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From: Darren Ryan [REDACTED]
Sent: 14 May 2019 16:49
To: DRCD SEConsultation
Subject: Social Entrepreneurs Ireland - Response to National Social Enterprise Policy
Attachments: Social Entrepreneurs Ireland - Response to National Social Enterprise Policy.docx

To whom it may concern,

Please see attached the Social Entrepreneurs Ireland response to the draft national social enterprise policy.

Once again we would like to commend the Department for its work to date in delivering a draft policy and for engaging with the sector throughout the process. We look forward to working with the Department of Rural and Community Affairs to bring many of the ideas in this policy to life and to helping the social enterprise sector in Ireland to achieve its fullest potential.

Wishing you the best of luck and please let us know if we can be of any assistance.

All the best,
Darren

Darren Ryan
Chief Executive
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Think Big. Act Now. Change Ireland.

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Response to the Draft National Social Enterprise Policy for Ireland 2019 - 2022

Social Entrepreneurs Ireland welcomes the draft National Social Enterprise Policy for Ireland. We are proud to have contributed to the growth of the social enterprise sector in Ireland over the last two decades. We agree with the government's assessment that social enterprise in Ireland is not yet reaching its fullest potential. We believe a clear policy framework to support the development of social enterprises is an important and significant step in growing the impact of the sector.

We are grateful to the Department of Rural and Community Affairs for the work they have done to create this draft policy, and the consultative manner in which they have approached the challenge. It is also very encouraging that there is a Minister with clear responsibility for this area and a social enterprise unit formed within the Department.

There is much in the draft policy we thoroughly endorse. The three policy objectives address critical issues and are goals that government is well placed to achieve. There are many areas of activity highlighted by the government that we are excited to see, and look forward to collaborating on.

Having reviewed the draft policy further in recent weeks, and discussed it with a number of social entrepreneurs, there are three changes / suggestions we would recommend to the draft policy.

1. Acknowledging environmental benefits

In the social enterprise in context section, the policy acknowledges that 'The benefits that accrue from social enterprise activity are both social and economic'. A number of the social enterprises we have supported (including Change by Degrees, ReCreate and Refill Ireland) are primarily pursuing environmental benefits. In light of the government declaring a climate emergency yesterday, we propose adding 'and environmental' to this sentence. While this might well be implied in the definition, it might be helpful to call it out explicitly to avoid any confusion and reinforce the fact that social enterprises will play a key role in helping Ireland to meet or environmental targets.

2. A diverse set of organisations

The draft policy rightly points out the broad range of benefits that social enterprises can address:

- the provision of training, jobs and employment opportunities both in the social enterprise itself and within the wider economy;
- supporting those most vulnerable and those marginalised in society;
- fostering and sustaining local communities, both urban and rural;
- addressing market failures;
- addressing social problems; and
- boosting social capital

These outcomes can be achieved in a variety of ways and at a variety of scales. Some problems are best solved at the most local level possible, within a local community. Others require a broader national or international ambition.

At SEI we are conscious of and deeply grateful to the thousands of social enterprises that work at a local level delivering deep benefits within their own communities. They build social capital, bring employment to hard to reach areas, and improve our communities. We are conscious that the vast majority (from a numbers perspective) of social enterprises in Ireland today are in this category. We understand that it will likely be a priority for the government policy to address the needs of these

organisations as effectively as possible, given the number of organisations involved and the relatively quick wins that could be achieved by focussing on these type of organisations.

We are also conscious of the potential and importance of scaled up, national level social enterprises. The number of these kinds of organisations will naturally be smaller, though each organisation will have a large impact. The needs of this type of social enterprise is very different to the local community social enterprise, and it will be important for the policy to support the needs of these organisations. A useful analogy can be made to the support provided to commercial businesses - just as the government supports private enterprise with different mechanisms at different levels, we believe it is important to provide different supports to social enterprises attempting to deliver social value at different scales.

While this is referenced somewhat in the policy, for the avoidance of doubt we recommend including the below paragraph in the 'social enterprise in context' section of the policy:

'Social enterprises work on a breadth of issues and at a variety of scales: from deep work limited to individual communities, to operating at a national and international scale. It is recognised that different supports are needed for social enterprises pursuing goals at different levels and different scale, and that the policy needs to cater to the entire social enterprise sector.'

3. Definition

The draft policy proposes to define a social enterprise as:

'an enterprise whose objective is to achieve a social impact rather than making a profit for its owners or shareholders. It pursues its social objectives by trading - or having an ambition to trade - on an ongoing basis through the provision of goods and/or services, and by reinvesting any surpluses made into achieving its social objectives. It is governed in an accountable and transparent way by a voluntary Board and is independent of the public sector. If dissolved, it must transfer its assets to another organisation with a similar mission.'

It is suggested that this is 'consistent with definitions at EU and OECD levels.' This is broadly true, however there is a subtle and important inconsistency. The EU and OECD both define a social enterprise as an enterprise whose **primary** objective is to achieve social impact. Neither definition requires that **any** surpluses are reinvested in its social objectives. The OECD explicitly acknowledge the option of 'limited profit distribution'¹. The EU definition requires 'some constraints on profit distribution'².

The UK government definition states a social enterprises are:

"Businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners."

There are extra challenges and complexities catering for social enterprises that wish to distribute a profit. That said, international experience suggests that certain social missions are nearly impossible to achieve when funding is limited to commercial activity, state funding and philanthropy. Looking at

¹ https://www.oecd.org/cfe/leed/Social%20entrepreneurship%20policy%20brief%20EN_FINAL.pdf

² <https://ec.europa.eu/social/BlobServlet?docId=16378&langId=en>

the UK, there are two obvious areas where capital market access seems to have been essential for success.

Consumer facing social enterprises with a desire to compete at a national or international level need significant upfront investment to build a brand and compete with established multinationals. Generating this upfront capital from sales revenue is generally impossible; and generating it from philanthropy is highly unlikely. Social enterprises like [Divine Chocolate](#), [Elvis and Kresse](#), and [Aduna](#), who have been able to access social investment have demonstrated the ability to generate significant social returns while funding themselves over the medium term. Apart from delivering social value themselves, these bigger brands have done a lot of good for social enterprise in the UK, increasing recognition and awareness among the general public.

Likewise, social enterprises that design physical products need significant upfront investment to prototype, test and develop before they can generate reliable and sustainable sales revenue. The likes of [Andiamo](#) and [NowLight](#) are primarily socially focused and have delivered excellent social outcomes – but only with the help of upfront equity investment.

We acknowledge a broadening of the definition of social enterprises to include organisations that return limited profit to shareholders will not substantially help the majority of social enterprises operating in Ireland today. Indeed there is the possibility that broadening the definition in this way will create an extra challenge for not-for-profit social enterprises in justifying their sales and fundraising activities. We do not believe that this challenge is significant however.

Given the fact that this policy is seeking to provide supports to the many social enterprises that exist already across Ireland and maximise the potential of this sector in the coming years, this broader definition might not be a priority right now. However, we recommend that the policy recognise this difference explicitly, and commit to exploring this further over the lifetime of the policy. In order to achieve this we suggest including the following paragraph in the policy below the definition:

It is acknowledged that many countries definition of social enterprise includes a provision allowing the limited return of profit to shareholders. There are multiple examples of organisations of this form that have been highly successful in delivering sustained social value. While such an organisation is precluded from the current Irish definition of social enterprise, the Department of Rural and Community Development commits to exploring this model in more detail and reviewing the definition in light of this research in 2020.

Once again we would like to commend the Department for its work to date in delivering a draft policy and for engaging with the sector throughout the process. We look forward to working with the Department of Rural and Community Affairs to bring many of the ideas in this policy to life and to helping the social enterprise sector in Ireland to achieve its fullest potential.