

SOCIAL SEEDS

Interreg Europe



Methodology and Good practices on quintuple helix cooperations

Making better use of social entrepreneurship collaborations in policy improvements



European Union
European Regional
Development Fund

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Foreword

Recent years have seen a burgeoning interest in social enterprises (SEs) across Europe, strongly driven by a growing recognition of the role social enterprises can play in tackling emerging challenges. Particularly in the current period of economic and social recovery, social enterprises are able to bring innovative solutions for social cohesion and inclusion, job creation, growth and the promotion of active citizenship.

Social enterprises contribute to smart growth by responding with social innovation to needs that have not yet been met. For instance, many social enterprises take it for granted to encourage workers to learn and update their skills. They also create sustainable growth by taking into account their environmental impact and by their long-term vision. For example, social enterprises often develop efficient ways to reduce emissions and waste or use natural resources. In addition, social enterprises are at the heart of inclusive growth due to their emphasis on people and social cohesion: they create sustainable jobs for women, young people and the elderly. It is precisely the positive impact of social enterprises on society, the environment and communities which can contribute to implementing the Europe 2020 Strategy and the aim of the Single Market Act for a 'highly competitive social market economy'.

Yet, despite interest in and the emergence of examples of inspirational and 'disruptive' social enterprises, relatively little is known about the scale as well as the ecosystems of the emerging social enterprise 'sector' of Europe as a whole. Good practices across Europe show that social enterprises are effective & efficient policy tools at policymakers' hands to reduce territorial disparities, bridge the public private sphere and to boost economic growth, employability of vulnerable social groups by improving the performance of regional development policies and programmes.

Despite most social enterprises lack adequate resources (access to finance, markets, skilled workforce, supportive policy measures, entrepreneurial skillsets), yet, only eight countries (Bulgaria, Greece, France, Italy, Luxembourg, Slovenia, Sweden, and United Kingdom) have a policy framework in place to encourage the development of such enterprises via legal, administrative and financial instruments. Motivated by the above fact, SOCIAL SEEDS seeks policy alternatives to improve social entrepreneurship and social innovation landscape in Europe.

We believe that social entrepreneurial skills gaps show an opportunity to SOCIAL SEEDS policymakers to better "blend" the regional and national public and private funding sources based on actual social entrepreneurial needs. This report prepares ground and identifies the most important strategies that aim to support social enterprises and social innovations across Europe – a good starting point for integrating the most pressing bottlenecks into policy improvements.

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Rationale – Challenges to the evolution of social enterprises in Europe

Social enterprises (SEs) have been growing in number and importance to the economy; their objectives and ways of operating offer a good fit with the ethos of the Big Society – providing they can survive and flourish. The recent study has been designed to provide policymakers with a comprehensive picture and portfolio of available social enterprise development opportunities with the potential to boost the regional and national policy framework and business support structures available to overcome those challenges.

Findings are based on an extensive literature review, a telephone survey of 50 social enterprises active in SOCIAL SEEDS partner countries, followed by intensive longitudinal research with 50 social entrepreneurs over twelve months, exploring business experiences and support needs across that period. In order to stimulate this innovation, this report suggests a number of approaches which policy makers can take, drawing on examples taken from SOCIAL SEEDS policymakers.

In a nutshell, SOCIAL SEEDS partners have identified four main skill gaps affecting social enterprises in Europe, namely the a) Geographic and Cultural Gap, b) Age and Experience Gap, c) Expectations and Communications Gap and last but not least the d) Funding and Risk Gap:

- **Geographic and Cultural Gap:** Social entrepreneurship, like all early stage investment activity, has to be fundamentally home-grown. There is a risk that the social enterprises are short of skills and competences need to get access to new markets, customers and finance = “Access to market”, “Access to finance”.
- **Age and Experience Gap:** Social enterprises seem to be populated with young people, for whom innovation and disruption seems more natural. It’s also the demographic with the biggest reserves of idealism, fearlessness and energy—a combination which, if channelled properly, produces passion. But youth lack experience: their passion can lead them to misread market needs, underestimate the challenge of taking good products to market, and expect and drive change in too many ways. Running social enterprises has all the challenges of running purely commercial enterprises, plus the added complexity of operating a second bottom line—especially when that second bottom line is not articulated around a set of observable metrics = .
- **Expectations and Communications Gap:** Movements require a narrative that speaks to a higher purpose, and that is often built out of over-simplified stories. That helps the cause, but there is the risk that the narrative becomes dissociated with reality on the ground. The current batch of social entrepreneur "early adopters" tend to be an optimistic, self-confident and driven lot, and they can easily create over-hype.
- **Funding and Risk Gap:** Social capital is most critical to help prove not so much that an idea is socially worthwhile, but that it is sustainable and/or scalable. Developing an idea is fairly cheap, and one is generally able to tap the goodwill of family (e.g. bootstrapping), friends and socially-minded angels to build some kind of working prototype and do very early market testing of the idea. And once the operational model is proven, normal commercial funding sources become available.

Good practice collection in SOCIAL SEEDS

Within SOCIAL SEEDS, a total of 24 good practices have been identified with the aim of providing a portfolio of proven solutions on social enterprise acceleration practices. Good practices have been identified and collected from all SOCIAL SEEDS partner countries, namely from Hungary, the Czech Republic, Italy, Slovenia, Poland, Belgium and Estonia. Based on primary data collection and in-depth interviews with stakeholders conducted in the frame of Regional Stakeholder meetings, seminars and study-visits, the following main policy gaps have been identified (Synthesis report on social enterprise ecosystems):

- ❖ Well-functioning ecosystem (e.g. legal and regulatory framework),
- ❖ Policy niches in vertical and horizontal policies
 - Access to market
 - Access to finance
 - Business support structures
 - Training and research
 - Visibility
- ❖ Policy measures facilitating social entrepreneurship.

Policy niches in vertical and horizontal policies

a. Access to finance

According to EVPA, the social investment “sector continues to grow but average yearly amounts invested remain stable. Over €6.5 billion was invested by the respondents since they started their VP/SI activities (a 30% increase compared to FY 2013). The surveyed organisations allocated an average of €7.8 million through the VP/SI approach.” (Giananconelli, 2016, p1)

The figure below illustrates that there are considerable inequalities in the regional investment trends. As European Venture Investment Philantropists tend to invest in Western Europe (a whopping 67% of total investments is made here), and also different continents (6-14%), the Eastern Europe region is found lacking in the field of structured, business based investments for social enterprises.

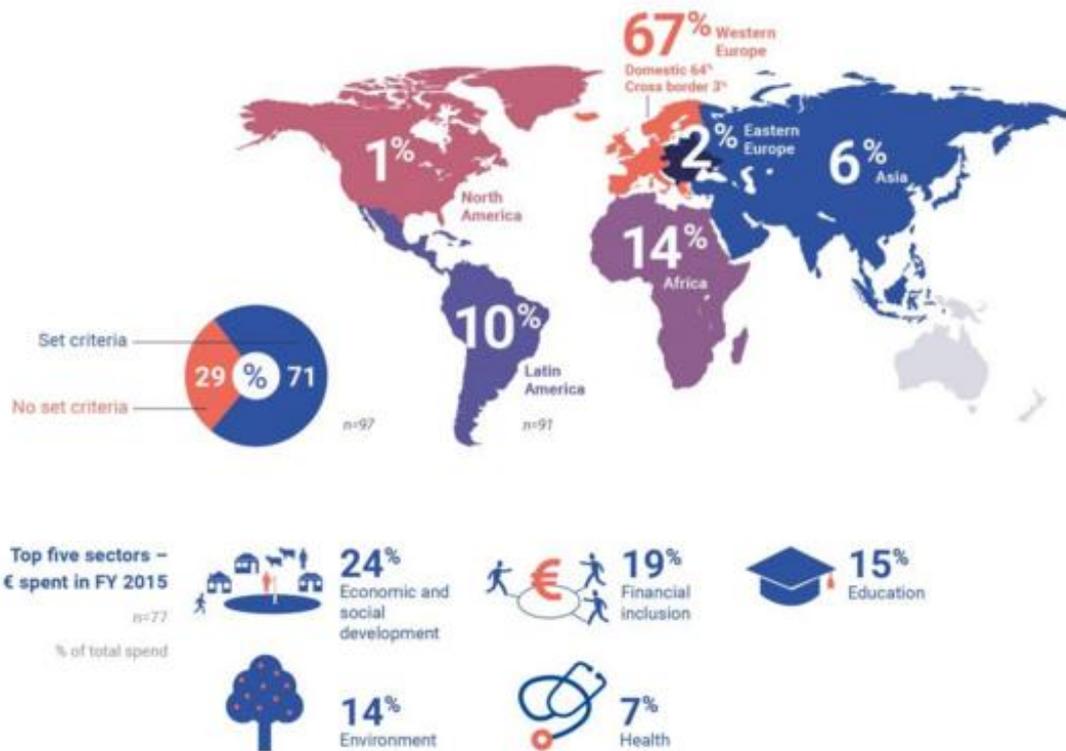


Fig.1 EVPA investment destinations and top five sectors spent on in 2016 Source: EVPA

This creates a large gap between the two parts of Europe, and means while social enterprises in Western Europe have a large number of structured investments available, their neighbours are reliant solely on the market or government (most specifically EU grants). Analysis of regional social enterprise inventories also suggest that “access to finance” is one of the key challenges for social enterprises in SOCIAL SEEDS countries:

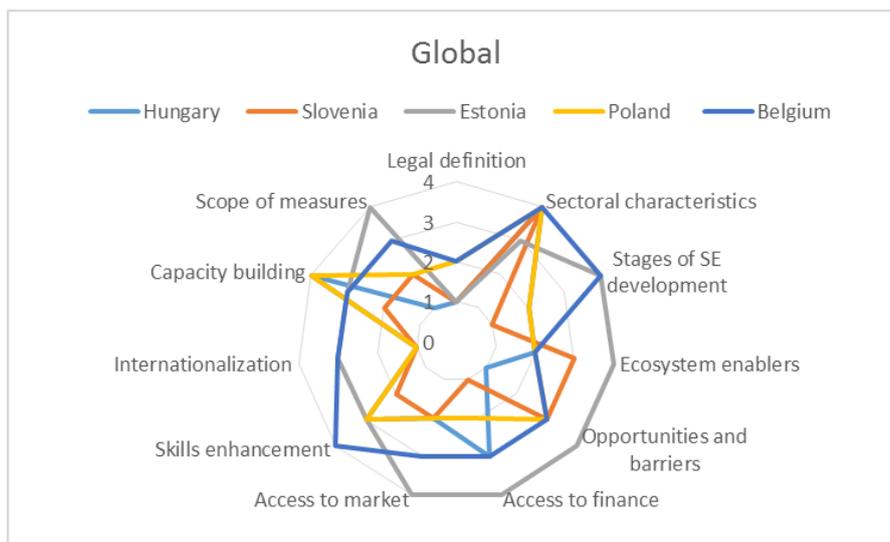


Fig.2 Social Enterprise economic climate in the target region: Source: Social Seeds

Figure 2 shows that three out of the five countries (Hungary, Slovenia and Poland) are under the silver lining in the field of access to finance and access to market, while Belgium and Estonia have reached substantially higher results.

On the other hand, if access to finance is not a hindrance, there are structural disparities between the financial needs of social enterprises and the objectives of national / regional social enterprise development policies offered by the states. Detailed later in the good practice section, a reader might often come across that social enterprises and Social Purpose Organizations have specific needs of funding mostly triggered by the unique circumstances of their operation (e.g. employing vulnerable and marginalized groups, working towards solving grand societal challenges), while government supported funds offer more of a classic approach such as:

- Project “Lavka” did not need support for financing its employees, which is a classic support method in the CEE region, rather they needed project support to develop infrastructure for selling local food. One part of the project was for improving the condition in storage, vans, etc, the other part was the dissemination of tasks-marketing campaigns, updating websites, commercials. This is a step forward from the classic view of “finance my daily cash flow” to the advanced methodology of “help me reach better market based results”.
- Also, project “ZAZ” lacked funds for the construction of new infrastructure necessary for its operations, while that specific kind of government support was hard to acquire in the region.
- Even microfinance can come into play:”Microfinance is now a 55 billion EUR market, serving more than 90 million borrowers in some of the world’s poorest countries. Its growth was accelerated by the ability of investment banks to pool the microloans of many lenders and issue collateralized debt obligations against them in the international financial markets, freeing up the capital of those lenders and allowing them to make additional microloans.... A (social) enterprise can offer different risks and returns to different kinds of investors instead of delivering a blended return that holds for all investors but is acceptable to very few. This new approach to structuring can close the financial-social return gap.” (Bugg-Levine, 2012) As the abovementioned article states, there are a number of “microfinance like” tools for dealing with the financial problems of Social Enterprises and SPOs:
 - Pooling
 - Loan guaranties
 - Quasi equity debt
 - And last but not least, social impact bonds

b. Acces to market Well-functioning ecosystem – Legal and regulatory frameworks

There is, as of yet, no uniform language and understanding around the idea of social enterprise. Many definitions exist and a wide variety of organisational forms are adopted by social enterprises around the world. This makes it difficult to establish international comparisons.

More recently, the European Commission has defined a social enterprise as being “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” (Communication from the Commission, 2011/682 final).

Social enterprises are proven to play an important role in addressing social, economic and environmental challenges, fostering inclusive growth, increasing social cohesion, nurturing local social capital, supporting democratic participation and delivering good quality services.

They also have shown more resilience during the economic and financial crisis and created more jobs than they destroyed. These are all good reasons why policies should support social enterprise creation and development, not to mention the studies that show how public money spent to support job creation or the provision of goods and services by social enterprises represent a more efficient way of utilising resources than alternative methods. Therefore public policies supporting social enterprises allow governments to meet employment and other challenges in a more effective and efficient way, while at the same time improving the spending of public money.

Across Europe, social enterprises face a number of important barriers related to legal and regulatory frameworks, financial resources, access to markets, business support and development structures, training, and workforce development. A business environment conducive for social enterprises to emerge, consolidate and thrive is required. Public policies should create an enabling eco-system to developing social businesses and facilitating, among others, access to funding. But establishing useful frameworks for social enterprises implies that policy makers adopt a systemic vision of social entrepreneurship and the contribution that it can make to the improvement of economic and social wellbeing.

Legal forms of social enterprises

Social enterprises take various legal forms in different countries across Europe. These forms include solidarity enterprises, co-operatives or limited liability social co-operatives, collective interest co-operatives, as have been adopted in Italy, France, Spain, Portugal and Greece, social purpose or collective interest companies in Belgium and community interest companies in the United Kingdom. A review of the legal structures and legislation in a number of European countries that have adopted national laws regulating social enterprises (i.e. Belgium, Finland, France, Italy, Poland, Portugal and the United Kingdom) reveals that these laws address common issues including the definition of social enterprise; asset allocation; stakeholder and governance systems; and, accountability and responsibility towards internal and external stakeholders. These national laws provide different legal solutions based on specific cultural contexts

Following the SOCIAL SEEDS good practice collection, three types of social enterprises have been observed:

- Non-profit structures
- For profit structures
- And Hybrid business models

The first two of the categories do not require a thorough description as they are well recognised by anyone, however hybrid business models are somewhat of a different story. As it'll be seen later on in this study, there are a number of SPOs which are having mixed business models.

- On one hand, they wish serve social utility tasks for example giving job to physically or mentally disabled people
- While on the other hand they wish to realize profit (at least to some extent) after their operations and tasks fulfilled by the disabled employees

Examples of SOCIAL SEEDS good practices showcase the difference and power of such legal forms that best suit the social challenges addressed.

- ❖ KORENIKA Social Farm represents three elements that combine for-profit and non-profit business models:
 - a) an eco-farm which provide inclusion and protected employment for vulnerable target groups (minorities, physically and mentally diseased people) – non-profit character,
 - b) the eco-products that are sold under own trade mark (including social meaning) and several visit programs and trainings for visitors (adults, children) have been created accordingly. – for profit characters,
 - c) Special work support for owners of protected houses – non-profit characters (KORENIKA, 2017, p2).

Another example is the RECOSI social enterprise, which applies an advanced model tending towards a more market- oriented approach:

- ❖ RECOSI is a social franchise, that means it can be implemented in any region, country, if there is an interest and start-up capital.
 - a) is providing professional training, offer set up support, process support, marketing support and also has a system in place, which can start use an organisation (franchisee) – for profit character,
 - b) has demonstrated social impact via creating more jobs in social economy, bridging digital divide, etc. etc. (RECOSI, 2017, p2) – non-profit character.

Identifying the different needs of such social projects and synthetizing a rigid enough legal structure to fit all is a grand task to achieve, and this will be one of the focal points of the good practice reviews in the following chapter.

c.) Business support structures:

A business support structure aims to spur social enterprise creation and embed more socially responsible behaviours in businesses. It fosters multi-stakeholder and cross-sectoral partnerships to tackle social challenges.

As it can be seen in the figure below the motive is to find a good balance for social enterprises to perform well in the societal and business roles as well:

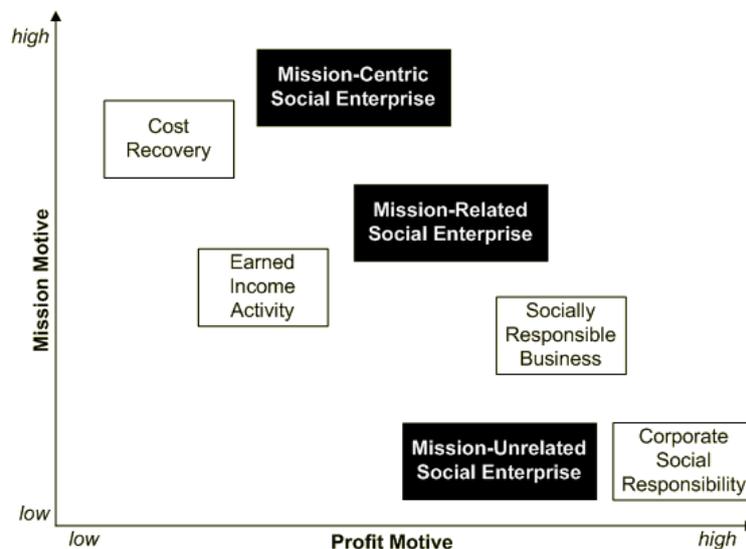


Fig. 3 Social Enterprise motivations, source 4lenses

d.) Training and research



Fig. 4 Social Enterprise Training and motivation model, source BCYF

As an article of the guardian tells there are a number of tasks that governments and key stakeholders must recognize in the field of social enterprise training.

- **As a sector, social enterprise under-invests in training**

Despite recognising the importance of training and the value that it could give to their organisation, 20% of the respondents who identified themselves as working for a social enterprise had spent nothing on training in the last year.

- “The biggest barrier to training is time

Perhaps not surprisingly, respondents from all sectors were concerned about spending time away from their day jobs on training courses. One- and two-day workshops are, therefore, the most popular length of course. However, longer duration courses are viewed as having the greatest social impact and an impressive 77% of respondents would be interested or very interested in a social enterprise training course taking place over several weeks or even month

- There is **cross-sector interest in social enterprise training**

It's not just social enterprises that are interested in social enterprise training; public sector organisations, housing associations, charities and private sector organisations are all looking for relevant training and support, particularly around developing a social enterprise idea and scaling a social enterprise.

- **Social impact measurement** is the hot topic

There is a huge demand for social impact training – it was the number one "most wanted" training topic from each of the sectors represented in the survey, with close to 50% indicating that they would be interested in an impact-measurement training course.

- **Expert practitioners are key to a good training course**

When asked what they wanted from a training course, an overwhelming number (72%) wanted to hear from expert practitioners from their own sector; people who had been

there and done it and who could provide practical advice and techniques. **Less valued was the input of coaches and policy experts.**

- Training is beginning to move online

26% of respondents had already taken a course online, and 60% of respondents rated an "online course in their own time" as their first or second training preference. This is no doubt a response to the time and cost pressures that many in the sector currently face." (Guardian, 2017)

e.) Visibility

As the European Commission uses the term 'social enterprise' to cover the following types of business:

- Those for who the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation.
- Those where profits are mainly reinvested with a view to achieving this social objective.
- Those where the method of organisation or ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice.

There are also acts to help Social Enterprises gain visibility (In Act 2, Increasing the visibility of social entrepreneurship) such as:

Action 5 : Identify best practices by establishing an exhaustive register of social enterprises in Europe.

A map of social enterprises and their eco-systems in Europe

Action 6: Create a public database of labels and certifications applicable to social enterprises in Europe.

Database of labels and certifications (647 kB)

Action 7: Help national and regional governments introduce measures to support, promote and finance social enterprises.

National and regional administrations - promotion of mutual learning and their capacity building: Guide to social innovation (5 MB)

Action 8: Create a multilingual information and exchange platform for social entrepreneurs, business incubators and clusters, as well as social investors. Increase the visibility of EU programmes to support social entrepreneurs and make it easier to obtain funding. (European Commission, 2017)

Social economy co-operations – from triple-helix towards the quintuple-helix model

This chapter focuses on solving the problems at hand by showing good practices, where the aforementioned specific needs were addressed individually by key stakeholders and governmental decision making bodies. During the chapter a selected number of use cases will be presented as answers for the problems we identified, highlighting the answers for the common issues as good practices for key stakeholders in the region.

Social innovation, an evolutionary model

The definition of a social innovation are often referred to as a 'disruptive' solution to a social need -- that is, one that seeks to change the way things are done to meet the challenges facing society. Social innovations however usually need a form in which they appear. One of the possible forms is the entrepreneurship form, which is the so-called social enterprise. Social enterprises are businesses trading for social purposes, are themselves a social innovation as they blur the transitions between the traditional boundaries of the private, public and not-for-profit sectors. Consequently, the social enterprises incorporate the social motivation of the charity sector, the business approach of the private sector and, often, the commitment to deliver an outstanding welfare system, which is a public service in itself.

The practical usage of the open innovation model has proved to be more complex than the Triple and Quadruple Helix, thus a new subsystem had to be considered during the analyses: the natural environment as the fifth actor (Figure 3).

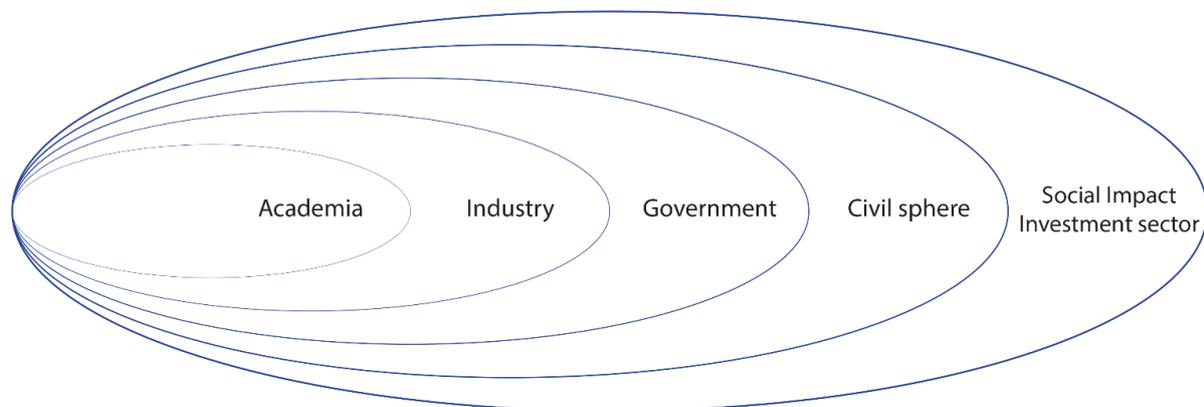


Fig. 5: The subsystems of the Quintuple Helix model. Modified from Etzkowitz and Leydesdorff (2000, p. 111) and Carayannis and Campbell (2009, p. 207; 2010, p. 62) in Carayannis, Barth and Campbell (2012, p. 6) adaptation to the social enterprises is a self modification of Social Seeds project

The five different subsystems, described in Figure 1, are represented by the following actors:

1. academia, such as universities, research institutions;
2. Industry, such as SMEs, multinational companies and business support organizations;
3. Government, such as local, regional and national public authorities;
4. The public, as individuals, NGOs and the public media;
5. Social impact investment sector

Although the theoretical framework of the open innovation model is suitable for various types of innovation, the social enterprise ecosystem differs regarding the considered subsystems. This special environment is also based on the Quadruple Helix of the **university-industry-government-civil sphere**, but a special type of subsystem has to be considered as the fifth actor: the social impact investment sector. The main actors of the social impact investment sector are the private and public investors, who offer different types of investments. “The development of financial instruments across the full risk/return spectrum is needed to meet the varying needs of these enterprises” (OECD, 2015). Thus, the offered investments are shifted towards the equity-type of investment and mezzanine loans, depending on the lifecycle of the social enterprise (from start-up to consolidation and growth).

Good practices based on Triple Helix in the Social Enterprise Ecosystem

According to our research for good practice, this form of social innovation has the most numerous representatives among those projects we have analysed. All practices shown in the following pages have unique answers given to the problems at hand, however they have one thing in common, they can be adapted by local players in the CEE region, thus these practices will be highlighted in all projects shown.

The full lengths of good practices is accessible at the ‘Appendix’ chapter of the current report. Here only relevant parts of them are cited.

Baby Office

Country / region: Czech Republic

Triple-helix actors concerned:

- Industry/Business sector- mainly appearing as clients
- Government: Start-up founder for the project
- Civil sphere- The business itself, and disadvantaged employees

Rationale:

- Access to market: On the contrary to the business plan which was first laid down, customer numbers were one tenth of the expected value.
- Legal and regulatory frameworks: The company had access to a significant amount of start-up funding, however with the lack of experience in the administrative burden it meant, it couldn't create an advantage from the situation.

“ After 3 months from start, the initially invested money was almost gone, while only about a tenth of planned number of customers was a tough reality. At that time the company received 130 000 € support from EU funds but it showed up to be a incredible bureaucratic burden taking away valuable resources. The company operation had to be split into two separate part – donated and commercial. The café had to be closed down.

Soon after it became apparent that the concept is no longer sustainable. The enterprise had to move closer to the city centre. However, the coworking concept was just enough to cover expenses and did not provide any additional income to grow. During that time the most important decision was taken – to promote and run mobile childcare facility. It was initially a margin activity but it became the carrying and most profitable activity. The most important places where we made most of these mobile childcare facilities were conferences, cultural, sport and educational events, especially for women.” (Baby Office, 2017, p1)

Lessons learned:

- **On the business side:** No matter how our initial plans are developed, end of the day the market confirms or cancels them. The skills here that can be learned are the capability to adapt to new situations, and the trait to be able to cancel a business route that is taking the company to nowhere. It is a useful leadership skill, to be able to realize these kinds of situations and being able to let go the initial plans which are most likely held dearly by the project owners.
- On the government side: Project funding has classic regulations all across Europe and the CEE region. Compliance with EU regulations is a must, however in a segment, where NGOs and Civil companies are present, a number of factors must be taken into consideration, when monetary support for these stakeholders is planned:
 - The main goal of Social Enterprises are most of the time is mixed, focusing heavily on supporting public tasks, and their access to finance must be made easier
 - It is also worth the effort, to consider that social entrepreneurs are focusing to acquire skills in social tasks and not the bureaucratic efforts of acquiring overregulated funds.
 - Also, it must be considered to help the uptake and absorption of these monetary support tools for Social Enterprises by easing the acquisition and usage process, thus ensuring that the best Social Enterprise with the knowledge of supporting public tasks get the most support opposed to those who have the best knowledge of acquiring these support tools (with no or less practice in social problems)

ZAZ Rymanów

Country: Poland

Triple-helix actors concerned:

- Industry/Business sector- mainly appearing as clients for end products
- Government: Co financing the project (micro crediting and concession)
- Civil sphere/NGOs- Target group and employee provider

Rationale:

- Access to employee market

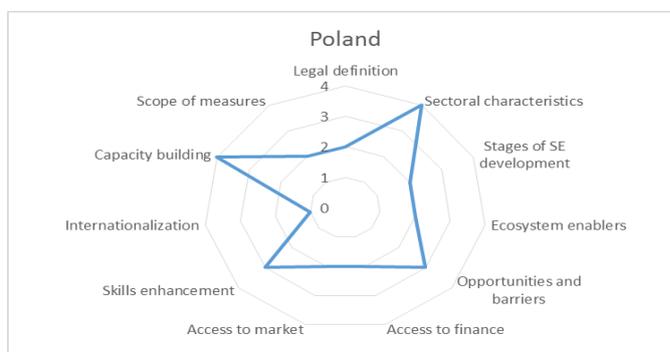


Fig. 6. Social Seeds research results- Poland, source: internal research

“One aspect was the situation on the local labor market, associated with the economic structure of the region, the level of unemployment, the knowledge of employers about the employment opportunities for people with disabilities

The second aspect, which activated the action for of social exclusion, was the attitude of parents of children with disabilities. Very often we had to convince them that their child has need and are able to take the job.

The aim was to create jobs for the most socially excluded from such diseases as mental retardation, mental illness, autism. The target has been achieved by the creation of the Professional Activity Establishment - one of the first in Podkarpackie. The ZAZ was

established in 2003, currently employs 56 disabled workers with severe and moderate disabilities.” (Zaz, 2017, p1)

Lessons learned:

- Business side: The project grows extensively and sets a good example of a hybrid business model in the region. It helps activating people lagging behind the employee market, not only by creating tailor made meaningful jobs, but covering up therapeutic expenses as well.
- Government side: The project received extensive support from the government, not only once but twice during its life and growing cycles. Meaning that proven good practices can be further supported to accelerate the growth rate and effect on the social environment around them.

Korenika Social Farm

Country: Slovenia

Triple-helix actors concerned:

- Industry/Business sector- mainly appearing as clients for end products
- Government: Co financing the project (480.000 EUR- estimate)
- Civil sphere/NGOs- Target group and employee provider

Rationale:

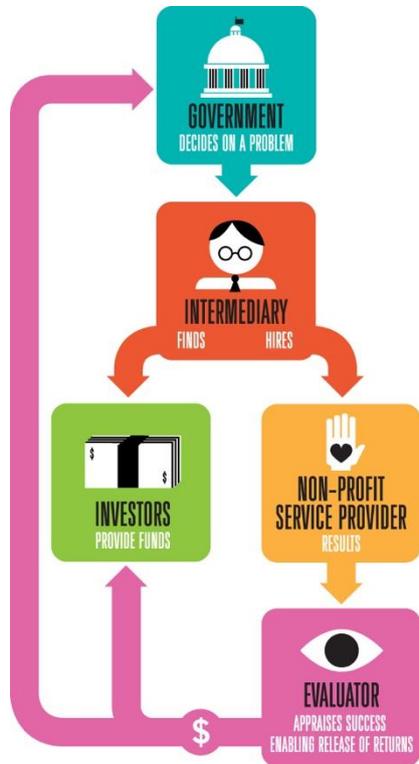
- Access to market- end level consumers
- Access to finance- In fact the solution of the project is innovative micro crediting and concession
- Regulatory gap- no acknowledged support for these kinds of businesses

“The lack of specific support measures for handicapped and other vulnerable groups based on the production of crops and products from crops in farm environment. The Association Korenika is the first social enterprise in the area of Goričko. They are successfully developing and implementing program for handicapped people and other vulnerable groups (concession from the state). Additionally, they have developed successful social enterprise with inclusion handicapped and other vulnerable groups into psychosocial and work therapy (on the farm and in production of products, programs for visitors). They also have their own internet shop for their products.” (Korenika, 2017, p4)

Lessons learned:

- Business side: The project uses a hybrid approach for supporting itself. Firstly, it employs people from vulnerable target groups, supporting their fees from government concession support (per employee based flat rate support). Secondly, it has developed a business model to sell all produced crops and end products to the local market, supported with income from dissemination programs. The business model is as follows:
 - Eco farm which provide inclusion and protected employment for vulnerable goal groups
 - Eco products that are sold under own trade mark (including social meaning)
 - Visit programs and trainings for visitors (adults, children)
 - Special work support for owners of protected houses
- Government and financing side: If no EU co financing is available for supporting local SEs, other solutions must be found. But there is more to it:
 - In order to help Social Enterprises, first their existence must be acknowledged (supportive regulations)

- The concept of national level support is classic solution and precedes the era when a high amount of EU co financing reached the CEE region. The concept is however the same: value for the money. Employment of handicapped people is supported by a flat rate on a monthly basis per affected employee.



- Microcredit: As it is stated in the article cited in the first chapter microcrediting solutions can work extremely well in situations when all other options are exhausted or non-existent. Social community farming is an exceptionally good example for the social impact bonds. “Launched in the UK in 2010, this type of bond is sold to private investors who are paid a return only if the public project succeeds—if, say, a rehabilitation program lowers the rate of recidivism among newly released prisoners. It allows private investors to do what they do best: take calculated risks in pursuit of profits. The government, for its part, pays a fixed return to investors for verifiable results and keeps any additional savings. Because it shifts the risk of program failure from taxpayers to investors, this mechanism has the potential to transform political discussions about expanding social services.” (Bugg- Levine, 2012, p1) A good translation of the matter at hand can be seen in figure 5 to the left and figure 6 below. **The SIB scheme will return later on, as a semblance in another context at project RECOSI, too.**

To the left Fig. 7. Social impact bonds, a visual presentation source: Harvard magazine, 2017

Below Fig. 8. Social impact bonds, a visual presentation on the Petersborough Prison source: Russel Webster, 2014

SOCIAL IMPACT BONDS ...The state of play

1 What is a Social Impact Bond (SIB)?

A form of payment by results (PbR) contract. The commissioner pays for the outcomes achieved, not for the interventions made. The working capital needed to fund the intervention comes from external investors who receive a return on their investment if the intervention is successful.

16 SIBs IN THE UK
funding programmes to address social issues such as:

- homelessness
- reoffending
- unemployment
- children's social care and adoption

commissioner → delivery agency → investors → service provider → beneficiaries

Peterborough Prison SIB (first in UK)
has reduced re-offending rate by **8.4%** compared to comparison group

Key Tools to Help with SIB Development

- BSC's Outcomes Matrix
- HM Government/New Economy Unit Cost Database
- Cabinet Office template SIB Contract
- Support from external consultants

Adapted from the Cabinet Office Centre for SIBs Knowledge Box: http://data.gov.uk/ab_knowledge_box/sib-definition

The infographic was published on 17 November 2014 and produced by Ecorys UK and ATQ Consultants as part of the Commissioning Better Outcomes Fund Evaluation. To read the full report from which the findings have been taken visit: <http://www.betteroutcomesfund.gov.uk/outcomes-fund>. For more information about the evaluation contact: James.Rosside@uk.ecorys.com

The Stakeholders' perceptions of SIBs' information was drawn from our Stakeholder Surveys, undertaken as part of the evaluation. We surveyed 19 investors, 24 commissioners and 49 service providers involved in, or interested in, SIBs.

Commissioning Better Outcomes

Solution for social banking:

As mentioned above microcrediting solutions and social banking policies are a well structured solution of the access to finance problems presented by Social Enterprises, Erste bank has already launched a social banking program in the CEE region, with ambitious goals, described below.

Social banking at Erste:

- Newly-launched Social Banking programme addresses traditionally unbanked groups: low-income individuals, first-time entrepreneurs and social organisations
- Erste Group's Social Banking offering will extend across its seven core banking markets over the next four years
- Around 16 million people at risk of poverty or social exclusion in the countries in which Erste Group operates will be reached by these means

“The Step-by-step programme will be rolled out through Erste Group's network of local banks and in partnership with other organisations and NGOs. It also builds on individual programmes that the Group's subsidiaries in the CEE region have already launched and works together with existing local Social Banking projects, such as Austria's Zweite Sparkasse (founded 2006) and Romania's good.bee Credit (2009), with the target of creating a unique infrastructure for financial inclusion across the region. As part of the Social Banking programme, Erste Group's banks will also cooperate with the ERSTE Foundation and local partners to provide clients with appropriate financial literacy, money advice, business training, workshops and mentoring.

Building on the basis of its achievements to date, Erste Group's Social Banking program aims to help create 5,000 new jobs, provide financing to 500 social organisations and improve financial stability for 25,000 previously low-income people by 2019.” (Erste, 2017,)

To the right:

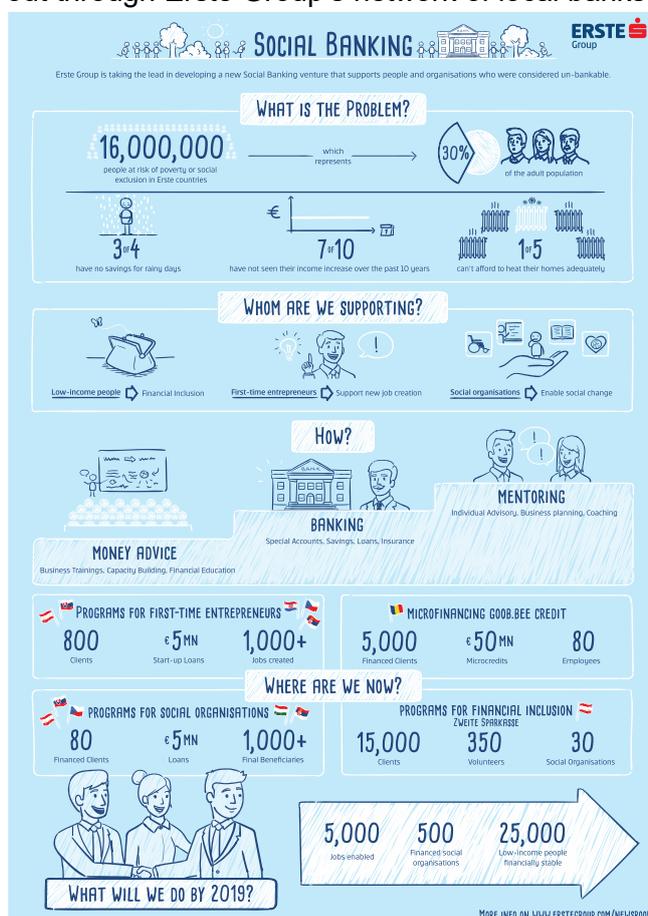


Fig. 9 Social banking pattern of Erste, source: Erste Bank Ag

As the figure to the right shows not only micro credits will be provided for the target groups but also monetary training, financial literacy and advices on controlling the spending of individuals and Social Enterprises as well. As it can be expected the program will work closely with NGOs and Civil players as well as the government in the CEE region to help promote and establish a foothold for these new services.

Good practices based on Quadruple Helix in the Social Enterprise Ecosystem

As the social innovation evolves, new players get involved, usually from either the academic or the investment segments. The following presentations of good practices are enriching the social innovation pattern by including one of these aforementioned elements:

Foundation Vincenc Draksler

Country: Slovenia

Triple-helix actors concerned:

- Industry/Business sector AND NGOs- mainly appearing as clients for end products
- Government: Co financing the project
- Civil sphere - municipality as a monetary supporter
- Private investor- donor investor: Business philanthropist

Rationale:

- Business environment- a Social Enterprise working with ex drug addicts faces multiple external challenges, such as rejection of local community, lack of sales channels, etc.
- Access to finance- There are limited amounts available
- Regulatory gap- no acknowledged specific support for these kinds of Social Enterprises

“The lack of specific support measures for ex drug addicts that finished their rehabilitation in communes and/or hospitals is important challenge and so far there is too little developed support mechanisms that would help ex drug addicts to continue rehabilitation including work therapy. Since ex drug addicts are usually facing multiple challenges and they deserve to find the best possibilities for full integration (meaning also regular work)” (Foundation, 2017, p4)

Lessons learned:

- Business level: the business adapted to the local climate and tried to harness support from multiple channels at the same time. Using micro crediting and municipal support as well they were able to establish a steady cash flows and the basic infrastructure means of employing the selected target vulnerable employee group (ex drug addicts). Highly usable business tips for Social Enterprises:
 - they put together the realistic business plan
 - they defined specific content of their work and they are aware of the necessity for quality experts involved in support program and they know the needs of ex drug addicts
 - they constantly took care about the quality of the services
 - they gradually built their core business including new activities that are of benefit to users (ex drug addicts) and wider public (e.g. shops)
- Local society: Societal inclusion is key to foster the development of these businesses. Local society has to understand, that ex drug addicts are not criminals, their working capabilities equal to the commonly accepted normal and also they can produce end products which can compete on the local and even national market as well.

RECOSI

Country: Ireland, Slovenia and USA

Quadruple helix actors concerned:

- Schools: mainly appearing as clients
- Business sector- Microsoft: Know-how provider
- Civil sphere - municipality as a client of end products, NGOs- franchisees and clients
- Private investor- donor investor: Start up capitalists in the franchise model

Rationale:

- Accessing the market- Supply of the right equipment and addressing different market needs in each country (need to know market well)
- Local access to finance- Lack of financial resources, which would develop RECOSI model more faster in other countries
- Regulatory gap: Support from local authority is mandatory

“RECOSI’s mission is to create sustainable social enterprises that support employment for marginalised people, support the environment through reuse and to close the digital divide. RECOSI’s facilities supply equipment to schools, non-profit organisations, students and to all other end users, who has either limited access to IT or want/need to save costs. By doing that, RECOSI generates job opportunities for disadvantaged and disabled people” (RECOSI, 2017, p1)

Solution:

RECOSI took a radically different path than all the Social Enterprises mentioned before. By adapting a franchising model they overridden a number of issues: Selling only know how and franchise rights the Infrastructural questions remained at the local level franchisees. Also they built good connections to their material provider Microsoft, a wise business decision, which helps ensuring a steady flow of resources to work with. The third part is bridging the regulatory gap, which is integrated into to the solution as shown in the model figure below. As it can be seen, through showing working reuse centres to key stakeholders, thoroughly communicating the program to them and using classic marketing/networking strategies local authorities can be convinced that this hybrid model equally creates sustainable job opportunities for disadvantaged employee groups and a marketable end product, which in turn helps convincing private investors to support the model (**bearing a small degree of similarity with the social impact bonds**)

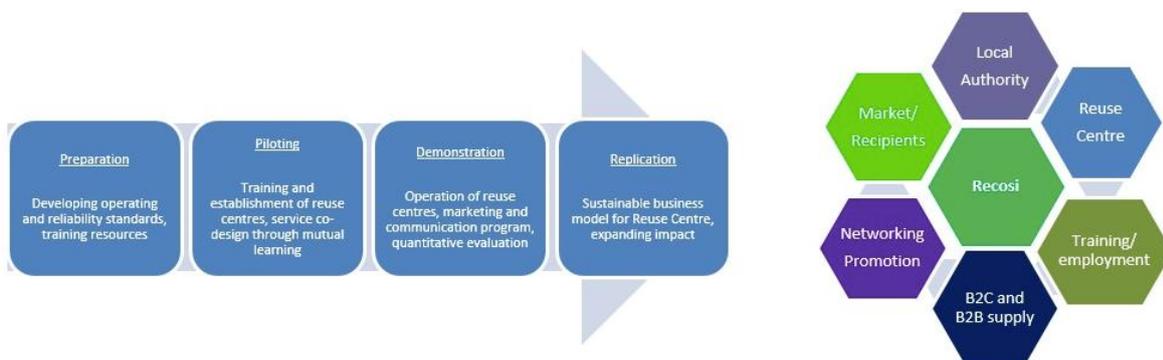


Fig. 10 RECOSI Social Franchising model, source: recosi.net

Solution:

As it can be seen from the two examples above, by bringing in more partners into social innovation new opportunities open up. The franchise model presented by RECOSI shows that involving outside help and professional business methodology, the social enterprise sector can adapt proven business concepts.

Social franchising is the application of the principles of commercial franchising to promote social benefit rather than private profit. In the first sense, it refers to a contractual relationship wherein an independent coordinating organization (usually a non-governmental organization, but occasionally a governmental body or private company) offers individual independent operators the ability to join into a franchise network for the provision of selected services over a specified area in accordance with an overall blueprint devised by the franchisor.



Left: Fig. 11 Social franchise components.

The strengths of social franchising are the following:

- By organizing small independent providers into larger units, social franchises can yield returns to scale in investment in physical capital, supply chains, advertising, and worker training and supervision
- Franchisees can also cross-subsidize less profitable services with the more profitable ones supported by the franchisor.
- The use of brand advertising makes social franchising compatible with social marketing.

However there are a number of weaknesses to the model, which has to be avoided or supported by other parties of the helix (in most cases government)

- Difficulty in standardizing services among participants, the need for networks to be sufficiently large to attain an economy of scale,
- The cost and challenge of regulatory oversight of outlets, and the need to base organizational decisions on the population demand which may not maximize quality or minimize cost

There is a good example for social franchising in the health sector, which can be read on the following link:

<http://sf4health.org/about-social-franchises>

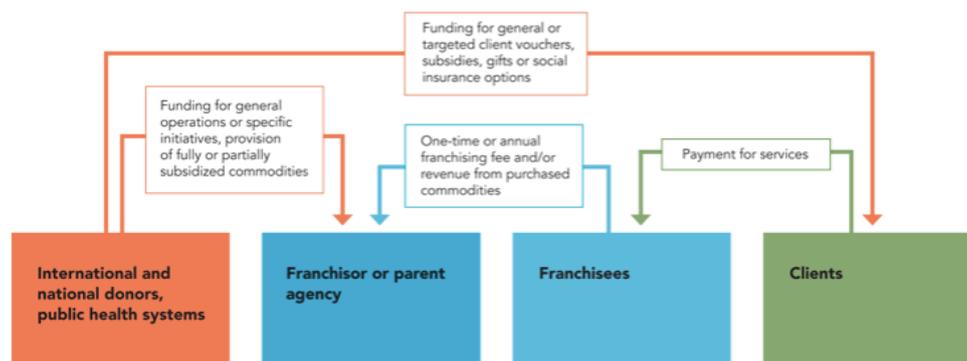


Fig. 12. A model for social health franchising, source sf4health

Good practice based on the Quintuple Helix model

As it is hard to find a valid quintuple helix model among the available good practices, two other solutions are presented below.

There are special cases, when the driver of the social innovation is not of the government or academia, or not even the social enterprise itself, instead all of them the financing side, takes action.

a.) EVPA

The European Venture Philanthropist Association and its CEE region Social Investment taskforce states:

“A growing number of entrepreneurs use market-based solutions to solve critical social problems. These entrepreneurs create jobs for local economies, make connections to regional and global markets, and increase access to critical goods and services for underserved communities. However, these entrepreneurs face several barriers preventing them to achieve impact at scale and full financial success.

Given their experience and pioneering initiatives to build the social enterprise sector in CEE, a small group of key stakeholders - EVPA, NESsT, Yunus Social Business Initiative, and the European Commission decided to join efforts and work together to solve these critical issues in the region. The idea was to form and lead a region-wide Task Force of key players that would work together in the next five years to build a social investment movement to foster more of an appropriate capital for social enterprises, while also preparing more and higher impact social enterprises to receive these investments.

Ambitions of the initiative:

- To develop the ecosystem for social investment in Central and Eastern Europe;
- To attract more and better adapted resources for early-stage social enterprises;
- To showcase social investment examples from Central and Eastern Europe;
- To position CEE in the global movement to develop and grow the social impact investing sector.” (EVPA, 2017)

As it is shown above, the taskforce aims to initiate a real, quintuple helix based cooperation for key stakeholders in the CEE region. The project aims to flip the classic method of an SE having to search for adequate financial support for the company, and going ahead by pioneering initiatives to build opportunities for and reach out to the social enterprise sector.

Summary

As it can be read in this good practice research there are a number of opportunities for improving the Social Entrepreneurship climate in the CEE region. The problem areas analysed were the following:

- Access to market
- Access to finance
- Business support structures
- Training and research
- Visibility

During this paper our goal was to answer the problems identified above with innovative solutions in the social innovation model. The table below shows all cases processed during the production of this paper, with all identified problem areas and the solutions to them.

Project name	Social Innovation model	Rationale	Solution
Baby Office	Triple helix	Access to finance Legal gap	Adaptation of business model to the local climate
ZAZ Rymanów	Triple Helix	Access to employee market	Extensive government support and networking in the local society might help a lot when coordinated well.
Korenika Social Farm	Triple Helix	Access to market-end level consumers Access to finance- In fact the solution of the project is innovative micro crediting and concession Regulatory gap- no acknowledged support for these kinds of businesses	Business model adaptation and microcrediting solutions, government support (monetary)
Vincent Draksler Foundation	Quadruple Helix	Business environment- a Social Enterprise working with ex drug addicts faces multiple external challenges, such as rejection of local community, lack of sales channels, etc. Access to finance- There are limited amounts available Regulatory gap- no acknowledged	Social inclusion and business model adaptation are the first steps to success. The foundation adapted a systematic approach and gradually built up business to ensure safe growth.

		specific support for these kinds of Social Enterprises	
Recosi	Quadruple Helix	Accessing the market- Supply of the right equipment and addressing different market needs in each country (need to know market well) Local access to finance- Lack of financial resources, which would develop RECOSI model more faster in other countries Regulatory gap: Support from local authority is mandatory	Social franchising and business model adaptation for local key stakeholders and business climate. Knowledge of government regulations is a must.
EVPA taskforce	CEE Quintuple Helix	Structured solutions for financing	Bottom- up driven funding scheme, in cooperation with all five members of the quintuple helix.

Table 1, identified social innovation good practices

As it can be seen from the chosen good practices, there are several common factors in them. On the business side, the local climate and state of the social entrepreneurship sector requires a high adaptivity from social entrepreneurs. This skill has to be learned in most cases. On the other hand a supportive role rests upon the government and local financial sector, which means:

- New supportive regulations must be adapted, to ease the bureaucratic burden on social enterprises
- Microcrediting and social banking must be supported, to share the risks on funding social companies taking role in supporting societal tasks

This means governments and policymakers have to adapt to these players needs, to ensure a healthy social entrepreneurship sector. As all good practices shown, the role of social enterprises has to be acknowledged and helped. Most of the time the diversity of the sector is a burden on policymakers, however, the funding scheme and nonfinancial regulations can be adopted, e.g.: Coworking with business philanthropists, to share investment risks in the sector, easing burden on government support usage (rules of using the money), acknowledging specific tasks performed by social enterprises and creating new regulations for innovative monetary solutions: for example the social impact bonds.

As identified in this study, the key for a successful and healthy social entrepreneurship sector is to use social innovation to its full extent involving all five elements of the quintuple helix, but focusing on a cooperation between the ones who execute new ideas (social entrepreneurs), those who finance and invest in those ideas (microcreditors, venture capitalists, crowdfunding)

and easing the regulation of the abovementioned activities to help fostering growth in the sector.

However, as a last disclaimer the writer of the study does not want to suggest that all regulations must be eased up carelessly, as it may trigger loophole seeking from the stakeholders, only it tries to explain **that constructive methods should be used for grading trustworthy social entrepreneurs and supporting their ideas with either monetary funds or additional activities such as training accelerating technology or knowledge uptake or even easing the access to local markets, as it could be seen in all good cases presented above.**

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Annex

List of good practices reviewed for the creation of this document

Name of the good practice	Country	Nature of the innovation
Local Goods to City	Estonia	product and service innovation
From Friend to a Friend	Estonia	process innovation
Re-Use Centre	Estonia	process innovation
Estonian Blind Masseurs Association	Estonia	positioning innovation
Baby Office	the Czech Republic	process innovation
Coffee Roasting House Drahonice	the Czech Republic	positioning innovation
Local Network of Domestic Kindergartens	Italy	positioning innovation
IRENE Innovative and Responsible Economy Network	Italy	paradigm innovation
Local Network of Nearby Services of the Municipality of L'Aquila	Italy	process innovation
PROGETTI SOCIAL LTD	Italy	process innovation
Foundation Vincenc Draksler	Slovenia	paradigm innovation
Korenika Social Farm	Slovenia	paradigm innovation
Kitchen with Hot Meals	Slovenia	process innovation
RECOSI	Slovenia	positioning innovation
Auróra	Hungary	paradigm innovation
Parents' House	Hungary	positioning innovation
Social Farm in Hungary	Hungary	positioning innovation
No Waste Bistro	Hungary	product innovation
Pilot Model of Cooperation between Occupational Therapy Workshops	Poland	process innovation
Professional Activity Establishment PSONI	Poland	positioning innovation
Bajkolandia – Social Cooperative for Younger and Older	Poland	service innovation
ZAZ Centre for Independent Living	Poland	positioning innovation