater sense of stability and surety for SEs themselves.

4. An Implementation Plan

The next iteration of the policy would benefit from being more specific by mapping out how the recommendations will actually be delivered. The current recommendations under the policy objectives are somewhat unclear in terms of setting out which agency will lead delivery, the deliverables and the timeframe. The Department may wish to consider devising an implementation plan, overseen by the Implementation Group as referred to in the document. It is referenced in the report that this policy will include a series of commitments by government to be developed in partnership with social enterprise stakeholders and that implementation will best be achieved through a collaborative approach which would be reflected in the implementation plan. The Department should build on and support initiatives already instigated by Government, such as the Department of Justice and their vision for social

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[1] The Department of Rural and Community Development is a member of the LEED Dissemination Network.

enterprise in supporting rehabilitation and integration of those that have gone through the criminal justice system.

5. Evidence Base to Support the Policy Direction

The report does not clearly set out the information sources used to formulate the current position. It would be useful to provide a bibliography listing all sources used to inform the policy document, including:

- The national and international papers referenced e.g. the international literature review
- The mapping studies
- The research report informed by the findings from the joint DRCD – SFF project

We would also suggest naming the stakeholder organisations involved in preparing the framework and listing the consultation events that have taken place to date. Making this information available would aid transparency and direct others to these resources collated by DRCD, serving as a useful repository of information.

6. EU Support and Funding and Drawing upon OECD Research

The report references the international experience and the work of the European Commission and other EU bodies in recognising and contributing to the development of the sector. It would be useful to explore the potential for Ireland to avail of EU funding opportunities for the sector to a greater extent and to name the funding streams and development priorities. In addition, there is a new EU programming period post 2020, with brings potential to lever ESF funding for more social enterprises to develop social inclusion. We would suggest that the next iteration of the report draws upon lessons from Europe on how to build the capacity of the sector to a greater extent, which will also help to underline the importance of the sector and what has been achieved in other EU Members States.

The OECD is investing the potential and impact of social enterprises, carried out by the Local Employment and Economic Development (LEED) Unit within the Centre for Entrepreneurship. DRCD could draw upon this ongoing research being conducted at an international level. For example, LEED has co-developed a Better Entrepreneurship Policy Tool (available here) with the EC which is an online tool designed for policy-makers at local/regional/national level to enhance inclusive and social entrepreneurship policy design and implementation.

There are a number of programmes and supports from the EU to support the sector, integrating advisory services and building capacity which the Department may wish to further examine, such as:

- **Employment and Social Innovation (EaSI) Programme - Microfinance and Social Entrepreneurship guarantee schemes** to increase access to microfinance for vulnerable groups and social enterprises who want to set up or develop their business via EIF (European Investment Fund);

- **EaSI support for Social Enterprise Financing Markets** – capacity building, operating grants for EU level networks, technical assistance for finance providers etc.
- There have been ongoing negotiations on social investment and skills under the **InvestEU Fund** for the MFF 2021-2027 (€4bn). The objective is to increase access to and the availability of microfinance and finance to social enterprises and social economy and support financing related to social investment and skills.
- **The InvestEU Advisory Hub** will integrate the different advisory services currently available into a one-stop-shop for project development assistance. It will provide technical support to help with the preparation, structuring and implementation of projects.
- **The ESF Transnational Platform** on the social economy is a useful network for EU Member States to share experiences and approaches when engaging with the social enterprise sector and learning from EU experiences and good practice.

Policy Objectives

This section of the document responds to the policy objectives set out in the draft policy and are further suggested areas for the Department to consider.

Policy Objective 2: Growing and Strengthening Social Enterprise

Business supports for social enterprise
- We would position Policy Objective 2 as the first objective as without first ensuring a stronger and more effective social enterprise model, it would be premature to raise awareness.
- The policy report recognises that there is a strong desire from social enterprises to have access to business supports. This chimes with Pobal's experience in engaging with social enterprises where greatest assistance is required in the area of business supports. The entities are generally stronger on social purpose and community impact, and struggle to a greater extent with the business and financial management areas that affect all businesses.
- Local Enterprise Offices (LEOs) are referenced as a state service which helps enterprises to establish, develop and become sustainable. It is recognised that while some LEOs do support SEs, it can also be difficult for social enterprises to access LEO provided supports for a variety of reasons. This policy document should seize the opportunity to give an organisation the mandate to be responsible for developing the social enterprise sector and providing the required support infrastructure nationally – a Social Enterprise Development Unit (SEDU). The SEDU would also take responsibility for developing national standards for social enterprises
- The policy needs to specify the organisational infrastructure that is going to support the sector going forward - LEOs may be best placed to take this on and become the SEDU. They are already in

existence, have built up capacity and experience and are known locally, however additional training would need to be made available to the staff to increase understanding of the social enterprise sector. LEOs are under the auspices of the Department of Business, Enterprise and Innovation; it would accordingly be beneficial to have this department involved in the policy implementation phase.

Leadership and governance

- The policy measures named under leadership and governance would seem to be sufficient in terms of recognising the deficit in the sector in relation to good governance and leadership development. Supports could be provided for social enterprises and their board members as employers on employment law, recruitment practices, developing diversity and inclusion policies etc.

- Pobal has recently updated its [Managing Better](#) series which provides guidance on how to effect good governance in practice; these cover the areas of Good Governance, Financial Management and Human Resources, and are applicable to the social enterprise sector. Based on best practice, the guides have been written to assist organisations in achieving high standards of decision-making, accountability and transparency, both in the context of the communities they seek to support, and in meeting statutory and legal requirements. Originally published in 2011, the series was updated in 2018 to reflect recent changes in the governance landscape.

Access to finance and funding

- As stated, state funding is currently available through CSP, DAF and SICAP for social enterprises amongst other sources. As per previous comments regarding the need for more specific social enterprise supports, we would recommend that consideration is given to establishing a new social enterprise support programme. This could initially be targeted at the high performing, larger social enterprises and in time be expanded to small-scale social enterprises or those at incubation phase with high growth potential. A new support mechanism would not undermine existing funding streams/ other social enterprise support activities within the community and voluntary sector such as CSP, DAF Measure 1 or SICAP.

Enabling market opportunities

- In order to grow and strengthen social enterprises, greater attention must be paid to their legal form. There may be a need for a new company designation for social enterprises as the current structures are too restrictive. The policy should commit to further consulting on this to establish the best way forward for a new legal form.

- As stated in the document, it needs to be easier for social enterprises to compete for contracts from government through public procurement. Oftentimes the amount of money a company is required

to have as an annual turnover is quite prohibitive and prevents social enterprises from competing. Including social clauses and social enterprise preferred clauses in appropriate procurement processes, in accordance with the Office of Government Procurement guidelines, would be a very worthwhile exercise. There should be scope in the future policy to look at social enterprises as Services of General Economic/Social Interest.

- The area of displacement needs to be further considered by the Department and the implications for the business operating environment where social enterprises receive state funding. Private enterprises have raised concerns in the past regarding being displaced by social enterprises in receipt of public funding. In some instances, certain businesses may be of the view that their ability to compete has been undermined and that they have been placed at what is perceived to be as a disadvantage. Social enterprises are in many cases fearful of being challenged and a high perceived level of risk can serve as a disincentive to establish new social enterprises. The Department should consider how best to create a business/regulatory environment in which social enterprises can grow and operate, ensuring room for both types of operators and where each is aware of their legal standing and protections in this regard.

Policy Objective 3: Achieving Better Policy Alignment

Interaction with national and international policies

- Social enterprise support and policy guidance has been explored by different government departments which recognise the potential of the model to support cross-cutting societal aims. For example, in 2017 the Department of Justice and Equality published *A New Way Forward: Social Enterprise Strategy 2017 – 2019* to strengthen social enterprises' role in increasing the employment rates of people with criminal convictions. Any revised policy report should take into account and build on existing government efforts in this regard.

- It is paramount that the sector and social enterprises themselves are closely consulted with; they understand their needs, the blockages and opportunities within the sector and should be at the core of the implementation plan.

- The intention to align the Social Enterprise Policy with the forthcoming *Strategy to Support the Community and Voluntary Sectors in Ireland* and the *National Volunteering Strategy* is to be welcomed and should improve policy connections. However, there is an additional need to ensure that the social enterprise strategy is aligned with government priorities relating to enterprise development and economic growth. This would include government reports such as the *Action Plan for Jobs*, the forthcoming *Solas Strategy*, the *Regional Enterprise and Jobs Plans*. The Department of Business, Enterprise, and Innovation will be critical player in this regard and should

be closely involved in finalising the actions and implementation plan, alongside the Department of Education and the Department of Employment Activation and Social Protection.

- The development of strategic relationships (e.g. with third level education providers, the private sector) should be encouraged as it can lead to many benefits in relation to new product/service developments, research and collaborative working.

- As stated, Pobal holds the Ireland Delegate position in the OECD LEED Directing Committee which researches international social economy activity, amongst other social inclusion areas. We are available to assist the Social Enterprise Unit within DRCD to tap into this network and progress the interaction and engagement between national and international policies.

Data and Impact

- The importance of building a strong evidence base is recognised within the policy. Several report have pointed to limited empirical evidence and data on social enterprise and a key theme emerging from the research is the need to gather more data. It is stated that a number of mapping studies have been carried out which identify the scale of social enterprise activity in specific geographic areas and it would be useful to make these available.

- It would be useful to develop a national database that allows for relevant data on social enterprises to be captured at regular intervals. As much as possible this should build on existing databases/studies and be aligned with existing monitoring frameworks/tools from relevant programmes. For example, SICAP records programme data and outcomes on IRIS (the Integrated Reporting and Information System) and this includes social enterprise data.

- There may be scope to incorporate social enterprise data into the Benefacts Database of Irish Non-profits, leveraging off an existing piece of infrastructure. In addition, the Expert Group of Future Skill Needs (EGFSN) has good data across economic sectors; there may be potential to explore a joint project to gather the required data and publish reports on the sector and its evolving employment and skills trends.

- There is a need to develop appropriate ways of reporting on and analysing the social and financial impacts of the social enterprise. Consultation with social enterprises is required to ensure the feasibility of any such reporting mechanisms and get their buy in. Key elements of the measurement process should include the following:
  - define the expected social and financial impacts and outcomes at policy level that will guide both the government and social enterprises
  - define standards in terms of effectiveness and value for money to allow for benchmarking of the social enterprises
  - develop relevant measurement framework with clear indicators and methodology of data collection and reporting

- develop a mechanism for aggregating and analysis information to inform future policy
- It is critical to carefully consider how the measurement mechanism will be implemented (e.g. roles/responsibilities and resourcing) and ensure that organisations are supported to capture consistent, quality data and can share this. This would require feedback/learning loops so that the information captured flows back in and is utilised at different levels.

Policy Objective 1: Building Awareness of Social Enterprise

Building knowledge and understanding

- We would suggest that the current Policy Objective 1 comes as the final policy objective, supporting the growing, strengthening and alignment actions set out under the previous two objectives.
- Social enterprises are entrepreneurial, innovative and impactful but few members of the public would appear to have a clear understanding of what social enterprises are, what they do and how they are useful. This is a missed opportunity; a vibrant, clearly identifiable and 'branded' social enterprise sector would go a long way to generating more public awareness and goodwill. Creating a clear definition for social enterprises (and social entrepreneurs/social economy) will go some way to improving understanding of these types of enterprises.
- There is potential to explore the options around a marketing strategy for social enterprises. This could include create a 'social enterprise' brand in which social enterprise goods/services are awarded a quality mark of social enterprise for doing good (akin to the organic or 'made in Ireland' labels). This would improve public consciousness of the work of social enterprises, the coherence of the sector and in time contribute to creating a positive, socially responsible image.
- There are many potential SEs in operation in Ireland but these businesses may not be aware of the sector, and do not identify as social enterprises nor see the potential benefits of trading as a social enterprise. Improved understanding of the sector and the strengthening and alignment actions as outlined above are likely in time to lead to potential organisations considering the options for trading as social enterprises, thereby growing the sector.

Role of social enterprises in raising awareness and Initiating social enterprises

- There is a sense from the report that the wide number of organisations which advocate for the sector is adding to complexity. As mentioned above, clearly identifying an organisation/structure as the designed national SE support structure would go some way towards creating greater consistency, for example if this was to be the LEOs or a new Social Enterprise Development Unit (SEDU) was established. However, it must be recognised that there will always be complexity,

diversity and a myriad of structures operating locally and this should be supported. It is these rich local structures which provide the building blocks for aspiring social enterprises and social innovators and contribute to balanced regional economic development, social and economic growth, and greater inclusivity.

- It is not possible to communicate the variations within the sector nor its full range of stakeholder activity to the general public more widely and this is not necessary. Rather, any awareness building strategy should select a limited number of 'success stories' which put forward the personal stories and tell the story of what social enterprises are, what they do and how they are contributing to a fairer, more sustainable Ireland.