



# **The State of Social Entrepreneurship - Context of Social Entrepreneurship**



## **About SEFORIS: Social Enterprise as FORce for more Inclusive and Innovative Societies**

SEFORIS is a flagship multi-disciplinary, multi-method international research project on social enterprise funded by the European Commission. Through the generation of robust evidence and internationally leading research, SEFORIS aims to better understand the role that social enterprises play in the EU and beyond in the development and evolutions of inclusive and innovative societies.

SEFORIS will investigate key processes through which social enterprises deliver inclusion and innovation (spanning a range of domains, from organisation and governance, over financing and innovation to behavioural change) as well as the contexts in which social enterprises thrive. In terms of methodology, we will start from policy and social enterprise practitioner questions and challenges together with critically scrutinising existing academic literature. We use this first step to develop theoretical frameworks that then serve as a basis for thinking systematically about innovation and inclusion processes in context. This is followed by field and lab experimentation with social enterprises and in-depth case studies to expand and enrich our understanding of social enterprises. Unique longitudinal survey data will be collected across 9 distinct countries to test new (and at times counterintuitive) hypotheses to reach novel insights and generalizable conclusions. We engage policy makers and social enterprises throughout the research process to ensure that our research is relevant for them and can inform their practice.

### **The SEFORIS partnership**

SEFORIS is a consortium of 12 organisations from 10 countries including Belgium, China, Germany, Hungary, Portugal, Romania, Russia, Spain, Sweden, and the UK.

### **Academic partners and research institutes:**

KU Leuven (Belgium), Hertie School of Governance (Germany), Autonomous University of Barcelona (UAB, Spain), University of Aveiro (Portugal), Centre for Economic and Financial Research (CEFIR, Russia), Stockholm School of Economics (Sweden), Aston Business School (United Kingdom)

### **Social entrepreneur support and financing organisations**

Oksigen Lab (Belgium), i-propeller (Belgium), Non-Profit Incubator (NPI, China), Nonprofit Enterprise and Self-sustainability Team (NESsT, Hungary & Romania), and The Foundation for Social Entrepreneurs - UnLtd (United Kingdom)

### **Advisors**

Organisation for Economic Co-operation and Development (OECD, France), Harvard Business School (HBS, USA) and the European Venture Philanthropy Association (EVPA, Belgium)

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# 1. Belgium – Context of Social Entrepreneurship

## 1.1 General country context

“Today the public interest is not only served by the government, but also by new private actors, for example social entrepreneurs.”

- Professor Jacques Defourney (Moneystore.be, February 2013)

### Number of inhabitants and size of country

Table 1: Number of inhabitants and size of country

Number of inhabitants	11.161.642 (1/1/2013)	
Size of country	30,528 km2 / 11,787 sq mi	

### Top 5 societal challenges

Table 2: Top 5 societal challenges

<b>Poverty and social exclusion (like migrant population)</b>
- 15% of Belgian population lives in poverty. In fact, 20% struggle every month to make ends meet, and triggered by the financial crisis many more feel poor <sup>1</sup> .
<b>Aging population (cost for health care and pensions, adapted housing, loneliness ...)</b>
- Between 2011 and 2060, spending on pensions would increase by 4.6% of GDP (from 9.9 to 14.5% of GDP), while the health care costs would increase (from 8 to 11% of GDP) by 3% <sup>2</sup>
<b>Labour market: Youth unemployment in large cities and too early exit of +50 year olds</b>
- In 2013, the youth employment (people aged 15 to 24 ) rate in Belgium was 23,1% <sup>3</sup>
- The employment rate of +50 years old in Belgium is 52,4% (2012) <sup>4</sup> – EU2020 objective: 60%
<b>Environment &amp; transport: Air quality (greenhouse gases, particulate matter)</b>
- 120 million ton CO <sub>2</sub> -equivalent (2011)
- Still 1 out of 3 Flemish people take the car for distances less than one kilometer (2011) <sup>5</sup>

<sup>1</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

<sup>2</sup> Federale Overheidsdienst Financiën 2013. "Belgisch stabiliteitsprogramma 2013-2016." Accessed March 14, 2014. [http://stabiliteitsprogramma.be/nl/sustainability\\_cost.htm](http://stabiliteitsprogramma.be/nl/sustainability_cost.htm)

<sup>3</sup> Eurostat. 2013. "Youth unemployment rate - % of active population in the same age group." European Commission. Accessed March 14, 2014. <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tipslm80&plugin=0>

<sup>4</sup> Startpunt voor Werk en Sociale Economie 2012. "Werkzaamheid 50-plussers." Accessed March 14, 2014.

<http://www.werk.be/cijfers/vlaanderen-2020/werkzaamheid/50-plusser>

<sup>5</sup> "Eerst de auto, ook voor (hele) korte afstanden." *De Redactie*, September 17, 2012. Accessed March 14, 2014. <http://www.deredactie.be/cm/vrtnieuws/binnenland/1.1431962>

## Environment & energy: Renewable energy

- The share of energy from renewable sources in gross final energy consumption was 5.1% in 2011<sup>6</sup>
- Belgium has the objective to have a share of 13% of energy from renewable sources in gross final energy consumption in 2020

## Overview of (social) policy, entrepreneurial and civil society landscape

**Table 3: Overview of landscape**

(Social) Policy Landscape	Entrepreneurial Landscape <sup>7</sup>	Civil Society Landscape <sup>8</sup>
<p><b>SOCIAL EXPENDITURES<sup>9</sup></b> 30,7% of GDP (2013)</p>	<p><b>HIGH Global Entrepreneurship Monitor (GEM) SCORE</b></p> <ul style="list-style-type: none"> <li>- Fear of failure</li> </ul>	<ul style="list-style-type: none"> <li>- Important economic actor: 11,9% of labour market &gt;5% of GDP Growth trend</li> </ul>
<p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE<sup>10</sup></b> Rank 74 (0=lowest; 100=highest)</p>	<p><b>LOW GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- Perceived capabilities</li> <li>- Entrepreneurial intentions</li> <li>- High status to successful entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>- Broad range of activities: socio-economic, socio-cultural, health &amp; well-being, education, religion, sports</li> </ul>
<p><b>RULE OF LAW<sup>10</sup></b> Rank 89 (0=lowest; 100=highest)</p>	<ul style="list-style-type: none"> <li>- Media attention for entrepreneurship</li> <li>- New business ownership rate</li> <li>- Cultural and social norms</li> </ul>	<ul style="list-style-type: none"> <li>- Largest economic weight: Health care Social service (to vulnerable groups like the elderly)</li> </ul>

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Belgium are compared with the mean scores of the *innovation-driven* countries comparison group.

<sup>6</sup> Task Force Duurzame Ontwikkeling. 2013. "Hernieuwbare energie: verbruik van energie uit hernieuwbare bronnen." Federaal Planbureau. Accessed March 14, 2014. <http://www.indicators.be/nl/indicator/hernieuwbare-energie-verbruik-van-energie-uit-hernieuwbare-bronnen?detail>

<sup>7</sup> "Global Entrepreneurship Monitor 2013 Global Report." GEM Consortium 2013.

<sup>8</sup> "Het Economische Gewicht van Instellingen Zonder Winstoogmerk in België." King Baudoin Foundation 2013.

<sup>9</sup> "Social Expenditures - Aggregated Data." OECD 2013. Accessed March 14, 2014.

<http://stats.oecd.org/Index.aspx?QueryId=4549>

<sup>10</sup> "Worldwide Governance Indicators." The World Bank Group 2013. Accessed March 14, 2014.

<http://info.worldbank.org/governance/wgi/index.aspx#home>

## 1.2 Social enterprises in (an institutional) context

### Institutional and stakeholder landscape of social enterprises

- **Policy makers – public authorities**

Belgian public authorities are organized at federal, regional, community, province and local level. Recently competencies have been transferred between policy levels in the Sixth State Reform, mainly from federal to regional level. Main policy areas for a lot of social entrepreneurs (given a large focus in Belgium on work integration) are Work (regional and federal level) and Social Economy (regional level).

- **Non-profit organizations – civil society organizations**

Given budget cuts by public authorities a growing number of non-profit organizations search for new ways to accomplish their social mission and become more social entrepreneurial.

- **Commercial organizations**

Commercial organizations paid more attention in recent years to their societal role. The concept of CSR became more known and put into practice. Some social and commercial enterprises relate as supplier-client in a B-2-B context. In debates commercial companies sometimes complain about unfair competition by social enterprises who receive public subsidies for work integration.

- **(Social) Business support organizations**

Social entrepreneurs can rely on dedicated support organizations besides general oriented support services. Some niche consultancy organizations offer services to social entrepreneurs like Ashoka and Oksigen Lab. There exist by public authorities recognized advice instances for social economy.

- **Academic world**

During last years the concept of social enterprise received growing attention in the academic world. Programs, courses, events,... are organized on social entrepreneurship in several universities, business schools.

- **Consumers-clients-general public**

44% of recently interviewed Belgian social entrepreneurs offer services specifically targeted to businesses like recruitment/outplacement services, building maintenance like professional cleaning and gardening, IT management and software testing, print and mail etc. The other 66% offer products and services in sectors which are more consumer-oriented. In general a growing awareness about the importance of the social component of business can be noticed, for example in the raising sales figures of fair trade products.

## **Key context dimensions for social entrepreneurs**

- **Welfare state**

The welfare state is like in a lot of European countries under pressure. For the first time some social security domains like child boni, elderly care have been regionalized in the recent Sixth State Reform. This was a very difficult political process in which solidarity shifted from interpersonal towards interregional solidarity.

- **Social enterprise-specific legislation**

A separate legal form exists in Belgium for enterprises “with a social purpose”, but is not widely used at this moment. At this moment the implementation of a large reform of social economy in Flanders is taken place, called “Maatwerkdecreet”. The impact on social enterprises is not clear yet.

- **Regulatory density**

35% of recently interviewed social entrepreneurs called for a reduction in administrative complexity and barriers to entrepreneurship.

- **Cultural values, norms**

Belgium consists of 3 language and cultural communities: the Flemish, the Walloon and the German community. The religious background of our country is Catholic. Successful entrepreneurship is –as mentioned in the General Country Context- not perceived by entrepreneurs as having a high associated status.

## **Linkage between social entrepreneurs and inclusive society**

In Belgium, two third of social enterprises are focused on bridging the gap to the labour market for target groups encountering difficulties to find a “regular job”. Note that this focus on work integration is not the full picture of what they do and the whole social value they create. A lot of social enterprises offer products and services that are accessible for - or even targeted to- the poor, like recycling shops.

## 2. China - Context of Social Entrepreneurship

### 2.1 General country context

#### Number of inhabitants and size of country

Table 1: Number of inhabitants and size of country

Number of inhabitants <sup>11</sup>	1370536875 (4/28/2011)	
Size of country <sup>12</sup>	9.60million km2 / 3734000sq mi	

#### Top 5 societal challenges<sup>13</sup>

- The "One Thousand Questionnaire" conducted by the People's Tribune, presented 10 societal challenges for China in the next 10 years and asked the surveyed participants to rate them in order of perceived severity.
- The first societal challenge is "Corruption levels exceed the limits that people can bear", and which 82.3% of respondents chose (N=6688).
- The second social challenge is "The gap between rich and poor widens, unfair distribution intensifies social conflicts", and which 80.6% of respondents chose (N=6555).
- The third societal challenge is "Conflict between grassroots cadres and the general masses", and which 82.3% of respondents chose (N=5140).
- The fourth societal challenge is "The contradiction between high house prices and low income", and which 82.3% of respondents chose (N=5103).
- The fifth societal challenge is "Credibility crisis, moral misconduct", and which 82.3% of respondents chose (N=5012).

<sup>11</sup> National Bureau of Statistics of the People's Republic of China.2011."The main data bulletin of sixth national population census in 2010". Accessed April 22, 2014. <http://www.stats.gov.cn/tjsj/pcsj/rkpc/6rp/indexch.htm>

<sup>12</sup> The central People's Government of the People's Republic of China.2005." The territory of the People's Republic of China". Accessed April 22, 2014. [http://www.gov.cn/test/2005-06/15/content\\_18252.htm](http://www.gov.cn/test/2005-06/15/content_18252.htm)

<sup>13</sup> People's Tribune. 2009. Report of 10 big challenge in the next 10 years. Accessed April 20, 2014.[http://paper.people.com.cn/rmlt/html/2009-12/21/content\\_427048.htm](http://paper.people.com.cn/rmlt/html/2009-12/21/content_427048.htm)

**Table 2: Top 5 societal challenges**

<b>Corruption levels exceed the limits that people can bear</b>
Between 2008 and 2012, the number of criminal corruption case investigations was 165787, involving 218639 people. Included in this number are more than 13173 county level people employed by the Supreme People's Procuratorate of the People's Republic of China, including 950 people at the Bureau level, and more than 30 at the Provincial level. 19003 of these were bribery related crimes. <sup>14</sup>
<b>The gap between rich and poor widens, unfair distribution intensifies social conflicts</b>
Data from the National Bureau of Statistics of the People's Republic of China shows that China's gini coefficient crossed the warning level by 0.4 in 2000, and has been rising year by year, reaching 0.496 by the year of 2006. <sup>15</sup>
<b>Conflict between grassroots cadres and the general masses</b>
In nearly a decade, the frequency of China's "mass incidents" (civil unrest) has seen a rapid increase. The 1993 total at the national level of total was 8709. Since then the number has maintained a rapid rise, total more than 32000 in 1999, 60000 in 2003, 74000 in 2004, 87000 in 2005, which is an increase of nearly 10 times. If we categorize these events, farmers accounted for about 35% of those protesting to safeguard their rights, workers' rights were cited for 30%, civil rights 15%, others were social disputes with 10%, social unrest 5%, and organized crime and others at 5%. <sup>16</sup>
<b>The contradiction between high house prices and low income</b>
Example: Beijing urban residents' annual per capital income is 26720 RMB (3101.24 Euro). At present, the price for about 100 square meters of ordinary inferior housing in Beijing is more than 2 million. With a required downpayment of about 500000 RMB, and a loan of 1.5 million, principal and interest amounted to 2.11 million RMB over 20 years, totalling 2.61 million RMB, which means a family would need to go without and save for 49 years. <sup>17</sup>
<b>Credibility crisis, moral misconduct</b>
In February 2011, Outlook weekly news magazine joined Chinese specialized research institutions and conducted a poll on the current condition of social honesty of Chinese Society in Shanghai and other four cities. Survey data shows that only 4.8% of the respondents chose to evaluate the condition as "good", 48.7% of respondents to evaluate "average", and close to half (46.6%) of respondents believe the social condition of "bad", even "very poor". <sup>18</sup>

<sup>14</sup> Cao Jianming. 2013. "Work Statement of the Supreme People's Procuratorate of the People's Republic of China". Accessed April 20, 2014. [http://www.spp.gov.cn/gzbg/201303/t20130316\\_57131.shtml](http://www.spp.gov.cn/gzbg/201303/t20130316_57131.shtml).

<sup>15</sup> Wang Rengui. 2009. "Data Shows China's social gap between rich and poor has break through the reasonable limit". Accessed April 20, 2014. <http://finance.ifeng.com/news/hgjj/20090518/673589.shtml>.

<sup>16</sup> Yu Jianrong. 2008. "China's riots and governance crisis". Accessed April 20, 2014. <http://www.sociologyol.org/yanjiubankuai/xuejierenwu/yujian/2008-01-21/4453.html>.

<sup>17</sup> Xin huawang. 2010. "Family neither to eat nor to drink in 49 years to buy a house of semifinished can buy happiness?". Accessed April 20, 2014. [http://news.xinhuanet.com/comments/2010-02/21/content\\_13017499.htm](http://news.xinhuanet.com/comments/2010-02/21/content_13017499.htm)

<sup>18</sup> Zhang Saiqun. 2011. "Social honesty and anomie problems happens often, which influence social benign operation". Accessed April 20, 2014. [http://news.china.com.cn/rollnews/2011-10/31/content\\_10902963.htm](http://news.china.com.cn/rollnews/2011-10/31/content_10902963.htm).

## Overview of (social) policy, entrepreneurial and civil society landscape<sup>19</sup>

**Table 3: social policy, entrepreneurial and civil society landscape**

(Social) Policy Landscape	Entrepreneurial Landscape	Civil Society Landscape
<p><b>SOCIAL EXPENDITURES</b> 2,8 % of GDP (2010)</p> <p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE<sup>20</sup></b> Rank 28 (o=lowest; 100=highest)</p> <p><b>RULE OF LAW</b> Rank 39 (o=lowest; 100=highest)</p>	<p><b>HIGH Global Entrepreneurship Monitor (GEM) SCORE</b></p> <ul style="list-style-type: none"> <li>- High status to successful entrepreneurs</li> <li>- Media attention for Entrepreneurship</li> <li>- Entrepreneurship as a good career choice</li> </ul> <p><b>LOW GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- Perceived capabilities</li> <li>- Entrepreneurial intentions</li> <li>- Perceived opportunities New business ownership rate</li> <li>- Finance</li> <li>- Discontinuation Of Business</li> </ul>	<ul style="list-style-type: none"> <li>- Important economic factor: &gt;7% of GDP(2011, 9.30%; 2012, 7.65)<sup>21</sup> Growth trend</li> <li>- Broad range of activities: socio-economic, socio- cultural, health &amp; well-being</li> <li>- The increasing economic weight: Education, Health care, Social service</li> </ul>

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for China are compared with the mean scores of the *efficiency-driven* countries comparison group.

<sup>19</sup> GEM Consortium.2013. "Global Entrepreneurship Monitor 2013 Global Report."

<sup>20</sup> Worldwide Governance Indicators.2012. Accessed April 26,2014.<http://info.worldbank.org/governance/wgi/index.aspx#reports>.

<sup>21</sup> National Bureau of Statistics of China.2012."Gross domestic product (GDP) growth(Percentage points)". Accessed April 26, 2014. <http://data.stats.gov.cn/search/keywordlist2?keyword=gdp%E5%A2%9E%E9%95%BF%E7%8E%87>.

## 2.2 Social enterprises in (an institutional) context

### Institutional and stakeholder landscape of social enterprises

- **Policy makers – public authorities**

China municipal authorities are organized at national, provincial and local level. At present, the Ministry of Civil Affairs of the People's Republic of China is the supervision and management institution of social organizations, which includes NGOs and so-called social enterprises. Most of the policies are made by it. However, the macroscopic context of policy making for social enterprises, depends on the State Council and the Communist Party of China (CPC).

Although there is no legal policy on social enterprises in China, the local government has made policy innovations with relation to social enterprises. In June 2011, the Beijing municipal committee published suggestions by The CPC Beijing Municipal Committee on strengthening and innovating social management in order to advance social construction. The policy paper advised that local governments should “explore various effective means of attracting social resources and social capital into public service, proactively support the development of social enterprises and enhance social services.” It was the first time that social enterprises were mentioned in an official Chinese government document.<sup>22</sup>

- **Non-profit organizations**

An increasing number of nonprofit organizations are trying to decrease their dependence on traditional donations and achieve financial sustainability.<sup>23</sup>

- **Commercial organizations**

In the past few years, an increasing number of commercial entrepreneurs are no longer satisfied with pure economic returns. Instead, they hope to make a significant social impact by using commercial means to address social issues.<sup>24</sup>

- **(Social) Business support organizations**

NPI (Nonprofit Incubator) is a cluster of several intermediary agencies aimed at providing support for the nonprofit sector. Its mission is to “progress social innovation and cultivate social entrepreneurs”. NPI’s vision is “all social entrepreneurs and non-profit practitioners can excel in an environment of ample support from government policy and public opinion.” In 2006, NPI proposed the concept of a “nonprofit incubator”. In April 2007, it established its headquarters operational base in Shanghai. NPI has now expanded to include offices in Beijing, Chengdu, Shenzhen, Zhuhai and Dongguan.<sup>25</sup>

You Change China Social Entrepreneur Foundation is a state-approved, legally independent non-profit philanthropic organization, registered with the Ministry of Civil Affairs. It is the first domestic private foundation jointly funded by entrepreneurs from mainland China, Taiwan, and Hong Kong. You Change’s goal is to promote just and harmonious social progress through the

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<sup>22</sup> United Bank of Switzerland(UBS).2013.“2013 China Social Enterprise and Impact Investment Report”. Accessed April 26, 2014. <http://www.serc-china.org/index.php/news/542-0814-.p11>.

<sup>23</sup> United Bank of Switzerland(UBS).2013.“2013 China Social Enterprise and Impact Investment Report”. Accessed April 26, 2014. <http://www.serc-china.org/index.php/news/542-0814-.p2>.

<sup>24</sup> United Bank of Switzerland(UBS).2013.“2013 China Social Enterprise and Impact Investment Report”. Accessed April 26, 2014. <http://www.serc-china.org/index.php/news/542-0814-.p2>.

<sup>25</sup> United Bank of Switzerland(UBS).2013.“2013 China Social Enterprise and Impact Investment Report”. Accessed April 26, 2014. <http://www.serc-china.org/index.php/news/542-0814-.p101>.

two-pronged approach of supporting and developing social innovation support platforms, and discovering and cultivating talent and leaders in “new philanthropy”.<sup>26</sup>

Narada Foundation. The foundations’ Ginko Fellowship, modeled upon Ashoka’s and Echoing Green’s international fellowship programs, supports grassroots social entrepreneurs with a three-year annual personal allowance of RMB 100,000, capacity training, and networking opportunities.<sup>27</sup>

- **Academic world**

In recent years increasing scholarly attention towards social entrepreneurship has emerged. Yet nowadays the majority of research and newly established educational programs continue to focus on NGOs with limited focus on social enterprise. Centers includes: Beijing Normal University One Foundation Philanthropy Research Institute, Social Enterprise Research Center, Beijing Normal University Research Center of Philanthropy and Social Enterprise, NGO Research Center of Tsing Hua University and so on.<sup>28</sup>

## **Key context dimensions for social entrepreneurs**

- **Social welfare system**

With China’s speedy economic development and globalization over the past three decades, an increasingly divided society has emerged and the Chinese government is faced with a strained social welfare system, massive unemployment especially among educated young university graduates, and a drain of ecological resources.<sup>29</sup>

- **Legislations of social enterprise**

Government legislation for social enterprises will have a major impact and could enable the sector to grow or stifle it for years to come. Presently, the legal framework supporting social enterprise is still underdeveloped in China. As a new organizational form, social enterprises have not yet received a clear legal designation and lack the relevant judicial and supervisory frameworks, creating numerous issues for their future development.<sup>30</sup>

- **Government policy and relation**

28% of respondents in the “China Social Enterprise Report 2012” state government policy or the lack of such policy as a severe challenge to their operations and 19% perceive it as a momentous challenge.

53% of social entrepreneurs responded that they receive a lot or some help from the government and only 9.5% of entrepreneurs faced some obstacles in government relations.<sup>31</sup>

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<sup>26</sup> United Bank of Switzerland(UBS).2013.“2013 China Social Enterprise and Impact Investment Report”. Accessed April 26, 2014. <http://www.secc-china.org/index.php/news/542-0814-.p105>.

<sup>27</sup> Andrea Lane. 2012. “China Social Enterprise Report 2012”. Foundation for Youth Social Entrepreneurship.P32.

<sup>28</sup> Andrea Lane. 2012. “China Social Enterprise Report 2012”. Foundation for Youth Social Entrepreneurship.P33.

<sup>29</sup> Andrea Lane. 2012. “China Social Enterprise Report 2012”. Foundation for Youth Social Entrepreneurship.P30.

<sup>30</sup> United Bank of Switzerland(UBS).2013.“2013 China Social Enterprise and Impact Investment Report”. Accessed April 26, 2014. <http://www.secc-china.org/index.php/news/542-0814-.p11>.

<sup>31</sup> Andrea Lane. 2012. “China Social Enterprise Report 2012”. Foundation for Youth Social Entrepreneurship.P30.

- **Cultural values, norms, social capital**

The market mechanism inherently contains many limitations, and there are many issues that the market cannot resolve. Each player in the market pursues profit, often overlooking societal needs in order to maximize returns. A novel approach is needed in order to address these social issues.

Government resources are limited and direct income from taxation can only be directed towards a finite number of projects.

NGOs are by and large charity organizations. Charity organizations require a continuous flow of donations for their operations. Therefore, their impact is limited and dependent on the continuous inflow of funding.

If government, NGOs, and businesses cannot resolve these problems, then we need another form of solution. Social enterprises arise in this environment. Social impact investors are keen to participate. Academia is heavily interested. Local governments have begun experimenting with social enterprise incubators, and the media is calling for a spirit of social entrepreneurship.<sup>32</sup>

### **Linkage between social entrepreneurs and inclusive society**

As a new mode of innovative social organization, social enterprises combine the efficient, professional, and elastic characteristics of a business with the goal of taking on and resolving social issues. As such, social enterprises can efficiently participate in the process of societal management and development, providing a lively and innovative method for the construction of a harmonious society.<sup>33</sup> A lot of social enterprises focus on serving people who physically handicapped, providing job opportunities for them and building their confidence. Thus creating more inclusive societies.

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<sup>32</sup> United Bank of Switzerland(UBS).2013."2013 China Social Enterprise and Impact Investment Report". Accessed April 26, 2014. <http://www.serc-china.org/index.php/news/542-0814-.p2>

<sup>33</sup> United Bank of Switzerland(UBS).2013."2013 China Social Enterprise and Impact Investment Report". Accessed April 26, 2014. <http://www.serc-china.org/index.php/news/542-0814-.p11>.

## 3. Germany - Context of Social Entrepreneurship

### 3.1 General country context

#### Number of inhabitants and size of country

**Table 1: Number of inhabitants and size of country**

<b>Number of inhabitants</b>	80.219.69 (2011)	
<b>Size of country</b>	357,168 km <sup>2</sup>	

#### Top 5 societal challenges

A study recently published by the German Ministry for Education and Research<sup>34</sup> has summarized the main societal challenges in Germany that at the same time constitute opportunities for social innovations. While they introduce eight challenges, those are clustered into five areas: Labor market, education, income and wealth, environment and health.

**Table 2: Top 5 societal challenges**

<b>Labor market: unemployment and skills shortage</b>
<p>Compared to other European countries Germany is particularly affected by long term unemployment. In 2006 and 2007, 40% of the total unemployed population was long term unemployed.</p> <p>Social innovations in this area could foster political representation of long-term unemployed, prevention of unemployment, qualification and mentoring, or work integration.</p>
<b>Education: coupling of socio-demographic background and level of education</b>
<p>There is a close coupling between socio demographic background and the level of education in Germany.</p> <p>While only 23% of children from non-academic backgrounds will complete a university degree, 83% of the children from academic backgrounds do so.</p> <p>Social innovation in this area could foster mentoring and support, new models of learning, and the like.</p>
<b>Income and wealth: increasing division between rich and poor, failure to generate income to secure existence</b>

<sup>34</sup> Müller, Susan, Dominik Rüede, Kathrin Lurtz, Hartmut Kopf, and Peter Russo. 2013. Deutschland 2030: Herausforderungen als Chancen für Soziale Innovationen. World Vision Center for Social Innovation, Wiesbaden.

<p>The German social security system is mainly funded through the contributions from employee liable for social insurance.</p> <p>Given the demographic development this system may not be sustainable over the next decades.</p> <p>Social innovations in this area include civil society initiatives that aim to address problems linked to this development.</p>
<p><b>Environment: Coupling of resource use and economic growth</b></p>
<p>The need to reduce emissions and to change to regenerative sources of energy like wind power or solar energy.</p> <p>This need may be addressed through social innovations such as off-grid solutions, education and awareness raising or local energy cooperatives.</p>
<p><b>Health: healthcare provision (aging society) and lifestyle diseases</b></p>
<p>The aging society and the rise of lifestyle diseases foster problems of care of the elderly and healthcare provision.</p> <p>Social innovation in this area could address the problem of social isolation, foster social cohesion or intergenerational housing.</p>

**Overview of social policy, entrepreneurial and civil society landscape**

**Table 3: Overview of landscape**

(Social) Policy Landscape	Entrepreneurial Landscape <sup>35</sup>	Civil Society Landscape
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<sup>35</sup> GEM. Global Entrepreneurship Monitor 2013

<p><b>SOCIAL EXPENDITURES</b> 26.2% of GDP<sup>36</sup> (2013)</p> <p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE</b> Rank 71 in 2012 (0 lowest 100 highest)<sup>37</sup></p> <p><b>RULE OF LAW</b> Rank 92 in 2012 (0 lowest, 100 highest)<sup>38</sup></p>	<p><b>HIGH Global Entrepreneurship Monitor (GEM) SCORE</b></p> <ul style="list-style-type: none"> <li>- Physical infrastructure</li> <li>- Governmental programs</li> <li>- Protection of intellectual property</li> <li>- Firms interest in new products / services</li> </ul> <p><b>LOW Global Entrepreneurship Monitor (GEM) SCORE</b></p> <ul style="list-style-type: none"> <li>- Entrepreneurial education at primary and secondary schools</li> <li>- Labor market conditions</li> <li>- Social and cultural norms</li> <li>- Knowledge and technology transfer</li> </ul>	<p><b>Growing civil society sector</b> Increasing number of Foundations, GmbHs and other legal forms<sup>39</sup></p> <p><b>Broad range of activities</b> Social services, education, sports, arts, health, environment housing etc.<sup>40</sup></p> <p><b>Volunteers</b> 23 million volunteers 4.1.% of gross value creation<sup>41</sup></p>
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Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Germany are compared with the mean scores of the *innovation-driven* countries comparison group.

<sup>36</sup> OECD. 2013. Social Expenditure - Aggregated data.

<sup>37</sup> World Bank Group. 2013. Worldwide Governance Indicators.

<sup>38</sup> Ibid.

<sup>39</sup> Priller, Eckhard, Mareike Alscher, Patrick J. Droß, Franziska Paul, Clemens J. Poldrack, Claudia Schmeißer, and Nora Waitkus. 2012. Dritte-Sektor-Organisationen heute: Eigene Ansprüche und ökonomische Herausforderungen. Berlin.

<sup>40</sup> Krimmer, Holger and Jana Priemer. 2013. ZiviZ-Survey 2012. Instrument und erste Ergebnisse. Berlin.

<sup>41</sup> Ibid.

## 3.2 Social enterprises in (an institutional) context

The German welfare system brings challenges as well as opportunities for social entrepreneurship. Social entrepreneurs encounter strong, established welfare organizations with firmly established structures. This has triggered discussions about the role social enterprises can or should take in this context. This particular context has triggered social intrapreneurship that spin out of established welfare organizations. While the traditional welfare system has recently faced criticism for being inflexible and stagnant, recent studies propose that social intrapreneurship in welfare organizations is, particularly in Germany, a phenomenon that goes hand in hand with the rise of social enterprises<sup>42</sup>

### Institutional and stakeholder landscape of social enterprises

“Efforts of individuals are not enough to implement social innovation. We need more cooperation between entrepreneurs, established welfare organizations and policy makers”

- Mark Speich, Vodafone Stiftung Deutschland

The context of the welfare state also mirrors in the cooperation of social enterprises with other actors. As Figure 3 shows, most enterprises collaborate with welfare organizations, followed by public organizations and foundations.

**Table 4: Collaborations of social enterprises<sup>43</sup>**

Who do you collaborate with?		
<b>Welfare organizations</b>	197	20.2%
<b>Foundations</b>	136	13.9%
<b>Public organizations</b>	172	17.6%
<b>For-profit</b>	92	9.4%
<b>Media</b>	111	11.4%
<b>Political parties</b>	70	7.2%
<b>Employment agency</b>	124	12.7%
<b>Agencies</b>	18	1.8%
<b>No cooperations</b>	5	0.5%
<b>Others</b>	51	5.2%
<b>Total</b>	976	100%

<sup>42</sup> Scheuerle, Thomas, Gunnar Glänzel, Rüdiger Knust, and Volker Then. 2013a. Social Entrepreneurship in Deutschland - Potentiale und Wachstumsprobleme. Centre for Social Investment, CSI: Heidelberg.

<sup>43</sup> Jansen, Stephan A., Rolf G. Heinze and Markus Beckmann, eds. 2013. Sozialunternehmen in Deutschland. Springer: Wiesbaden.

## Key context dimensions for social entrepreneurs

Important context dimensions for social entrepreneurship in Germany are the established role of the welfare state (and with this public welfare organizations) and the role social enterprises can or should take in this context<sup>44</sup>. Further, the framework conditions for entrepreneurship in Germany (such as social and cultural norms and entrepreneurial education) have long tended to receive a bad evaluation while the less important framework conditions (e.g. physical infrastructure) tend to be evaluated positively<sup>45</sup>.

While for instance, individual economic success is highly valued, German society tends to be risk averse. Risk averseness is one of the major cultural factors impeding entrepreneurial activities and ultimately also influencing availability of funding for social enterprises.<sup>46</sup>

Another frequent problem for entrepreneurs is the strict legal requirements and the reporting needs that are often perceived to divert attention from entrepreneurial activities towards bookkeeping<sup>47</sup>.

## Linkage between social entrepreneurs and inclusive societies

Particularly in the context of established welfare organizations work integration enterprises have long played an important role. However, social enterprises are seen as an important opportunity to broaden work integration offers and make them more effective. As the Caritas proposes: *„it would be wrong to not offer traditional work integration in the future, however, (...) they could become more affordable through entrepreneurial initiatives and reach even more people”*<sup>48</sup>

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<sup>44</sup> Scheuerle, Thomas, Gunnar Glänzel, Rüdiger Knust, and Volker Then. 2013a. Social Entrepreneurship in Deutschland - Potentiale und Wachstumsprobleme. Centre for Social Investment, CSI: Heidelberg.

<sup>45</sup> Brix, Udo, Rolf Sternberg, and Arne Vorderwülbecke. 2013. Global Entrepreneurship Monitor (GEM) - Länderbericht Deutschland. Hannover.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Blattmann, L. 2010. „Sozialunternehmer gesucht.“ neue Caritas, 20 ed.: Freiburg.

## 4. Hungary - Context of Social Entrepreneurship

### 4.1 General country context

“However, there is a pressing need: those who are operating or starting a social enterprise, or interested in the model and the representatives of the public sector have an increasing need to gain more insights and other perspectives of the field. What are the factors and challenges that influence the position of the Hungarian social enterprises (insights) and how others provide solutions for the same challenges (other perspectives)?” (Eva Varga: Ecosystem of the social enterprises - International examples and best practices)

- Eva Varga: Ecosystem of the social enterprises - International examples and best practices

### Number of inhabitants and size of country

Table 1: Number of inhabitants and size of country

Number of inhabitants	9,908,798 (1/1/2013 <sup>49</sup> )	
Size of country	93,036 km <sup>2</sup> / 35,921 sq mi	

### Top 5 societal challenges

Table 2: Top 5 societal challenges

<b>Poverty and social exclusion</b>
<ul style="list-style-type: none"> <li>- 32.4% of the Hungarian population (3,2M people) lives at risk of poverty or social exclusion.</li> <li>- Children are in a significantly worse situation: 40.9% of them live below the poverty threshold or in a situation of severe material deprivation or live in a household with very low work intensity.<sup>50</sup></li> </ul>
<b>Aging population</b>
<ul style="list-style-type: none"> <li>- By 2050 33% of the Hungarian population will be over 60 years of age<sup>51</sup>.</li> <li>- The age-related public expenditure will increase to 25.7% of the GDP (in 2007 it was 21.6%)<sup>52</sup>.</li> </ul>
<b>Labour market: Youth unemployment and too early exit of +55 year olds</b>
<ul style="list-style-type: none"> <li>- In the first quarter of 2013, the employment rate in Hungary was 11.8% (509,000 people).</li> <li>- Youth unemployment (people aged 15 to 24) in the same period reached 30.5%.</li> <li>- 7.8% of people aged 55 to 64 did not have a job either.</li> <li>- 44.7% of the unemployed had been seeking job for one year or longer<sup>53</sup></li> </ul>
<b>Discrimination against Roma<sup>54</sup></b>
<ul style="list-style-type: none"> <li>- In 2012 42 % of the Hungarian Roma respondents aged 16 and above looking for work in the past 5 years said that they experienced discrimination because of their Roma background.<sup>55</sup></li> <li>- Roma job-seekers are hired for shorter amounts of time (six hours a day, or for less months) than non-Roma, and when Roma and non-Roma with the same levels of schooling are hired,</li> </ul>

<sup>49</sup> [http://www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_wdsd001b.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_wdsd001b.html)

<sup>50</sup> [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/People\\_at\\_risk\\_of\\_poverty\\_or\\_social\\_exclusion](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/People_at_risk_of_poverty_or_social_exclusion)

<sup>51</sup> [http://hvg.hu/gazdasag/20110401\\_oregedo\\_tarsadalom\\_tb\\_koltsgok](http://hvg.hu/gazdasag/20110401_oregedo_tarsadalom_tb_koltsgok).

<sup>52</sup> The Burden of Our Long Lives, Allianz Demographic Pulse, 2011:

[https://www.allianz.com/v\\_1339679620000/media/responsibility/documents/demographic\\_pulse\\_the\\_burden\\_of\\_our\\_long\\_lives.pdf](https://www.allianz.com/v_1339679620000/media/responsibility/documents/demographic_pulse_the_burden_of_our_long_lives.pdf).

<sup>53</sup> <https://www.ksh.hu/munkanelkuliseg>.

<sup>54</sup> Racism and related discriminatory practices in employment in Hungary, European Network Against Racism, 2014:

<http://cms.horus.be/files/99935/MediaArchive/publications/shadow%20report%202012-13/Hungary.pdf>.

<sup>55</sup> The situation of Roma in 11 EU Member States, Survey results at a glance, FRA, 2012.,

[http://fra.europa.eu/sites/default/files/fra\\_uploads/2099-FRA-2012-Roma-at-a-glance\\_EN.pdf](http://fra.europa.eu/sites/default/files/fra_uploads/2099-FRA-2012-Roma-at-a-glance_EN.pdf).

Roma are assigned to lower-status physical work (outside), while non-Roma job-seekers are given indoor office and cleaning jobs. <sup>56</sup>
<b>Homelessness</b>
- In Hungary the number of people living in the street has grown from 3578 (1993) to 10,684 (2012) but given that not everyone is registered this number is probably higher.
- One third of homeless people live in Budapest while the rest live in other parts of Hungary. <sup>57</sup>

## Overview of (social) policy, entrepreneurial and civil society landscape

Table 3: Overview of landscape

(Social) Policy Landscape	Entrepreneurial Landscape <sup>58</sup>	Civil Society Landscape <sup>59</sup>
<p><b>SOCIAL EXPENDITURES % GDP<sup>60</sup></b> 21,6 in 2013</p> <p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE<sup>61</sup></b> Rank 69 (0=lowest; 100=highest) in 2012</p> <p><b>RULE OF LAW</b> Rank 68 (0=lowest; 100=highest) in 2012</p>	<p><b>HIGH Global Entrepreneurship Monitor (GEM) SCORE</b></p> <ul style="list-style-type: none"> <li>- Fear of failure</li> <li>- Belief in high status to successful entrepreneurs</li> </ul> <p><b>LOW GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- Perceived opportunities</li> <li>- Perceived capabilities</li> <li>- Entrepreneurial intentions</li> <li>- Entrepreneurship as a good carrier choice</li> <li>- Media attention for entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>- 65,300 civil organizations</li> <li>- Economic weight: 4% Growth trend</li> <li>- Broad range of activities: leisure and hobbies, education, culture, sport, health etc.</li> <li>- Human resources: 144,000 employees (4% of total employment) and 504,000 volunteers (circa 50M working hours)</li> </ul>

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Hungary are compared with the mean scores of the *efficiency-driven* countries comparison group.

### Explanations for the “Entrepreneurial landscape” section:

The perception of entrepreneurial opportunities reflects the percentage of individuals who believe there are opportunities to start a business in the area they live in. Perceived capabilities reflect the percentages of individuals who believe they have the required skills, knowledge and experience to start a new business. The measure of fear of failure (when it comes to starting your own business) applies to those who perceive opportunities only. Entrepreneurial intentions is defined by the percentage of individuals who expect to start a business within the next three years. “Belief in high status to successful entrepreneurs”, “Entrepreneurship is a good career choice” and Media attention for entrepreneurship” indicators are measured by percentages of population agreeing with these phrasing.

<sup>56</sup> Report of the Parliamentary Commissioner for Civil Rights in case no. AJB 5317/2012.

<sup>57</sup> [http://hvg.hu/itthon/20120404\\_hailektalanok\\_menhely](http://hvg.hu/itthon/20120404_hailektalanok_menhely)

<sup>58</sup> “Global Entrepreneurship Monitor 2013 Global Report.” GEM Consortium 2013.

<sup>59</sup> KSH, Statisztikai Tükör, A nonprofit szektor legfontosabb jellemzői 2012-ben:

<https://www.ksh.hu/docs/hun/xftp/stattukor/nonprofit/nonprofit12.pdf>.

<sup>60</sup> [http://stats.oecd.org/Index.aspx?DataSetCode=SOCX\\_AGG](http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_AGG)

<sup>61</sup> <http://info.worldbank.org/governance/wgi/index.aspx#reports>

## 4.2 Social enterprises in (an institutional) context



*“... The direct measures of the social enterprises lose their strength when the general legal and economic environment is working against them.”*

- Eva Varga: Ecosystem of the social enterprises - International examples and best practices

### Institutional and stakeholder landscape of social enterprises

- **State and other supervisory bodies** regulating the activities of non-profit SEs:
  - Parliament: adopts the SE related legislation.
  - Government: plans and adopts policy related to SEs.
  - National Tax and Customs Administration: tax inspection of SEs.
  - State Audit Office: control on the use of budget support allocated to SEs.
  - Public prosecutor: supervision of the legality of SEs.
  - Courts: registration of SEs.
- **Umbrella organizations:** they have some sort of relationship with the SEs (membership, sponsorship or partnership)
  - National Employment Non-profit Ltd. (Országos Foglalkoztatási Közhasznú Nonprofit Kft.)
- **Social enterprise communities and coalitions:**
  - Social entrepreneur club (NESsT and Kék Madár Foundation) launched in 2012: free workshops for 15 participants for 8 months
  - Social Enterprise Day annual (NESsT and National Employment Non-profit Ltd): fair for social enterprises
- **Universities:** Corvinus University in Budapest has a one-semester social entrepreneur course in which social enterprises are also involved. Students have the opportunity to do a traineeship in social enterprises.

## **Key context dimensions for social entrepreneurs**

- In Hungary there is not yet specific infrastructure or public support system to promote the creation and development of social enterprises, and no special legal form or official certification exist for social enterprises.
- The unpredictability of the regulatory environment makes difficult the creation, functioning and development of social enterprises.
- The business activities of a social enterprise functioning in a non-profit form can only have a secondary character therefore its total annual revenue from the economic and entrepreneurial activity cannot reach or exceed 60% of its total annual income.
- Generally people trust the non-profit sector in Hungary although the lack of transparency and the weak financial management which characterizes the sector negatively affect this social perception.
- The social perception of economic activities carried out by non-profit organizations is characterized by rejection: the majority believes that non-profit organizations should not carry out this kind of activity at all. However, lately, as the concept of social enterprise has become better known, the rejection is gradually decreasing.

## **Linkage between social entrepreneurs and inclusive society**

One of the most critical social issues in Hungary is the exclusion of many disadvantaged groups from the labour market. Disabled, young and elderly people, Roma communities, people with low education, as well as women confront many barriers to access employment and sustainable income. Therefore an important proportion of social enterprises have a labor inclusion or sustainable income related mission. The business model in many cases is the employment of disadvantaged groups and offering products and services designed to be produced by beneficiaries. Another typical model is the increase of the employability of these groups through education, vocational training and job placement services. Also there is a relatively high incidence of social enterprises with an environmental focus.

## 5. Portugal – Context of Social Entrepreneurship

### 5.1 General country context

#### Number of inhabitants and size of country

Table 1: Number of inhabitants and size of country

Number of inhabitants	10.487.289 (2012)	
Size of country	92212 km <sup>2</sup> / 35 603.25 mi <sup>2</sup>	

#### Top 5 societal challenges

Table 2: Top 5 societal challenges

<b>Poverty and social exclusion</b>
- 25.3% of Portuguese population lives at risk of poverty or social exclusion <sup>62</sup> .
<b>Aging population (cost for health care and pensions, loneliness ...)</b>
- In 2011, around 20% of Portuguese population is over 65 years old.
- It is estimated that in 2030 there is a person over 50 years old for two young or employed people <sup>63</sup> .
<b>Labour market: Youth unemployment</b>
- In 2013, the youth employment (people aged 15 to 24) rate in Portugal was 37.7% <sup>64</sup> .
- The employment rate of people aged 20 to 64 in Portugal is 66.5% (2012) – EU2020 objective: 75% <sup>1</sup>
<b>Education (Early leavers from education and training and tertiary educational attainment)</b>

<sup>62</sup> Eurostat. 2014. "Europe 2020 Indicators – Headline Indicators for Portugal". European Commission. Accessed March 20, 2014. [http://epp.eurostat.ec.europa.eu/portal/page/portal/europe\\_2020\\_indicators/headline\\_indicators](http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators)

<sup>63</sup> Fundação Francisco Manuel dos Santos. 2012. "Projeções 2030 e o Futuro". Accessed March 20, 2014. <http://www.presentenofuturo.pt/pdf/CenariosDemograficos2030.pdf>

<sup>64</sup> Pordata. 2014. "Taxa de desemprego: total e por grupo etário (%)". Fundação Francisco Manuel dos Santos. Accessed March 20, 2014. [http://www.pordata.pt/Portugal/Taxa+de+desemprego+total+e+por+grupo+etario+\(percentagem\)-553](http://www.pordata.pt/Portugal/Taxa+de+desemprego+total+e+por+grupo+etario+(percentagem)-553)

- The share of early school leavers is 20% of Portuguese population (2013) – EU2020 objective: under 10%
- In 2013, 28.6% of 30-34 years old had completed a tertiary or equivalent education – EU 2020 objective: at least 40%

### Environment & energy: Renewable energy

- The share of energy from renewable sources in gross final energy consumption was 24.6% in 2012
- Portugal has the objective to have a share of 31% of energy from renewable sources in gross final energy consumption in 2020

## Overview of (social) policy, entrepreneurial and civil society landscape

Table 3: Overview of landscape

(Social) Policy Landscape	Entrepreneurial Landscape <sup>65</sup>	Civil Society Landscape
<p><b>SOCIAL EXPENDITURES<sup>66</sup></b> 26.4 % of GDP (2013)</p> <p><b>POLITICAL STABILITY AND ABSENCE OF BIOLENCE (2012)<sup>67</sup></b> Rank 70 (0=lowest; 100=highest)</p> <p><b>RULE OF LAW (2012)<sup>6</sup></b> Rank 82 (0=lowest; 100=highest)</p>	<p><b>HIGH Global Entrepreneurship Monitor (GEM) SCORE</b></p> <ul style="list-style-type: none"> <li>- Perceived capabilities</li> <li>- Fear of failure</li> <li>- New business ownership</li> <li>- Established business ownership</li> <li>- Necessity-driven</li> </ul> <p><b>LOW GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- Perceived opportunities</li> <li>- Improvement-driven opportunity</li> </ul>	<ul style="list-style-type: none"> <li>- Important economic actor: 5.5% of Paid employment 2.8% of GVA Growth trend</li> <li>- Broad range of activities: socio-economic, socio-cultural, health &amp; well-being, education, religion, sports</li> <li>- Largest economic weight:</li> <li>- Social service (to vulnerable groups like the elderly)</li> <li>- Cults and congregations</li> </ul>

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Portugal are compared with the mean scores of the *innovation-driven* countries comparison group.

<sup>65</sup> "Global Entrepreneurship Monitor 2013 Global Report." GEM Consortium 2013. Accessed March 20, 2014.

<sup>66</sup> "Social Expenditures - Aggregated Data." OECD 2013. Accessed March 20, 2014.

<http://stats.oecd.org/Index.aspx?QueryId=4549>

<sup>67</sup> "Worldwide Governance Indicators." The World Bank Group 2013. Accessed March 20, 2014.

<http://info.worldbank.org/governance/wgi/index.aspx#home>

## 5.2 Social enterprises in (an institutional) context

### Institutional and stakeholder landscape of social enterprises

- **Policy makers – public authorities**

Portuguese authorities are organized at national level, province and local level. Whereas there's a growing effort to decentralize competencies, the decision processes remain to some extent centralized.

- **Non-profit organizations – civil society organizations**

Given the budget cuts by public authorities a growing number of non-profit organizations search for new sources of revenue, new ways to accomplish their social mission and become more social entrepreneurial.

- **Commercial organizations**

Commercial organizations paid more attention in recent years to their societal role. The concept of CSR became more known and put into practice (for example, the University of Aveiro was invited to collaborate with the Port of Aveiro in the development of its strategy for social innovation). Some social organizations and commercial enterprises relate as supplier-client in a B-2-B context.

- **(Social) Business support organizations**

Social entrepreneurs can rely on dedicated support organizations besides general oriented support services. Some consultancy organizations offer services to social entrepreneurs like Social Entrepreneurship Institute, TESE, ESLIDER Portugal.

- **Academic world**

During last years the concept of social entrepreneurship and social enterprise received growing attention in the academic world. Programs, courses and events are organized on social innovation and entrepreneurship in several universities. Some of them provide support for the development and incubation of social enterprises.

- **Consumers – clients – general public**

In the context of crisis citizens are invited to find solutions for social problems. They have an important role in the development and implementation of social entrepreneurship initiatives in Portugal. There are some competitions that promote their participation and that have a good adhesion.

### Key context dimensions for social entrepreneurs

- **Welfare state**

The welfare state is facing increasing pressure driven by factors such as the changes in the demographic profile of the population, notably the ageing of the population, and the increase in employment rates. The country is involved in a deep discussion about the sustainability of the

social system, while important reforms are taking place, e.g. changes in the age of retirement, changes in the health system and its coverage, etc.

- **Social enterprise-specific legislation**

There is no legal definition of social enterprise in Portugal. Social entrepreneurs in essence are forced to adopt other legal forms for the establishment of their businesses that can limit them in their action.

- **Regulatory density**

The lack of a specific legal profile for social enterprises might be an important barrier to the setup of new organizational forms addressing social needs.

- **Cultural values, norms**

Portugal is a nation with a long historical background in Europe, established in 1143, holding a strong and unified cultural and national identity. The recent history has been marked by the dictatorship that lasted till 1974, and since then country has established a young democratic system with a strong social welfare approach. This legacy has had its impact on the development of the desired entrepreneurial spirit in Portuguese citizens, which still struggles with some inherent constraints.

## **Linkage between social entrepreneurs and inclusive society**

In Portugal, the major social problems faced are the youth unemployment and the ageing of population. The incentives for the development and implementation of initiatives of social entrepreneurship to meet the needs of these groups are increasing. This is one way to find solutions to other social problems and at the same time promote the self-employment and the active aging. A good example is the intergenerational entrepreneurship program "United at Work"<sup>68</sup>.

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<sup>68</sup> <http://uaw.unitedatwork.eu/index.php>

## 6. Romania - Context of Social Entrepreneurship

### 6.1 General country context

“[...] The main problems encountered by social enterprises are related to the lack of capacity building (before and after launching the business) and the difficulties in attracting adequate funding for start-up and the growth of the business until it reaches breakeven. [...] Sure, there are other problems as well, related to the legal environment, the bureaucracy each entrepreneurs faces, regardless of their nature (i.e. social or traditional entrepreneur), or the lack of a coherent national movement (for example, in US there is the Social Enterprise Alliance, and in UK the Social Enterprise Coalition). But the sector is changing rapidly in Romania, with an increasing number of key persons and organization interested in social enterprises potential to solve critical social problems, and this is encouraging.”

- Roxana Damaschin-Tecu, Portfolio Director, NESsT<sup>69</sup>

### Number of inhabitants and size of country

Table 1: Number of inhabitants and size of country

Number of inhabitants	21.790.479(1/1/2013)	
Size of country	238.391 km <sup>2</sup>	

### Top 4 societal challenges

Table 2: Top 4 societal challenges

<b>Poverty and social exclusion (like migrant population)</b>
<ul style="list-style-type: none"> <li>- According to Eurostat, 28% of Romanian population is at risk of poverty and the deprivation rate exceeds 25%.</li> <li>- In 2013, unemployment rate was at 23.6% – increase by 1% in comparison with 2012; low living standards – life satisfaction level was at 6.7<sup>70</sup>.</li> </ul>
<b>Aging population (cost for health care and pensions, adapted housing, loneliness ...)</b>
<ul style="list-style-type: none"> <li>- It is likely for Romania to experience a significant increase in public spending to 7% of GDP or more.</li> <li>- The healthcare system is expected to face substantial challenge in the future and public expenditure on health care is projected to grow by 1 ½ % points of GDP by 2060 (age 80+ will be the fastest growing age class of the population in the future)<sup>71</sup>.</li> </ul>
<b>Labour market: Youth unemployment in large cities and too early exit of +50 year olds</b>

<sup>69</sup> <http://www.startups.ro/analize/cum-poate-ajuta-antreprenoriatul-social-romania>

<sup>70</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=0&language=en&pcode=tipsIm80>

<sup>71</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions; Dealing with the impact of an ageing population in the EU (2009 Ageing Report)

<ul style="list-style-type: none"> <li>- There was 22.2% unemployed youth in 2012 according to Eurostat statistics.</li> <li>- Employment rate of persons aged 15-64 in 2012 was at 60%<sup>72</sup>.</li> </ul>
<b>There were major gaps in living standards between rural and urban areas<sup>73</sup>.</b>
<ul style="list-style-type: none"> <li>- According to the World Bank, Romania has the highest proportion of rural population in EU, 45%. But it also has the highest incident of rural poverty, 70%.</li> <li>- Moreover, Romania imports an increasing proportion of its food needs, even though almost 30% of employment is in agriculture.</li> </ul>

## Overview of (social) policy, entrepreneurial and civil society landscape

Table 3: Overview of landscape

(Social) Policy Landscape	Entrepreneurial Landscape	Civil Society Landscape <sup>74</sup>
<p><b>SOCIAL EXPENDITURES</b> 16.3% of GDP<sup>75</sup> in 2011</p> <p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE<sup>76</sup></b> Rank 48 (0=lowest; 100=highest) in 2012.</p> <p><b>RULE OF LAW</b> Rank 56 (0=lowest; 100=highest) in 2012.</p>	<ul style="list-style-type: none"> <li>- No specific legal framework for SEs in place at the moment of the publication.</li> <li>- A Social Economy law is currently under debate in the Senate.</li> <li>- 2.74 more male entrepreneurs than females entrepreneurs in 2012<sup>77</sup></li> <li>- According to the GEM report, the opportunity-driven early-stage entrepreneurial activity rate increased from 5.68% of the adult population in 2011 to 6.92% in 2012. The necessity-driven nascent entrepreneurial activity rate decreased from 4.09% in 2011 to 2.23% in 2012, increasing the ratio of opportunity to necessity entrepreneurship from 1.39 to 3.10. In Romania 74.2% of early-stage entrepreneurs are motivated by</li> </ul>	<ul style="list-style-type: none"> <li>- In 2010, there were 66,804 civil organizations registered in Romania, but only approximately 26,000 were active.</li> <li>- Associations and Foundations show a steady upward trend on all economic indicators. Income increased by 51% from 2009 to 2010.</li> <li>- Broad range of activities: social services, sports, education, culture, health etc.</li> <li>- Human resources: over 100,000 employees (representing 1.1% of total employed population and around 1.7% of the wage-earning population) and 504,000 volunteers (circa 50M working hours).</li> </ul>

<sup>72</sup>[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php?title=File:Employment\\_rate\\_persons\\_aged\\_15-64\\_2012.png&filetimestamp=20130503144441](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Employment_rate_persons_aged_15-64_2012.png&filetimestamp=20130503144441)

<sup>73</sup><http://www.worldbank.org/en/country/romania/overview>

<sup>74</sup> Social Economy Atlas, FDSC, 2011

<sup>75</sup> Eurostat Newsrelease, no 174/2013 - 21 November 2013

<sup>76</sup><http://info.worldbank.org/governance/wgi/index.aspx#reports>

<sup>77</sup> Entrepreneurship in Romania, Country Report 2012, GEM. The Global Entrepreneurship Monitor (GEM) is the most important and comprehensive international study of entrepreneurship and the entrepreneurial environment.

	opportunity <sup>78</sup> , 24.2% by necessity.	
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## 6.2 Social enterprises in (an institutional) context

“For the development of this sector, the state must change its vision towards the mechanism of subsidies and non-refundable grants allocation, to monitor (and measure) the impact generated and avoid duplications in the system. At the same time, companies could review their donations and shift towards long term impact programs, apply corporate shared values instead of corporate social responsibility and engage social enterprises in their supply chain. And consumers could put more pressure on the market, showing concern for the origin and the content of their products, and how employees are treated in the production process.”<sup>79</sup>

- Roxana Damaschin-Tecu

### Institutional and stakeholder landscape of social enterprises

In Romania the nongovernmental sector is the main actor of the social economy. Associations and foundations are the most representative segment both from the numerical point of view (93% of the organizations registered between 1990 and 2010, 89.7% of the organizations that were active in 2009) but also from the outcome point of view.

The relevant institutional actors for the social economy in Romania are split in three main categories: institutional actors with competences specific to the field, the organizational forms that can be assimilated to the social economy and the beneficiaries of the social economy.

- **State and other supervisory bodies** regulating the activities of non-profit SEs:
  - Ministry of Labour, Family, Social Protection and Elderly – Direction for Social Inclusion Programs, National Agency for Work Force.
  - Ministry of Economy, Commerce and Business
  - Ministry of Agriculture and Rural Development
  - Ministry of Justice – Commerce Registry National Office
  - Romanian National Bank -
  - Social and Economic Council
- **Private structures**
  - Romanian Chamber of Commerce,
  - Syndicates
  - Commercial organizations
- **Other players**
  - Non-profit organizations – civil society organizations

<sup>78</sup> Opportunity-driven entrepreneurs represent those involved in early-stage entrepreneurial activity who claim to be driven by opportunity, the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income. Necessity-driven entrepreneurs are those involved in entrepreneurship activities because they had no other option for work. The ratio of opportunity to necessity entrepreneurship is higher in efficiency-driven economies.

<sup>79</sup> <http://www.responsabilitatesociala.ro/editoriale/intreprinderile-sociale-un-sector-care-nu-mai-poate-fi-ignorat.html#sthash.jTJV2N5s.dpuf>

- Social enterprises
- (Social) Business support organizations
- General public
- Consumers or clients

Romanian legislation encompasses a variety of types of CSOs engaging in activities aiming to achieve general or common interest. They include associations, foundations, and federations (with the former two having the option to be granted public benefit status).

The Romanian legal framework explicitly permits CSO commercial activities as long as they are mission related. CSOs wishing to engage in non-mission related commercial activities have to set up a separate, for-profit entity. The legal framework does not particularly promote CSO commercial activities since both mission-related and non-mission related activities are regulated in the same way that for-profit commercial activities are regulated.

Less than one in three Romanians trust NGOs, but in the past few years the public perception of CSOs has improved. This positive development is due in part to greater freedom of the press, which has sought information and opinions from CSO leaders on a variety of topics, in particular related to government transparency.

### **Recognized definitions of social enterprise within the social economy**

Two common and related concepts with social economy concerns social enterprises and social entrepreneurs. “While the for-profit business operation and the local government enterprise may appear to be the logical and familiar institutional forms through which services are provided, there is yet another common form. It is a hybrid of market, non-market and non-monetary goods and services forming a stable organization that goes beyond the temporary function generally associated with the formation of an initiative. Its institutional form can best be described as a “social enterprise”- a private business with a social purpose” (Laville, 2003, p. 398) The concept of social enterprise is an extension of the social economy, adding some features: entrepreneurial orientation in the provision of social services, targeting a larger segment of beneficiaries and increasing the quality of democratic control processes. (Constantinescu, 2011, p.6)<sup>80</sup>

### **Key context dimensions for social entrepreneurs**

Expertise in or attending to a particular social problem does not necessary translate into finding a viable commercial solution which can be addressed through a social enterprise (Dorado, 2006). The allocation of EU funds seems to disregard this aspect, lacking a clear strategy to support management and enterprise skills development and continuous capacity building needed by these enterprises.

Furthermore, the lack of a common understanding of the concept and on the need to foster a policy framework brings out some other challenges social entrepreneurs face<sup>81</sup>:

- Difficult access to finance; SEs are ignored or discriminated by mainstream financiers, such as banks.
- Lack of access to markets – SEs are excluded from public procurement processes.

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<sup>80</sup> Social Economy dimensions from Romania, Perspectives and realities of NGO sector; Felicia Androni, Mihaela Camelia Schmidt; Annals of the University of Petroşani, Economics, 12(3), 2012, 17-26.

<sup>81</sup> Trade-offs Between Regulation and Fostering of Social Enterprise: the Case of EU Policies, Éva Varga, NESsT, 2012.

- Various challenges working with state institutions as the concept is not known and policies are most often subject to interpretation.

Even though EU funds represent a big opportunity for social enterprise development these have some drawbacks:

- Distortionary effect, increasing grant dependence ;
- Only available for larger and stronger organizations ;
- Risk averse, while at the same time not requiring sound business plan which could mitigate risks;
- Provide false incentives and encourage project-based short-term thinking that does not lead to sustainability of enterprise activities ;
- Focusing on meeting administrative goals, rather than achieving social impact;
- Inadequate screening of applicants which leads to disbursing funds to organizations with no experience or content causing long-term damage on capacity building of SE sector;
- Provided little or no support to support organizations, incubation or other entities building a sector;
- Require co-financing not provided or delayed at national level;
- Call for tenders often suspended at national level and disbursements delayed causing cash flow problems and even bankruptcy.

## **Linkage between social entrepreneurs and inclusive society**

An inclusive society is based on mutual respect and solidarity, ensures equal opportunities and decent living conditions to all citizens and sees diversity as a source of power and not a reason for factions.<sup>82</sup> Social inclusion creates the feeling of belonging to a community; it helps individuals share values and gain identity and dignity. Poverty is the main reason for which people can feel excluded. The lack of access to medical service or professional opportunities makes social differences become visible.

Starting in 2005, active inclusion is clearly mentioned in the directives given by the European Commission to the member states, in regards to employment: “ensuring inclusive labour markets for citizens looking for jobs and for disadvantaged individuals”.<sup>83</sup>

Furthermore, through the renewed principles of the Lisbon Strategy emerged the Strategy for Active Inclusion in 2008 based on the following: giving the right income, insertion based labour markets and access to quality services<sup>84</sup>.

One of Romania’s most significant problems is high poverty and unemployment, especially among disadvantaged groups. As charity funds are decreasing and public funding is limited, one feasible way to solve these problems is to create a social enterprise – a business where these disadvantaged groups can be employed and become active members of society producing goods or delivering services in a financial sustainable business model. These types of business have an essential role in identifying a new funding formula for social development, from sources that are different and alternative to public ones. The help given to address the social problem is not a simple act of charity, but rather an action with clear economic and social

<sup>82</sup> [http://europa.eu/youth/eu/article/ce-este-incluziunea-social%C4%83\\_ro](http://europa.eu/youth/eu/article/ce-este-incluziunea-social%C4%83_ro)

<sup>83</sup> <http://ec.europa.eu/social/main.jsp?catId=108&langId=en>

<sup>84</sup> [http://ec.europa.eu/archives/growthandjobs\\_2009/](http://ec.europa.eu/archives/growthandjobs_2009/)

ends. Profit is reinvested in the enterprise to meet the needs of more disadvantaged persons or in other social activities aimed at helping this group.<sup>85</sup>

The social entrepreneur is a person sensitive to a social problem who finds an entrepreneurial solution to solve that problem, developing a social enterprise with a viable business model. From NESsT experience, the business skills are very important but not sufficient and definitely not a precondition for starting a social enterprise. While the business skills can be learnt and improved with experience, the intrinsic drivers and motivation of the entrepreneur to solve the social problem can't be taught or learned. Therefore, the background of the social entrepreneur is not important. However, what is common to all entrepreneurs, including those starting social enterprises, is the entrepreneurial mind-set: the constant alertness and readiness to leverage new opportunities to develop the business and the long term vision.

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<sup>85</sup> Manuale di formazione dei manager di Economia Sociale, Mai 2012

## 7. Russia - Context of Social Entrepreneurship

### 7.1 General country context

#### Number of inhabitants and size of country

Table 1: Number of inhabitants and size of country

<b>Number of inhabitants</b>	143.666.931 (1/1/2014)	
<b>Size of country</b>	17.098,2 thousand square km (1/1/2012)	

#### Top 5 societal challenges<sup>86</sup>

Table 2: Top 5 societal challenges

<b>Inflation, rising prices for goods and services</b>
- In 2013 CPI was 5,57% and in 2012 5,73% <sup>87</sup> . Inflation levels vary slightly over the different Russian regions.
<b>Unemployment</b>
- In 2012 and 2013 the average unemployment level (calculated by ILO methodology) in Russia was 5,5%. The number is not high and the average unemployment period is not long, however people feel that it is the second most important societal problem in Russia. In some Russian regions the unemployment rate is rather high, the most unfavorable situation is in the North Caucasian Federal District (13% average in 2013) <sup>88</sup> .
<b>Alcoholism, drug addiction</b>
- Sales of alcohol beverages per capita inexplicably decreased in 2011-2013 from 93.48 to 91.7 litres; this includes beer and beer-based beverages which stayed nearly the same on the 71 litres per capita level. Sales of beverages with high alcoholic content is still very high, in 2013 sales of vodka and liquor per capita was 9.8 litres <sup>89</sup> .
- The amount of narcotic drugs, psychotropic substances and their precursors and potent substances seized during the initiation of the criminal proceedings in 2012 was 612 grams per 1000 individuals <sup>90 91</sup> . The number of people with a diagnosed drug addiction per 100 thousand decreased from 17.6 in 2010 to 13.9 in 2012 <sup>92</sup> .

<sup>86</sup> RPORC 2009. "STATE PROBLEMS versus PERSONAL PROBLEMS OF RUSSIANS", Press release №1135.

<sup>87</sup> UISIS. Basic consumer price index for goods and services. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=33568>

<sup>88</sup> UISIS. The rate of employment. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=43062>

<sup>89</sup> UISIS. Sales of alcoholic beverages per capita (in real terms). Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=31432>

<sup>90</sup> FDCS, 2012. Key performance indicators in the Russian Federal Drug Control Service 2012. Federal Drug Control Service of the Russian Federation. Accessed 30 April, 2014. <http://www.fskn.gov.ru/opendata/7709428381-FSKN.3.1.result2012.shtml>

<sup>91</sup> FSSS Database. Federal State Statistic Service. Accessed 30 April, 2014. <http://cbssd.gks.ru/#>

<sup>92</sup> UISIS. First ever diagnosis of addiction per 100 thousand population (people, 1 January). Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://www.fedstat.ru/indicator/data.do?id=41701>

<b>Corruption and Bureaucracy</b>
<ul style="list-style-type: none"> <li>- The results of survey conducted in 2013 show that corruption level and bureaucracy impact are rather high<sup>93</sup>. In fact, 85% of respondents believe that bureaucracy impact has not decreased in the last 10-12 years. And 84% of respondents think that the corruption level has remained the same or has become even higher.</li> </ul>
<b>Public wealth</b>
<ul style="list-style-type: none"> <li>- GDP per capita in Russia in 2011 was \$21.091<sup>94</sup>.</li> <li>- In 2012 Russia ranked 55th (out of 186) in the Human Development Index by the United Nations<sup>95</sup> - so Russia remained in the group of countries with High Human Development, but did not rank high enough to be included in the Very High Human Development group.</li> <li>- The purchasing power of the average per capita income in 2010-2012 increased or remained stable for all products<sup>96</sup>. For example, petrol purchasing power of average per capita income was 860.2 litres in 2010, 825.7 litres in 2011, 841.8 litres in 2012. However, these figures vary over the regions. For example, in 2010 the petrol purchasing power in Far Eastern Federal District was 999.2 liters, and 671.3 liters in Siberian Federal District.</li> <li>- The share of the population with incomes below the subsistence minimum in Russia was 12.5% in 2010, 12.7% in 2011 and decreased to 10.9% in 2012<sup>97</sup>. Gini coefficient was 16.4 in 2012<sup>98</sup>.</li> </ul>

<sup>93</sup> Levada-center 2013. "Level of corruption and bureaucracy impact on the country is not reduced". Press-release 05.03.2013. Yuri Levada Analytical Center. Accessed 30 April, 2014. <http://www.levada.ru/05-03-2013/uroven-korrupsii-i-vliyanie-byurokratii-na-zhizn-strany-ne-umenshayutsya>

<sup>94</sup> UISIS. Russia's GDP per capita in purchasing power parity. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=40579>

<sup>95</sup> UNDP 2013. "Human Development Report 2013". United Nations Development Programme. Accessed 30 April, 2014. [http://hdr.undp.org/sites/default/files/reports/14/hdr2013\\_en\\_complete.pdf](http://hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.pdf)

<sup>96</sup> UISIS. The purchasing power of average per capita income. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://fedstat.ru/indicator/data.do?id=31326>

<sup>97</sup> UISIS. Population with incomes below the subsistence minimum, as a percentage of total population. Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://www.fedstat.ru/indicator/data.do?id=33460>

<sup>98</sup> UISIS. Funds coefficient (the ratio of cash income 10% more and 10% of the population). Unified Interdepartmental Statistical Information System. Accessed 30 April, 2014. <http://www.fedstat.ru/indicator/data.do?id=31170>

## Overview of (social) policy, entrepreneurial and civil society landscape

Table 3: Overview of landscape

(Social) Policy Landscape	Entrepreneurial Landscape <sup>99</sup> .	Civil Society Landscape
<p><b>SOCIAL EXPENDITURES</b> <sup>100</sup>. 20,0% of GDP (2013)</p> <p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE</b> Percentile rank 20.85 (0=lowest; 100=highest) (2012) <sup>101</sup></p> <p><b>RULE OF LAW</b> Percentile rank 23.7 (0=lowest; 100=highest) (2012) <sup>102</sup></p>	<p><b>HIGH Global Entrepreneurship Monitor (GEM) SCORE</b></p> <ul style="list-style-type: none"> <li>- Entrepreneurship as a good career choice</li> <li>- Necessity-driven (% of TEA)</li> <li>- Market Dynamics: the level of change in markets from year to year</li> <li>- MALE TEA Necessity (% of TEA males)</li> </ul> <p><b>LOW GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- International orientation</li> <li>- Entrepreneurial intentions</li> <li>- Government Entrepreneurship Programs</li> <li>- Perceived opportunities</li> </ul>	<p>No information available.</p>

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Russia are compared with the mean scores of the *efficiency-driven* countries comparison group.

<sup>99</sup> GEM Consortium 2013. "Global Entrepreneurship Monitor 2013 Global Report." Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/download/3106>

<sup>100</sup> Ministry of Finance Statistics. The structure of the federal budget. Ministry of Finance of the Russian Federation. Accessed April 30, 2014. <http://info.minfin.ru/fbrash.php>

<sup>101</sup> WGI 2012. Worldwide Governance Indicators. World Bank. Accessed April 30, 2014. <http://info.worldbank.org/governance/wgi/index.aspx#reports>

<sup>102</sup> WGI 2012. Worldwide Governance Indicators. World Bank. Accessed April 30, 2014. <http://info.worldbank.org/governance/wgi/index.aspx#reports>

## 7.2 Social enterprises in (an institutional) context

### Institutional and stakeholder landscape of social enterprises

- **Authorities**

- Municipal authorities
- Regional authorities
- State authorities

Analysis of social enterprise experiences in Russia shows that social enterprises are bound to come in contact with state authorities, because traditionally in Russia social services were supplied by the state. State authorities are still the most natural channel through which social services are supplied to the population<sup>103</sup>.

- **Organizations**

- Partners
- Funds/donors
- Other social entrepreneurs and potential future social entrepreneurs

At the moment people who have social entrepreneurial tendencies, do not have any examples to follow. No networks exist through which experienced social entrepreneurs could help those who are planning or trying to start a project. But several funds supporting social entrepreneurship have appeared.

- **People**

- Consumers
- Socially deprived/disabled persons

Social entrepreneurs help people with special needs to, for example, get jobs or to get access to goods and services at a lower price.

- **Volunteers**

Social entrepreneurs often use volunteers, giving them responsibilities according to their education and professional skills<sup>104</sup>.

- **Local community**

Social entrepreneurs help in building an inclusive society, which is beneficial to the whole local community.

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<sup>103</sup> Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika I issledovanija, HSE Publishers, Moscow.

<sup>104</sup> Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika I issledovanija, HSE Publishers, Moscow.

- **Researchers**

Some initial investigations in social entrepreneurship have been done, but more and more researchers are paying attention to this field.

## **Key context dimensions for social entrepreneurs**

- **Social capital**

Social entrepreneurs transform social capital into economic capital. Social capital does not necessarily include people with a high social status but could, for example, include people willing to work as volunteers<sup>105</sup>.

- **Value networks**

Elements of value networks are connected by common attitudes to the societal values of organizations and these organization's weights in society, thus the value network is influencing and forming the organizations and the organizations are influencing and forming the value network<sup>106</sup>.

- **Legislation concerning small business/entrepreneurs in general and business climate**

Administrative barriers for small businesses are rather high in Russia. There is significant variance among different regions regarding the main problems affecting the business climate, but there are five issues which recur in the majority of regions. These are; high tax rates, inadequately educated workforce, difficulties accessing finance, high levels of corruption, and political instability. However there is a progress in addressing the high administrative burden ( regulations, taxation, court administration etc) imposed on firms.<sup>107</sup>

- **Legislation, concerning social entrepreneurs specifically**

Legislation concerning social entrepreneurs specifically does not exist in Russia at the moment.

- **Governmental social programs**

It is often unclear for social entrepreneurs to which department they should go for support, which leads to difficulties with obtaining help.

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<sup>105</sup> Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika I issledovanija, HSE Publishers, Moscow.

<sup>106</sup> Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika I issledovanija, HSE Publishers, Moscow.

<sup>107</sup> World Bank. 2013. Policy Note. Russian Federation: National and Regional Trends in Regulatory Burden and Corruption. Accessed April 30, 2014. <http://www.worldbank.org/content/dam/Worldbank/document/eca/Russia-Regional-BEEPS-2013.pdf>

## Linkage between social entrepreneurs and inclusive society<sup>108</sup>

“I am forming the society for our children to live”

- Social entrepreneur providing therapeutic horse riding services for free to disabled children
- Some social entrepreneurs in Russia aim at helping specific groups of people with special needs. The help could be in providing them goods and services at lower or even no price, in finding a person or an institution to pay for the goods and services provided to the target group, in offering jobs together with people without disabilities, or many other forms.
- Already during the time of the Soviet Union there were factories, owned by social organizations, for the disabled that were similar to the European labor integration social ventures.

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<sup>108</sup> Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika i issledovanija, HSE Publishers, Moscow.

## 8. Spain - Context of Social Entrepreneurship

### 8.1 General country context

#### Number of inhabitants and size of country

Table 1: Number of inhabitants and size of country

Number of inhabitants	47.129.783 (2013)	
Size of country	504,645 km <sup>2</sup>	

#### Top 5 societal challenges

“ I believe that social entrepreneurship is the key driving force to end the unemployment issue we are currently facing.(...) Diversity bring innovation in an enterprise, well managed diversity can be a fundamental strategy weapon for enterprises.”

- Javier Benavente, Alares Founsdation

Table 2: Top 5 societal challenges

<b>Labour market: unemployment, youth unemployment</b>
Unemployment represents one of the most difficult challenges Spain has been facing for the last 4 years, reaching peaks of 25.8% of population unemployed and of 54.6% of youth unemployment (2014). The Spanish Government action plan, 2013-2016 Strategy for Youth Employment and Entrepreneurship aims to increase job quality and stability and support entrepreneurship. Another crucial issue for Spain is long-term unemployment (almost half of the unemployment population). Both at EU and Spanish levels, policies are issued, aiming to gradually reintegrate the long-term unemployed by participating in training, retraining, work practice, or other employability measures.
<b>Immigration and work integration issues</b>
Spain reported the third largest number of immigrants in 2011 (457.649), after UK and Germany. Also in 2011, the Spanish government introduced working restrictions for Romanian and Bulgarian citizens (which lasted until 01.01.2014) and changed the labour regulation for seasonal workers, resulting in an increase of the unemployment level and the risk of social exclusion and poverty (27% of population in 2011). The unemployment rate of the foreign population in the fourth quarter of 2012 was of 36.53% while for the Spanish citizens it was 24.23% <sup>109</sup> .

<sup>109</sup> European Commission, 2013. “Country Factsheet: Spain 2012 – European Migration Network”, accessed on March 21<sup>st</sup>, 2014.

[http://extranjeros.empleo.gob.es/es/RedEuropeaMigraciones/Informe\\_Anual\\_Politicas\\_Inmigracion\\_Asilos/country\\_factsheet\\_spain\\_2012\\_en\\_400004.pdf](http://extranjeros.empleo.gob.es/es/RedEuropeaMigraciones/Informe_Anual_Politicas_Inmigracion_Asilos/country_factsheet_spain_2012_en_400004.pdf)

<b>The transformation of savings banks</b>
<p>Since their creation, Spanish saving banks have played a crucial role in each autonomous community, supporting charitable and social initiatives and fighting against social exclusion from the financial system. Saving banks (<i>cajas de ahorro</i>) have undergone a massive transformation in the past 5 years, most of them disappearing from the financial market and others choosing to merge with bigger, more stable financial entities. Once transformed into commercial banks, they were not able to pursue social goals anymore, therefore, many social enterprises that were financed by savings banks were also closed.</p>
<b>Increasing social gap and poverty</b>
<p>According to the latest FMI report, Spain reaches the biggest increase regarding social gap (Gini coefficient) within the European Union, over the period 2007-2011<sup>110</sup>. The study shows that the gap tends to grow when reforms on reducing social spending are made. Subsequently, the at-risk-of-poverty rate increases, Spain recording the 3<sup>rd</sup> place in the EU (22,2%)<sup>111</sup>. Moreover, the risk of poverty and social exclusion for older working age people is on the rise in several EU member states.</p>
<b>Community autonomy</b>
<p>There are 17 autonomous communities in Spain, each one with a self-governing body and specific legislation or policies. In the recent years, several conflicts have emerged to the public attention and many protests and manifestations have been organized in Catalonia and the Basque Country to express the desire for these communities to become independent communities.</p>

<sup>110</sup> "España sufre el mayor aumento de la brecha social en Europa por la crisis", *El País*, 13th March 2014. Accessed on March 21st, 2014.

[http://economia.elpais.com/economia/2014/03/13/actualidad/1394732075\\_347846.html](http://economia.elpais.com/economia/2014/03/13/actualidad/1394732075_347846.html)

<sup>111</sup> "Eurostat, 2013 – People at risk of poverty or social exclusion", accessed on March 21<sup>st</sup>, 2014.

[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/People\\_at\\_risk\\_of\\_poverty\\_or\\_social\\_exclusion](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/People_at_risk_of_poverty_or_social_exclusion)

## Overview of (social) policy, entrepreneurial and civil society landscape

Table 3: Overview of landscape

(Social) Policy Landscape	Entrepreneurial Landscape <sup>112</sup>	Civil Society Landscape <sup>113</sup>
<p><b>SOCIAL EXPENDITURES</b><sup>114</sup> 24,7% of GDP (2013)</p> <p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE</b> Rank 43 globally (0=lowest; 100=highest)<sup>115</sup> Rank 21/23 for Western Europe (13=lowest; 98=highest)<sup>116</sup></p> <p><b>RULE OF LAW</b><sup>10</sup> Rank 83 (0=lowest; 100=highest) Rank 17/23 for Western Europe (56=lowest; 100=highest)</p> <p><b>CONTROL OF CORRUPTION</b> Rank 81 (0=lowest; 100=highest) Rank 16/23 for Western Europe (51=lowest; 100=highest)</p>	<p><b>HIGH Global Entrepreneurship Monitor (GEM) SCORE</b></p> <ul style="list-style-type: none"> <li>- International orientation</li> <li>- Fear of failure</li> <li>- Necessity – driven entrepreneurship</li> </ul> <p><b>LOW GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- Entrepreneurial employee activity</li> <li>- Expectation of at least 5 employees</li> <li>- Perceived capabilities</li> <li>- Belief in high status to successful entrepreneurs</li> <li>- Rate of new business owners</li> <li>- Innovation orientation</li> </ul> <p><b>EASE OF DOING BUSINESS</b><sup>117</sup> Rank 52 (0=lowest; 183=highest)</p> <p><b>BUSINESS OPENING</b> Rank 142 (0=lowest; 183=highest)</p>	<p><b>Third sector</b></p> <p>Represents less than 1% of GDP</p> <p>More than 20% of the private funding comes from <i>Cajas de Ahorro</i> or <i>Obra Social</i> programs.</p> <p>High dependency on public funding (&gt;70%)</p> <p>Socio-cultural, environmental, education, work integration and well being organizations</p>

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Spain are compared with the mean scores of the *innovation-driven* countries comparison group.

For the case of Spain, we can observe an increasing trend regarding the public social expenditure percentage of GDP over the period 2000-2009. During this period, Spain experienced economic prosperity and invested significantly in health, education and social services. Many worker – owned cooperatives were opened in the health sector and law projects, such as the Dependency Law presented earlier, were implemented. Since 2009, as an effect of the economic crisis, we notice a small decrease (until 2011) followed by a

<sup>112</sup> "Global Entrepreneurship Monitor 2013 Global Report." GEM Consortium 2013.

<sup>113</sup> "Het Economische Gewicht van Instellingen Zonder Winstoogmerk in België." King Baudoin Foundation 2013.

<sup>114</sup> "Social Expenditures - Aggregated Data." OECD 2013. Accessed March 14, 2014.

<http://stats.oecd.org/Index.aspx?QueryId=4549>

<sup>115</sup> "Worldwide Governance Indicators." The World Bank Group 2013. Accessed March 14, 2014.

<http://info.worldbank.org/governance/wgi/index.aspx#home>

<sup>116</sup> "Worldwide Governance Indicators - list of Western Europe countries", accessed on March 21<sup>st</sup>, 2014.

<http://www.quandl.com/browse/worldbank/worldwide-governance-indicators>.

<sup>117</sup> "Doing Business 2014 – Economy Profile: Spain", The World Bank, Accessed on 21<sup>st</sup> of March 2014.

[http://www.doingbusiness.org/data/exploreeconomies/spain/~/\\_media/giawb/doing%20business/documents/profiles/country/ESP.pdf](http://www.doingbusiness.org/data/exploreeconomies/spain/~/_media/giawb/doing%20business/documents/profiles/country/ESP.pdf)

significant increase, reaching 27,4% of GDP. The last increase reflects also the EU approaches for the promotion of social inclusion and youth employment. The main components for social expenditure: social services (16.9%) and health (6.3%).

At the end of 2013, the Spanish public debt reached an astonishing value of 94,2% of the Spanish GDP. According to the estimates for the State Budget for this year, the value of the public debt will become 99,8% of the GDP. Moreover, the interest to be paid for the debt is valued at 15% of the GDP. The biggest increase in the public debt/GDP ratio was recorded by the local governments (comunidades autonomas), the most indebted regions being: Valencia (32,9% of GDP), Castilla-La Mancha (31, 6% of GDP) and Catalonia (29,9% of GDP). The budgetary deficit foreseen for Spain for 2014 is of 5,9% of GDP, still, there are concerns from the European Commission that Spain will not comply with the measures from the Stability and Development Pact.

## 8.2 Social enterprises in (an institutional) context

### Institutional and stakeholder landscape of social enterprises

- **Banks (Cajas)**

Cajas represent an important source of finance and support for social entrepreneurship. Their annual funding programs have become true social enterprise competitions. Moreover, Cajas play an essential role in promoting and connecting social entrepreneurs.

- **Public authorities – policy makers**

Spanish Government and the governments/governing institutions for each autonomous community have a variety of grant-based programmed tailored for social entrepreneurship and social innovation projects. Each community can organize its grant-based-programs in response to the main social issues affecting the community (work integration, shelter for risk-at-poverty population environmental, cultural activities).

- **Third sector: Associations, Foundations and other not-for-profit organizations**

The third sector regroups organizations that rely mostly on public funding. They act as a support network for social entrepreneurs

- **Cooperatives**

They represent an important reference point in the history of Spanish social entrepreneurship. Cooperatives like Mondragón Corporation in Basque Country, Almería Agricultural Cooperative in Andalucía, who are still active, have developed a legacy of experiences for this sector.

- **(Social) Business support organizations/project (Hubs)**

More and more platforms are available for social entrepreneurs in Spain and knowledge sharing is the key component. As social entrepreneurship is still under shaping, support organizations play an important role in identifying new actors and creating contact networks. (e.g. <http://www.2pueblo.com/>, Flexitalent-Madrid, Bilbao, Innovalab-Basque Country, SocialNest, UEIA, Ashoka Spain, Schwab Foundation, Social Innovation Institute - ESADE).

- **Consumers-clients-general public**

Many social enterprises belonging to the “business activities” sector channel their activities towards social or environmental goals such as: recycling cooking oil, commercializing ecologic products, selection and waste management, gardening and socio-ambient care or legal consulting.

- **Academic world**

In the last years, different business schools, research institutions and university have designed bachelor and master courses, trainings, workshops on social entrepreneurship. Some universities are currently offering master’s degree programs that focus on social entrepreneurship as an emerging business trend.

- **International connections**

The support offered by international social entrepreneurship actors such as: European Venture Philanthropy Association and Philanthropic Intelligence, Ashoka Foundation or Skoll foundation plays a crucial role in the development of Spanish social entrepreneurship.

Furthermore, European research projects, such as SELUSI and WILCO, or other collaboration projects promote knowledge transfers between European countries.

## Key context dimensions for social entrepreneurs

- **Social enterprise specific legislation**

Apart from the 2011 Law on Social Economy, each autonomous community can elaborate norms and regulation regarding social entrepreneurship. Depending on the number of communities it operates in, a social enterprise can be characterized by a different framework.

- **Cultural norms - Solidarity**

Historically, the cooperative movement has played an important role in addressing social needs and shaping the social economy in Spain.

- **Support**

There is an increasing interest in social entrepreneurship and more and more projects are emerging, still it is crucial for the success of each project that training, collaboration and financial support are available and accessible.

## Linkage between social entrepreneurs and inclusive society



*[When I started, I said to Olot's mayor], hello, I'm Cristóbal Colón, I'm from a mental hospital and I'm with 14 mentally challenged people and we want to start a business..."*

- Cristóbal Colón, La Fageda

As we mentioned before, unemployment represents one of the biggest societal challenges for Spain, considering the high rates it has reached in the past years and the subsequent issues it has fuelled. In this context, the number of work integration program – based social enterprises has increased. Moreover, the massive reform that the Dependency Law has undergone, determined the creation of work integration programs targeted for disabled, ill or elderly people. The Fageda Cooperative, a Catalanian worker-owned cooperative, is a perfect illustrative case. The company, specialized in the production and distribution of yogurt, is owned by a group of 270 workers, from which 160 are mentally challenged. Since 2010, the cooperative has reinvested more than 400.000€ in improving the therapeutic facilities for the mentally challenged workers. Their finance sources were: the Catalan Government (Generalitat de Catalunya) and the profits made from yogurt sales.

Another example, the Bidesari association and their project focused on the reintegration of the people after prison. Their work starts in the prison, offering training and counseling for inmates. Also, the association offers temporary accommodation and support to ease the reintegration process.

The high rates of education dropouts recorded before the crisis are reflected now by the large number of long term unemployed. The lack of skills and qualifications has affected in a drastic way the labour market. Therefore, many work integration program-based organizations have developed training and education programs, focusing on the key areas that are lacking personnel. Moreover, the Spanish government, through the Employment and Work Occupation Service, offers training courses and internship programs for the unemployed, especially in the service sectors.

## 9. Sweden - Context of Social Entrepreneurship

### 9.1 General country context

“We have seen, during the 3 past rounds of funding announcements, with funds explicitly related to social entrepreneurship and social innovation, that there is a clear focus on employment issue. This also includes many new actors that have not been around as WISEs before. The emphasis is to helping people to find a job, with a particular focus on young people and immigrants besides people with mental illnesses. I believe that there are currently many people in organisations, and generally, in Sweden who are very concerned about the large groups of people that do not have a job and what it is doing to our society and now therefore try to address those problems.”

- Eva Johansson- Swedish Agency for Economic and Regional Growth, Tillväxtverket

### Number of inhabitants and size of country

Table 1: Number of inhabitants and size of country

Number of inhabitants	9.644.864 (31/12/2013)	
Size of country	449 964 km <sup>2</sup> / 173 732 sq mi	

- Sweden is size-wise one of the largest countries in Europe, with a particularly oblong shape (1572 km long and 499 km wide). The population density is low in comparison to other European countries with on average 22 inhabitants per square kilometers. Yet, both the population density and the population vary across the country. The vast majority inhabits the southern part of the country.
- As of 31 December 2013, 5 052 195 of Swedish inhabitants lived in the 3 counties that include Stockholm, Gothenburg and Malmö's metropolitan areas.
- Sweden is divided into 21 counties and 290 municipalities. Many of the societal inputs related to healthcare, public transport and regional planning are decided at the level of the counties<sup>118</sup>. Social services such as elementary schools and elderly care are decentralized and provided or managed by the municipality.
- There are also geographic dimensions regarding demographic trends, as many northern and inland locations suffer from depopulation while the larger cities face the urban challenges of large populations of young adults and migration. Similarly, the percentage of elderly and immigrants, and fertility rates differ geographically.

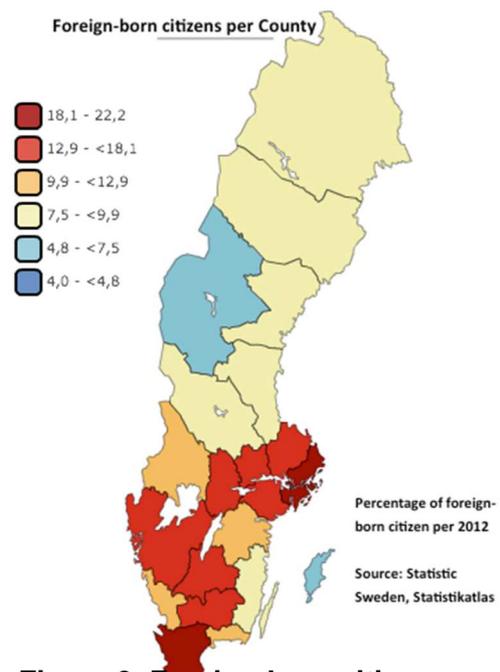


Figure 2: Foreign-born citizens per county

<sup>118</sup> Where the counties coincide with the numbers of "Landsting" (county council), except for in the case of Gotland. In Gotland, county issues are decided by the municipality.

**Table 2: Population density per region**

Region	Stockholm	South Sweden	West Sweden	East Middle Sweden	Småland with Island	North middle	Central Norrland	Upper Norrland
Population Density	321	101	65	41	24	13	5	3

Source: OECD, Region Explorer, 2012

## Top 5 societal challenges

**Table 3: Top 5 societal challenges**

<b>Aging population (cost for health care and pensions, adapted housing, loneliness etc.)</b>
Sweden has an aging population, with high national variation in both changes over the past 50 years and future prospects. This issue is especially precarious in the inland and northern regions where many municipalities have a share of people 65 years+ that amounts to over 30% of the population <sup>119</sup> .
<b>Social exclusion</b>
Other regions with a younger average population have an increasing number of people living in social exclusion. With poor access to good schools and societal services.
<b>Segregation</b>
Segregation between native Swedes and immigrants gives rise to several severe problems along many dimensions in the concerned areas, such as increased poverty, and social and economic exclusion and poor labour market opportunities for immigrants.
<b>Youth unemployment</b>
There is an increase in youth unemployment. This is due to a shift towards more uncertain terms of employment, increased competition at the international level and a relative decline in the quality of the education system (see the latest PISA study) that disproportionately seems to disadvantage inexperienced young people.
<b>Rising of economic inequality</b>
There is rising economic inequality between population groups. This is particularly problematic since Sweden has built its welfare system aiming to equalise socioeconomic differences.

<sup>119</sup> "Åldrande befolkning." Statistics Sweden, SCB. (Accessed 15 March, 2014). <http://www.scb.se/sv/Hitte-statistik/Regional-statistik-och-kartor/Statistikatlasen/VisletBehallare/Aldrande-befolkning/>

## Overview of (social) policy, entrepreneurial and civil society landscape

Table 4: Overview of landscape

Policy Landscape	Entrepreneurial Landscape <sup>120</sup>	Civil Society Landscape <sup>121</sup>
<p><b>SOCIAL EXPENDITURES<sup>122</sup></b> 28,6% of GDP (2013) OECD average (21,9%)</p> <p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE/TERRORISM<sup>123</sup>:</b> Percentile Rank (0 -100): 90 (2012)</p> <p><b>RULE OF LAW<sup>124</sup>:</b> Percentile Rank (0 -100): 99 (2012)</p>	<p><b>HIGH GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- Perceived opportunities, 64,4 (33,4)</li> <li>- High status to successful entrepreneurs, 71,5 (67,3)</li> <li>- Media attention for entrepreneurship, 58,5 (55,7)</li> <li>- Improvement-driven opportunities (% of the TEA), 58,4 (53,7)</li> <li>- Cultural and Social Norms, 3,2 (2,6)</li> </ul> <p><b>LOW GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- Perceived capabilities, 38,8 (40,6)</li> <li>- Fear of failure, 36,6 (38,2)</li> <li>- New Business ownership rate, 2,5 (3,3)</li> <li>- Expectation of at least 5 employees, for early- stage entrepreneurship, 0,5 (1,3)</li> </ul> <p>SCORES for 2013 (group comparison averages)</p>	<p>Public engagement in civil society in Sweden is considered to be large. There is a long history of Public Health movements, Education associations and religious communities.</p> <p><b>Important indicators:</b></p> <ul style="list-style-type: none"> <li>- The number of organisations in civil society is slightly above 217 000, where of 77 000 is economically active (2012).</li> <li>- Non-profit institutions serving households, Structural business statistics and the Annual accounts of the Church of Sweden employ a total of 115 000 individuals.</li> <li>- Total income amounted to SEK 217 bn and total costs SEK 207 bn.</li> <li>- Number of full-time employees, FTEs, amounted to &lt;65 000 (2010).</li> <li>- &lt; 1.7 million volunteer workers (accounts of about 60 000 FTEs).</li> <li>- Largest number of FTEs in: Culture and Recreation (25 %); Education and Research (17 %). Culture and Recreation also represented 48 % of the volunteer work force.</li> </ul>

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Sweden are compared with the mean scores of the *innovation-driven* countries comparison group.

<sup>120</sup> "Global Entrepreneurship Monitor 2013 Global Report." GEM Consortium 2013.

<sup>121</sup> "Det civila samhället 2010– ett regeringsuppdrag med undersökningar från Statistiska centralbyrån". Statistics Sweden, SCB. 2012. Available at: [http://www.scb.se/statistik/publikationer/NV0117\\_2010A01\\_BR\\_X105BR1201.pdf](http://www.scb.se/statistik/publikationer/NV0117_2010A01_BR_X105BR1201.pdf)

<sup>122</sup> Measurements of the Total Public Social Expenditures in Sweden as percentage of GDP (un-weighted OECD average).

"Social Expenditures - Aggregated Data." OECD 2013. Accessed March 17, 2014.

<http://stats.oecd.org/Index.aspx?QueryId=4549>

<sup>123</sup> "Worldwide Governance Indicators." The World Bank Group 2013. Accessed March 17, 2014.

<http://info.worldbank.org/governance/wgi/index.aspx#home>

<sup>124</sup> Ibid.

## 9.2 Social enterprises in (an institutional) context

“Despite having the highest social entrepreneurship growth in Scandinavia, Sweden is behind the UK for example. –In Sweden we have a strong tradition that the state should solve our societal challenges. The phenomenon ‘social enterprise’ is fairly new in our country.”

- Sofia Appelgren, founder of [MittLiv](#), a social enterprise that aims to increase diversity in Sweden (The Guardian, 12<sup>th</sup> of March 2014<sup>125</sup>)

### Institutional and stakeholder landscape of social enterprises

It is well recognized that Swedish citizens are highly socially active. Indeed, most well-established social enterprises have been around for so long, that many would simply not classify them as “social enterprises”.

- **Policy makers – public authorities**

Only recently has there been a political willingness to develop an advantageous climate for social enterprise. There was early interest in: i) creating a legal form suitable for social enterprises, which was completed in January 2006, similar to the English Community Interest Company, (CIC); ii) establishing an institution willing to lend money to social entrepreneurs (or consulting an existing bank); iii) enhancing visibility in (otherwise comprehensive) official statistics. This last project was put on hold, even though there were some isolated initiatives. For example, the program currently run by *Tillväxtverket*, aims to: *make visible* and *enable* along with *creating interventions that benefit* the social enterprises. Meanwhile they write in their latest report on social entrepreneurship:

*“There is no explicitly responsible minister or ministry and the functional silo syndrome between different policy areas has resulted in development being curbed. Issues such as funding, cooperation, education and training and legal status have been discussed, but have not been pursued. What has happened is that some government agencies have been tasked with supporting the development of the social economy through special mandates” (Tillväxtverket, 2013)*

- **(Social) Business support organizations**

While the implementation of the national policies has been insufficient with respect to the on-going movement, much has been done on other levels. However, the numerous intermediaries working expressly to support existing and new social enterprises is noteworthy.

Among one of the most important changes the last 5 years, Pernilla Bard (Founder of Social Initiative) says:

*“Likewise, in terms of intermediaries, the Social Entrepreneurial sector has grown; we have better knowledge of each other, we collaborate more and we now also have a working group. One may therefore now call it a more real industry.”*

Many social business support organisations have a special focus. Alongside side the more business-oriented incubators, we see platforms and networks led by centers or institutions at Swedish Universities.

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<sup>125</sup> theguardian.com l.bid.

## Key context dimensions for social entrepreneurs

- **Welfare state**

The Swedish welfare state is extensive by European as well as international standards. Recent downsizing of the welfare state and privatisation of the schools and health care system constitute an expanding dimension for social entrepreneurs. Many of the new operators specifically mention this as their *reason for being* along with the failure to deliver a society for everyone by the government resulting in increasing social exclusion.

- **Social enterprise-specific legislation**

The legal form, in use since 2006, called “*Aktiebolag med särskild vinstutdelningsbegränsning*” (SVB) as mentioned above, was not intended for any particular operation, but was intended to function as a seal of approval. The new legal form has however neither been extensively used nor promoted since. For instance, 6 years after the adopted legal form, there were only about 50 companies that used this company status. Many new social enterprises instead use Limited companies, sometimes with their social purpose as a constitutional amendment; or economic associations; non-profit organisations; or foundation as legal forms. The latter is important if initially the social enterprise is receiving grants and scholarships.

- **Regulatory density**

Among the interviewed companies in SELUSI (2010), regulation-related barriers have not been mentioned as a significant issue. Only 12,8 % called for a reduction in regulation-related conditions. Our discussions with social enterprises also do not suggest that regulation is a major holdback to establishment or expansion.

However, the recent and late introduction of a tax-deduction for economic gifts may previously have delayed the willingness of private donors (for seed and support money) in Sweden.

- **Cultural values, norms, social capital**

Public authorities have noticeably concentrated on two types of social enterprise, the WISE-initiatives, and diversification in the health services. The latter seems to be less successful as very few new social enterprises are engaged in health issues. The opposite has been true for profit-maximizing suppliers in the health business (after the extensive wave of privatisation) who lately have been plagued by scandals related to quality and earnings. This might certainly have affected the general attitudes towards new players in the healthcare sector as well as profit-making social enterprises. This might also have exacerbated people's and investors' inertia, as they do not want the municipality sector to be gouged as a consequence. The change in attitudes among citizens has been slow since Sweden has had comprehensive governmental responsibility in these areas.

## **Linkage between social entrepreneurs and inclusive society**

The strong focus of limiting social exclusion from the labour market for marginalised groups could be seen as part of the inclusive society in Sweden. Several WISE actors have combined labour market aims with the additional social value from the output of such activities; second-hand shops, production of recycled input, concept of participation with the target group, self-perceived experiences as a strength in the work with the target-groups (i.e. former drug addicts, homeless, people with drug abusing parents), are just examples.

The strong tradition of public health movements also has a counterpart in social enterprises and some sport clubs have used their network to target marginalised groups and/or vulnerable areas. Mutual gains are stated by all of the recently interviewed subjects as an important value that has positive effects on society beyond the scope of the core business of the social enterprise.

Social entrepreneurship is currently highlighted in the media. Multiple awards have been created, both by the newspapers and business magazines, and it is often written about in the papers. These awards can both function as a source of initial funding for starting up operations, as well a publicity channel.

# 10. UK – Context of Social Entrepreneurship

## 10.1 General country context

### Number of inhabitants and size of country

Table 1: Number of inhabitants and size of country

Number of inhabitants	63.7 million (30/06/2012)	
Size of country	243 610 km <sup>2</sup> / 94 058 mi <sup>2</sup>	

### Top societal challenges in the United Kingdom

Table 2: Top societal challenges in the United Kingdom

<b>Poverty and financial insecurity</b>
<ul style="list-style-type: none"> <li>- The number of multi-deprived households (i.e. those lacking three or more items or activities seen as necessities by the public) has doubled from 14% in 1983 to 33% in 2012.</li> <li>- 33% of adults cannot pay unexpected costs of £500 and 30% of adults cannot afford to make regular payments into a pension.<sup>126</sup></li> <li>- 11% of UK households experience fuel poverty.<sup>127</sup></li> </ul>
<b>Aging population</b>
<ul style="list-style-type: none"> <li>- £10bn per year will be needed for every additional one million people over working age for state benefits and pensions. Additionally, providing health services to a person over 85 years is around three times more expensive than for a person between 65 and 74 years.<sup>128</sup></li> <li>- 5% to 16% of individuals over 65 years report loneliness and 12% report social isolation.<sup>129</sup></li> </ul>
<b>Youth unemployment</b>
<ul style="list-style-type: none"> <li>- The youth unemployment rate for the last quarter of 2013 was 19.9% and 28% of unemployed 16-24-year-olds were unemployed for over 12 months.<sup>130</sup></li> <li>- Youth unemployment has serious short- and long-term implications on future employment, earnings potential and health.<sup>131</sup></li> </ul>
<b>Health inequality</b>
<ul style="list-style-type: none"> <li>- Inequality in illness accounts for £31-33bn of productivity losses, £20-32bn of lost taxes and higher welfare payments, and £5.5bn of additional healthcare costs.<sup>132</sup></li> </ul>

<sup>126</sup> **Poverty and Social Exclusion.** 2013. "The Impoverishment of the UK." [http://www.poverty.ac.uk/sites/default/files/attachments/The\\_Impoverishment\\_of\\_the\\_UK\\_PSE\\_UK\\_first\\_results\\_summary\\_report\\_March\\_28.pdf](http://www.poverty.ac.uk/sites/default/files/attachments/The_Impoverishment_of_the_UK_PSE_UK_first_results_summary_report_March_28.pdf).

<sup>127</sup> **Department of Energy & Climate Change.** 2013. "Fuel Poverty Report – Updated August 2013."

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/226985/fuel\\_poverty\\_report\\_2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/226985/fuel_poverty_report_2013.pdf).

<sup>128</sup> **Parliament.** 2010. "Value for Money in Public Services: The Aging Population." <http://www.parliament.uk/business/publications/research/key-issues-for-the-new-parliament/value-for-money-in-public-services/the-ageing-population>.

<sup>129</sup> **Social Care Institute for Excellence.** 2011. "Preventing Loneliness and Social Isolation: Interventions and Outcomes." <http://www.scie.org.uk/publications/briefings/files/briefing39.pdf>.

<sup>130</sup> **House of Commons Library.** 2014. "Youth Unemployment Statistics."

<http://www.parliament.uk/business/publications/research/briefing-papers/SN05871/youth-unemployment-statistics>.

<sup>131</sup> **The Work Foundation.** 2012. "Short-term Crisis – Long-term Problem? Addressing the Youth Unemployment Challenge." [http://www.theworkfoundation.com/downloadpublication/report/314\\_short-term%20crisis\\_long\\_term\\_problem.pdf](http://www.theworkfoundation.com/downloadpublication/report/314_short-term%20crisis_long_term_problem.pdf).

<sup>132</sup> **Marmot, Michael, Jessica Allen, Peter Goldblatt, Tammy Boyce, Di McNeish, Mike Grady, and Ilaria Geddes.** 2010. "Fair Society, Healthy Lives: The Marmot Review." London: UCL Institute of Health Equity. Retrieved from <http://www.instituteofhealthequity.org/projects/fair-society-healthy-lives-the-marmot-review> on March 14, 2014.

## Overview of policy, entrepreneurial and voluntary landscapes

Table 4 below provides details on the general country context within which social enterprises in the UK are embedded. Social enterprises operate at the intersection of the public, private and voluntary sector, thus we characterise the UK in terms of its overall policy, entrepreneurial and voluntary landscapes. Section 3 extends this analysis to profiling specific stakeholders.

- **Policy landscape:** The general policy landscape is overall favourable for social enterprises in the UK. In particular, social expenditures as percent of national GDP are one indicator capturing how active governments are in terms of providing social services. The creation of social enterprises is often seen to be motivated by social need associated with a lack of social service provision by government. Although at later stages, operating and scaling social enterprises often partner effectively with government. Social entrepreneurial activity is enabled by stable country contexts and a strong rule of law. Such country contexts allow greater predictability and thus facilitate future-looking investments of effort and resources such as the creation of an enterprise.<sup>133</sup>
- **Entrepreneurial landscape:** Compared to other innovation-driven economies, the UK can be characterised as a country with average commercial entrepreneurial activity, measured by the share of working age individuals engaged in starting a business. Cultural support of entrepreneurship in the UK is also broadly average (again relative to other developed, innovation-driving countries). Evidence suggests that there are mutual positive spill-over effects from social to commercial entrepreneurship and vice-versa<sup>134</sup>, thus the entrepreneurial landscape in the UK is likely encouraging social entrepreneurship. Yet the international comparison suggests that while the UK is a country broadly supportive of enterprise, other developed nations are even more so.
- **Voluntary landscape:** There is a large voluntary sector in the UK as detailed in Table 4 below. International comparisons date back to 1995-2000 and depict the UK voluntary sector as average in size relative to other developed countries. The UK had a voluntary sector workforce (combining paid staff and volunteers) of 8.5% of the working population, which is lower than the Netherlands, Belgium, Ireland and the U.S, but higher than countries such as Israel, France, Norway, Sweden, Australia, Germany, Finland, Austria and Spain.<sup>135</sup> The voluntary sector is often seen as a breeding ground and supporting social enterprises, yet academic research on the links between voluntary sector and social enterprises is scarce and the two sectors might also be crowding each other out.

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<sup>133</sup> Estrin, Saul, Tomasz Mickiewicz, and Ute Stephan. 2013. "Entrepreneurship, Social Capital, and Institutions: Social and Commercial Entrepreneurship Across Nations." *Entrepreneurship Theory and Practice* 37 (3): 479–504.

<sup>134</sup> *Ibid.*

<sup>135</sup> Salamon, Lester M., S. Wojciech Sokolowski, and Associates. 2004. *Global Civil Society: Dimensions of the Nonprofit Sector, Volume Two*. Bloomfield, CT: Kumarian Press. [http://ccss.jhu.edu/wp-content/uploads/downloads/2013/02/Comparative-data-Tables\\_2004\\_FORMATTED\\_2.2013.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2013/02/Comparative-data-Tables_2004_FORMATTED_2.2013.pdf).

**Table 3: Landscapes overview for the UK**

Policy Landscape	Entrepreneurial Landscape <sup>136</sup>	Voluntary Landscape
<p><b>SOCIAL EXPENDITURES</b><sup>137</sup> 23.8% of GDP (slightly higher than average score)</p> <p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE</b><sup>138</sup> Rank 60 (0=lowest; 100=highest, lower than average score)</p> <p><b>RULE OF LAW</b><sup>139</sup> Rank 93 (0=weakest; 100=strongest, slightly higher than average score)</p>	<p><b>GEM ENTREPRENEURIAL ACTIVITY SCORES</b></p> <ul style="list-style-type: none"> <li>- Total early-stage entrepreneurial activity (average score)</li> <li>- Nascent entrepreneurship rate (average score)</li> <li>- New business ownership rate (average score)</li> <li>- Employee entrepreneurial activity<sup>140</sup> (average score)</li> </ul> <p><b>GEM ENTREPRENEURIAL ASPIRATIONS SCORES</b></p> <ul style="list-style-type: none"> <li>- International orientation (average score)</li> <li>- New product early-stage entrepreneurial activity (average score)</li> <li>- Growth expectations (average score)</li> </ul> <p><b>GEM ENTREPRENEURIAL ATTITUDES AND CULTURAL SUPPORT SCORES</b></p> <ul style="list-style-type: none"> <li>- Perceived entrepreneurial capabilities (average score)</li> <li>- Fear of failure (average score)</li> <li>- Entrepreneurship seen as a desirable career choice (average score)</li> <li>- Media attention for entrepreneurship (average score)</li> <li>- Belief in high status of successful entrepreneurs (high score)</li> </ul>	<p><b>VOLUNTARY ORGANISATIONS</b><sup>141</sup></p> <ul style="list-style-type: none"> <li>- 161 266 independent active voluntary organisations employ 2.7% of the UK workforce and generate £11.8bn of UK GVA.</li> <li>- They engage in a broad range of activities: socio-economic, socio-cultural, health and well-being, education, religion, sports.</li> <li>- The largest number of organisations focus on social services, culture and recreation, and religion.</li> <li>- The largest number of organisations aim to benefit children and youth, the general public, and the elderly.</li> </ul> <p><b>INDIVIDUAL VOLUNTEERING</b><sup>142</sup></p> <ul style="list-style-type: none"> <li>- 72% of the population of England volunteered regularly in the past year (either formally or informally)</li> <li>- 74% of the population of England regularly give to charity</li> </ul>

Note: GEM stands for Global Entrepreneurship Monitor. High GEM score is 1SD above the mean for innovation-driven economies with available data. Low GEM score is 1SD below the mean for innovation-driven economies

<sup>136</sup> **Global Entrepreneurship Monitor** 2013. "Global Entrepreneurship Monitor 2013 Global Report." <http://gemconsortium.org/docs/download/3106>.

<sup>137</sup> The UK's public social expenditures are slightly higher than the average of all OECD countries which is 21.9%. OECD countries are a set of mostly highly developed economies. **Organisation for Economic Co-operation and Development**. 2013. "Social and Welfare Issues: Social Expenditure Database." <http://www.oecd.org/social/expenditure.htm>.

<sup>138</sup> The UK receives lower scores on political stability and the absence of violence compared to OECD countries (which are collectively ranked at 75). **World Bank**. 2012. "Worldwide Governance Indicators." <http://info.worldbank.org/governance/wgi/index.aspx#home>.

<sup>139</sup> The UK's rule of law is stronger compared to OECD countries (which are collectively ranked at 87). **Ibid**.

<sup>140</sup> **Global Entrepreneurship Monitor**. 2011. "Global Entrepreneurship Monitor 2011 Global Report." <http://gemconsortium.org/docs/download/2409>.

<sup>141</sup> **NCVO UK Civil Society Almanac**. 2014. "Voluntary Sector Statistics." <http://data.ncvo.org.uk/category/almanac/voluntary-sector>.

<sup>142</sup> **Cabinet Office**. 2013. "2012-13 Community Life Survey." <http://communitylife.cabinetoffice.gov.uk/explore-the-data.html>.

with available data. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship.

## 10.2 Social enterprises in context

This section extends the description of the general country context (Section 2).

### Institutional and stakeholder landscape of social enterprises

- **Policy makers**

The UK public sector reform promotes the creation of social enterprises, including employee-owned mutuals, to develop and deliver public services. The government is heavily involved in the social enterprise sector: from improving the legal infrastructure to creating new financial tools and providing support for public service spin-offs and social enterprise intermediaries.

- **Voluntary organisations**

Non-profit organisations are becoming more entrepreneurial in search of new ways to achieve their social missions. More of the voluntary sector's income is generated through trading than from donations and investment, thus blurring the boundaries between social enterprises and charities.<sup>143</sup> Additionally, some of the most prominent social entrepreneurship support organisations, such as Nesta, UnLtd and Nominent Trust, are registered as charities.

- **Commercial organisations**

Supporting social entrepreneurship, especially in the early stages, is becoming a part of commercial organisations' CSR practices and sometimes even their strategic approach to growth (e.g. Telefonica's Think Big initiative and Wayra UnLtd accelerator). More importantly, commercial organisations include social enterprises in their supply chains and almost half of the social enterprises surveyed by Social Enterprise UK trade with the private sector.<sup>144</sup>

- **Social entrepreneurship support organisations**

There are over 100 social entrepreneurship support organisations in the UK<sup>145</sup>, including incubators, accelerators, networks, special co-working spaces, and social investment financial intermediaries, and universities, that provide support for starting up, sustaining, growing, and internationalising social enterprises. Support for social enterprises is becoming more specialised to meet the needs of a very diverse group of organisations.

- **Academic world**

Social entrepreneurship is covered in a variety of relevant modules in many universities and some universities are working on embedding social entrepreneurship across the curriculum. Many university enterprise centres host a variety of events and programmes to educate and engage the student body and staff members on the topic. Universities also provide support services to social entrepreneurs from amongst their staff, student bodies and communities.

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<sup>143</sup> **NCVO UK Civil Society Almanac**. 2014. "Voluntary Sector Statistics." <http://data.ncvo.org.uk/category/almanac/voluntary-sector>.

<sup>144</sup> **Social Enterprise UK**. 2013. "The People's Business: State of Social Enterprise Survey 2013." [http://www.socialenterprise.org.uk/uploads/files/2013/07/the\\_peoples\\_business.pdf](http://www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf).

<sup>145</sup> **Shanmugalingam, Cynthia, Jack Graham, Simon Tucker, and Geoff Mulgan**. 2011. "Growing Social Ventures: The Role of Intermediaries and Investors: Who They Are, What They Do, and What They Could Become." <http://www.nesta.org.uk/publications/growing-social-ventures>.

Over half of all English universities are involved in the UnLtd SEE Change programme, which aims to embed support for social entrepreneurs in the Higher Education (HE) sector.

- **Media**

Specialised digital media outlets such as the Guardian Social Enterprise Professional Network and Pioneers Post cover the newest legislature, trends, developments and debates in the field of social entrepreneurship and give voice to social entrepreneurs.

- **General public**

Trade with the general public is the most common source of income for social enterprises surveyed by Social Enterprise UK. It is a source of income for 63% of interviewed social enterprises and the main source of income for 32% of social enterprises.<sup>146</sup>

- **Grassroots movements**

A number of online and offline grassroots communities are emerging to support social entrepreneurs and help them solve specific challenges. Communities such as Good for Nothing and MakeSense bring individuals with diverse skillsets to support social entrepreneurs through ideation, problem-solving and development.

## **Linkages between social entrepreneurs and inclusive and innovative societies**

- Social enterprises create opportunities for inclusion by the nature of their mission. Their social impact activities are often in the areas of economic, social and community development; employment and training; and social services.<sup>147</sup> For example, The Big Issue aims to help homeless people to take control of their lives, while Evenbreak connects disabled individuals with employers.
- Social enterprises create employment opportunities for disadvantaged individuals. The majority of social enterprises (52%) actively employ people disadvantaged in the labour market (e.g. long-term unemployed, ex-offenders or disabled). Social enterprises are also more likely to operate in the deprived communities where 40% of their employees are disadvantaged in the labour market.<sup>148</sup>
- As organisational forms, social enterprises are more representative of our communities, and create opportunities for innovation and entrepreneurial engagement by population segments that are less involved in commercial entrepreneurship. For example, social enterprises are more likely to be led by women or disabled individuals and their leadership teams are more inclusive in terms of gender and ethnicity compared to commercial enterprises.<sup>149</sup>
- The SELUSI survey also found social enterprises to be more inclusive and participatory in their ownership, management and innovation practices.<sup>150</sup>

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<sup>146</sup> **Social Enterprise UK**. 2013. "The People's Business: State of Social Enterprise Survey 2013." [http://www.socialenterprise.org.uk/uploads/files/2013/07/the\\_peoples\\_business.pdf](http://www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf).

<sup>147</sup> **SELUSI Research Consortium**. 2010. "Social Entrepreneurs as Lead Users for Service Innovation." <http://www.selusi.eu>.

<sup>148</sup> **Social Enterprise UK**. 2013. "The People's Business: State of Social Enterprise Survey 2013." [http://www.socialenterprise.org.uk/uploads/files/2013/07/the\\_peoples\\_business.pdf](http://www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf).

<sup>149</sup> **Ibid.**

<sup>150</sup> **SELUSI Research Consortium**. 2010. "Social Entrepreneurs as Lead Users for Service Innovation." <http://www.selusi.eu>.



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