



Boosting social entrepreneurship and social enterprise development in Ireland

In-depth policy review

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Ireland is home to a vibrant social enterprise community, active in essential sectors such as health, care, and education, as well as local development and cultural and creative sectors. This report provides an in-depth analysis of social entrepreneurship and social enterprises in Ireland. It identifies the country's strengths and challenges and provides policy recommendations. An action plan with concrete and actionable measures is also provided to support Ireland in the development of its new national social enterprise policy. Following an overview of the socio-economic landscape (Chapter 1), the report describes factors underpinning social entrepreneurship, social enterprises and the social economy in the context of Ireland (Chapter 2); analyses the institutional and legal framework around social enterprises (Chapter 3); explores conditions and opportunities for access to finance and funding (Chapter 4); navigates developments in access to public and private markets for social enterprises (Chapter 5); looks at the existing state of social impact measurement and data availability on social enterprises (Chapter 6) and concludes with skills and business development for social entrepreneurship (Chapter 7).

JEL codes: L31, L33, L38, O35

Keywords: social entrepreneurship, social economy, social enterprise, social impact, social innovation, local development, policy ecosystem

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This paper [CFE/LEED(2023)30] was approved by the LEED Directing Committee via written procedure on 26 October 2023.

This paper was authorised for publication by Lamia Kamal-Chaoui, Director, Centre for Entrepreneurship, SMEs, Regions and Cities, OECD.

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Acknowledgements

This report was produced by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director, as part of the Programme of Work of the Local Employment and Economic Development (LEED) Programme. It is part of a series of in-depth policy reviews on “Boosting social entrepreneurship and social enterprise creation.”

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The OECD is grateful for the support of and fruitful collaboration with the Department of Rural and Community Development. The report benefited from insights from Dr Andrew Forde, Richard Gavin Conor Foy, Kieran Moylan, Robert Nicholson, Declan O'Brien, John Ryan, and Anne Simmons (Department of Rural and Community Development); Laura Byrne, Karen Hynes and Patrick Sinnott (Department of Enterprise, Trade and Employment) and Kenneth Keating (Department of Justice). The OECD also thanks participants in the stakeholder consultations and interviews for their insights, information and inputs.

Authors acknowledge Katrina Baker for preparing the cover and Pilar Philip for preparing the report for publication.

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Acronyms

B2C	Business-to-Consumer
CEIGS	Circular Economy Innovation Grant Scheme
CFI	Community Foundation for Ireland
CIC	Community Interest Company
CIO	Charitable Incorporated Organisation
CLG	Company Limited by Guarantee
CLS	Company Limited by Share
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
CSP	Community Services Programme
CSR	Corporate Social Responsibility
CVS	Community and Voluntary Sector
CWI	Community Work Ireland
DAC	Designated Activity Company
DAF	Dormant Accounts Fund
DECC	Department of the Environment, Climate and Communications
DETE	Department of Enterprise, Trade and Employment
DRCD	Department of Rural and Community Development
EAFRD	European Agricultural Fund for Rural Development
EASI	EU Programme for Employment and Social Innovation
EII	Employment and Investment Incentive
ESF	European Social Fund
ESUS	Solidarity Enterprises of Social Utility
EU	European Union
EuSEF	European Social Entrepreneurship Funds
FTE	Full-Time Equivalent
GDP	Gross Domestic Product
GNI	Gross National Income
ICOS	Irish Co-operative Organisation Society
ILDN	Irish Local Development Network
IRIS	Integrated Reporting and Information System
ISEN	Irish Social Enterprise Network
LCDCs	Local Community Development Committees
LDC	Local Development Company
LECPs	Local Economic and Community Plans
LEO	Local Enterprise Office
LTD	Limited Company

OECD	Organisation for Economic Co-operation and Development
PPNs	Public Participation Networks
R&D	Research and Development
SEC	Social Enterprise Committee
SEI	Social Entrepreneurs Ireland
SEP	Social Economy Programme
SERI	Social Enterprise Republic of Ireland
SES	Superintendence of Solidarity Economy
SETF	Social Enterprise Taskforce
SICAP	Social Inclusion and Community Activation Programme
SIFI	Social Innovation Fund Ireland
SIT	Social Innovation Tournament
SME	Small and Medium-sized Enterprise
SROI	Social Return on Investment
SRPP	Socially Responsible Public Procurement
SSE	Social and Solidarity Economy
SURE	Start-up Refunds for Entrepreneurs
UAEOS	Special Administrative Unit of Solidarity Organisations
VET	Vocational Education and Training
WDC	Western Development Commission
WISE	Work Integration Social Enterprise

Executive summary

Coming from a long history of social economy, social enterprises in Ireland meaningfully emerged in the policy discourse in the 1990s and have since received significant policy and public attention.

Ireland has a strong culture of providing goods and services for local communities and labour market integration. In the 2019-2022 National Social Enterprise Policy, Ireland defined social enterprise as “an enterprise whose objective is to achieve a social, societal or environmental impact, rather than maximising profit for its owners or shareholders.” It pursues its objectives by trading, on an ongoing basis, through the provision of goods and/or services and by reinvesting surpluses into achieving social objectives. It is governed in a fully accountable and transparent manner and is independent of the public sector. If dissolved, a social enterprise should transfer its assets to another organisation with a similar mission.

Ireland is home to 4 335 social enterprises, with a generated income estimated at EUR 2.34 billion in 2021. The National Policy helped to better recognise them and their many contributions, spanning from expanding local services to community wealth-building in general. The Policy also helped position them in the broader economy as important drivers for job creation with impact.

As important partners for Irish public actors, they play a significant role in supporting the implementation of national and local strategies across many sectors. Examples of strategies where social enterprises are key players include Our Rural Future (2021-2025), which recognises their role in promoting sustainable development of rural communities, and Working to Change, which seeks to provide employment opportunities for people with criminal convictions through social enterprises (2021-2023). Social enterprises are also important players in the country’s ambition to achieve a 51% reduction in greenhouse gas emissions between 2021 and 2030 (Programme for Government (2020) and National Energy and Climate Plan (2021-2030)) and to move towards a zero-waste future as set out in the Waste Action Plan for a Circular Economy (2020-2025). They also make valuable contributions during crises such as by managing the COVID-19 pandemic and supporting Ukrainian refugees.

Irish social enterprises are active in a wide range of sectors. Similar to social enterprises in other OECD countries, childcare; community infrastructure and local development; health, youth services social care and heritage, festivals, arts and creative industry account for 67.4% of the social enterprise sector. Other areas of activity include sport and leisure; training and work integration; consultancy and support services; housing; food, catering and hospitality; environmental services; retailing; transport; financial services; manufacturing; and others. Almost 77% of social enterprises operate in more than one sector of activity.

Social enterprises account for 3.7% of the total Irish workforce, accounting for 84 382 people. Women represent more than two-thirds (69%) of social enterprise workers. This aligns with the share of women (over 60%) in the social economy as a whole across OECD countries, reflecting in part the relative specialisation of the social economy in historically feminised sectors/occupations such as care, health and education. In addition, close to half (47%) of the social enterprise workforce is part-time. Social enterprises are mostly made of micro- (57%) and small (35%) enterprises.

The 2019-2022 National Social Enterprise Policy sets strong foundational framework conditions; however, social enterprises still need to strengthen their recognition and financial sustainability.

The adoption of a working definition was a positive step towards raising awareness around social enterprises. Nonetheless, in the absence of a specific legal recognition for social enterprises, the charitable status that they often adopt to access grants blurs the lines between social enterprises and non-profit organisations. This can reinforce misconceptions among conventional financiers and other stakeholders that social enterprises have very limited or no capacity to generate income from trading.

The currently available range of financial products does not necessarily "fit" social enterprises.

Assessment systems and criteria used for financing are often geared towards conventional equity or business loans, which may not always reflect the needs of social enterprises. Social enterprises can benefit more from patient capital and other financial resources from funders such as co-operative banks that better understand their business models (trading activities and reinvestment of surplus in a social mission). Driven by a societal mission, social enterprises have trading income with many examples of commercially viable models. Conventional finance could also offer resources to social enterprises, especially through socially oriented investments such as social venture capital. Given their size as mostly micro- and small enterprises, they experience greater difficulties in accessing revenues through public procurement. Social enterprises also need to strengthen their own capacity regarding corporate governance, business strategy, risk management, planning and marketing.

A lack of regular data on the size and reach of social enterprises limits efforts to monitor the sector, as well as to effectively inform policies. The latest data collection exercise published in 2023 filled an important gap by collecting data on the state of social enterprise in Ireland. Initiatives to maintain data collection on the field in a systematic manner will pave the way for further steps in understanding not just the reach, but also the impact of social enterprises and their contributions to economic and social sectors.

The ecosystem stands to benefit greatly from the provision of capacity-building for social enterprises. Available skills programmes are often geared towards exporting entities. While social enterprises can also be eligible for these, they also need dedicated programmes to provide skills training, especially on management and business development skills, as well as networking opportunities.

Social enterprises can strongly support Ireland to bring concrete solutions to societal challenges.

These barriers particularly relate to regional inequalities and unemployment. Social enterprises can become important contributors to accelerating the twin digital and green transition. Building also on social innovation capacities, they can support Ireland in fulfilling objectives such as inclusive growth and circular economy within the Sustainable Development Goals framework.

Clarifying the conceptual framework around social enterprises

Ireland has launched several initiatives to promote social enterprises and the social economy more broadly. These include the Partnership 2000 Working Group on the Social Economy, later revised as the Community Services Programme (CSP), the work under the National Social Enterprise Policy Implementation Group and the Social Enterprise Awareness Raising Strategy. Efforts have also been made to align social enterprise policy with adjacent policies such as the Programme for Government and the Rural Development Policy. However, despite these measures, challenges in their visibility remain due to a lack of shared understanding of social enterprises and the social economy across various levels of government.

Further multi-stakeholder dialogue across departments and levels of government can help to better clarify the value and contribution of social enterprises to the economy. The long experience of the social economy in Ireland can be double-edged. While well rooted in communities, the historical concentration on provision of goods and services for underserved communities and labour market integration has created a perception of social economy entities (particularly social enterprises) as

charitable organisations with limited capacity to create viable business models. Further clarification is required to define the boundaries of social enterprises relative to the wide spectrum of social economy entities (associations, foundations, co-operatives, mutuals, etc.) and conventional companies. Reducing legal uncertainty and possible overlaps among these different notions would help social enterprises expand their recognition.

Bolstering institutional and legal frameworks for social enterprises

The adoption of the 2019-2022 National Social Enterprise Policy (called National Policy from here on) helped mainstream social enterprise policy across sectors and policies. The legal environment, however, is still characterised by persisting confusion around the identity of social enterprises. The overwhelming majority of social enterprises (75%) operate as companies limited by guarantee (CLG), often combined with a charitable status (88% registered with the Charities Regulator) to help them benefit from financial support they would not have access to otherwise. There are no fully-fledged marks, labels or certification/registration systems except for the pilot scheme “Social Enterprise Mark” by Social Impact Ireland. The lack of legal recognition for social enterprises and of fiscal benefits leads them to opt for the charitable status. As a result, they are systematically assimilated to charities. While the charitable status is a means to access funding, it is also a limiting factor to their capacity to easily attract funds and investors as a way of sustaining their activity. Strong co-ordination across departments using the National Policy as a tool in addition to a labelling and registration system can help social enterprises be effectively identified and supported.

Multiple options exist and are used by countries to provide recognition for social enterprises. Legal statuses can be adopted building on clearly communicated criteria to identify a social enterprise. Many countries also benefit from introducing labels or marks to recognise social enterprises. These different options leave the flexibility of adopting the most suitable legal form for social enterprises depending on the specific country context, while not being associated with high costs and difficult administrative procedures.

The role of the Department of Rural and Community Development (DRCD) could be further highlighted and reinforced in the new policy for social enterprises. The department has been overseeing policy on rural development as well as community development, to which Irish social enterprises contribute greatly. The department has been leading the work on many local issues central to social enterprises’ mission such as inclusive community development, engagement of marginalised communities in decision-making processes and volunteering. A reinforcement of the DRCD’s role in social enterprise development can help position the department as the main institutional reference point in charge of co-ordinating public action across the government. It can also help public initiatives in this area across sectors and levels of government to be more consistent and aligned with national objectives.

Creating a specific legal status and registration tool could allow social enterprises to continue using legal forms suitable for their activity among the large spectrum of legal forms. Examples from France, Poland and the United Kingdom (UK) show that recognising social enterprises through a legal status can be an important enabler for their development. A legal status could also be complemented by a registration system. For example, in Denmark, the registration tool for social enterprises—*Registreret Socialøkonomisk Virksomhed (RSV)*—was introduced under the National Strategy for Social Enterprise (Act 711/2014 on Registered Social Enterprises). All legal forms with limited liability are eligible to be accredited by this voluntary legal status if they comply with the following criteria: i) a focus on specific sectors such as social services, employment, health, environment and culture; ii) a significant share of revenues is generated through sales of goods and services; iii) both the management and operations are independent from the public sector; iv) governance allows stakeholder involvement and v) profit generated is reinvested to support the social mission (a maximum of 35% of after-tax profits can be distributed to owners and investors, while it is 51% under the social enterprise mark in Ireland).

Enabling access to finance and funding

Funding and financial support are critical to social enterprises to start up, scale up and sustain operations. Access to finance is an important pillar of the 2019-2022 National Social Enterprise Policy. It highlights the need to improve the range, quality and consistency of support available for social enterprises throughout the country. Specific public schemes such as the CSP, Social Enterprise Measure of the Dormant Accounts Fund, Social Inclusion and Community Activation Programme and Rethink Ireland provide funding support to social enterprises. While grant schemes are available for social enterprises, access to mainstream finance remains difficult to access. The charitable status that social enterprises often hold limits their access to equity, mezzanine or debt instruments as they are often considered to have high risk profiles. The misperception of social enterprises as having non-viable business models and existing financial products not tailored for their needs (in terms of collateral requirements, loan sizes and maturities) leave them with little choice but to seek grants. In addition, social enterprises in general and CLGs, which is the form mostly used by social enterprises, are not included in the range of businesses eligible for financial support from Local Enterprise Offices (LEOs).

Ireland could capitalise more on the vibrant ecosystem of public and social lenders to expand funding and financing opportunities for social enterprises. For example, Clann Credo, Social Finance Foundation, Community Finance Ireland, Microfinance Ireland and other prominent stakeholders in the social lending space could play a much bigger role by making their funding possibilities more known. The establishment of a taskforce co-ordinated by the DRCD bringing together the social enterprise ecosystem, public departments and conventional institutions from other economic areas (such as finance and the banking sector) is another way to foster a stronger awareness of social enterprises' identity, functioning and funding needs, in particular their hybrid nature (trading activities and social mission).

Facilitating access to markets

Dividing public contracts into smaller lots can open opportunities for many small-scale social enterprises to access funding through procurement. The National Policy highlighted improved access to public, business and consumer markets as an important enabler for social enterprises. Many governments increasingly prioritise inclusion of social and environmental criteria in their procurement processes. The use of social clauses in public contracts could be a driver for easing social enterprises' access to markets as serving societal objectives is part of their mission and business model.

In 2018, the Irish Office of Government Procurement published an Information Note on Incorporating Social Considerations into Public Procurement. The note, which was updated in 2023, included a recommendation on ensuring accessibility of public contracts for different suppliers including social enterprises. Currently, such enterprises, especially small and medium-sized ones, are unable to compete for large-size contracts. Going through a public procurement process requires economic and financial standing (such as a minimum yearly turnover or asset-to-liability ratio) with different requirements typically geared towards conventional enterprises.

Social procurement and special considerations during public procurement processes can facilitate improved access to markets for social enterprises. To better compete for public contracts, a solution could be to divide public contracts into smaller lots so that smaller-scale social enterprises can apply. Consortia of social enterprises could also be encouraged to apply for larger-size contracts. Similarly, signing social procurement arrangements with social enterprises could be an opportunity for local authorities to advance on societal objectives. The Buy Social Scotland initiative in the UK is an example of an initiative that encourages purchasing from social enterprises. Another example comes from Australia where the Brisbane City Council has annual spend targets for social procurement. One arrangement as

such enabled the City Council to work with a cooperative on parks maintenance, resulting in increased employment of people with cognitive difficulties.

Procurement officers often have limited information on how social enterprises operate, which might hinder these enterprises' ability to receive procurement contracts. Social enterprises, which might often be confused for charitable organisations with no capacity to generate trade income, might appear at a disadvantage when it comes to tendering. Increasing procurement officers' knowledge on social enterprises is also important to help change perceptions around financial viability.

Promoting social impact measurement and data provision

The National Policy aimed to collect information on social enterprises and understand their economic and social impact. The recently published data collection exercise is a significant step towards understanding the scale and reach of social enterprises in Ireland. Local efforts also provide local snapshots of social enterprises such as the mapping study launched by the Western Development Commission. Regular data collection and reporting around social enterprise are underlined as important levers to inform policy making. Ireland has already shown progress in establishing guidance to analyse the impact of its public policy (e.g. Social Impact Assessment Framework by the Department of Public Expenditure and Reform), albeit not specific to social enterprises. Initiatives such as the Social Inclusion and Community Activation Programme (SICAP), which is managed by Pobal on behalf of the DRCD to reduce poverty and promote social inclusion and equality, also record programme data on the Integrated Reporting and Information System (IRIS).

Improving local capacity for social impact measurement is reflected in government priorities. The policy also identified the need for supporting social enterprises in impact measurement. A social impact measurement tool could help achieve this government priority and better measure the contribution of social enterprises, including to national policies. The demand for social impact measurement is increasing among financiers, policy makers and other stakeholders. Concerted efforts (ranging from providing capacity-building to social enterprises on social impact measurement to earmarking financial resources to undertake it) are needed to increase uptake of social impact measurement among social enterprises and the social economy at large.

Fostering skills and business development

The National Policy underlines social enterprises' need for support in areas such as impact measurement, financial planning, digital innovation and access to business incubation. Success of social enterprises depends on business planning, mentoring, capacity-building, leadership and governance. Additionally, knowledge about local, regional, national and international market opportunities can help them scale. Management skills, including administrative support to apply for and comply with funding requirements, long-term business planning and the development of market-sector networks, are needed as well.

A wide variety of training and capacity-building programmes are offered at tertiary and vocational education level by both public and private institutions. Some of these services are backed by public funding or embedded within a national public policy initiative such as the case of the Irish Local Development Network (ILDN). In other cases, capacity-building and training opportunities are offered by ecosystem builders such as Social Entrepreneurs Ireland (SEI). Local Development Companies (LDCs) also provide support, advice and training to a variety of players, including social enterprises. Social enterprises would also benefit from access to business development, more knowledge-sharing opportunities and learning from peers.

Infographic 1. Social enterprises in Ireland

Boosting social enterprise and social entrepreneurship in Ireland



4 335

Social enterprises are hosted in Ireland



68%

of which are concentrated across four sectors:

- Childcare
- Community infrastructure and local development
- Health, youth services and social care
- Heritage festivals, arts and creative industries



57%

are located in urban areas



3.7%

of the total Irish workforce is employed by social enterprises



69%

of the workforce is women

88%

of social enterprises are registered with the Charities Regulator

- This could identify them as charities instead of commercially viable entities that trade goods and services.
- While there are many efforts to provide funding and support for social enterprises, access to resources, markets, and business development opportunities can be improved.

Targeted policy could support social enterprises to overcome existing barriers...



Reinforce co-ordination for social enterprise policy across all levels of government



Explore how to increase investments in viable social enterprises and social innovation



Create a social enterprise registry and clearly identify social enterprise through a legal status



Consider differentiated contracts in small slots to allow social enterprises to participate in public procurement tenders

...read more in the report!

Action Plan

Recommendations	When	Who
Clarifying the conceptual framework around social enterprises		
<p>Clarify the concepts of social enterprise and social economy through multi-stakeholder dialogue</p> <p>Ireland's long history with social economy, especially its emergence to provide goods and services for the disadvantaged and labour market integration, may blur the lines between social enterprises and charitable organisations. Given that social enterprises are part of the broader social and solidarity economy (SSE), which also comprises a diversity of actors such as associations, foundations, co-operatives and mutuals, a better view of the overall SSE environment is needed to support the ecosystem in its entirety. Clarifying what the broader social economy universe entails helps accentuate the peculiarities of social enterprises vis-à-vis other social economy actors. Given the wide range of structures and activities that social enterprises can adopt representation of this diversity in legal forms in the National Social Enterprise Policy would greatly benefit from continued multi-stakeholder dialogue.</p>	Short to medium term	<p>Department of Rural Community and Development through the National Social Enterprise Policy Implementation Group and Subgroup</p> <p>In collaboration with Department of Enterprise, Trade and Employment through Local Enterprise Offices, Department of Social Protection, Department of Housing, Local Government and Heritage, Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media and Department of the Environment, Climate and Communications</p>
<p>Promote a shared understanding of social enterprises within the broader ecosystem</p> <p>Raising awareness around how social enterprises are, and can further be, integrated into the broader economic system is important for policy making in promoting their development. It is therefore important to develop a shared understanding of what social enterprises are and how they work across various sectors of activity through co-operation with other public and private stakeholders. Streamlining the official definition of social enterprises at all levels of government, as well as across sectoral policies, could be an effective way of facilitating better recognition. Efforts to increase international peer learning are also helpful for social enterprises to learn from other players in the field.</p>	Short to medium term	
Bolstering institutional and legal frameworks for social enterprises		
<p>Reinforce co-ordination for social enterprise policy</p> <p>Social enterprises are active across many sectors and activities. Supporting their development involves co-ordinating and mainstreaming social enterprise policy across departments and government agencies. The role of the DRCD can be further reinforced to co-ordinate policies across the government. There are examples where countries established designated</p>	Short to medium term	The Department of Rural and Community Development in collaboration with the Department of Enterprise, Trade and Employment

<p>bodies to oversee various aspects of social enterprise development policy. Others chose not to designate specific institutions. It is important that the DRCD continues playing a strong role to co-ordinate efforts across the government to avoid inconsistent implementation of social enterprise-related initiatives.</p>		
<p>Clarify the legal identification of social enterprises to better position them in the spectrum of legal companies Legal frameworks have a significant impact on the visibility, recognition, identity and organisation of social enterprises and act as important enablers of their development. A common reason for adopting specific legal frameworks for social enterprises is to capture their specific features. Some legal forms may limit social enterprises from prioritising social objectives over profits or inhibit those established as non-profits from engaging in economic activity. Creating a specific legal status for social enterprises might be a good way to enable greater access to markets and financing. This would allow Ireland to keep leveraging on the large spectrum of legal forms offered to social enterprises while setting clear criteria they need to comply with.</p>	<p>Short to medium term</p>	<p>Department of Rural and Community Development with Department of Enterprise, Trade and Employment</p>
<p>Enabling access to financing and funding</p>		
<p>Improve social enterprises' know-how on accessing external capital The complexity of the financing field coupled with the diversity of social enterprises has so far slowed down social enterprises' confidence when approaching external financing. Improving social enterprises' capacity to access external financing resources and funding opportunities can likewise encourage greater volumes of tailored financing. Social enterprises benefit from increasing their know-how on achieving, maintaining and improving revenue flows, while most are constrained by concerns to contain costs through their operations. Policy makers could promote knowledge-sharing and networking events such as roadshows to increase visibility of social enterprises and bring them together with financiers. Continued dialogue could also be supported through a permanent taskforce with experts from the financial sector, academia and social enterprise space to exchange priorities for and main barriers to further collaboration.</p>	<p>Short to medium term</p>	<p>Department of Rural and Community Development through Pobal and Community Services Programme (CSP) and Social Inclusion and Community Activation Programme (SICAP) Department of Enterprise, Trade and Employment</p>
<p>Consider, for example, investments in viable social enterprises and social innovation To spur a stronger culture of investment capital for social enterprises, it would be important for the public sector to invest in financially viable social enterprises and social innovation initiatives to lead by example, create a robust track record and foster trust among the broader financial ecosystem for social enterprises. This could be operationalised through the establishment of targeted or thematic investment funds for social entrepreneurship, accompanied by incubation and investment-readiness programmes.</p>	<p>Medium to long term</p>	<p>Department of Rural and Community Development through Pobal and Community Services Programme (CSP) and Social Inclusion and Community Activation Programme (SICAP) Department of Enterprise, Trade and Employment Department of Finance Department of Public Expenditure and Reform</p> <p>In collaboration with Dormant Accounts Fund (DAF), Rethink Ireland</p> <p>Social lenders such as Clann Credo and Community Finance Ireland as well as EU funding programmes such as LEADER, COSME and European Social Entrepreneurship Funds (EuSEF)</p>

<p>Increase the strategic relevance and long-lasting impact of available public funding</p> <p>Available public funding for social enterprises largely focuses on addressing short-term liquidity and covering costs. Longer-term funding could be made available for social enterprises to scale and expand their businesses. In so doing, funding could help overcome the idea that public funding for social enterprises should be used mainly for cost containment and short-term liquidity issues. There is a need for increasing the strategic relevance of public funding, ensuring the available resources are used for long-lasting impact rather than for contingent needs. To achieve this ambitious goal, various financing mechanisms such as debt, equity and mezzanine structures could be offered directly or through incentives for other financial intermediaries.</p>	Short to medium term	<p>Department of Rural and Community Development Department of Enterprise, Trade and Employment Department of Public Expenditure and Reform Department of Finance</p>
<p>Work with mainstream financial institutions and the banking system</p> <p>To enhance investment in social enterprises, policy makers at the national level can work with financial service regulators and professional bodies to educate financial advisers and fund managers about social and socially oriented investments. In addition, policy makers can support the promotional and awareness-raising efforts among mainstream funders regarding the various ways to finance social enterprises.</p>	Short to long term	<p>In collaboration with Dormant Account Fund (DAF), Rethink Ireland</p>
<p>Facilitating access to markets</p>		
<p>Differentiate contracts and explore opportunities to reserve quotas for social enterprises</p> <p>Given their smaller size and challenges in organisational growth, public contracts could be divided into smaller lots so that smaller-scale social enterprises can apply. In addition, a specific percentage of public contracts could be reserved for social enterprises, especially when the required activities could be easily performed maximising social impact.</p>	Short to medium term	<p>Department of Public Expenditure and Reform Office of Government Procurement through the cross-government Strategic Procurement Group Department of Rural and Community Development</p>
<p>Improve social enterprises' know-how on tendering processes</p> <p>Social enterprises need to build capacity on procurement processes and on accessing public and private markets. Clear and concise guidance regarding competition policy in procurement would also be beneficial. This knowledge could be shared through a more comprehensive and ongoing use of workshops and webinars on submitting tenders for public contracts effectively, along the line of those already organised in 2020 by the DRCD.</p>	Short to medium term	<p>Department of Rural and Community Development Department of Public Expenditure and Reform Department of Justice</p> <p>In collaboration with the Office of Government Procurement through the cross-government Strategic Procurement Group and Pobal</p>

<p>Increase procurement officers' knowledge on the procurement challenges for social enterprises</p> <p>Procurement officers may lack specific knowledge about the way social enterprises operate (given their specific mandate to achieve societal objectives while observing constraints on profit distribution to shareholders). A limited understanding of these characteristics may sometimes put social enterprises at a disadvantage in tendering processes. Irish public procurement practitioners could benefit from permanent groups or thematic taskforces. Irish commissioners could be supported with training and capacity-building to develop their understanding of socially responsible procurement rules and laws and their implications.</p>	Short to medium term	
<p>Promoting social impact measurement and data provision</p>		
<p>Co-create a framework for measuring and reporting on social impact</p> <p>Social enterprises in Ireland would benefit from guidance on how to measure social impact. A clear framework on how to measure and report social impact of social enterprises' activities could help build the practice further and better demonstrate the social impact they achieve while supporting policies seeking to achieve the twin digital and green transition, for example.</p>	Short to medium term	<p>Department of Rural and Community Development Department of Social Protection Department of Housing, Local Government and Heritage Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media Department of the Environment, Climate and Communications</p> <p>Academia, social enterprise networks and other ecosystem enablers such as incubators</p>
<p>Support the development of a national database on social enterprises</p> <p>The limited and outdated information on the scope and reach of social enterprises in Ireland makes it difficult for policy makers to understand the impact and activity of social enterprises. A regular population study could help to collect and share public information on social enterprises' number, geographical spread, activity, employment and financials. Building a formalised and systematic repository of quantitative and qualitative information on social enterprises could help create an evidence base on the social impact they have.</p>	Short term	<p>Department of Rural and Community Development Department of Public Expenditure and Reform</p> <p>In collaboration with social enterprise networks</p>
<p>Build capacity among social enterprises for measuring their impact</p> <p>Outsourced often to external consultants due to limited internal capacity, social impact measurement remains a luxury for most social enterprises. Public authorities could promote capacity-building on impact measurement and reporting through different frameworks such as social return on investment (SROI), which aim to capture social impact such as level of well-being, local trust, empowerment, etc., which are aspects that are often hard to quantify. Intermediaries and support networks may be instrumental in building in-house capacity among social enterprises for social impact measurement.</p>	Short to medium term	<p>Department of Rural and Community Development</p> <p>Academia and social enterprise networks and ecosystem enablers</p>

<p>Earmark financial resources for social impact measurement</p> <p>Despite being driven by certain principles and a social mission, most social enterprises lack the necessary technical and financial resources to conduct social impact measurement, thereby demonstrating their positive contributions to society. One way to increase uptake of measurement among social enterprises could be ring-fencing resources specifically for social impact measurement. Provided that public policy is complemented with measures to facilitate social enterprises' access to markets, earmarked budgeting could be used to allocate specific funds for social enterprises that would bind reporting requirements as a mandatory contractual obligation.</p>	Medium term	Department of Finance Department of Rural and Community Development
Fostering skills and business development		
<p>Acknowledge and fully recognise social enterprises' specific needs for business development</p> <p>The importance of the role played by social enterprises for society, especially for the disadvantaged, could be more broadly communicated and understood by Irish public institutions that could use them for the pursuit of their social goals.</p>	Short to medium term	
<p>Learn from best practices and improve knowledge-sharing opportunities</p> <p>Social enterprises are well-positioned to learn from others to improve their business, leadership and management skills, as well as harnessing community, stakeholders and volunteer involvement. Providing them the opportunity to learn from best practices and encouraging successful social enterprises to promote and replicate existing business support models are critical. Capacity-building offers provided by other stakeholders such as leaders, partnership companies and social enterprise networks could help create knowledge-sharing opportunities within the social enterprise space.</p>	Short term	Department of Rural and Community Development Department of Enterprise, Trade and Employment Department of Further and Higher Education, Research, Innovation and Science Academia as well as local and international social enterprise networks
<p>Leverage social enterprises' potential and strengths through targeted support mechanisms</p> <p>Social enterprises in Ireland often fall short of qualified staff, which compromises their ability to tap into available opportunities or compete with conventional businesses. Mapping the skills needs for social entrepreneurs and social enterprises, including a social entrepreneurship component in mainstream entrepreneurship education programmes and creating incubators and accelerators for capacity-building and business development, could help level the playing field in terms of opportunities for social enterprises. In this regard, having a single point of reference to gather in one place the work of independent national networks might be useful to maximise the resources aimed at social enterprise development.</p>	Medium to long term	

1 Lay of the land: The socio-economic and political context in Ireland

Ireland is one of the most open economies in the world (OECD, 2017^[1]). Following the withdrawal of protectionist measures in the late 1950s, trade, finance and migration marked significant contributions to fostering a strong and open economy. Despite the additional vulnerabilities that globalisation brings, Ireland remained resilient vis-à-vis the COVID-19 shock through a broad-based full economic recovery. However, challenges remain around Russia's war of aggression against Ukraine and uncertainties surrounding Brexit, which are expected to increase inflationary pressures. Ireland has one of the highest public debt per capita in the eurozone (Department of Finance, 2023^[2]). Further fiscal pressures are expected with an ageing population. Regional disparities persist with most economic activity concentrated around Dublin. Drawing on a long experience with the social economy, Ireland's social enterprise community can support government efforts to foster provision of welfare services, strengthen local labour market integration, promote regional development and advance on circular economy objectives.

Socio-economic context

Strong economic recovery following the pandemic with persisting uncertainties

Once one of the poorer members of the European Union (EU), Ireland now stands among the most prosperous, which grew significantly on a free trade policy position. Ireland is a small, unitary country with a population of 5.1 million people (OECD, 2023^[3]). Ireland remained relatively isolated with an agriculture-based economy until the late 1950s when protectionist policies were withdrawn. Subsequently, trade became one of the most significant drivers of economic growth (Central Bank of Ireland, 2019^[4]). See Table 1.1 for an overview of socio-economic indicators of Ireland.

Table 1.1. Main socio-economic indicators in Ireland, 2021

Demographics		Economy at a glance	
Population	5.1 million	GDP per capita (current prices, current PPPs)	USD 127 146
Share of young population	19.6%	Real GDP growth rate (2022)	12.2%
Share of elderly population (aged 65 or over)	15.1%	Unemployment rate	4.5%
Old-age dependency ratio	25.4%	Exports of goods and services as % of GDP	137%
Life expectancy at birth (2021)	82.4 years	Imports of goods and services as % of GDP	97%
Share of population in rural regions	56.8%	General government expenditures as % of GDP (2021)	24.4%
Population with tertiary education, aged 25-34	62.9%	Public social spending as % of GDP (2022)	12.8%

Note: All figures are as of 13 September 2023. All figures are from the year 2022 unless stated otherwise in parentheses.

Source: OECD Stats, 2022.

Ireland maintained sustained economic growth over the past years, which is expected to be supported by employment growth and consumer spending. GDP growth is projected at 4.4% in 2023 and 3.7% in 2024 (OECD, 2023^[5]). Being one of the most export-oriented countries in the OECD (OECD, 2017^[11]), record-level exports were estimated to be recorded in 2022, with the value of exports and imports reaching EUR 208 billion and EUR 140 billion, respectively (Central Statistics Office, 2023^[6]).¹ Ireland enjoyed a broad-based economic recovery, which was partly driven by very high levels of public financing to cushion consumer spending and job recovery especially following the pandemic and by the dominance of strong multi-national companies. Despite all, inflationary pressures especially around energy and food prices are expected, with further increases likely due to remaining uncertainties around Russia's invasion of Ukraine (especially the 2023 oil embargo on Russia) and Brexit (OECD, 2022^[7]). Structural reforms are considered given a rapidly ageing population and long-term fiscal challenges. These pressures, especially in the provision of goods and services for underserved communities, elderly care, health and education services and labour market integration, can partly be addressed by social enterprises.

Challenges remain to increase labour force participation and youth employment. The COVID-19 pandemic brought a significant shock to the labour market, resulting in high levels of temporary and permanent lay-offs. Ireland also has one of the largest disability employment gaps in the EU and the OECD with the employment rate of people with disabilities around half the rate of those without (OECD, 2021^[8]). To address the labour market challenges exacerbated by the virus, the Department of Social Protection published the Pathways to Work Strategy 2021-2025, which is Ireland's national employment strategy. The strategy is built on four pillars: i) reducing long-term unemployment; ii) reducing youth unemployment rate; iii) improving labour market transitions; and iv) ensuring better labour market outcomes for all.

High public debt ratio coupled with an ageing population pressuring provision of welfare services

Ireland has a high debt-to-income ratio, which has been exacerbated during the pandemic. This was a common practice across many countries as public debt has been used to limit economic disruptions and cushion household incomes and firm revenues. At slightly over EUR 44 000 per person, Ireland is among the countries with the highest per capita debt burden in the world (Department of Finance, 2023^[9]). Allowing debt to increase may introduce fiscal vulnerabilities as additional financing will be needed vis-à-vis the ageing population.

The country has also an ageing population. The population aged over 65 is estimated to grow more rapidly than most OECD countries, which may put fiscal pressures especially on healthcare provision and pension spending. Forecasts point towards a 1.5% of GDP increase in public health and pension costs by 2030 and a further 6.5% of GDP by 2060 (OECD, 2020^[10]). The population aged over 65 is expected to grow considerably faster than the working population (Department of Finance, 2021^[11]). The old age-dependency ratio, which gives the number of individuals aged 65 and over per 100 people of working age (20 to 64), is projected to increase to 50.6% (OECD, 2022^[12]). An important bottleneck is the lack of universal healthcare coverage as Ireland is the only Western-European country without universal primary healthcare coverage.

Disparities in regional development

Despite steady economic growth and reduction in poverty headcount ratio over the past decade, significant regional disparities persist in terms of social and economic development. Rural regions continue to host more than half of the population in Ireland as the share of national population living in rural regions as of 2021 is approximately 56.8%, with 23.8% living in remote rural areas and 33% living in rural areas close to a city (OECD, 2022^[13]). Despite the high percentage of people living in rural regions, the country's economic activity largely concentrates in cities, particularly Dublin. Given that most infrastructure and business activity are located in the Greater Dublin Area, more and more young people are moving to

urban areas for jobs. Rural development policies, therefore, target creating economic poles outside Dublin to improve connectivity and infrastructure in rural areas and foster the creation of new enterprises, especially in new sectors such as agri-tech and renewable energy. In 2021, the DRCD published *Our Rural Future: Rural Development Policy 2021-2025*, which aims to increase quality of life for people in rural areas following the COVID-19 crisis. The policy fully recognises the role that social enterprises play to support employment in rural communities and their capacity to fill gaps in markets that are not attractive to commercially focused companies. It highlights new measures to support social enterprise development for local job creation, as well as the use of socially responsible public procurement contracts to engage social enterprises.

Political and administrative landscape

Ireland is a parliamentary democracy and unitary country with local self-governance recognised in the 1999 Constitution (Article 28A). The Irish Parliament, called “Oireachtas,” consists of two Houses: the House of Representatives (Dáil Éireann) and the Senate (Seanad Éireann). Given that Ireland is a small and centralised state, its three regions play a subdued role (European Committee of the Regions, n.d.^[14]). The country went through a comprehensive territorial reform in 2014 (Local Government Reform Act) to improve governance and increase budget efficiency of local governments. Ireland currently has 31 local governments including 31 local councils, of which three are city councils, two are city and county councils and 26 are county councils. The reform also established 95 “Municipal Districts,” which integrate town and county governance (European Committee of the Regions, n.d.^[14]). They function as national representatives of sub-county governance as part of county councils to decide on local community matters. Although local tax revenue is very limited, local councils are important public investors, undertaking more than half of all public investments. Main areas of expenditure by subnational governments include social protection, economic affairs (mostly transport), housing, education and environmental protection (OECD/UCLG, 2016^[15]).

A long tradition of voluntary activity and charitable service is well rooted in the country with a higher rate of participation in unpaid voluntary than the EU average. In 2021, the DRCD published the *National Volunteering Strategy 2021-2025*, which aims to strengthen the relationship between the government and the voluntary sector in Ireland. Participation in local government has also been encouraged through the 2014 Amendment of the Local Government Act, by which Public Participation Networks (PPNs) were introduced. PPNs aim to facilitate the contribution of volunteer-led organisations to local economic, social and environmental capital. As of 2019, over 15 500 social inclusion, community and voluntary and environmental organisations constituted PPNs (Social Justice Ireland, 2021^[16]).

Entrepreneurship in Ireland

The entrepreneurial culture in Ireland, coupled with a strong sense of community, offers a fertile ground for social enterprises to flourish. Ireland enjoys a dynamic entrepreneurship environment with long-term policy commitment to support its growth. The Programme for Government published in 2020 prioritises and supports entrepreneurs and pro-enterprise initiatives through the National Economic Plan (Government of Ireland, 2020^[17]). The Department of Enterprise, Trade and Employment also published the National SME and Entrepreneurship Growth Plan in 2021 as a strategic blueprint to support entrepreneurs following the effects of the COVID-19 pandemic. The plan particularly focuses on helping companies start up, scale up, improve their digital capacities and increase export activity (Department of Enterprise, Trade and Employment, 2021^[18]). Although the plan is designed for small and medium-sized enterprise (SME) growth, it also recognises, under inclusive entrepreneurship, measures to maximise the potential of social enterprises in the country.²

SMEs as drivers for employment

SMEs are important for the labour market in Ireland. In 2020, they accounted for 99.8% of the total number of enterprises, generating 34.5% of gross value added. Large enterprises are more influential in generating value added. They only accounted for 0.2% of total enterprises, while generating 65.6% of gross value added. SMEs also accounted for around one million people engaged in the Irish business economy, which was 68.4% of all persons engaged (Central Statistics Office Ireland, 2022^[19]).

Stagnant productivity growth

Ireland hosts high-growth firms with strong innovation capabilities. However, SMEs are constrained by limited ability to access international markets, low start-up rates and stagnant productivity growth. Despite enjoying a favourable regulatory environment, SMEs still encounter barriers in accessing finance and subdued levels of incentives for investment (OECD, 2019^[20]).

Average SME productivity measured as value added per person employed in Ireland is inflated due to high presence of foreign firms. Ireland hosts a large number of very low-productive SMEs alongside high-productive large firms. Among the main barriers that limit productivity growth for Irish SMEs are limited human capital, poor rates of digital transformation and low levels of capitalisation (Department of Enterprise, Trade and Employment, 2021^[18]).

The SME Taskforce's Report on the National SME and Entrepreneurship Growth Plan sets out specific recommendations to overcome these barriers. These measures, although not exclusive to social enterprises, could also facilitate the productivity growth of social enterprises. The recommendations include: i) reducing the administrative burden on SMEs and streamlining the process for SMEs to access national and EU support; ii) developing a suite of co-ordinated support mechanisms to help SMEs boost human capital; iii) supporting the digital transformation process of SMEs; iv) recognising a broader understanding of innovation; v) facilitating SMEs' access to finance and finally, vi) improving SME competitiveness.

Need for refined and up-scaled entrepreneurship programmes

There are already solid programmes put in place to support entrepreneurship in the country; however, they run the risk of overlooking spatial differences and varying scale of businesses (OECD, 2019^[20]). To tailor government support for the development of entrepreneurship uniformly across the country, the role of local entities such as Local Enterprise Offices (LEOs) are instrumental in supporting entrepreneurs start and grow their businesses. Indeed, the National SME and Entrepreneurship Growth Plan highlights that most SMEs with over ten employees fall through the gaps of state support such as those by Enterprise Ireland and LEOs, with the latter's mandate being focused on businesses in manufacturing or internationally traded service sectors with potential to export. The plan aims to ensure that a unified approach can be adopted to ensure all SMEs can access support to increase their productivity and growth (Department of Enterprise, Trade and Employment, 2021^[18]).

2 The conceptual framework underlying social enterprises and social entrepreneurship

Ireland's experience with the SSE dates back to the 1990s when the term first emerged in the Irish policy discourse with a strong focus on the provision of goods and services and local labour market integration. Significant milestones were achieved to increase recognition of the social economy and social enterprises such as the establishment of the Partnership 2000 Working Group on the Social Economy in 2000 and the elaboration of the 2019-2022 National Social Enterprise Policy for Ireland by the DRCD to help social enterprises scale up and achieve impact (European Commission, 2020^[21]).

Strengths

Strong social economy culture around provision of goods and services for underserved communities and work integration

Social enterprises in Ireland emerged in the 1990s mostly in the form of work integration social enterprises (WISEs) to provide services and jobs for underserved communities (European Commission, 2020^[21]). Since then, they have been receiving significant policy and public attention (Department of Rural and Community Development/Social Finance Foundation, 2018^[22]). In 2000, the Irish government initiated the Partnership 2000 Working Group on the Social Economy, which was later revised as the CSP in 2006.

The Programme of Government for 2011-2016 positioned the social economy as a significant driver for national economic recovery.³ Then, the Interdepartmental Working Group was formed, focusing on the social enterprise agenda in the EU Ireland Partnership Agreement and Operational Programmes for 2014-2020. Ireland also signed the Toledo Declaration on the Social and Solidarity Economy as a Key Driver for an Inclusive and Sustainable Future in 2020, which was adopted by 19 EU member states to support social enterprises.

Ireland also actively participated in the development and adoption of the OECD Recommendation on the Social and Solidarity Economy and Social Innovation in June 2022.⁴ The recommendation provides an internationally agreed upon policy framework to foster the development of the social economy and social innovation (Box 2.1). As these developments aim to harmonise policy action to support the growth ecosystems in countries, the specific context of each country determines whether specific measures could be conducive or not to mobilising the SSE.

Social enterprises are active across many social and economic sectors such as childcare, housing, health, food, tourism, recycling, transportation and arts, culture and music (Department of Rural and Community Development/Social Finance Foundation, 2018^[22]; European Commission, 2020^[21]). They are also important players in the country's ambition to move towards a zero-waste future as set out in the

Waste Action Plan for a Circular Economy 2020-2025 in areas such as recycling and/or upcycling household bulky waste (Government of Ireland, 2020^[23]).

Box 2.1. Defining social economy and social enterprise

On 10 June 2022, OECD's Recommendation of the Council on the Social and Solidarity Economy and Social Innovation was adopted as a first international framework to guide policy making for social economy development. The recommendation aims to provide a holistic approach for fostering the social economy and social innovation, while taking into account the fact that terminology, concepts and definitions could vary at national, subnational and local levels. With this in mind, the recommendation incorporates the following definitions:

- **Social economy**, also referred to in some countries as the solidarity economy and/or SSE, is comprised of varying organisations such as associations, co-operatives, mutual organisations, foundations, and more recently, social enterprises. In some cases, community-based, grassroots and spontaneous initiatives are part of the social economy in addition to non-profit organisations, the latter of which is often referred to as the solidarity economy. The activity of these entities is typically driven by societal objectives, values of solidarity, the primacy of people over capital and in most cases, democratic and participative governance.
- A **social enterprise** is an entity, which trades goods and services, that fulfils a societal objective and whose main purpose is not the maximisation of profit for the owners, but its reinvestment for the continued attainment of its societal goals.

The recommendation offers a policy framework for social economy development based on nine pillars: i) social economy culture; ii) institutional frameworks; iii) legal and regulatory frameworks; iv) access to finance; v) access to markets; vi) skills and business development support; vii) managing, measuring and reporting impact; viii) data and ix) social innovation.

Source: (OECD, 2022^[24])

The National Social Enterprise Policy for Ireland 2019-2022 increased policy momentum around social entrepreneurship

The 2019-2022 National Social Enterprise Policy is the first policy dedicated to social enterprises in Ireland. The policy seeks to promote public understanding of what social enterprises are and what sets them apart from other businesses. It was complemented by Sustainable, Inclusive and Empowered Communities: A Five-Year Strategy to Support Community and Voluntary Sector in Ireland 2019-2024 and the National Volunteering Strategy 2021-2025. The importance of social enterprises has also been recognised in the 2020 Programme for Government, through the work of the National Social Enterprise Policy Implementation Group. Chaired by the DRCD, this group brought together representatives from relevant departments and social enterprise stakeholders to oversee and advise on the implementation of the national policy.⁵ Later in 2020, a subgroup of the National Social Enterprise Policy Implementation Group presented a Social Enterprise Awareness Raising Strategy to increase public understanding of social enterprises' contribution to society and the economy, including through an annual Social Enterprise Conference (mentioned in the National Social Enterprise Policy) to create a forum for all stakeholders, from practitioners to policy makers, to meet on a regular basis.⁶

The policy defines what constitutes a social enterprise and establishes three objectives to strengthen social entrepreneurship, complemented by 26 specific policy measures. These three policy objectives are:

- i. Building awareness of social enterprise,
- ii. Growing and strengthening social enterprise and
- iii. Achieving better policy alignment.

Defining social enterprise

Despite increasing interest in social enterprise, clarity around what this “concept” means remains limited. Social enterprises are recognised as part of the broader entrepreneurship ecosystem, although their positioning varies between the voluntary sector and the private sector (Department of Rural and Community Development/Social Finance Foundation, 2018^[22]). A clear definition of what constitutes a social enterprise is important to guide and inform policies. It is also instrumental for the legal framework and fiscal regime applicable to social enterprises, as part their development. There are already supra-national definitions of social economy, social enterprises and social innovation. The EU’s operational definition, which also has helped shape the official definition of social enterprises in Ireland, refers to a social enterprise:

“... [as] an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.” (European Union, 2011^[25])

The OECD Recommendation on the Social and Solidarity Economy and Social Innovation defines a social enterprise “as an entity, which trades goods and services, that fulfils a societal objective and whose main purpose is not the maximisation of profit for the owners, but its reinvestment for the continued attainment of its societal goals” (OECD, 2022^[24]).

A comprehensive shared definition is particularly important for understanding social enterprises’ prevalence in the country, developing metrics to assess their impact and channelling support to promote their growth (Department of Rural and Community Development, 2019^[26]). Therefore, defining social enterprise (see Box 2.2) can be underlined as one of the most important contributions of the national policy to improving the Irish social entrepreneurship ecosystem.

Box 2.2. Definition of social enterprise in Ireland

The National Social Enterprise Policy for Ireland 2019-2022 sets out three building blocks to describe what a social enterprise constitutes:

- A social enterprise is an enterprise whose objective is to achieve a social, societal or environmental impact, rather than maximising profit for its owners or shareholders.
- It pursues its objectives by trading on an ongoing basis through the provision of goods and/or services and by reinvesting surpluses into achieving social objectives.
- It is governed in a fully accountable and transparent manner and is independent of the public sector. If dissolved, it should transfer its assets to another organisation with a similar mission.

This definition is in accordance with EU and OECD operational definitions and endeavours to differentiate social enterprises from other social economy actors and for-profit businesses.

Source: (Department of Rural and Community Development, 2019^[26])

Challenges

Need for clarification around social enterprises relative to other social economy notions

Ireland's long history with the social economy, especially its strong specialisation in social sectors and labour market integration, blurred the lines between social enterprises and charitable organisations, as well as other social economy organisations in general. As such, ambiguity around what the social economy, social enterprises and social entrepreneurship are often leads to misconceptions and misusing these notions interchangeably. The fact that a lot of social enterprises operate holding a charitable status in Ireland also leads to a perception that they are solely non-profit organisations. The lack of a clear legal framework and targeted fiscal treatment based on a shared understanding of social enterprises further exacerbates these misperceptions.

Limited awareness around social enterprise within the broader entrepreneurship spectrum

While defining social enterprises in the national policy marked an important step towards its uptake among ecosystem stakeholders, there remain other parameters to promote their recognition. Currently, social enterprises in Ireland exist in various legal forms, mostly assuming charitable status. According to their mandate, they can also be broken down into different categories of organisational forms with the majority being community-based social enterprises, alongside those that are social entrepreneur-initiated WISEs, service providers to the state, enterprise development social enterprises and environmental social enterprises (Department of Rural and Community Development/Social Finance Foundation, 2018^[22]). Despite the fact that social enterprises operate across a variety of economic sectors, there is modest engagement by the Department of Enterprise, Trade and Employment (DETE), which typically delivers enterprise support through LEOs and Enterprise Ireland (and also through regional enterprise funds). It is noted, however, that the White Paper of Enterprise 2022-2030 published by the DETE in December 2022 recognised social enterprises as an important part of the Irish enterprise space and acknowledged their ability to create jobs, stimulate local economic activity and support green and digital transitions (Government of Ireland, 2022^[27]). Notwithstanding, the current landscape reinforces the (usually false) notion that social enterprises lean towards the voluntary and charity end of the entrepreneurship spectrum, while in reality, they can be active in the same areas as business enterprises, especially in the provision of goods and services.

Recommendations

Clarifying notions relative to social enterprises and social economy through multi-stakeholder dialogue

The Social Enterprise Awareness Raising Strategy 2021 (see Box 2.3) particularly focuses on the role and unique characteristics of social enterprises (Department of Rural and Community Development, 2021^[28]). It is also important to complement the definition of social enterprise with efforts to

create an understanding of the environment in which they usually operate. Clarifying what the broader social economy universe entails highlighting the peculiarities of social enterprises vis-à-vis other social economy actors. Given the wide range of structures and activities that social enterprises can adopt, a representation of this diversity in the strategy would greatly benefit from continued multi-stakeholder dialogue.

Box 2.3. Ireland's Social Enterprise Awareness Raising Strategy 2021

To support the efforts to operationalise Ireland's National Social Enterprise Policy, an Implementation Group was set up by the DRCD. Under this Implementation Group, a Subgroup was established in 2020, which presented the Social Enterprise Awareness Raising Strategy in 2021.

The overall objective of this strategy is to promote a shared understanding of social enterprises among public and private stakeholders. It also aims to emphasize the significant role that social enterprises can play in addressing current challenges such as the COVID-19 pandemic and green transition. As a living document building on the National Social Enterprise Policy, the strategy aims to create a targeted roadmap to shape the communication around social enterprises over a two-year period. Overall, the strategy aims to do the following:

- i. Provide a common approach to the communications and language around social enterprise,
- ii. Foster a common understanding of the value of social enterprise and
- iii. Collectively empower social enterprises to have a voice and a role in raising awareness.

The strategy aims to operationalise these objectives through use of various communication tools and tactics, including a bootcamp for social enterprises to learn more about messaging, a webpage under the DRCD's website to disseminate information on social enterprises, conferences and seminars, newsletters, ambassadors/spokespersons and a stakeholder mapping. The two-year implementation plan includes the launch of a business-to-consumer (B2C) campaign to promote procurement from social enterprises, as well as to improve their co-operation with traditional businesses and individual consumers.

Source: (Department of Rural and Community Development, 2021^[28])

Promoting social enterprises within the broader economic ecosystem

Social enterprises in Ireland have diverse activities. Nonetheless, they are viewed as a niche sector, operating in silos independently from other businesses. This misconception of social enterprises runs the risk of isolating them from the broader economic system of which they are part and in which they operate. It is therefore important to build a shared understanding of what social enterprises are and how they are part of the economic ecosystem, particularly among public officials and private sector stakeholders. In addition, given that social enterprises are part of the broader SSE, which is also made of other entities such as associations, foundations, co-operatives and mutuals, a better view of the overall SSE environment can be helpful to better identify each of these entities, their purpose and their operating modalities.

Countries may introduce framework laws for the SSE to set forth what constitutes the SSE and to facilitate identification of related entities (e.g. France, Greece, Mexico, Portugal, Romania and Spain). Spain, for example, through Law 5/2011, clearly outlines what is incorporated within the social

economy based on certain guiding principles. Administrative bodies entrusted with the management of public policies on promoting the social economy were also created to support the sector in Spain. Similarly, Bulgaria's National Concept for Social Economy, adopted in 2012, offers a good example of how policy can provide a framework and a reference point to define and promote the social economy and its different entities (see Box 2.4).

Box 2.4. National Concept for Social Economy (Bulgaria)

In 2010, the Ministry of Labour and Social Policy in Bulgaria established the Working Group on Social Economy with an aim to support the development of and to devise a national concept for the social economy, which is supported by biannual action plans. The Council of Ministers adopted the “National Concept for Social Economy” in 2012, which provides a framework to develop social enterprises in the country.

Based on this national concept, social enterprises are defined as “businesses that produce goods and services for the market economy and allocate part of their resources to the accomplishment of social and economic goals.” The concept also clearly acknowledged the fact that social enterprises operate between the traditional private and public sectors and can comprise the entrepreneurial characteristics of the private sector while simultaneously pursuing social goals.

The concept ultimately aimed to provide a reference point to introduce specific criteria for identifying social economy entities, promote contractors and enablers to implement and propagate the sense of solidarity observed in these entities and help promote a conducive administrative and legal ground to aid their development, especially through facilitating access to financing and markets.

Source: (European Commission, 2019^[29])

Awareness-raising efforts need to concentrate on both the similarities and the differences between social enterprises and traditional enterprises. This is particularly important for support mechanisms or incentives—be it through access to markets or financing—and for levelling the playing field for social enterprises in accessing resources versus other businesses. Similarly, strong co-operation with the private sector can help strengthen social enterprises' capacity to diversify their sources of finance. For the private sector to properly assess social enterprises' capabilities, it is important that they develop a clear understanding of how social enterprises operate in the first place. Co-operation and international peer learning are also instrumental in streamlining social enterprise and social economy notions globally. International peer learning is particularly helpful for social enterprises to learn from other players, for example, through initiatives such as the European Commission Expert Group on Social Entrepreneurship (GECES) and the OECD informal expert group on the social economy and social innovation.⁷

3 Institutional and legal frameworks for social enterprises

The 2019-2022 National Policy for Social Enterprise set up foundational framework conditions and brought consensus around the need to mainstream social enterprise development across sectors and policies (e.g. justice, circular economy and rural development). In Ireland, social enterprises can choose from a broad spectrum of legal forms under the Companies Act. The overwhelming majority of social enterprises (75%) operate as companies limited by guarantee (CLG), often combined with a charitable status (88%). There are 13,953 charities currently operating across Ireland (Amárach Research/SERI/ILDN, 2023^[30]), 25% of which are social enterprises holding a charitable status. Legal forms adopted can have implications on the capacity of social enterprises to attract funding, scale up and expand their opportunities.

Strengths

An institutional framework built to strongly promote social enterprises across sectors and levels of government

Ireland has a comprehensive national institutional framework for social enterprise development. At the national level, the Department of Rural and Community Development (DRCD) is leading social enterprise as well as community development policy design and implementation. Other policy stakeholders involved at varying degrees in social enterprise development include the Department of Enterprise, Trade and Employment (DETE), the Department of Social Protection, Department of Justice, Pobal and Department of the Environment, Climate and Communications (DECC). Public agencies such as Local Enterprise Offices (LEOs) provide financial grant aid to export-focused companies and not to locally trading companies as confirmed in the 2022-2030 White Paper on Enterprise⁸ (Department of Enterprise, Trade and Employment, 2022^[31]). They offer some advisory programmes open to all enterprises.

The institutional framework builds on numerous policy actions. In 2009, the Irish government established the Social Enterprise Taskforce (SETF) to build greater cohesion and policy development for the sector in the longer term (SEETF, 2012^[32]). In 2013, an assessment estimated that potential employment by social enterprises could reach up to 100 000 jobs if conditions conducive to such growth were to be set (Forfás, 2013^[33]). The 2011-2016 Programme of Government also identified as an objective to “...promote the development of a vibrant and effective social enterprise sector.”

Regional Assemblies and cities also developed strategies for social enterprises in their own context. Regional Assemblies (the Northern and Western Region Assembly and the Údarás na Gaeltachta' Authority) have identified specific roles for social enterprises to promote and revitalise rural and remote communities through job creation and service provision. The Dublin City Council supports social enterprise development through the Dublin City Social Enterprise Committee (SEC). Social enterprises can also receive support from the Dublin City LEO through training, mentoring and grants (Box 3.1).

More broadly, programmes for non-profit organisations and the social economy also benefit social enterprises. These measures include the Community Foundation for Ireland (CFI), the Social Inclusion and Community Activation Programme (SICAP) and the CSP, while those which specifically target social enterprises include the Social Enterprise Grant Scheme, the Wage Subsidy Scheme, the EU Programme for Employment and Social Innovation (EASI) and microfinance. Also, more opportunities became available since the transposition of two EU Directives seeking greater inclusion of societal goals in procurement processes such as environmental protection, social responsibility, innovation and climate change (European Commission, 2014^[34]).

Box 3.1. The Dublin City LEO's support mechanisms for social enterprises

The LEO of Dublin City supports social enterprises in a number of ways:

- **Training:** Social enterprises can join training courses run by the LEO of Dublin City on topics such as starting a business, sales, tax, marketing, social media, etc.
- **Mentoring and Advice:** Mentors on the Dublin City LEO panel offer specialist advice to enterprises, including social enterprises.
- **Grants/Finance:** The LEO provides a number of different grants. Grants depend on the structure of the social enterprise to determine whether it is eligible to apply. The Trading Online Voucher is also open to social enterprises.
- **Dublin City Social Enterprise Awards:** This scheme provides mentoring, support and funding to selected social enterprises. The purpose of the awards is to support social enterprises to start and grow in Dublin. Awardees receive: i) funding ranging from EUR 5 000 to EUR 15 000; ii) opportunities for publicity and promotion and iii) mentoring and advice.

Source: (Local Enterprise Office of Dublin City Council, n.d.^[35])

Linkages between the National Social Enterprise Policy and other policies

The 2019-2022 National Social Enterprise Policy called for synergies with other sectoral policies as a way to mainstream social enterprise development across departments.

Community development

- **The 2015 Framework Policy for Local and Community Development** refers to the social economy and identifies a role for social enterprises in areas such as economic development, training and education for communities.
- **The 2019-2024 Strategy to Support the Community and Voluntary Sectors and the 2021-2025 National Volunteering Strategy set out a long-term vision and support for volunteering and volunteers.** The community and voluntary sectors are very large and are comprised of a wide range of community, voluntary and charitable organisations. More than a million people actively volunteer annually in Ireland at an estimated value of more than EUR 2 billion per year (Department of Rural and Community Development, 2021^[36]). Social enterprises depend on volunteers as, for example, board members and to help them develop community engagement and governance.

Integration of people with criminal convictions

- **Working to Change: Social Enterprise and Employment Strategy 2021-2023 was developed by the Department of Justice with the Probation Service and the Irish Prison Service.** The objective is to increase employment opportunities for people with criminal convictions. Concrete actions include a KickStart fund to support new and existing social enterprises providing jobs for this group, opening up supply chains to social enterprises and allocating 10% of the criminal justice system contracts for the provision of goods and services through social procurement by the end of the strategy.

Rural development

- **In 2021, the Government launched Our Rural Future, a whole-of-government rural development policy that sets out an ambitious and holistic blueprint for the social and economic development of rural Ireland.** The policy fully recognises the role that social enterprises play in supporting employment in rural communities and their capacity to fill gaps in markets that are not attractive to commercial companies. Measure 30 in the policy refers to “new measures to support the development of social enterprises in rural areas to increase their social, economic and environmental impact and contribute to job creation locally.” The policy also commits to “expanding the use of socially responsible public procurement contracts, where feasible, to incentivise the engagement of social enterprises and circular economy organisations” (Department of Rural and Community Development, 2021^[37]).

Employment and job creation

- **Reducing long-term unemployment through training and re-skilling is another contribution social enterprises can bring to labour market policies.** Noting the strong social enterprise base in Ireland, the 2012 Action Plan for Jobs highlighted the job creation potential of social enterprises in areas of economic disadvantage and for those who are most distant from the labour market. The 2021-2025 Pathways to Work Strategy refers to social enterprises’ contributions to increasing employment prospects for people with criminal convictions (Department of Social Protection, 2021^[38]).

Enterprise policy

- **Enterprise 2025 aims to build a resilient, innovative and globally connected enterprise sector.** While this strategy does not have a specific focus on social enterprises, the latter could help in delivering on some its objectives, particularly in locally traded sectors, thereby further encouraging entrepreneurship. The 2022-2030 White Paper on Enterprise acknowledges that social enterprises create jobs, stimulate local economic activity and are part of the broad enterprise policy landscape (Department of Enterprise, Trade and Employment, 2022^[31]). The 2017-2020 Corporate Social Responsibility (CSR) Plan “Towards Responsible Business” also opened a window of opportunity for social enterprises to trade with private, for-profit entities.

Circular economy

- **Ireland developed several plans to support the transition to a circular economy**, including the Waste Action Plan for a Circular Economy (2020-2025) and a Whole-of-Government Circular Economy Strategy (2022-2023) (OECD, 2022^[39]). The forthcoming National Waste Management Plan for a Circular Economy is expected to embed circular economy principles to prevent waste, reduce the consumption of single-use items, incentivise reuse and repair initiatives, maximise recycling and use waste as an energy source to replace fossil fuels. Social enterprises are critical partners for the implementation of these strategies through reuse, repair, remanufacturing and recycling activities. They are also important players in the country’s ambition to achieve 51% reduction in greenhouse gas emissions between 2021 and 2030 (Programme for Government

(2020) and National Energy and Climate Plan (2021-2030)) and to move towards a zero-waste future as set out in the Waste Action Plan for a Circular Economy (2020-2025) in areas such as recycling and/or upcycling bulky household waste. The DECC-led Circular Economy Innovation Grant Scheme (CEIGS) supports social enterprises, as well as voluntary and community-based organisations active in this area (OECD, 2022^[39]). The Circular Economy Academy of Ireland, a free and publicly funded support programme, also assists social enterprises in moving their activities towards sustainability (OECD/European Commission, 2022^[40]).

Social enterprises have also played a valuable role in supporting resilience and addressing crises such as the COVID-19 pandemic and supporting Ukrainian refugees.

A broad spectrum of legal forms that social enterprises can adopt

The National Policy for Social Enterprises introduced a working definition of social enterprises. The definition is aligned with the EMES International Research Network’s approach, as well as the OECD (OECD, 2022^[41]) and the European Commission’s definitions, and focuses on the main features of social enterprises: social mission, trading activities, reinvestment of surpluses, governance and asset lock (Department of Rural and Community Development, 2019^[26]). The policy also identifies a wide array of social enterprises, depending on activity and areas/sectors they engage in (see Table 3.1).

Table 3.1. Types of social enterprises by activity or mission

Type of social enterprises	Activity
Work integration social enterprises	Support disadvantaged people participate in the labour market
Enterprise development for social enterprises	Support for the creation of other enterprises (e.g. through the provision of office space and facilities)
Social enterprises that provide goods and services where there is insufficient demand for the operation of a regular market	Seek to meet a demand for goods and services within a community where there is insufficient demand for the operation of a regular market due to inherent economic and social disadvantage or low density of population
Environmental social enterprises	Environmental sustainability
Social enterprises contracted with the public sector	Public services in disadvantaged areas and communities
Co-operatives which do not distribute profits to shareholders	Social impact and also utilize the social enterprise model

Source: (Department of Rural and Community Development, 2019^[26]).

There is no specific legal form tailored to social enterprise activity (Box 3.2). A social enterprise can choose from a broad spectrum of legal forms. CLG is the most common corporate legal form for social enterprises in Ireland (almost 75%), often combined with a charitable status (88%). In 2020, a guide on the legal form of social enterprise was published, which provided an overview of the various types and requirements of the different legal forms that social enterprises can use. (Department of Rural and Community Development, 2019^[26]). A social enterprise may decide to change its legal structure as it develops, but this can be costly—hence, the need to carefully select the most suitable legal form at the initial stage of its creation. Annex B presents specificities, scope and implications for social enterprises of existing legal forms.

Box 3.2. Legal status and legal form for social enterprises

Legal frameworks specific to social enterprises introduce legal forms or legal statuses:

- **A legal form** is the foundational legal structure adopted by an organisation such as an association, co-operative or limited liability company (OECD, 2022^[41]). Legislations that define legal forms establish specific purposes and sets specific rules on the ownership, governance structure and distribution of profit (e.g. social co-operatives in Italy and in Poland).
- **A legal status** can be adopted by a broad spectrum of legal forms based on compliance with certain criteria such as the primacy of social purpose, a stable and continuous production of goods and services and limited profit distribution (OECD, 1999^[42]). A legal status has an impact on the treatment, e.g. fiscal, of those legal forms (European Social Enterprise Law Association, 2015^[43]). Several countries have adopted such legal statuses, like Denmark, Luxembourg and Slovenia.

Source: (OECD, 2022^[41]).

In 2020, a private mark for social enterprises was launched and has since been applied. Social Impact Ireland in partnership with Social Enterprise Mark CIC (UK) developed the Social Enterprise Mark in Ireland. The Social Enterprise Mark is an international accreditation, which provides an independent, external assessment that a business is operating as a social enterprise. It is overseen by Social Enterprise Mark CIC, registered in the UK (Rethink Ireland, 2021^[44]). This mark does not dictate one legal form or one way of demonstrating social impact, so long as organisations are able to show how they fulfil specific criteria, namely i) pursuit of social objectives; ii) self-governance and independence (public sector or corporate entity cannot hold majority ownership and/or decision-making control of the organisation); iii) deriving 50% or more of their income from trading; iv) dedicating 51%+ of surplus to social purposes and v) on dissolution, distributing all remaining residual assets for social purposes (Social Enterprise Mark, 2023^[45]). The accreditation has been piloted with social enterprises operating in different fields such as the circular economy, craft and design, food poverty, rehabilitation services, and community engagement (Rethink Ireland, 2021^[44]).

Fiscal benefits are provided to social enterprises, albeit not always explicitly tailored to their nature and/or activities, i.e. trading goods and services and having a social mission

Social enterprises have access to a range of fiscal benefits, but not always explicitly. Benefits like tax reliefs apply to legal forms most often adopted by social enterprises such as CLG and Company Limited by Share (CLS). They are also available to social enterprises that choose to adopt the charitable status, making them exempt from tax on their profits because they do not distribute revenue to shareholders (European Commission, 2020^[21]).

The charitable tax status is a cornerstone benefit for social enterprises. Investors (e.g. banks and funds) and impact-driven investors see the extensive use of this status as a potential “deterrent to investment” in social enterprises. The Revenue Commissioners require that entities with charitable tax status apply income and property solely for the promotion of their charitable objectives as set out in the charity’s governing instrument. In addition, directors or trustees of social enterprises with charitable tax status cannot receive remuneration other than the reimbursement of out-of-pocket expenses (European Commission, 2020^[21]). Annex C presents detailed description of fiscal benefits for social enterprises in Ireland.

Challenges

Persisting confusion around legal identification and fiscal benefits

A research report on legal form for social enterprises by (Rethink Ireland, 2021^[44]) did not recognise the need for a distinct legal form for the following reasons:

- **Barriers had less to do with legal forms.** The majority (59%) of respondents believed that current legal forms meet their needs. There was also a view that some barriers could be removed by greater use of existing legal forms, such as a company, an association, a co-operative or hybrid structures reflecting both for-profit and not-for-profit components of social enterprises.
- **Issues around clarity and simplification of governance systems need to be addressed, regardless of legal forms.** The task of establishing a relatively permanent legal form would imply a significant and lengthy undertaking. Considering all of this, the study recommended utilising other policy levers to support social enterprises before seeking to adopt a dedicated legal form based on the development of the field.

Need for strong co-ordination of the different policy initiatives for social enterprises given that they operate across sectors

Given that social enterprises operate in different sectors, cross-departmental co-ordination is very important for involved stakeholders. During the past decade, there has been notable momentum at the policy level to advance social enterprises. Ensuring shared prosperity and social inclusion emerged as important policy objectives, to which social enterprises could contribute. The role of the DRCD has been pivotal in policy progress. This role needs to be reinforced given other initiatives for social enterprises from other departments, as well as the intermingling of concepts such as social enterprise, social innovation and community and voluntary entities.

Recommendations

Reinforcing co-ordination using the National Social Enterprise Policy

The different policies for social enterprises across departments and levels of government require strong co-ordination. The DRCD stands as the designated government institution that provides a reference point for social enterprises. While this is very important, it is critical that this department is reinforced in its co-ordination efforts across other government departments and agencies to avoid inconsistent implementation of social enterprise initiatives and make sure they are aligned with the National Policy over time. There are examples where countries established bodies to oversee various aspects of social enterprise development policy. For example, Luxembourg has a Ministry of Labour, Employment and the Social and Solidarity Economy that oversees the development of the social economy, including social enterprises (OECD, 2022^[46]).

Clarifying legal identification of social enterprises and their positioning in the spectrum of legal companies

Legislation can be an important enabler for the development of social enterprises. A common reason for adopting specific legal frameworks for social enterprises is that existing laws do not adequately meet their needs or capture their specific features, as it is the case in Ireland. There are different approaches to regulating social enterprises (see Annex D). Legislation that specifically recognises and regulates social enterprises can generate positive impact, including:

- **Clear boundaries with other entities or more general notions** (e.g. SMEs, other social economy entities and CSR): this helps to improve public recognition and facilitate targeted support measures, among other benefits.
- **Legal identification**: this can facilitate the collection of more reliable official statistics and data.
- **Improvement of conditions in which they operate**, through targeted public support schemes and specific public policies such as tax incentives, public procurement and financial and non-financial assistance and benefits.

Some form of legislation on social enterprises exists in 16 EU countries, and explicit policies or strategies to boost their development exist in the other 11 EU countries (OECD, 2022^[41]). In Europe, many countries adopted social enterprise statuses (Fici, 2017^[47]). The main advantage is the flexibility it provides as it allows a social enterprise to choose the legal form under which it prefers to conduct its business, according to its own circumstances, the cultural and historical tradition where it has its roots and the type of business to conduct (e.g. labour-intensive or capital-intensive) (Fici, 2017^[47]) (see Box 3.3).

Box 3.3. Main operational dimensions of social enterprises in Europe

Main dimension	General definition	Minimum requirements
Entrepreneurial/economic dimension	Stable and continuous production of goods and services. <ul style="list-style-type: none"> • Revenues are generated mainly from both the direct sale of goods and services to private users or members and public contracts. (At least partial) use of production factors functioning in the monetary economy (paid labour, capital, assets). • Although relying on both volunteers (especially in the start-up phase) and non-commercial resources, to become sustainable, social enterprises normally also use production factors that typically function in the monetary economy. 	Social enterprises must be market-oriented (incidence of trading should be ideally above 25%).
Social dimension	The aim pursued is explicitly social. The product supplied/activities run have a social/general interest connotation. <ul style="list-style-type: none"> • The types of services offered or activities run can vary significantly from place to place, depending on unmet needs arising at the local level or in some cases even in a global context. 	Primacy of social aim must be clearly established by national legislations, the statutes of social enterprises or other relevant documents.
Inclusive governance-ownership dimension	Inclusive and participatory governance model <ul style="list-style-type: none"> • All concerned stakeholders are involved, regardless of the legal form. • The profit distribution constraint (especially on assets) guarantees that the enterprise's social purpose is safeguarded. 	The governance and/or organisational structure of social enterprises must ensure that the interests of all concerned stakeholders are duly represented in decision-making processes.

Source: (European Commission, 2020^[48])

A legal status for social enterprises might be a good option for identification, fiscal benefits and greater access to markets and financing for social enterprises in Ireland. This would allow them to keep leveraging on the large spectrum of legal forms they use, while benefiting from clear identification through specific criteria. A number of countries have created legal statuses available to one or several legal forms that could be worth considering for Ireland.

- In **France**, the status “solidarity enterprise of social utility” (ESUS) introduced many novelties. The main one is that the ESUS status is available to any entity (including commercial enterprises), regardless of their legal form, if certain conditions and social economy principles are fulfilled.

- In **Poland**, the Act on the Social Economy, adopted in July 2022, introduced a set of criteria to clearly identify social enterprises. They should conduct market activities, including both economic activity and paid mission-related activity aimed at the reintegration of socially excluded groups, which must be at least 30% of the workforce. Moreover, the social enterprise status entails democratic governance, profit distribution constraints and salary caps.
- In the **UK**, community interest companies (CICs) are companies whose objectives are primarily social. Recognising social enterprises this way enables using various legal forms: limited company, charitable incorporated organisation (CIO), co-operative, industrial and provident society or CIC.

Annex E presents some examples for defining social enterprises through legal statuses.

4 Access to finance and funding

The current range of financial products in Ireland does not necessarily "fit" social enterprises. Assessment systems, techniques and criteria used are often geared towards conventional personal or business loans and do not appropriately address the financial needs of social enterprises (European Commission, 2020^[21]). The latest data collection exercise on social enterprises showed that most social enterprises rely on mixed sources of income: 64% derive income from a mix of trading services and government grants, while 40% have an annual income below EUR 100 000, which falls below EUR 80 000 for rural social enterprises (Amárach Research/SERI/ILDN, 2023^[30]).

Strengths

A set of policy measures and programmes that facilitate access to finance for social enterprises

Access to finance is an important dimension of the second policy objective of the National Social Enterprise Policy for Ireland 2019-2022. The policy identifies five policy levers to improve access to finance and mobilise funding for social enterprises. These levers include i) cataloguing available funding schemes; ii) identifying existing gaps in financial support; iii) exploring innovative funding schemes (repayable and non-repayable); iv) leveraging private investments and v) aligning government funding for social enterprises.

The Irish government has launched many initiatives to provide financial and business support to social enterprises. The list of programmes is published on the government website⁹ (Department of Rural and Community Development, 2022^[49]). The document details available measures for social enterprises and provides a useful reference point for different types of support. More than 100 organisations have been included as supporting organisations, and almost 40% of them provide financial or funding support to Irish social enterprises.

Additional public or publicly backed funding available for social enterprises

Ireland offers additional funding for social enterprises mainly through four public or publicly backed funding schemes. These schemes complement existing initiatives and support provided in the recovery from the pandemic. Each of these four schemes addresses different needs of social enterprises in sustaining their businesses (such as schemes specifically targeting staff costs or equipment procurement).

Community Services Programme (CSP)

The CSP is a public programme that provides financial support to community-based organisations offering local social, economic and environmental services through a social enterprise. The DRCD administers the programme through Pobal, a not-for-profit body that works on behalf of the government to support communities and local agencies toward achieving social inclusion and development. The programme offers financial support to cover costs of hiring staff in community companies and co-operatives

(Department of Rural and Community Development, 2020^[50]). According to the 2021 CSP Annual Report, about EUR 49 million were granted to 431 services via 427 organisations across Ireland.

In July 2022, the DRCD and Pobal hosted the CSP Online Information Event, during which a new funding model was presented as a new “sustainable, differential, needs-based funding model for the CSP” (Pobal, 2022^[51]). The new funding scheme was presented as “a move away from a flat rate contribution,” working in the future through a threefold resource-prioritisation mechanism. In fact, a higher rate of funding will be recognised for organisations that i) operate in areas of high disadvantage or provide services to disadvantaged communities; ii) employ individuals from disadvantaged or marginalised groups and iii) have shown limited earning potential.¹⁰

Social Enterprise Measure of the Dormant Accounts Fund (DAF)

Established in 2001 by the Dormant Accounts Act, the DAF aims to gather resources from Dormant Accounts into a single financial envelope at the state’s disposal. Unclaimed funds are transferred to the DAF to finance measures that address economic, social and educational disadvantages or support persons with disabilities. This measure is a common scheme for many countries, which look for additional resources to achieve policy goals, including fostering social finance and increasing funding opportunities for the social economy and social enterprises (e.g. Big Society Capital in the UK and the Deposit Insurance Corporation of Japan).

Since 2020, the DRCD has received funding from the Dormant Accounts Fund Action Plan to support the Social Enterprise Measure of the DAF. The Social Enterprise Measure refers to specific initiatives funded through the DAF with a focus on access to funding. Different schemes under this fund include the Social Enterprise Small Capital Grant Scheme, Social Enterprise Start-up Scheme, Awareness Raising Initiative for Social Enterprises (ARISE) and Training and Mentoring Scheme. In March 2023, Ireland announced EUR 2.3 million in DAF funding to support social enterprises, with EUR 1.4 million to support 19 organisations under the Scaling-up Scheme for Social Enterprise initiative.¹¹ The total amount allocated under the Social Enterprise Measure of the DAF is around EUR 12 million (Department of Rural and Community Development, 2022^[49]).

Social Inclusion and Community Activation Programme (SICAP)

The SICAP, funded by the DRCD and the European Social Fund under the Programme for Employability, Inclusion and Learning (PEIL) 2014-2020 and administered by Pobal, is another funding for social enterprises. The SICAP is locally managed by 33 LDCs, with support from local authorities. Actions are delivered by LDCs using a community development approach, through support for communities and target groups to engage with relevant stakeholders in identifying and addressing social exclusion and equality issues, developing local community groups capacity and creating more sustainable communities through the provision of lifelong learning and labour market supports. According to the 2021 SICAP Annual Report, 2 646 Local Community Groups were supported by the SICAP, benefitting a total of 26 483 individuals.

Rethink Ireland

Rethink Ireland, formerly known as the Social Innovation Fund, is a fund for social innovation, in particular, innovative solutions that address issues such as health, equality, education and ramifications of the COVID-19 pandemic. The DRCD matches via the DAF funds raised by Rethink Ireland through its private and charitable donors. Established in 2018 in partnership with Local Authorities Ireland and IPB Insurance, Rethink Ireland, through a venture philanthropy approach, provides social enterprises with several support mechanisms, including cash grants and a range of non-financial support at all stages of their development (see Box 4.1). In 2020, Rethink Ireland, through all its funds¹², supported 31 social enterprises with a total value of more than EUR 3 million, increasing the number of social

enterprises that have been supported since 2016 to 71 that is valued at almost EUR 9 million (Rethink Ireland, 2020^[52]).

Box 4.1. Rethink Ireland and its support to social enterprises

Rethink Ireland, named Social Innovation Fund Ireland until 2020, was founded in 2013. It was catalysed by the Irish government to create a fund of significant size and impact to foster the development of social innovations with the potential for transformative impact on critical social issues facing Ireland. Rethink Ireland hosts various funds to provide financial support to social enterprises at different levels of maturity. Some of these funds are detailed below.

- **Social Enterprise Development Fund**

Rethink Ireland created the EUR 4.4 million Social Enterprise Development Fund (2018-2023), in partnership with Local Authorities Ireland and funded by IPB Insurance and the DRCD through the DAF, to enhance social enterprises creating social and economic impact in their communities. The fund consists of cash grants and a six-month accelerator programme that helps equip social enterprises with skills such as strategic planning, impact measurement, financial management, governance, business modelling and pitching.

- **Social Enterprise Step-Up Fund 2023-2024**

Rethink Ireland created the Social Enterprise Step-Up Fund 2023-2024 to support established, mid-sized social enterprises to scale. It is a EUR 700 000 fund established in partnership with the Tomar Trust and DRCD via the DAF. It provides cash grants and business support for social enterprise leaders to deepen their business models and be ready to scale.

- **Social Enterprise Start-Up Fund 2021-2022**

The Social Enterprise Start-Up Fund is a EUR 800 000 fund developed by Rethink Ireland in partnership with the DRCD via the DAF. It aims to provide seed funding for social enterprises to help them start up their businesses.

Source: (Rethink Ireland, 2020^[52]; Rethink Ireland, n.d.^[53]; LEO, n.d.^[54])

Local Enterprise Offices (LEOs)

LEOs are first-stop shops which provide information and support for starting or growing a business. Direct financial support provided by LEOs are available to all enterprises, including social enterprises, if they operate in manufacturing or internationally traded sectors with an export focus. Additional services such as advisory services and training are offered to the same cohort, as well as entrepreneurs and locally traded firms in some cases. Some local LEOs have shown increasing interest in social enterprises. For example, the Dublin LEO helped launch the Social Enterprise Grant Scheme, which was a pilot originally established by the Inner City Enterprise to support social enterprises.¹³

Social lenders

Social financing or peer-to-peer lending can be other ways used in Ireland to fund social enterprises though which people lend and borrow money to each other without the intermediary of a bank or through impact-oriented financing. The main social lenders operating in Ireland are Clann

Credo and Community Finance Ireland. Social Finance Foundation and Microfinance Ireland, although not exclusively financing social enterprises, are also prominent actors in the social lending space.

Clann Credo

Clann Credo is a social finance provider that mobilises private capital and provides retail loans to social enterprises. It aims to increase access to finance and strengthen the social investment market. Operating at the local and regional level, Clann Credo has lent over EUR 130 million since its creation, supporting more than 1 500 community organisations and social enterprises (Clann Credo, 2019^[55]). Clann Credo loans span three months to 15 years and vary from EUR 10 000 to EUR 500 000; the average loan amount is EUR 120 000 (OECD, 2017^[56]).¹⁴

Community Finance Ireland

Formerly known as UCIT (Ireland) Ltd., Community Finance Ireland is a provider of loan finance to community-based entities in Ireland. A subsidiary of Ulster Community Investment Trust, the group was established in 1995 in response to decreasing grant support from the government and difficulties experienced by community organisations in accessing commercial loan facilities. The mission of Community Finance Ireland is i) to develop and provide competitive, flexible and tailored lending; investment and business support to the third sector throughout Ireland; ii) to assist in job creation and the growth of the social economy in Ireland and iii) to contribute to the self-sustainability of third sector organisations. Over the 2016-2020 period, Community Finance Ireland disbursed about EUR 40 million for almost 330 projects. As a registered charity, all profits generated by Community Finance Ireland are reinvested into the community and social enterprise sector.

Challenges

Ireland has a vibrant ecosystem comprised of diverse actors and initiatives; nonetheless, some challenges persist. Such challenges include limited availability of tailored financial resources, limited capacity of social enterprises to access non-grant resources and limited social finance or impact investment ecosystem, constraining social enterprises' ability to access finance.

Hybrid identity and lack of tailored funding

The first challenge for social enterprises in accessing finance relates to their hybrid identity. Social enterprises are hybrid by nature, combining an entrepreneurial approach, social purpose and inclusive governance (OECD, 2023^[57]). In most cases, they are free to establish under different legal forms. In Ireland, many social enterprises also have to include the charitable status to benefit from funding and fiscal incentives. This hybrid status makes social enterprises less attractive to potential investors and funders. Government grants remain the most common source of income as 75% of social enterprises use government grants, while 70% receive income from selling goods and services (Amárach Research/SERI/ILDN, 2023^[30]).

Social enterprises operate in a variety of sectors. This means the type of capital they need may vary significantly. Sectors of social enterprise activity require different types of financial solutions. In sectors such as education and training, for instance, new technologies can lower labour costs, while sectors such as care of elderly people remain labour-intensive (Remane et al., 2017^[58]). Funding opportunities such as those provided by the CSP are useful when social enterprises have labour-intensive business models. The same funding is less relevant for small social enterprises whose operations require higher capital costs.

Available funding is rarely in the form of investment capital

Most funding lines for social enterprises are for operational costs only, such as salaries, accommodation rental and utilities, tools, basic materials and equipment and marketing. Overall, available funding in Ireland is not differentiated enough between equity and the more common loans/debt or grants. The lack of investment capital might depend on the fact that fiscal incentives derived from the charitable label may prevent social enterprises from increasing their traded income, lowering profits and hence making them less financially viable for private finance. This raises an important issue: When faced with an opportunity to increase its traded income through an injection of investment capital, would a social enterprise be willing to give up existing fiscal incentives? The current set of incentives might heavily affect businesses' propensity to scale their activities and ultimately to grow. Financing needs also depend on the legal form of the social enterprise, as well as its stage of development (e.g. start-up or scale-up phase).

Fragmented public funding for cost containment and short-term liquidity issues

Existing public funding mechanisms tend to address short- or medium-term liquidity needs rather than long-term development and innovation projects. For example, prominent financing programmes, such as the Social Enterprise Small Capital Grants Scheme, provide on average around EUR 4 000, reaching a maximum grant of EUR 20 000 in some cases. Social lending providers reach greater sizes for their loans, as they release funding up to EUR 500 000. The average investment by Clann Credo is around EUR 110 000 while those by other approved lending organisations tend to be much lower (First Step¹⁵ provided loans of less than EUR 25 000, and Limerick Enterprise Development Partnership¹⁶ provided EUR 15 000) (Forfás, 2013^[33]).

In addition to the funding amounts, the time horizon for which funding is provided also matters. For instance, the provision of short-term funds—usually from one to three years (e.g. grants disbursed through the Social Enterprise Measure under the DAF)—hinders achieving scale outcomes over time and entails a higher degree of uncertainty (Bull, Hedley and Nicholls, 2014^[59]), as well as a lower propensity to forward-looking business development and growth.

Mainstream banking is not widely available for social enterprises

One of the major challenges is the very limited availability of mainstream banking for social enterprises. While Ireland has an exceptionally strong international financial services sector with numerous advantages in administration and management of funds, limited opportunities exist through those services for social enterprises. For example, there is no equivalent to the Charity Bank in the UK, and the only Irish member of the European Federation of Ethical and Alternative Banks and Financiers is Community Finance Ireland. Mainstream financial providers often lack awareness about social enterprises as an investment opportunity because of the overly perceived risk associated with investing in them.

Recommendations

Improving social enterprises' know-how on accessing external capital

As most social enterprises operate through many legal forms, they are often limited by the existing legal and fiscal framework when approaching financial resources. The complexity of the financing field, coupled with the diversity of social enterprises, has so far slowed down their capacity to approach external financing. While as businesses they need to self-develop capacity to attract external finance, increasing their know-how on how to access such capital would unlock more tailored financing opportunities to emerge on the supply side.

Consider for example public investments in viable social enterprises and social innovation

Public investments in social enterprises and social innovation initiatives could be a significant signal to showcase their viability and relevance, especially vis-à-vis the green and social finance sectors. They can also act as a catalyst to spur a stronger culture in investment capital for social enterprises by positioning them as lucrative investment targets. This could be operationalised through an investment fund with at least two different funding complementary lines where i) selected incubators could deliver investment-readiness programmes that particularly target social enterprises to attract more resources and ii) based on results achieved, additional funding could be made available in the form of equity investments for the most innovative social enterprises in terms of their scaling/growth potential.

Increasing strategic relevance and long-lasting impact of available public funding

Longer-term funding could be made available for social enterprises so that they can scale and expand their businesses. This way, public funding for social enterprises would not be mainly associated with cost containment and short-term liquidity issues. Increasing the strategic relevance of public funding could help make more resources available and orient them towards long-lasting impact projects rather than for contingent needs. To achieve this ambitious goal, various financing mechanisms such as debt, equity and mezzanine structures could be offered directly or through incentives for other financial intermediaries. Another option is to explore innovative financing schemes based on pay-for-success mechanisms or alike. Such outcome-based mechanisms could help social enterprises to adopt a forward-looking approach in the planning of their activities.

Impact investing is an avenue worth exploring to expand finance opportunities that link achievement of impact outcomes to financial performance. As impact investing requires patient capital, an important pull of public resources that could be leveraged for this purpose is the one from the DAF, as observed in the Big Society Capital example in the UK. This could be used directly or as a financial guarantee for private financial intermediaries that would find investing in social enterprises more attractive and convenient.

The development of a national policy on philanthropy could also provide more funding opportunities. The DRCD works in partnership with Philanthropy Ireland, Charities Institute Ireland and Rethink Ireland to facilitate, encourage and grow philanthropic action in Ireland. This includes the provision of grant funding (for instance, in 2021, the DRCD signed a new five-year contract with Rethink Ireland for an allocation of EUR 5.5 million and government funding to match philanthropic donations on a 50:50 co-funded basis).

Working with mainstream financial institutions and the banking system

Policy makers at the national level can work with financial regulators and professional bodies to make financial advisers and fund managers more aware of social and socially oriented investments. Debt financing could present risks in cases of default for both the financiers (as they would have to absorb costs) and social enterprises (as their credit rating would be negatively affected). Social enterprises are often regarded as high-risk entities with less lucrative business models. A better understanding of how social enterprises operate, including both their differences from and similarities with conventional enterprises, could help overcome this hypothesis.

Mainstream funders can also benefit from awareness-raising efforts regarding the various ways to finance social enterprises. For instance, they could present examples of adapted credit provision conditions used for social enterprises by co-operative or community banks, including longer repayment periods or removed collateral requirements. Another possibility is to organise awards for social enterprise financing or engage in other types of awareness-raising campaigns to disseminate good practices.

5 Access to public and private markets

Public or private market access could be a significant source of income for social enterprises, particularly in markets where access to social finance is constrained. Social enterprises still struggle to obtain funding from the public sector through public procurement. Promoting the use of social clauses in public contracts can be a driver for social enterprises' access to markets. As evident in the work of the Social Considerations Advisory Group, there is room for a greater role of social enterprises in public procurement, which is increasingly assuming sustainability as a compass, and in private procurement.

Strengths

The Irish procurement system is a highly developed and centralised e-procurement system of which the country is a pioneer. Due to its early adoption, it has been intensively improved throughout the years. General government procurement spending as a share of GDP as of 2020 stood below the OECD and EU average (8.8% and 14.9%, respectively), although slightly above the OECD and EU average as a share of general government expenditure (30.8% and 27.9%, respectively). An increase in public procurement levels and the use of social clauses in public contracts can be a driver for access by social enterprises to markets. Irish social enterprises currently play a crucial role in fostering sustainable and socially inclusive economic growth (European Commission, 2022^[60]), which can be further strengthened by an improved access to private and public markets (Government of Ireland, 2020^[61]).

Access to markets is highlighted in the National Social Enterprise Policy

According to the National Social Enterprise Policy, “improved access to public markets, business markets (goods and services to other businesses) and consumer markets (goods and services to the wider public) can increase social enterprise-traded activity and underpin their sustainability” (Department of Rural and Community Development, 2019^[26]). Three policy measures, out of 26 included in the national policy, were introduced specifically on improved procurement opportunities for social enterprises.¹⁷ For instance, the DRCD organised training courses in 2020 as webinars to provide knowledge on submitting tenders and competing for public contracts effectively and to increase the odds for social enterprises to become supply chain providers in the public procurement market.¹⁸ The DRCD also compiles a list of suppliers among social enterprises to engage them more actively in services such as printing and catering. In addition, the department has begun to include specific social considerations in some of its calls for tenders such as the 2020 call for the provision of Sensory Facilities and Equipment in Public Libraries (Office of Government Procurement, 2021^[62]).

The government’s procurement agenda strongly supports social enterprise tendering for public contracts, especially for the delivery of specific social services. In 2018, the Irish Office of Government Procurement¹⁹ published an Information Note on Incorporating Social Considerations into Public Procurement²⁰ (updated in 2023) in line with the 2014 EU Procurement Directives. Among all the relevant recommendations made in the note, one advocates to “carefully plan the whole procurement process to ensure it is accessible to many suppliers including social enterprises depending on the nature of the procurement.” The note is not a binding document, and it does not affect the rights and obligations set in the EU legislation. The government also highlights that public procurement is considered as a key

element not only to assist in the delivery of improved public services, but also as a policy tool to generate social value.

Public procurement is advancing towards greater sustainability

Although there is nothing specifically developed for social procurement, public procurement in Ireland is moving towards greater sustainability, as also shown by the work of the Social Considerations Advisory Group and its continuation (see Box 5.1). Thanks to its centralised e-procurement platform, Ireland's procurement system shows a good degree of efficiency, especially compared to that of other European countries (European Commission, 2022^[60]). It still, however, lacks a standardised procedure such as an electronic tendering form that allows capturing data on the use of social considerations, although the equivalent for environmental considerations does exist (OECD, 2023^[63]). The overall picture on public procurement in the country presents a promising potential for social enterprises. On another note, the transposition of the EU Directive on Public Procurement into Irish Law in 2016 could also be an important step in increasingly recognising socially responsible outcomes during procurement processes.

Box 5.1. The Social Considerations Advisory Group in Ireland

The Office of Government Procurement established the Social Considerations Advisory Group to promote and facilitate the inclusion of social considerations in public procurement projects. Over time, it has been recognised as a positive contribution to the improvement of public procurement in Ireland and as an important asset for achieving the strategic objectives of the Office of Government Procurement.

It subsequently became the Strategic Procurement Advisory Group that acts as an advisory forum at which representatives of the Office of Government Procurement (both for policy and sourcing), its partner central purchasing bodies and public procurement practitioners from across government meet with policy makers from a range of government departments. The group shares information, knowledge and understanding and collaborates on promoting the incorporation of social, innovative and sustainable considerations in public procurement.

The 2021-2023 Strategy of the Office for Government Procurement aims “to enable transparent, accessible, responsive and sustainable public procurement” and “to enable better and more transparent public procurement that is socially, environmentally and economically sustainable.”

Green public procurement

Green public procurement is another way by which public authorities seek to source goods, services or works with reduced environmental impact. The Department of Public Expenditure and Reform, in light of the Climate Action Plan 2019, published the Circular 20/2019 on promoting the use of environmental and social considerations in public procurement. The circular provides government departments with information and instructions for including green criteria across all of their procurement processes. It also emphasises how different departments might use public procurement to further their broader social and environmental aims. The Office of Government Procurement has shown its availability in supporting public authorities to implement frameworks that take into account pertinent social and environmental factors (Department of Public Expenditure and Reform, 2019^[64]).

Challenges

Several issues hamper access to markets (both private and public) for social enterprises, including the visibility of their products and services to buyers and to contractors. Particular attention is paid to procurement practices, especially in the public sector, as private actors' use of procurement to purchase goods and services from social enterprises is extremely limited, if not absent. The main public procurement activities are currently characterised by the inability of social enterprises, especially those that are small and medium-sized, to compete for large contracts.

Limited use of socially responsible public procurement (SRPP)

SRPP could be a way through which public buyers purchase wisely, while simultaneously achieve many objectives such as in employment opportunities, decent work, social inclusion and ethical trade, thereby achieving wider compliance with social standards. In Ireland, SRPP directives apply only to central government procurement, whereas at regional and local levels where a great deal of purchasing takes place, those directives do not apply. At the national level, the size of the contracts does not benefit social enterprises that tend to be small and thus unable to bid on or win contracts. The inclusion of Measure 30, which commits to expanding the use of SRPP contracts to incentivise the engagement of social enterprises and circular economy organisations within the latest rural development policy (Our Rural Future), is one of many promising steps taken to advance SRPP in Ireland. Scotland's Buy Social Initiative that encourages people and organisations to buy from social enterprises presents a good example to increase social procurement practices (see Box 5.2).

Grant-based financing process prevails

Going through a public procurement process requires social enterprises to have economic and financial standing, which some may be lacking. These may include a minimum yearly turnover or asset-to-liability ratio. In fact, the contracting authority must be reasonably convinced that a contractor will have the necessary economic and financial capacity to carry out any contract that may be awarded. Second, social enterprises must own both the professional and technical capacity to carry out the activities demanded of the awarded contract. All these requirements may discourage social enterprises from proceeding with public procurement and at the same time, make them dependent on a grant-based financing process. Therefore, acquiring financial means through procurement processes seem not to be a priority or an attractive alternative to the well-established philanthropic approach.

Lack of skills, knowledge and training in public procurement

Social enterprises must strengthen their management skills, including long-term business planning and the development of market-sector networks, to participate in tenders (Olmedo, Twuijver and O'Shaughnessy, 2019^[65]). Social enterprises are still sometimes reluctant to participate in tenders, fearing they might be at a disadvantage against large private for-profit companies that have more financial and human resources allowing them to compete. On the other hand, public procurement officers often lack the know-how on how to implement SRPP processes, as well as on how social enterprises operate. They may lack a beneficiary-focused perspective and focus simply on buying a service or product using a prescriptive tender, rather than concentrating on the social dimension of the public procurement process.

Box 5.2. Buy Social Scotland Initiative (UK)

Buy Social Scotland is a national initiative that encourages people and organisations to buy from social enterprises and make a difference with their purchasing power. The Scottish government co-produced with the social enterprise community Scotland's Social Enterprise Strategy (2016-2026), which aims at stimulating entrepreneurship, strengthening organisations and realising untapped market opportunities. These untapped opportunities relate to social procurement; that is, incorporating social enterprises into public sector procurement and corporate supply chains.

With the 2014 Procurement Reform Act, clear expectations for public sector procurement practices were advanced. Obliging relevant public authorities to consider how the procurement process can improve the economic, social and environmental well-being of the authority's area has had a positive knock-on effect. On the other hand, private sector businesses were incentivised to also take into account the economic, social and environmental impact at the local level in order to be more competitive when they bid for government contracts. In that respect, there has been growing interest from the corporate sector in working with social enterprises, who are often able to satisfy a number of the priorities set out in the Procurement Reform Act.

Source: (Buy Social Scotland, n.d.^[66]).

Recommendations

Differentiating contracts and reserving quotas for social enterprises

Opportunities to divide public contracts into smaller lots could be explored so that smaller-scale social enterprises can apply (Art. 46 of Directive 2014/24/EU). In addition, a specific percentage of public contracts could be reserved for social enterprises, especially when the required activities could be easily performed for maximising social impact. For instance, in Czechia, a three-year forestry management tender was published in 2016 by the Municipality of Havlíčkův, which divided the tender into five smaller lots, as not all activities could be carried out by social enterprises due the required heavy investments (i.e. machinery) (European Commission, 2019^[67]). Contract differentiations allowed smaller-scale social enterprises to be awarded with contracts that would have previously been given to bigger or more resource-powerful organisations. In addition, consortia of social enterprises could also be considered eligible to apply for larger contracts.

Similarly, signing social procurement arrangements with social enterprises could be an opportunity for local authorities to advance on societal objectives. An example comes from Australia where the Brisbane City Council has annual spending targets for social procurement. One arrangement as such enabled the City Council to work with a co-operative on parks maintenance, which in turn resulted in an increased employment of people with cognitive difficulties.

Improving social enterprises' know-how on tendering processes

Clear and concise guidance regarding competition policy would be beneficial in the context of public procurement. In this regard, even though the General Procurement Guidelines for Goods and Services has already been issued, clearer guidelines could be issued for social enterprises, thereby helping them fairly and transparently compete for and win public contracts. This knowledge could be shared

through a more comprehensive and permanent use of workshops and webinars on submitting tenders and competing for public contracts effectively, such as those organised in 2020 by the DRCD.

Increasing procurement officers' knowledge on social enterprise participation in procurement

Procurement officers need to be trained on social procurement, particularly the importance of the social dimension of public procurement. Irish public procurement practitioners may need to increase their knowledge on how social enterprises operate (including their specific mandate to achieve societal objectives, while observing constraints on profit distribution to shareholders) via permanent groups or thematic taskforces. Irish commissioners could benefit from training and capacity-building to develop their understanding of socially responsible procurement rules and laws, as well as their implications. This may be achieved through the provision of procurement portals or knowledge centres, guides, case studies and other training materials.

An ongoing dialogue between the government and social enterprises could also help find solutions to overcome these barriers. The common lowest price criteria could be progressively adapted in favour of the inclusion of social dimensions into public procurement processes. Lastly, intermediaries in the form of organisations or digital systems could be supported to mediate government-vendor relationships.

6 Social impact measurement and data availability on social enterprises

Social impact measurement helps to understand the scale, impact and progress of social entrepreneurship. However, challenges remain when it comes to establishing reliable metrics for social enterprise activity, including that in Ireland. There is consensus among social economy entities, including social enterprises, around the need to improve local capacity in social impact measurement, which is also reflected in government priorities. Going forward, designing an effective and rigorous approach to data collection will be a prerequisite for longer-term policy action in the social enterprise arena, as stated in the National Social Enterprise Policy (Department of Rural and Community Development, 2019^[26]). The 2023 Baseline Data Collection Exercise is an important step taken to this end.

Strengths

Policy momentum to increase uptake of social impact measurement for social enterprises

Measuring the social and economic impact of social enterprises is listed under the “Achieving Better Policy Alignment” objective of the National Social Enterprise Policy. This was complemented by another measure to improve data collection to better understand the extent of social entrepreneurship in the country. Improving data availability on social enterprises and increasing the uptake of social impact measurement was also highlighted in the 2019 Pobal submission, which clearly underlined the importance of building a strong evidence base on social enterprises to assess the scale of social enterprise activity in Ireland. The Pobal submission called for a definition of the social impact, as well as standards to assess it at the policy level. These efforts are recommended to be followed by a clear methodology and concrete indicators for data collection, as well as mechanisms for analysing information to guide public policy (Pobal, 2019^[68]). The Social Impact Assessment (SIA) Framework published by the Department of Public Expenditure and Reform in 2016 is a promising step in evaluating the impact of budgetary decisions. The SICAP, which is managed by Pobal on behalf of the DRCD to reduce poverty and promote social inclusion and equality, also records programme data on the Integrated Reporting and Information System (IRIS). A regional exercise to collect information on social enterprises was launched by the Western Development Commission (WDC) Region (see Box 6.1).

Box 6.1. Mapping Social Enterprises in the WDC Region

In 2022, the WDC launched a survey to better capture the size and scale of the social enterprise sector in the WDC Region (Clare, Donegal, Galway, Leitrim, Mayo, Roscommon and Sligo) and to create a directory of social enterprises in the region. The purpose of collecting information and data is to establish a WDC social enterprise database and to inform government policy for further development of the sector.

Social enterprises that agree to being included in this database need to confirm that they are categorised as such in accordance with the definition of the 2019-2022 National Policy for Social Enterprise. To date, 288 social enterprises have been identified by the WDC. One of the survey's objectives is to help deliver financial support to social enterprises. Community/social enterprise lending amounts can be a minimum of EUR 25 000 and a maximum amount of EUR 200 000 over a maximum of 10 years. Social enterprises deemed strategic to the WDC Region can benefit from a maximum loan amount of EUR 1 million over 20 years. For a project to be deemed strategic, its impact should be region-wide, sub-region-wide (minimum three counties) or sector-wide, alongside supporting over 100 jobs.

Source: (Western Development Commission Region, n.d.^[69]).

There are examples of local ownership to drive social impact measurement. The Dublin City Council and Dublin City Social Enterprise Committee hosted an online workshop on 10 March 2022 titled “Social Enterprise Impact and Measurement” during the Local Enterprise Week 2022. The event brought together social enterprises, support organisations and other stakeholders to discuss how social enterprises can better measure and communicate their impact.²¹

Efforts by social economy actors to advance social impact measurement

Ireland has witnessed some promising efforts to advance a culture of social impact measurement among social enterprises. In 2017, the Social Enterprise Toolkit was developed by the Irish Social Enterprise Network (ISEN) with the support of Community Finance Ireland, Dublin South City Partnership and the Dublin City Council (Irish Social Enterprise Network, 2017^[70]).²² This Toolkit includes a chapter on “Social Impact,” which clarifies key concepts of this area. Quality Matters works with organisations across Ireland to improve social service provision.²³ They offer a certificate in “Non-Profit Leadership and Management” in collaboration with the National College of Ireland, which covers impact and outcome management.²⁴ Other initiatives refer to social investment with impact reporting as a prerequisite for any such funding programme. Clann Credo partnered with the Irish Social Finance Centre and Longford EDI in 2012 to establish Social Enterprise Longford to support the development of social enterprise culture in the country. The pilot initiative included seven phases, including delivering a public seminar on measuring social impact (Clann Credo, 2012^[71]).

Challenges

Limited data provision on social enterprises

An important bottleneck is the limited and/or outdated data availability, which was recently addressed by the 2023 baseline data collection exercise published by the DRCD. Prior to this exercise, data on social enterprises in Ireland were mostly retrieved from small-scale studies or surveys usually commissioned by the government in addition to data collection efforts by social enterprise networks

(i.e. Clarke and Eustace, 2009 and Clann Credo, 2011). The recent baseline data collection exercise commissioned by the DRCD was published in 2023. Table 6.1 provides the main highlights from this exercise.

Table 6.1. Data on social enterprises in Ireland

Social Enterprises in Ireland		
Number of social enterprises	4 335	
Number of people employed	84 382	
Percentage of people employed in total workforce	3.7%	
Total income	EUR 2.34 billion	
Percentage of total income as part of GDP	0.63%	
Number of active volunteers excluding Board Members	44 501	
Number of board members	30 324	
Total volunteers	74 825	
Age of workforce	30 years old or less: 23.1% 31-50 years old: 48.6% Over 50 years old: 28.3%	
Share of women in the workforce	69%	
	<i>Urban areas</i>	<i>Rural areas</i>
Breakdown of location	57%	43%
	<i>Microenterprises</i>	<i>Small enterprises</i>
Breakdown of entities according to size	57%	35%

Source: Retrieved from (Amárach Research/SERI/ILDN, 2023_[30])

Irish social enterprises are active in various sectors of activity. Similar to social enterprises in other OECD countries, childcare; community infrastructure and local development; health, youth services and social care and heritage, festivals, arts and creative industry account for 67.4% of the social enterprise sector. Other areas of activity include sport and leisure; training and work integration; consultancy and support services; housing; food, catering and hospitality; environmental services; retailing; transport; financial services; manufacturing and others. 76.7% of social enterprises operate in more than one sector of activity (Amárach Research/SERI/ILDN, 2023_[30]).

Although the National Social Enterprise Policy specifically includes a policy measure to improve data collection on social enterprise activity, there is yet no systematic effort to establish a national database. The recent data collection report is an important step in turning this data collection practice into a regular exercise (see Box 6.2 for an example). It is important to keep these exercises on a regular basis so that i) the development of the social enterprise ecosystem can be observed over time and ii) improvements in policy are evidence-based. A comprehensive source of information on the number, legal forms, sectors of activity, employment and sources of income would provide invaluable insights into the state of play for social enterprises.

Box 6.2. Scotland's Social Enterprise Census (UK)

The social enterprise space in Scotland has largely benefited from high levels of political and financial support from the government over the past decade. Recognising that social enterprises are a significant part of the Scottish economy, the government biannually publishes a report on the social enterprise space. This report is fed by various sources of information, one of the most important being the Social Enterprise Census. With the published 2021 census based on a dataset of social enterprises and a large-scale survey, the Social Enterprise Census provides a comprehensive account of social enterprise activity in Scotland. The census receives financial support from the Scottish Government as part of its ten-year commitment to track and promote the development of the social enterprise sector and is led by Community Enterprise in Scotland (CEIS). The census focuses on the main characteristics of social enterprise activity in Scotland, including their scale, contribution, prospects and needs. The surveys have so far been published for 2015, 2017, 2019 and 2021.

Source: (CEIS; Scottish Government; Social Value Lab, 2019^[72]; OSCR, 2021^[73])

Note: Full information on the Census can be found on <https://socialenterprisecensus.org.uk/>.

Lack of in-house capacity and resources for social impact measurement

Social impact measurement is still considered a “luxury” for most social enterprises. This is largely due to the lack of in-house capacity among social enterprises to carry out social impact measurement, with a few early attempts commissioned to external consultants. Recently, more universities are devoting curricula on social impact measurement concepts (e.g. National College of Ireland and Trinity College Dublin’s Business School). Atlantic Social Lab, which is an EU project that develops and promotes social innovation, also held a “Measuring Social Impact Workshop for Social Enterprises” in Cork in 2019 to explore key measurement concepts, which reached 20 social enterprises.²⁵ Despite these efforts, social impact measurement remains an important challenge.

OECD work highlights the need for systems of social impact and performance measurement as a significant constraint for social enterprise development in Ireland (OECD, 2023^[74]). As such, an important challenge can emerge when social impact measurement is imposed through a top-down approach without support mechanisms in place.

Recommendations

Co-create a framework with local stakeholders to measure and report on social impact

Such a framework could guide social enterprises on how to approach impact measurement and report their progress. For example, The Wheel, a national support and representative body for community, voluntary and charity organisations across Ireland, produced a resource guide for measuring outcomes and impact for community and voluntary organisations in 2012 (The Wheel, 2022^[75]). Efforts could build on this existing work and also other international experiences such as the Common Approach in Canada, Maximise Your Impact in the UK and the European Venture Philanthropy Association’s Practical Guide for Measuring and Managing Impact (OECD, 2023^[74]), which all provide specific guidance on measuring social impact.

Support the development of a national database on social enterprises

Evidence on social enterprises can help public policy to effectively support social enterprises in areas they need most. A formalised and systematic repository of quantitative and qualitative information

on social enterprises, which would be updated regularly and open to all stakeholders, would significantly help create an evidence base on the social and environmental progress that social enterprises contribute. The recent data collection exercise's findings provide a significant baseline to transform this data collection initiative into a regular exercise.

Entice social enterprises to measure their impact

Accessible capacity-building services, designed specifically for social impact measurement, can be very helpful for social enterprises. Such services may be provided by local entities such as Local Development Offices, as 75% of social enterprises have a local focus with this share increasing to 84% in rural areas (Amárach Research/SERI/ILDN, 2023^[30]). As social enterprises often lack the financial resources for additional activities, such capacity-building seminars are most useful when provided freely through local or public entities.

Earmark financial resources for social impact measurement

Public procurement can provide an important avenue to increase uptake of impact measurement among social enterprises. Measures for facilitating access to markets and earmarked budgets could be used to allocate specific funds for social enterprises to honour their reporting requirements as part of contracts (OECD, 2023^[74]). This needs to be implemented through not only public contracts, but also any government funding programme that would require an outcomes and impact reporting by social enterprises, which could be coupled with budget allocations to help social enterprises undertake social impact and performance measurement.

7 Skills and business development for social enterprises

The 2019-2022 National Social Enterprise Policy highlights social enterprises' needs in areas such as business planning, mentoring, capacity building, impact measurement, digital innovation and access to business incubation. Several factors play a crucial role in ensuring social enterprise growth and sustainability over time.²⁶ Among these, the availability of organisational capabilities and skills is fundamental, as they are embedded in non-transferable assets that can enhance the effectiveness and efficiency of other resources such as marketing capabilities, planning skills, leadership, managerial competency, entrepreneurial traits, quality, etc. (European Commission, 2020_[21]).

In Ireland, several support measures for social enterprises are available. They are usually offered by support networks, incubators and other ecosystem enablers. Most of these supporting networks work at local and national levels, but there are also some international organisations active in the field (Box 7.1). Despite the diversity of available business support initiatives, social enterprises still need to develop specific skills, especially around business development, to achieve viability and sustainability.

Strengths

One of the social enterprise ecosystem's strengths is its diverse offering of training and capacity-building programmes at the tertiary and vocational education and training (VET) level provided by both public and private institutions. Some of these support services are backed by public funding or embedded within a national public policy initiative such as the ILDN. Sometimes, they exclusively focus on social enterprises, but can also serve all businesses, regardless of their social mission. In other cases, capacity-building and training opportunities are offered by “ecosystem builders,” which are usually not-for-profit or hybrid organisations with the mission of enabling the business environment for social enterprises to flourish such as through SEI or higher education institutions.

Network organisations and national and local agencies

Important network organisations such as the ILDN support the business development of social enterprises. For example, the ILDN—a representative network of 49 LDCs—and SEI provide networking opportunities for social entrepreneurs. LDCs are multi-sectoral partnerships that deliver community and rural development, labour market activation, social inclusion, climate action and social enterprise services and are also known as Area Partnerships. They provide advice and support to advance the social enterprise sector in Ireland.²⁷ LDCs have been providing support, advice, and training to different players, including social enterprises, companies and civil society organisations (CSOs) in local areas since their inception in 1991.

Some LEOs include social enterprises among entities entitled to join their regular training courses, such as the Dublin City LEO. Social enterprises are also eligible for the regular LEO courses and workshops on areas such as starting a business, tax and marketing. The Dublin LEO also offered in the

past specific courses for social enterprises, as well as the option to book mentoring sessions. The Dublin LEO also supported the establishment of the Dublin City Social Enterprise Awards scheme, which aims to provide grants to kickstart the creation of social enterprises in Dublin City (see Box 3.1).

SEI, a privately funded not-for-profit organisation, is in charge of identifying and assisting social entrepreneurs, who have solutions to social issues, at every stage of their development. Their programmes are rooted across three strategic pillars: motivating and incubating ideas in early-stage setup; accelerating and developing organisations and ensuring that good solutions can expand and impact at scale.

Box 7.1. International support for social enterprises in Ireland: Enactus and Access Europe

Enactus

Enactus is a global network of change-makers seeking to empower third-level students to become socially conscious leaders through social entrepreneurship. This programme is based on a set of key competencies and skills tailored to social enterprise needs (including creativity, leadership, problem-solving, resilience and adopting a learning mindset).

Access Europe

Access Europe is a support and capacity-building programme for Irish CSOs, including social enterprises. The overall goal is to help beneficiary organisations to get better access to EU funds and engage in EU policy. This programme offers one-on-one advice, training, information and networking opportunities to social enterprises around all aspects of EU funding. Notably, Access Europe is a programme led by The Wheel, a national association of community and voluntary organisations, as well as social enterprises, that provide critical support to the social economy.

Source <https://www.enactus.ie/>; <https://www.accesseurope.ie/>.

Other ecosystem enablers such as higher education institutions

Growing interest in social enterprises is in part also due to that from the academia and the research community (Olmedo et al., 2021^[76]). Higher education institutions and universities promote skills transfer and expansion of the knowledge base on social entrepreneurship. Some examples include the Diploma in Social Integration and Enterprise for the Community Development Worker, Master's in Community and Voluntary Sector Management, Bachelor of Science in Rural Development by Distance Learning and Master of Science in Co-operative and Social Enterprise at University College Cork. Similarly, other universities also offer courses focused on social entrepreneurship, notably Dublin City University Business School and the Ryan Academy. Finally, other (non-university) support organisations/networks, such as the PAUL Partnership Limerick or SEI, also offer training, mentoring and support programmes, with the aim of promoting leadership and transferring business management and development skills for social enterprises.

Similarly, the number of support and advocacy organisations promoting social enterprises, both locally and nationally, is increasing. For example, the ISEN and Social Enterprise Republic of Ireland (SERI) are national bodies specialised in providing support for social enterprise growth. Other organisations that work towards increasing capacity for social enterprises and other social economy actors include the Irish Co-operative Organisation Society (ICOS) and Community Work Ireland (CWI). At the regional or local level, organisations such as Waterford Social Enterprise Network, a peer-to-peer

networking organisation for Waterford social enterprises and entrepreneurs, are active in supporting the business development of social enterprises.

Challenges

Despite the diversity of available business support initiatives, social enterprises still face multi-dimensional challenges, the most relevant of which relate to organisational capacity and commercial orientation.

Barriers to financial sustainability

Stakeholder consultations highlighted that for social enterprises to be sustainable, financial viability and focus on social objectives are critical. There is consensus on the instrumental role of surplus/profit, or breakeven at a minimum, for social enterprises' sustainability. Social enterprises need to raise their own capital and resources and to derive surplus from trading goods and services in order to reinvest into their activities. In doing so, they need to overcome barriers such as unskilled staff, challenges in management and over-reliance on statutory funding from government sources.

Fragmented capacity-building programmes

Available courses/programmes and training opportunities are quite fragmented. Irish social enterprises benefit from mentoring and business support, networking and signposting to calls for funding, provided by different institutions through training courses and programmes. While the offering of capacity-building programmes is diverse, it is also characterised by fragmentation.²⁸ Efforts and networks as well as intermediary organisations play a significant role; however, capacity-building programmes lack coherence and integration (European Commission, 2020^[77]). Additionally, seeking the best training courses/programmes can be time-consuming and costly and may not even achieve intended results.

Shortages in training in most-needed skills for social enterprises

The main shortages in training relate to general entrepreneurial skills, scaling up, strategic business planning and risk and finance management. These skills are necessary for social enterprises seeking to expand their activity and develop products or services, which can help to bring long-term profitability. Training offers are also needed to improve corporate governance, allocation of resources and human resources. Conventional programmes available to SMEs such as by Skillnet Ireland could be of relevance for social enterprises as well. The Foróige NFTE Youth Entrepreneurship Programme in Ireland could be an important initiative to fill this gap especially for young people seeking to engage in social enterprises, particularly in disadvantaged communities (Foróige, n.d.^[78]).

Recommendations

Learn from best practices and improve knowledge-sharing opportunities

The role of networking and learning by peers is often found to be more prominent among social enterprises compared to conventional enterprises. Social enterprises are well-positioned to learn from others to improve their business, leadership and management skills, as well as harnessing community, stakeholder and volunteer involvement. This can be achieved, for instance, by encouraging successful social enterprises to promote and replicate existing business models, including those offered through community development organisations, leaders, partnership companies and social enterprise networks.

Several examples can be inspiring in this context such as the Social Innovation Tournament supported by the European Investment Bank Institute. The tournament rewards initiatives that contribute to creating social, ethical and/or environmental impact. Typically, it covers projects in the areas of education, healthcare, the environment, circular economy, climate change, sustainable cities, blue and green economy, inclusion, job creation, ageing, etc. Winning projects are awarded a first or second prize of EUR 100 000 and EUR 40 000, respectively. For example, in 2023, prizes will go to projects focusing on sustainable cities and communities.

Leverage social enterprises' potential and strengths through targeted support mechanisms

Consultations with stakeholders highlight the need to join forces through a single point of reference to oversee support activities. While national support organisations help social enterprises through different programmes, such networks in Ireland tend to work in isolation and sometimes in competition even to the detriment of each other's activities. Joining forces through a single point of reference representing the sector could be an option to achieve better resource management and higher impact. There are international examples where such organisations come together under a consolidated structure to work with authorities while representing the sector (e.g. *the Spanish Social Economy Employers' Confederation* (CEPES)). Spain also has annual subsidy plans that cover promotional, training and research activities carried out by associations representing the social economy, as well as some operating expenses directly linked to the activities of representative associations and other bodies of the social economy.

Existing entrepreneurship support initiatives, not exclusively tailored to social enterprises, could also contribute to their development. For example, the inclusion of a social enterprise component, as part of the broader High Potential Start-ups (HPSUs) and other similar programmes, could be considered to capitalise on existing resources.

Finally, increasing capacity can allow social enterprises not only to fairly compete with private entities, but also to flourish as an agent for change in business. There are several actions that could be taken in this direction. Such actions include i) mapping skills needs for social entrepreneurs and social enterprises; ii) adopting a social entrepreneurship component in mainstream entrepreneurship education programmes and iii) creating incubators and accelerators for capacity-building and business development.

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[69]

Annex A. Public stakeholders involved in social enterprise development in Ireland

Scope	Institution	Strategy/Action Plan/Measure	Competences
National	Department of Rural and Community Development	2019-2022 National Policy for Social Enterprises	In charge since 2017 of policy design and implementation and a full range of supports for social enterprises.
	Department of Enterprise, Trade and Employment through Local Enterprise Offices	Financial supports for establishment and/or growth of enterprises	All companies (limited company, individuals/sole trader, co-operatives, and partnerships) employing up to ten people. These include: feasibility/innovation grants, priming grants and business expansion grants.
	Department of Justice	<i>*Belonging to the Probation Service and the Irish Prison Service:</i> A New Way Forward: Social Enterprise Strategy 2017-2019 <i>*Developed with the Probation Service and the Irish Prison Service:</i> Working to Change: Social Enterprise and Employment Strategy 2021-2023	Support social enterprises to help people with prior criminal convictions reintegrate into the labour force.
	Pobal	Works on behalf of Government, in conjunction with communities and local agencies, to support social inclusion as well as local and community development.	Manages funding and provides support for 38 programmes.
	Department of Environment, Climate and Communications	The Climate Action Plan 2021 (Policy) and the Circular Economy Strategy	Support initiatives and activities that deliver practical and innovative solutions to address climate change at local level; e.g. community energy projects supported under first renewable electricity auction; waste Support social enterprises and voluntary and community-based organisations' circular economy projects
Regional	The Western Development Commission (WDC)	Plans to launch a strategy that sets out a number of actions to accelerate the growth of social enterprise across the region and our plans to create a Social Innovation Region.	Has a statutory remit under the WDC Act, 1998, to assist social enterprises in the Western regions
	Regional Authority in Gaeltacht (<i>Údarás na Gaeltachta</i>)	Social enterprise strategy for the Gaeltach	Supports social entrepreneurship as a tool to empower communities, provide additional services, create jobs and employment, and strengthen community development organisations
Local	Local Community Development Committees	Members of local authorities; Promote and support the economic development and the local and community development of the relevant local authority area	Develop Local Economic and Community Plans and supports to social enterprises through initiatives such as SICAP, and the Community Enhancement Programme
	Local Development Companies	Not-for-profit, volunteer-led organisations who provide a national service through locally-based services	Multi-sectoral partnerships across the country, delivering community and rural development, labour market activation, social inclusion, and social enterprise services

Source: Authors' elaboration based on (Department of Rural and Community Development, 2019^[79]); (Údarás na Gaeltachta, 2020^[80]), [POBAL](#).

Annex B. Legal forms available to social enterprises in Ireland

Legal form	Specificities	Scope	Funding/Financing	Implications as a social enterprise
Company Limited by Guarantee (CLG)	Does not have a share capital like most limited companies. Instead, each member guarantees contribute to the assets if the CLG is in difficulty, and are to be used towards the payment of debts and liabilities. Typically, this would be a nominal sum, such as EUR 1.	CLGs are governed by the Companies Act 2014 and have annual and on-going compliance obligations under that legislation. Among the requirements, CLGs must prepare and file an annual return and financial statements in the Companies Registration Office ("CRO").	May raise capital through loans or issue of debentures, notes or similar instruments. A CLG can also seek grants or donations from financiers or others.	The CLG should contain an "asset lock" provision which prohibits any property from being used for a purpose other than its main object, for instance, the payment of any dividends to its members.
Private Company Limited by Shares (LTD)	Can have trade activities and can make profit and distribute it to its shareholders	Has unlimited capacity to undertake business given lack of an objects clause in its constitution.	Can raise finance by offering equity in its capital in return for external investment, loans or other forms of debt. Generally, an LTD is not permitted to offer shares or debentures to the general public.	Unlikely to be the most appropriate vehicle for a social enterprise, given that the constitution does not restrict the LTD to pursuing social, societal or environmental purposes.
Designated Activity Company (DAC)	Contains an objects clause which outlines the permitted corporate activity of the DAC	Capacity to only do acts or activities set out in the memorandum of association in its constitution.	-	A social enterprise established as a DAC can stipulate its purpose within the objects clause which will bind it to that purpose.
Sole Trader	A single individual who sets up a business.	There are no registration requirements or formalities to set up a sole trader business save for the requirement to register the business name where that name is different from that of the sole trader. Therefore, this is the default structure for a person who starts a business on his or her own account without incorporating. Sole traders are not subject to on-going or annual administrative and compliance obligations related to this legal structure.	-	-

<p>Co-operative</p>	<p>A co-operative (also known as an industrial and provident society) is established by a group of people who unite to meet economic, social and cultural needs and aspirations through a jointly and democratically controlled enterprise. A co-operative must have at least seven members, who may be persons, companies and/or other societies</p> <p>Co-operatives are generally registered under the Industrial and Provident Societies Act 1893 (as amended) (the "1893 Act") and are registered on the Register of Friendly Societies, which is administered by the CRO, although some organisations with co-operative features incorporate as companies.</p>	<p>They tend to do business primarily with their own members to provide a product or service at a minimal cost. A co-operative may operate in any business, industry or trade authorised by its rules.</p>	<p>-</p>	<p>They are popular legal structures for a wide array of enterprises, including community energy activities.</p> <p>A modern legal framework for co-operatives is being prepared which will place the co-operative model on a more favourable and clear legal basis and encourage the consideration of this model as an attractive formation option for entrepreneurs and also for social and community activities.</p>
<p>Unincorporated Association</p>	<p>An unincorporated association is a collection of individuals who come together with a common purpose. It does not have a separate legal personality of its own and any property which it holds is legally held by its constituent members. The members of an unincorporated association do not benefit from limited liability and are liable for the debts of the Organisation.</p> <p>Unincorporated associations are not subject to the same administrative and compliance requirements as companies. They are under no obligation to file an annual return or accounts or to have their accounts audited.</p>	<p>-</p>	<p>-</p>	<p>-</p>
<p>Partnership</p>	<p>A partnership forms when two or more people carry on a business in common with a view of making profit and do not incorporate the business as a company or other body corporate.</p>	<p>Like sole traders, partnerships are not subject to on-going or annual administrative and compliance obligations related to this legal structure.</p>	<p>Typically, partners use their own finances to establish a social enterprise. Partners may also be able to secure finance by way of a loan secured over the assets of the business or over their personal assets or, in some circumstances, partners may receive unsecured loans.</p>	<p>-</p>
<p>Trust</p>	<p>A trust is an arrangement whereby property is held by a person or people (the trustees) on behalf of others (the beneficiaries) for a particular purpose.</p>	<p>A trust does not have a separate legal personality to its trustees and property. It is legally held by the trustees.</p>	<p>-</p>	<p>It is suitable for social enterprises as the trustees may not profit from the trust and have strict obligations towards the beneficiaries</p>

Source: (TrustLaw, 2020^[81])

Annex C. Fiscal benefits for social enterprises in Ireland

- Seed Capital Scheme:** entrepreneurs who start and work full-time in their own company can claim back income tax paid in the previous six years to invest equity into the company (subscribed as shares). The amount of relief is restricted to the amount of the investment. In November 2011, the former qualifying trade limitations were removed, leaving the scheme open to a much wider range of sectors. Forfás (2013) also reports that the ceiling on recoverable tax was also raised to the tax paid on EUR 100 000 in each of the six years. With the exception of tourism projects, there is no requirement for a company to have prior certification by any agency to confirm it is a qualifying new venture. The onus is on the promoter.
- Employment Investment Incentive (EII):** Available to unquoted micro, small and medium-sized trading companies, the EII is a tax relief incentive scheme. It provides for tax relief of up to 40% in respect of investments made in certain corporate trades. The scheme allows an individual investor to obtain income tax relief on investments for shares in certain companies up to a maximum of EUR 150 000 per annum in each tax year up to 2020. Initially relief is allowed on thirty fortieths [30/40] of the EII investment in the year the investment is made. Potentially, this can result in a tax saving for the investor of up to 30% of the investment. Relief in respect of the further ten fortieths [10/40] of the EII investment will be available in the fourth year after the EII scheme investment was made providing that certain conditions are met. The scheme has the potential to result in a further tax saving for the investor of up to 10% of the investment. The tax relief is provided to enable companies to raise finance for the purpose to expand, create and/or retain jobs. A number of conditions must be satisfied in order to be eligible for this tax relief. These include the investor, the company and its trade, how the company uses the money invested and the shares purchased. Forfás (2013) report that Business Expansion Scheme was considered an expensive source of finance, particularly for small projects and, therefore, believed to be of limited use for social enterprises
- The Start-up Refunds for Entrepreneurs (SURE):** This is a tax relief incentive scheme targeted at those interested in starting their own company, and applies to tax paid over the 6 years prior to year in which the investment is made.
- Tax Relief for Charitable Donations:** Section 848A Taxes Consolidation Act 1997 provides for a scheme of tax relief for certain "eligible charities" and other "approved bodies". An "eligible charity" means any charity that is authorised in writing by the Revenue Commissioners. The charity, in order to be authorised, must: be a body of persons or trust established for charitable purposes only; have been granted exemption from tax for the purposes of Section 207 for a period of not less than two years; apply its income for charitable purposes only. An "approved body" includes educational institutions or bodies including primary, second level or third level, if they meet certain conditions, a body approved for Education in the Arts by the Minister for Finance and a body for the promotion of the observance of the Universal Declaration of Human Rights or the implementation of the European Convention for the protection of Human Rights and Fundamental Freedoms, or both.

- **Tax Relief for Sporting Organisations** (including social enterprises): This exemption applies to an "approved body of persons" i.e. an organisation established for, and existing for, the sole purpose of promoting an athletic or amateur game or sport and whose income, as is shown to the satisfaction of the Revenue Commissioners, is income which has been or will be applied for the sole purpose of promoting that athletic or amateur game or sport. The body must be a not-for-profit, member controlled and owned organisation. It must be legally established and have its centre of management and control therein. The majority of its trustees/directors/officers, as appropriate, must be resident (Forfás, 2013^[33]).
- **Tax Relief for Donations to Sports Organisations** (including social enterprises): Section 847A of the Tax Consolidation Act 1997 provides for a scheme of tax relief for relevant donations to an approved sports body for the funding of approved projects. Relief applies to donations of a minimum of EUR 250 in a tax year or an accounting period where the donor is a company. No project can be approved which is estimated to cost in excess of EUR 40 million. This initiative benefits clubs and organisations acquiring land or a building, developing facilities, purchasing fixed, non-personal equipment for sports activities, or repaying a loan for these purposes, by providing an incentive to individuals or companies to make a donation towards the cost of the project. The initiative applies only to "a body established and existing for the sole purpose of promoting an athletic or amateur game or sport whose income is exempt from income/corporation tax".

Source: (European Commission, 2020^[21])

Annex D. Approaches to regulate social enterprises

APPROACH	ADVANTAGES	CHALLENGES
Approaches to regulate specifically social enterprises		
Introduction of specific legal frameworks by adjusting existing co-operative or company legislations	<ul style="list-style-type: none"> • Provide social enterprises with a strong identity that relies on specific ownership and control rules 	<ul style="list-style-type: none"> • Provide a less flexible approach • Does not enable to encompass pre-existing <i>de facto</i> social enterprises
Introduction of new legal statuses available for one or several legal forms	<ul style="list-style-type: none"> • Provide a flexible approach and enable entities to choose the most appropriate legal form under which it prefers to conduct its business • Provide a clear definition of social enterprises • Provide visibility and legal recognition to social enterprises 	<ul style="list-style-type: none"> • May contribute to fragmentation and inconsistency among <i>de jure</i> and <i>de facto</i> social enterprises • Does not recognise social enterprises as part of a wider field, next to other social economy organisations • May need to be supported with fiscal incentives to unleash full potential
Introduction of new legal statuses within a broader recognition of a larger field – the social economy, the third sector or the social and solidarity economy	<ul style="list-style-type: none"> • Recognize and regulate social enterprises while clearly integrating them in a wider set of organisations sharing common features and values – the social economy field 	<ul style="list-style-type: none"> • May require awareness-raising, education and information to ensure clarity among different notions, such as social economy and social enterprise
Legal forms and statuses used by <i>de facto</i> social enterprises		
Non-profit legal forms (e.g. foundations or associations)	<ul style="list-style-type: none"> • The primacy of the social purpose is preserved thanks to the non-profit nature of these entities 	<ul style="list-style-type: none"> • Legislation may prevent these entities from undertaking economic and market-based activities
Co-operative legal forms	<ul style="list-style-type: none"> • Provide a “natural dress” for social enterprises 	<ul style="list-style-type: none"> • Legislation may prevent co-operatives from benefiting the general interest and addressing the needs of non-members
Limited liability company	<ul style="list-style-type: none"> • Provide an efficient tool to undertake economic activities 	<ul style="list-style-type: none"> • May be perceived as having a weaker identity, possibly at risk unless limits and clear rules are adopted on ownership and control

Source: (OECD, 2022^[41])

Annex E. Defining social enterprises in legal frameworks: Examples

France: The status “solidarity enterprise of social utility”

The social and solidarity economy has traditionally referred to co-operatives, foundations, mutual societies, and associations. The implementation of the 2014 Law introduced significant changes in the field. The framework law adopted a broad approach and established the status of “solidarity enterprises of social utility” (*entreprise solidaire d'utilité sociale*) (ESUS). The 2014-856 Law on the Social and Solidarity Economy (article 11) and the Labour Code define the cumulative conditions that an entity must comply with to use the *ESUS* legal status and be recognised as *ESUS*. They include:

- The enterprise primarily pursues a social utility, as defined in the Law on the Social and Solidarity Economy. Entities are recognised as pursuing a social utility if their social purpose fulfils primarily at least one of the three following conditions: i) to support vulnerable groups through their activities; ii) to contribute to fight against sanitary, social, economic and cultural exclusion and inequalities, to citizenship education, to preservation and development of social and territorial cohesion; iii) to contribute to sustainable development in its economic, social, environmental and participatory dimensions, to energy transition or to international solidarity (2014 Law on Social and Solidarity Economy, (Art. 2).
- The charge entailed by the social utility purpose has a significant impact on the profit and loss account or on the financial profitability of the enterprise;
- The remuneration policy implies a moderate wage tension (which is explicitly defined in the Law);
- The capital shares, when existing, may not be negotiated on the French or a foreign financial market;
- Conditions 1) and 3) are explicitly mentioned in the act of incorporation.

The novelty of the *ESUS* status is that it is available to any entity (including commercial enterprises), regardless of their legal form, if certain conditions and SSE principles are fulfilled. Multiple benefits come with the approval of *ESUS* status. Entrepreneurs have become interested in this status which gives access to specific support and financial schemes (e.g., access to solidarity employee savings) and tax breaks. By the end of 2019, more than 1 700 companies received the *ESUS status* (Direction générale du Trésor, 2019^[82]).

Source: (European Commission, 2020^[83]); (Légifrance, 2020^[84])

Italy: Social enterprises

Italy's experience in recognising and institutionalising social enterprises dates back to the 1990s when Law 381/1991 acknowledged new and existing social co-operatives and supported their expansion throughout the country, being the first law to regulate a type of social enterprise in Italy. This precedent paved the way for other efforts to boost social enterprises, such as Law 118/2005 and Legislative Decree 155/2006. These laws established that all legal forms could receive the qualification of ‘social enterprise’ if they produce or trade goods and services of social utility or allocate profits and operating surpluses to carry out the enterprise's main activity or to increase its assets, among other criteria. The 2005/2006 regulation did not spur the creation of new social enterprises due to the lack of fiscal incentives, a total profit distribution constraint and asset lock, and the difficulty in raising funds for this kind of enterprise. An effort to overcome these barriers led to the Legislative Decree 112/2017. With this

new regulation, while profits and surpluses must be reinvested in the enterprise or its net worth, an amount could be allocated outside the entity. Additionally, profits that stayed within the business were excluded from the taxable income, providing a tax incentive to establish social enterprises. Lastly, two measures were adopted to improve the funding of social enterprises. The first was the creation of specific funds for the promotion and financing of social enterprises, and the second was the possibility for social enterprises to raise funds through crowdfunding. Italy's experience since the Law 381/1991 has inspired similar laws in countries such as France, Portugal, and the United States. The constant effort to improve the regulation reflects Italian authorities' recognition of the capacity of social enterprises to sustainably drive change through innovative solutions to the most pressing challenges of their population.

Source: (OECD, 2022^[41]); (The Philanthropist, 2018^[85]); (European Commission, 2020^[86])

Poland: Social Enterprises in the newly adopted Act on the Social Economy

The National Programme for Social Economy Development (KPRES) 2019-2023, introduced a set of criteria to help recognise social enterprises. They are identified as entities which conduct market activities, including both economic activity and paid mission-related activity aimed at the reintegration of socially excluded groups; which must be at least 30% of the workforce. Moreover, social enterprise status entails democratic governance, profit distribution constraints and salary caps. KPRES also helped to streamline policy making processes related to social enterprises by delineating responsibilities between the national and regional level, helping to facilitate stronger co-ordination. In this respect, policy makers can act to support social enterprises in a co-ordinated manner despite the absence of a single specific legal framework for social enterprises as a whole.

Source: (European Commission, 2020^[87]); (Republic of Poland, 2022^[88]); (Republic of Poland, 2022^[89])

UK: Community Interest Companies (CICs)

Social enterprises in the UK can choose from a variety of legal forms, such as Community Benefit Society, Community Co-operative Society or Company Limited by Guarantee (CLG). The term 'social enterprise' does not refer to a legal form but to a description of the purpose of such business. The government considers as a social enterprise any business whose objectives are primarily social and reinvests its surpluses in the organisation or the community to fulfil its social purpose. Recognising social enterprises in this way enables using various legal forms: limited company, charitable incorporated organisation (CIO), co-operative, industrial and provident society or community interest company (CIC). The Community Interest Company (CIC) was introduced as part of the 2004 Companies Act, following a range of consultations between the UK government and the social enterprise sector from 2002 to 2004. The CIC was established as a new type of limited company designed for activities focused on the benefit of the community rather than for the benefit of the company owners. It is flexible in terms of organisational structure (e.g. community co-operatives, single member companies) and governance arrangements (e.g. limited by guarantee, limited shares) while still providing limited liability. All CICs are required to deliver an annual report, made available for the public. These reporting and disclosure requirements help build perceptions of legitimacy of the CIC among the general public and potential investors.

The CIC form has been central to the development of the social enterprise sector in the UK, with just over 200 CICs registered in the first year (2005- 2006) and steadily growing to 18 904 CICs by 2019-2020. Moreover, the introduction of CICs offered an important precedent for other, subsequent, developments of social enterprise organisational forms elsewhere. For example, the Canadian province of British Columbia introduced Community Contribution Companies (C3s) through amendment of their Business Corporations Act in 2012. In June 2016, Nova Scotia (Canada) passed the Community Interest Companies Act allowing a business to be designated as a Community Interest Company.

Source: (Office of the Regulator of Community Interest Companies, 2016^[90]; Vincent, 2020^[91]; Office of the Regulator of Community Interest Companies, 2016^[92]; British Columbia Centre for Social Enterprise, 2014^[93]; Canadian CED Network, 2016^[94])

Endnotes

¹ Machinery and transport equipment, chemicals and related products and miscellaneous manufactured articles constitute the highest share of value of exports followed by food and live animals.

² "Seeking to maximise the potential of demographic groups that have untapped entrepreneurial potential requires a focused response, informed by the range of entrepreneurial models, such as social enterprise."

³ "The Government will promote the development of a vibrant and effective social enterprise sector and instruct agencies to view social enterprises as important stakeholders in rejuvenating local economies".

⁴ For more information, see the [OECD Recommendation of the Council on the Social and Solidarity Economy and Social Innovation](#).

⁵ For more information, see [here](#).

⁶ The Conference is held on International Social Enterprise Day on the 3rd Thursday of November each year.

⁷ Following the adoption of the [OECD Recommendation of the Council on the Social and Solidarity Economy and Social Innovation](#), an informal expert group has been established to support the dissemination and implementation of the Recommendation. The overall objective of the informal expert group is to provide a stable and inclusive network for expert debates on the social economy and to create a community of practice.

⁸ The 2022-203 White Paper on Enterprise outlines Ireland's vision to enterprise development using levers such as sustainability, innovation and productivity.

⁹ The web page can be reached [here](#).

¹⁰ Preliminary information on the new funding scheme functioning, its prioritisation criteria and sub-dimensions are available in presentation deck of the event held on July 28th 2022, which can be retrieved [here](#).

¹¹ While stream 1 provides funding for medium scale capital projects up to a maximum of EUR 100 000, stream 2 provides funding for feasibility studies for projects led by social enterprises (grants of up to 80% of the total cost of the study, with a maximum of EUR 10 000). Overall, and since 2017, funding has been provided to approximately 1 500 organisations.

¹² As better shown in Box 4.1, Rethink Ireland works through a series of differentiated and dedicated funds.

¹³ Inner City Enterprise is a not-for-profit charity established in 1992 to support unemployed people, young people and social enterprises to start and develop successful enterprises. It operated successfully until 2006 supporting the set up over 2 500 businesses. During the Celtic tiger years, i.e. the period between 1995 and 2007, in which Ireland's economy was growing rapidly, Inner City Enterprise shut down its service. However, following the recession after the 2008 financial downturn, Inner City Enterprise was relaunched in 2012. More information can be retrieved [here](#).

¹⁴ For loans with a term of five years or more, the current typical interest rate is 4.95% per year variable. For shorter-term loans, the current typical interest rate is 6% per year fixed.

¹⁵ First Step provides microfinance to individuals who are unable to obtain funding through traditional financial channels in order to start their own businesses. Since its inception in 1991, First Step, whose mission is the "creation of enterprise through self-employment", has provided more than 1 400 non-secured

loans worth more than EUR 7 million for businesses ranging from aromatherapy to wine importation to the manufacturing of refuse sacks.

¹⁶ LEDP's mission is to connect people to opportunities through enterprise, education and upskilling, benevolence, and advocacy. Additional information available [here](#).

¹⁷ The measures on public procurement in the National Policy include:

- i) Support capacity-building for social enterprises in relation to procurement processes through workshops and training;
- ii) Work with stakeholders to identify how to improve opportunities for social enterprises in the business-to-business supply-chain and in public procurement;
- iii) The Social Considerations Advisory Group helps policy makers to better understand how procurement can be used to facilitate the advancement of social policy objectives within appropriate and structured public procurement guidelines.

¹⁸ Available [here](#).

¹⁹ See [here](#).

²⁰ See [here](#).

²¹ See [here](#).

²² See [here](#).

²³ See [here](#).

²⁴ See [here](#).

²⁵ See [here](#).

²⁶ See (Borgaza & Defourny, 2001; Doherty et al., 2014; Jenner, 2016; Mair et al., 2012; Seelos et al., 2011; Sharir et al., 2009).

²⁷ LDCs are nonprofit organisations run by volunteers that offer a national service through locally based services. Their philosophy is bottom-up and takes an all-encompassing view of the person and the community. Since their services are integrated, one can access employment assistance, business grants, social inclusion, training, well-being assistance, and environmental assistance all under one roof. At the moment, LDCs run approximately 180 programs.

²⁸ Another set of components includes the level of the programmes (Bachelor, Master, VET, LLP), their duration (from short programmes of about 2.5 hours, to training modules of less than six months or more structured academic courses that could last more than one year), and the certification they award (as part of the course, program, summer school, etc.).

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