

# SOCIAL ENTERPRISE IN IRELAND

SECTORAL  
OPPORTUNITIES AND  
POLICY ISSUES

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## Executive Summary

- The Action Plan for Jobs 2012 recognised that all parts of society and of the community can share in, and contribute to, our economic renewal. In particular the Action Plan noted that there is a strong Social Enterprise base in Ireland, which could be further examined with a view to determining its potential for job creation.
- Social Enterprises are business models set up to tackle social, economic or environmental issues. While they are driven primarily by social and/or environmental motives, they engage in trading or commercial activities to pursue these objectives and produce social and community gain. The Programme for Government 2011-2016 recognises the important role of Social Enterprise in the country and contains a commitment to promoting the development of a vibrant and effective social enterprise sector.
- In line with the Government's overall objectives to create supportive conditions for all forms of enterprise to flourish, Forfás and the Department of Jobs, Enterprise and Innovation were requested to undertake a review on the potential of the sector. Forfás has prepared this report following detailed consultations with social enterprises, relevant government departments and funding agencies and other stakeholders to identify the potential for the sector and actions required by Government and other relevant bodies and agencies to create jobs in this sector.
- The non-profit sector in Ireland, in its broadest sense, employs an estimated 100,000 people and has an income of over €6 billion. Within this, the social enterprise sector employs between 25,000 and 33,000 people in over 1,400 social enterprises, with a total income of around €1.4 billion.
- Social enterprise is a small but growing part of the enterprise base and ecosystem that has potential to bring further job gains and deliver economic potential. There is both a demonstrated need, and a market for, social enterprise in Ireland. With the appropriate enabling and promotional effort, there appears to be scope for increasing jobs in the sector.
- For the purposes of this study, a social enterprise has been defined as *"an enterprise that trades for a social/societal purpose, where at least part of its income is earned from its trading activity, is separate from government, and where the surplus is primarily re-invested in the social objective."*
- In Ireland, there are four main types of social enterprise, and often social enterprises may overlap in these goals:
  - those with commercial opportunities that are established to create a social return;
  - those creating employment opportunities for marginalised groups;
  - economic and community development organisations; and,
  - those that deliver services.
- The European Commission has placed the social economy and social innovation at the heart of its concerns under the Europe 2020 strategy. In 2011, the European Commission launched the Social Business Initiative as part of the Single Market Act within which social enterprise is one of 12 priority areas. Social enterprise accounts for about 6% of GDP across the EU and the European Commission's 'Europe 2020' Strategy sets a target for this contribution to grow to 9% of GDP over the decade to 2020.

- In the case of Ireland, while it is extremely difficult to estimate the potential employment for the social enterprise sector, as it is not certain the degree to which funding or services might be provided by the sector overall, but if Ireland's social enterprise sector were to approach mean EU levels of output or the goal set by the EU under the 'Europe 2020' Strategy, it is estimated that there could be at least 65,000 in social enterprises in Ireland<sup>1</sup>.
- Social enterprises are rooted in local and community development, going right back to the early development of the co-operative movement up to the broad range of economic and social activities the sector is now engage in today. The nature of social enterprises is such that goods and services tend to be provided locally and so the jobs are created in local communities. They can provide jobs across a range of skill-sets also, some with the specific objective of providing employment to those most marginalised. Among the benefits of social enterprises are that they can provide jobs to those most distant from the labour market, both spatially and socially.
- As well as multiplier effects from the direct jobs in the sector, further indirect jobs are created either by enabling the development of other enterprises, for example by social enterprises that assist economic and community development, or by providing services that bring people to a community such as local festivals or community-run hostels. Sectoral opportunities for social enterprises that were identified during consultations include: community retail and care services; tourism and heritage products; leisure and sports services; and energy production.
- A key finding from the fieldwork is that social enterprises are in general not seeking additional State funding; rather, adjustments to some aspects of various policy areas including access to finance, procurement, capability building and ensuring supportive legislative frameworks, would help to reduce barriers to social enterprises participating more fully in economic activity. The social enterprise sector in Ireland has the potential to develop enterprises that can be self-sustainable. Such sustainable, self-reliant business models are important to the survival and development of social enterprises and it is in the shifting of the sector towards the commercially oriented model that job creation potential is foreseen.
- In relation to the role of local government in economic development, in 2012, the Minister for Environment, Community and Local Government published the local government sectoral strategy for promotion of employment and support of local enterprise '*Supporting Economic Recovery and Jobs - Locally*' as a commitment of the Action Plan for Jobs - 2012. This strategy identifies a very broad range of measures in the area of local enterprise and business support arrangements, procurement support, local development and community based initiatives, the Green Economy, business charges and local government participation in employment support schemes. Its primary purpose is to activate the local authority sectoral elements of Action Plan and Action Plans by identifying those actions where local authorities have direct responsibility alongside those actions which cannot be progressed without the strong sectoral involvement and collaboration, and to provide a framework for the local authorities to develop their own local strategies.
- The then named Social Economy Programme and associated funds, which is essentially 'social enterprise', transferred from the Department of Enterprise, Trade and Employment in 2007, initially to the Department of Community, Rural and Gaeltacht and subsequently to the Department of the Environment, Community and Local Government. In addition, the Department of Social Protection and the Department of Health have responsibility for a range of programmes of relevance to the social enterprise sector. For example, the Community

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<sup>1</sup> This figure includes those already employed in the sector.

Support Programme operated by the Department of Social Protection currently supports 14 social enterprises delivered by local development companies.

- For those social enterprises that are more fully in the commercial sphere and developing self-sustaining business models, these will be suited to benefit from the supports and services to be provided by the forthcoming Local Enterprise Offices, operating under the auspices of Enterprise Ireland and the local authorities. Such enterprises can benefit from a range of supports, as part of a structured progression pathway for high growth and high potential enterprises including those with potential to trade internationally. The DJEI also provides the necessary legislative frameworks in the areas of company law and for co-operatives.
- A coherent statement of policy for the sector aligning the interests and activities of all government departments is now required. The DoECLG<sup>2</sup> has proposed that County/City Local and Community Plans, encompassing all state-funded local and community development interventions, be developed for each city/county area and it would be appropriate that these plans take account of the critical role of social enterprises in local growth and development.
- Internationally, social enterprises often provide key supplements to public sector services. Increasingly, within governments in other countries, responsibility lies within dedicated Offices within cabinet or with the department responsible for enterprise and employment policies. In some countries, specific legal structures have been adopted for social enterprises.

## Enabling Framework

This review has identified a number of enabling measures that could aid the growth and sustainability of the social enterprise sector in Ireland. These are now summarised below and have been the subject of consultation with relevant government departments and stakeholders.

### Recommendations: Policy Development for the Social Enterprise Sector

It is timely to bring forward a coherent policy for social enterprise in Ireland, with full recognition of the societal, enterprise and employment dimensions of the sector, led by the Department of the Environment, Community and Local Government and local authorities.

While a number of Government Departments are already engaged with the social enterprise sector, and will continue to be so, policy development and monitoring of the implementation of that policy is necessary if the sector is to achieve its potential. This can best be brought about by coherence around a national policy statement for the sector.

1. The first requirement is to develop and adopt a government policy on social enterprise, and include the following aspects:
  - Adopting the proposed definition for social enterprise *"...as an enterprise that trades for a social/societal purpose, where at least part of its income is earned from its trading activity, is separate from government and where the surplus is primarily re-invested in the social objective"*;
  - Establishing appropriate institutional oversight and co-ordination mechanisms for the sector including assigning lead responsibility for social enterprise policy and consider

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<sup>2</sup> Final Report of the Local Government/Local Development Alignment Group, March 2012

establishing an inter-departmental and inter-agency group for social enterprise to develop and champion the sector, to include the key Departments of Environment, Community and Local Government, Social Protection, Agriculture, Food and Marine, Arts, Heritage and the Gaeltacht, and Health and Jobs, Enterprise and Innovation. This should form a core element in County/City Local and Community Plans;

- Developing indicators to evaluate the impact of social enterprises; and
- Measuring social enterprises explicitly within business surveys, to an appropriate level of detail.

### Recommendations: Capacity Building in the Sector

In order for the sector to grow, social enterprises need to develop their business, leadership and management skills, as well as harnessing community, stakeholder and volunteer involvement.

2. Encourage existing, successful social enterprises to promote and replicate existing business support models, including those offered through community development social enterprises and LEADER and Partnership companies. Consideration needs to be given to the development of a network among economic and community development companies and the proposed local enterprise offices to share knowledge, best practice and demonstration projects as exemplars for the potential of the sector. This could include a panel of champions to promote initiatives within the sector. [Local Authorities, Department of the Environment, Community and Local Government].
3. There is a need to consider how best to build capacity in the social enterprise sector to ensure that social enterprises are 'investment-ready' and also have longer-term strategic plans to help improve access to finance. Consideration needs to be given to how best to support capability building in social enterprises by government departments more generally in working with social enterprises and making best use of the range of measures available through LEADER, local authorities and others. [Local Authorities, DoECLG, DoH, DSP].
4. There is an opportunity to develop local community time-bank mentoring programmes to assist nascent social enterprises as these will help foster relationships between social enterprises and local professional services providers. [Local Authorities].
5. To promote the development of the sector it will be important that curricula are changed (where appropriate) so that social enterprise and non-profit management are included in mainstream academic business courses. [Department of Education and Skills].
6. There may be potential to increase participation on existing work placement programmes to assist in building management and technical capacity in social enterprises and to facilitate participation in social enterprises while maintaining work placement schemes' objectives. [Department of Social Protection].
7. For those social enterprises that are more fully in the commercial sphere and developing self-sustaining business models, these will be suited to benefit from the supports and services to be provided by the forthcoming Local Enterprise Offices, operating under the auspices of Enterprise Ireland and the local authorities. Such enterprises can benefit from a range of supports, as part of a structured progression pathway for high growth and high potential enterprises including those with potential to trade internationally. [DJEI/Local Authorities].

## Recommendations: Procurement

Public procurement can be used to influence social outcomes. In this context, social enterprises currently are at a disadvantage in accessing public procurement opportunities due to, *inter alia*, capacity constraints. Thus, there is a need to advance measures, as for all SMEs, to improve access and to build the capacity of the sector in accessing tendering procedures.

8. The National Procurement Service is progressing a number of initiatives to improve SME access to public procurement, and in this context there is a need to consider how best to ensure social enterprises are not disadvantaged by the procurement process of contracting authorities. Among the measures being considered for SMEs and would be of benefit to social enterprises include:
  - thresholds of relevant and proportionate capacity and disproportionate insurance requirements;
  - reducing administrative burden on tenders, including use of simpler, standardised documentation;
  - where appropriate dividing contracts into 'lots' that are suitably scaled for SMEs; and
  - increasing communication with the market by publishing long-term purchasing plans in Prior Information Notices and through pre-market engagement.
9. There is an opportunity for public authorities in progressing the greater use of 'Meet the Buyer' events and other pre-market engagement tools to include social enterprises, so that buyers can understand the innovative solutions offered by social enterprises and so that social enterprise suppliers can build their capacity in bidding for public procurement contracts. [Local authorities and public bodies].
10. Similarly there is a need to consider how best to develop tendering skills as part of capacity building programmes of social enterprises. [National Procurement Service].
11. Consider how best to encourage social enterprises to work with conventional enterprises as suppliers and as collaborators. [National Procurement Service].
12. Consider the development of guidance for contracting authorities to incorporate social considerations in procurement processes, such as Community Benefit Clauses, and ensure that Ireland is engaged in the adoption of procurement reform at EU level, and that the concomitant transposition of legislation in Ireland fully implements the range of options that can favour social outcomes. [National Procurement Service].

## Recommendations: Funding and Finance

Social enterprises can currently access many funding opportunities; however, in order to reduce reliance on grant-aid, the sector needs to focus more on developing business opportunities. Where social enterprises provide a service to government, consideration needs to be given to classifying this income as fee-for-services and not grants. It was established during Forfás consultations that credit unions in Ireland wish to establish a central social finance facility but are currently prohibited from doing so. In addition there is a need for Ireland to actively engage with the European Commission's Social Business Initiative to ensure that all benefits for Ireland are realised.

13. There is a need to ensure that the potential of social enterprises in delivering social innovations are incorporated in the implementation of the recommendations of the Forum on Philanthropy and Fundraising. [DoECLG].
14. Given the relevance of the three key European Social Fund (ESF) actions to Ireland, Ireland should include 'promoting the social economy and social enterprises' as one of the investment

priorities under the Operational Plans for ESF & ERDF 2014 - 2020. This will assist Ireland and Irish social enterprises access and benefit from the other actions being pursued by the Commission. [Government departments including Department of Education and Skills, Environment, Community and Local Government, Department of Social Protection].

15. Given the potential for growth of the social enterprise sector in Ireland, it is appropriate now for Ireland to take-up governmental representation on the European Commission's Group of Experts for Social Entrepreneurship (including a likely subgroup on finance), to ensure that Ireland is best placed to benefit from proposed changes in EU regulations and funding. [Government Departments to consider nominees].
16. As part of their medium term-strategy development, those credit unions of sufficient scale should consider opportunities for lending to the social enterprise sector, taking into account the relative risks associated with lending to social enterprises and lending to their traditional client base. In addition, the possibility of forming a new credit union with the specific objective of lending to social enterprises should be considered. [Registrar of Credit Unions].
17. There is a need to consider how best to ensure access to emerging finance options such as impact investing, venture philanthropy, and Social Impact Bonds for social enterprises into the future. [Department of Finance].

### Recommendations: Developing Leaders and Harnessing Community Support

Consideration needs to be given as to how best to develop sectoral 'champions' nationally and to improve local awareness about the benefits of social enterprise to local communities.

18. Consider how best through existing work placement programmes to assist in building management capacity in social enterprises through increased participation. Consider how best successful, established social enterprises can support and replicate existing leadership development programmes. [Local Authorities, Department of Social Protection].
19. Initiatives being developed to build on work by the Taskforce on Active Citizenship and to develop a national volunteer policy should take full account of the potential for the development of social enterprise at local and community level. [Department of the Environment, Community and Local Government, Department of Social Protection].

### Recommendations: Governance

Currently, social enterprises are generally established as companies limited by guarantee. However, the role of the co-operative model has potentially wide application in the sector and should be further examined by those involved in the sector and promoted. As many social enterprises have charitable tax-exempt status, the commencement of the Charities Act will mean that for the first time registered charities will exist in Ireland, and will help ensure quality assurance in the sector as well as improved data.

20. There is a need to ensure the tax and benefit system does not create disincentives for workers and avoids creating poverty and unemployment traps for those engaged in social enterprise. [Department of Social Protection and Department of Finance].
21. There may be a need to consider identification/categorisation of worker co-operatives under the Registrar of Friendly Societies (RFS) registration system which would help to establish the scale, and identify the development capacity, of the sector [Department of Jobs, Enterprise and Innovation].



22. There is a continuing need to promote co-operatives where it is demonstrated that the co-operative model offers particular benefits in a particular sector or type of undertaking (e.g. group water schemes, social housing development, certain agricultural sectors). [Various individual Departments e.g. Agriculture, Environment, ICOS, NABCO, FGWS].

# 1 Introduction

## 1.1 Action Plan for Jobs 2012

As part of the Action Plan for Jobs 2012 (Action Point 6.7), Forfás and DJEI were requested to:

“Report on the potential of social enterprise to create jobs. The report will identify the actions required, in funding, procurement, etc., by Government and other relevant bodies and agencies to create jobs in this sector. It will examine potential initiatives in this area (e.g. a Micro-Working Initiative) and will be prepared with particular reference to the European Commission’s Social Business Initiative and associated funding.”

Forfás has prepared this report following detailed consultations with social enterprises, relevant government departments and funding agencies and other stakeholders to identify the potential for the sector and actions required by Government and other relevant bodies and agencies to create jobs in this sector.

## 1.2 Report

This paper sets out the summary of findings from the research (including interviews, consultations and a detailed literature review) undertaken, and presents the conclusions and recommendations to enable growth in the sector. The issue of Microworking is examined in a separate Forfás report.

## 1.3 Methodology

The research has been conducted by reviewing existing literature and data, extensive research fieldwork (including interviews and consultations), and a large workshop held in Forfás. Six case-studies were undertaken as part of the research also. A list of all consultations, workshop participants, and case-studies can be found in the Appendices. The consultations were undertaken in the format of semi-structured interviews to ensure that each respondent was asked similar questions, while allowing respondents to introduce additional topics. In addition, four detailed written submissions have been made to Forfás from the Social Enterprise and Entrepreneur Task Force<sup>3</sup>, PAUL Partnership, Dunhill Rural Enterprises Ltd. and Ballyhoura Development Limited.

A review was also completed of all the funding and finance options that social enterprises can potentially access. Social enterprise policy in seven other countries has been examined: UK, Italy, Sweden, USA, Canada, Australia and China. Consultants were engaged to assist in the international review, funding and finance options, and in the six case-studies.

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<sup>3</sup> A list of the members of the Social Enterprise and Entrepreneur Task Force can be found in the Appendices.

## 2 What is a Social Enterprise?

Using the European Commission's definition of social enterprise, definitions from other countries, and consultations with stakeholders, the following proposed definition of social enterprise is being proposed by Forfás for the case of Ireland.

### Proposed Irish Definition of Social Enterprise

A social enterprise is an enterprise:

- i. that trades for a social/societal purpose;
- ii. where at least part of its income is earned from its trading activity;
- iii. is separate from government; and
- iv. where the surplus is primarily re-invested in the social objective.

Social enterprises differ from traditional charities as they earn some income from trading and so are not reliant solely on fundraising or grants, although it is recognised that some charities do engage in traded activities. The social purpose and the re-investment of the surplus in the social objective should be the delineating factor between social enterprises and conventional enterprises. Where a social enterprise is trading and uses a business model to deliver a social good or service it can be deemed to be operating within the commercial sphere. It can have a direct or indirect employment-creation role but is unlikely to have a central focus on exports, unlike many traditional enterprises under the aegis of the enterprise development agencies. It was made clear by those consulted that the sector in Ireland wishes to focus on development of the enterprise aspects so they can become more sustainable.

Social enterprise operates on an economic continuum in which there is a rich variety of social enterprises. It is clear from consultations held with various social enterprises that not all have intentions to move towards the more commercial end of the continuum. The task at hand is to understand the needs of the social enterprises located at points along the continuum (in respect of financial but also other supports), and to determine which agency is best placed to support those needs and in which format. Social enterprises located at one end of the continuum interface most with public sector organisations (health, education, etc.) and may continue to have highly diverse income sources; however, they could be supported by a better commercially based relationship that would allow them to control their own sustainability. Likewise, social enterprises that are located at the opposite end of the continuum that interface more with the private sector and whose income portfolio is more self-generated, require different supports and engagement (potentially over a short period) from different agencies (such as is provided for fully commercial business). It is within the latter cohort of social enterprises in particular that potential additional job creation is anticipated in this study. The Report provides more detail on this in Section 5.

## 3 International Review of Social Enterprises

### 3.1 Role of Social Enterprises

A review of social enterprises in seven countries<sup>4</sup>, carried out as part of this study, demonstrates that social enterprises are organisations that exist to either supplement or act as key service providers to the various types of welfare state that exist from nation to nation. In all country examples, bar Sweden, this was the case. The level and degree to which social enterprises engaged in this role is often determined by the political ideologies of the government *in situ*. Interestingly, some of the early examples of social enterprises acting as welfare service providers were seen in the area of specialist service provisions to individuals with disabilities (Italy, Sweden and China).

### 3.2 Difficulty in Assessing the Scale of the Social Enterprise Sectors in Other Countries

Assessing the scale of social enterprises was hampered by varying definitions of the sector, and also by the nature of their role, which was driven by political and social ideologies of each country reviewed. It is difficult to differentiate social enterprise from the wider non-profit sector. In Italy, in 2009, there were approximately 15,000 social enterprise service providers, employing around 400,000 people. In the USA (2009), there were 1.5 million non-profit organisations employing 12.9 million people. In Canada, the wider non-profit sector employed over two million people in 161,000 non-profit and voluntary organisations in 2005.

### 3.3 Government Policies for Social Enterprises

Three out of the seven countries reviewed have established dedicated Offices within their Cabinet or central administrations and have allocated government Ministerial posts to oversee policy development (UK, USA and Australia). In all of the remaining countries, policy direction for social enterprise exists at the highest levels predominately within departments responsible for enterprise and employment policies.

Likewise, according to information reviewed, six out of the seven countries have established inter-governmental bodies across departments to represent the diverse nature, purpose and impact of social enterprises and to ensure a co-ordinated and efficient policy approach to the sector.

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<sup>4</sup> The UK, Italy, Sweden, the USA, Canada, Australia and China were chosen on the basis of their diverse economic, social, geographical and political nature, but also because Governments in these countries have been very proactive in creating new mechanisms to support social enterprise. In the case of Sweden and China, these countries represent regions where the 'consciousness' of social enterprise has come to the fore. Italy reflects the legal legacy related to developing their engrained social collective working models.

### 3.4 Legal Structures

For the most part, social enterprises adopt a wide variety of generic legal structures within countries that are usually influenced by the tax and charitable laws of the country. In four of the countries (UK, Italy, some States of the USA, and China) legal structures have been created for social enterprise that incorporate specific social purpose clauses and in some cases are directly linked to tax exemption provisions. The provision of tax exemptions to social enterprises is a key feature of countries with developed sector policies (such as the USA and Australia).

## 4 Size of the Social Enterprise Sector in Ireland

Data on the sector are limited, and are hampered by the lack of a universal definition. The snapshot below uses data collated by the Irish Non-profit Knowledge Exchange. The data are for 2009, the most recent year available. The size of the sector is also placed in the context of the wider non-profit sector, of which social enterprise is a subset.

### Snapshot of the Social Enterprise Sector in Ireland<sup>5</sup>

- In 2009, there were 1,420 social enterprises, employing over 25,000 people, with a total income of around €1.4 billion.
- Income from trading accounts for 17 per cent of total income in social enterprises.<sup>6</sup>
- Average turnover per social enterprise is over €1 million.
- Social enterprises are labour intensive with payroll reflecting 64 per cent of total expenditure.
- The wider non-profit sector Ireland, of which social enterprises are a subset, employs more than 100,000 people, and has income of more than €6 billion.

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<sup>5</sup> Clann Credo (2011) The Economic and Social Contribution of Clann Credo - the Social Investment Fund and Irish Non-profits Knowledge Exchange (2012) Irish Non-profits: What do we know?

<sup>6</sup> This may be an underestimation of income from trading, as often fees for service from government are listed as grants. See Appendix 4 (Section 4.2) for more data.

## 5 What Do Social Enterprises Do in Ireland?

A sustainable business model is important to the survival and development of social enterprises. The review of existing activities and consultations identified the potential for the social enterprise sector in Ireland to develop enterprises that can be self-sustaining.

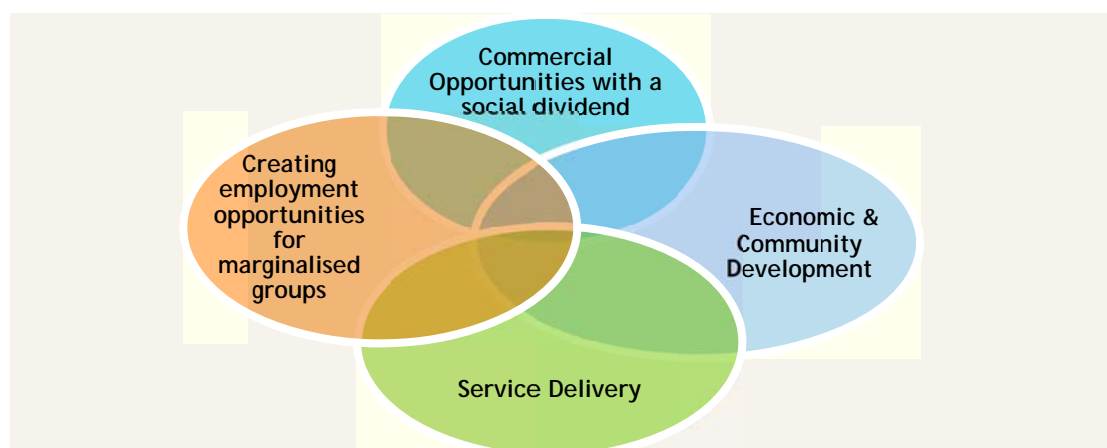
Many social enterprises in Ireland provide services that the government does not offer to citizens, either because the state has outsourced, or cannot provide these services to the same standard, or they do not provide them in the first place, perhaps because it would be too costly to do so. This is an important starting point to consider when developing policies that will foster the sector's growth. In addition, social enterprises provide services that may not be commercially viable for conventional enterprises, because while social enterprises must be sustainable enterprises they do not have the same requirements for financial rates of return as conventional enterprises and also can often draw on voluntary resources.

As outlined in Section 2, social enterprises operate along a spectrum of activity, under the influence of many factors including the need to be socially driven and economically sustainable. At one end of the spectrum some organisations operate at the interface of the public sector, providing services that are generally considered to be public services, such as care of the elderly or those with disabilities. They are very outwardly social organisations, whose operating strategy might be simply to generate enough income to deliver the core social programmes, ensuring the long-term sustainability of the programmes and therefore the viability of the organisation for as long as there is a relevant social need. At the other end of the continuum, a social enterprise might interface more closely with the commercial sector, and operate and present themselves as businesses that aim to maximise profits in order fund their underlying social objectives.

### 5.1 A Typology of Social Enterprises in Ireland

Another way of summarising the sector is to distinguish four main types of social enterprise in Ireland. These can often overlap, and a description of each is presented in table 1 below.

Figure 1 Types of Social Enterprise



Source: Forfás

Table 1 Types of Social Enterprise

Type of Social Enterprise	Description
Commercial opportunities with a social dividend	<p>An organisation that trades in a service or product that has a social good AND a high potential income generation capacity.</p> <p>Example: an environmental services company that has been established as a social enterprise.</p>
Creating employment opportunities for marginalised groups	<p>An organisation that works with individuals who are marginalised and disadvantaged and seek market opportunities in suitable sectors and industries for their labour.</p> <p>Examples: an enterprise that provides training and employment to ex-offenders or an enterprise that provides training and employment to those with a physical or learning disability</p>
Economic & community development	<p>A local organisation that identifies a gap in infrastructure or services where the private sector has not been able to develop a commercially viable solution.</p> <p>Examples: a community-run enterprise centre (some key examples include Dunhill Rural Enterprises Ltd and Innovation Wexford) or a community shop.</p>
Service delivery	<p>An organisation that is primarily a delivery agent of public sector services (often, but not always to individuals and groups who are not in a position to pay full commercial rates for services).</p> <p>Examples: a crèche or elderly home-care services</p>

## 5.2 Case Studies

The six case-study organisations were chosen to reflect the range of organisations that operate at the economic end of the social economy continuum in Ireland, generate a proportion of their income from tradable activities and create sustainable jobs. They were chosen to demonstrate range in:

- Size
- Geography
- Sectors of involvement
- Sustainable employment levels
- Job creation methods
- Good practice in evaluation and measurement of impact
- Funding mechanisms employed
- Reliance of trading versus non-commercial income



- Ability to scale through a variety of mechanisms including franchise

As the case-studies will demonstrate, those who run successful social enterprises in Ireland are entrepreneurial, resilient and adaptable. They are representative of a small number of organisations in this space that have succeeded in marrying social goals with an enterprise model and earned any significant proportion of their income from trading activities.

Included within the six case-studies is one organisation (Jobcare) that does not at present earn income from trading goods or services. It is included as an example of the challenges that can prevent organisations from moving along the continuum towards operating in a more self-sufficient manner in Ireland<sup>7</sup>.

The case-studies include those organisations that are within and across the categories described above and include:

- Organisations that work with individuals who are marginalised and disadvantaged and seek market opportunities in suitable sectors and industries for their labour:  
Speedpak, Jobcare, Hand on Heart Enterprises, Rehab Enterprises
- Organisations that are primarily a delivery agent of public sector services (particularly to individuals and groups who are not in a position to pay full commercial rates for services)  
Fledglings, My Mind
- Local organisations or individual who identify a gap in infrastructure or services where private sector has not been able to develop a commercially viable solution.

Table 2 below gives a summary of the case-study findings.

**Table 2 Summary of Case-Studies**

	Legal Structure & Charity Status	Reliance on Trading Income	Creating Sustainable Employment	Scalability	Jobs with pay at commercial rates	Types of Organisations
Speedpak Contract packing services	Company limited by guarantee without share capital (Co. Reg No. 234022) and registered charity (CHY 11503)	Yes - A commercial operation; 40% of income is earned	Yes, team of approx. 64 on site	Yes - has scaled and is seeking other suitable business opportunities	14 core staff at standard rates and 50 trainees on Community Employment scheme	Working with the marginalised in tradable activities

<sup>7</sup> The challenge is a 'Catch 22' of sorts: because of their reliance on funding sources and conditions under which they must operate due to receiving statutory funding (conditions set by the funder such as not making a surplus from public funding), such enterprises are effectively restricted from acting in a more self-sufficient manner.

## FORFÁS SOCIAL ENTERPRISE IN IRELAND: SECTORAL OPPORTUNITIES AND POLICY ISSUES

<p><b>Jobcare</b></p> <p>Employment services &amp; training</p>	<p>Company limited by guarantee (Co. Reg No. 215563) and registered charity (CHY 11301)</p>	<p>Not currently trading but seeking ways to do so.</p>	<p>All jobs are funded through grants, donations and other sources at present.</p>	<p>Yes, the model is available for replication</p>	<p>Jobcare employs 46 Community Employment staff.</p>	<p>Working with the marginalised but not in tradable activities</p>
<p><b>Hand on Heart</b></p> <p>Vending &amp; catering services</p>	<p>Company limited by guarantee (Co. Reg No. 479197)</p>	<p>Yes - Highly commercial operation; 75% of income is earned</p>	<p>Yes, central team of 3 fulltime and 6 part-time staff</p>	<p>Highly scalable and potential for franchise</p>	<p>Yes also creating self-employment in vending machine business</p>	<p>Working with the marginalised in tradable activities</p>
<p><b>Fledglings</b></p> <p>Early years education &amp; childcare</p>	<p>Single member private company limited by shares (Co. Reg No. 453440) and registered charity (CHY8659 - An Cosan)</p>	<p>Proportion of costs is covered by trading income - "franchises" pay a 5% fee which supports central office costs. Each service breaks even from day one of operation.</p>	<p>12 FTE core staff, 38 jobs in services</p>	<p>Four sites at present; ambition for 20 with solid plans with other educational institutions in Ireland</p>	<p>12 FTE core staff, 38 jobs in centres all at rates typical for the industry</p>	<p>Primarily a delivery agent of public sector services (particularly to individuals and groups who are not in a position to pay full commercial rates for services) Also working to fill an infrastructure gap</p>
<p><b>My Mind</b></p> <p>Mental health services</p>	<p>Company limited by guarantee without share capital (Co. Reg No. 434008)</p>	<p>80% of income earned from client fees. Ambition to scale the operation to a self-sustaining business model by 2013</p>	<p>3 full time roles and panel of 50 mental health professionals who work on a part-time basis</p>	<p>Yes - 2 locations in Dublin, one in Cork about to open soon</p>	<p>Core staff jobs are at typical rates for the sector</p>	<p>Primarily a delivery agent of public sector services (particularly to individuals and groups who are not in a position to pay full commercial rates for services)</p>
<p><b>Rehab Enterprises</b></p> <p>Recycling, logistics &amp; retail</p>	<p>Single member private company limited by shares (Co. Reg. No</p>	<p>Yes, highly commercial operation. Wage Subsidy Scheme contributes less than 10%,</p>	<p>530 jobs in total of which 313 have a disability and are supported by Wage Subsidy</p>	<p>Has shown significant growth and is largest Wage Subsidy Scheme in the</p>	<p>Yes, supported by Wage Subsidy Scheme</p>	<p>Working with the marginalised in tradable activities</p>

216680)	all other	Scheme	country		
Wholly owned subsidiary of the Rehab Group Individual divisions within Rehab are registered business names only. Rehab is a registered charity (CHY 4940) but not Rehab Enterprise.	income is earned				

### 5.3 Potential for the Sector to Create Jobs and Economic Growth

In 2009, there were approximately 25,000 direct jobs in the social enterprise sector in Ireland. Looking at the four broad categories listed above, these activities also create indirect jobs. Although it is difficult to provide concrete evidence (given the amorphous nature of the sector), social enterprise appears to be a growing enterprise sector that can bring further job gains and deliver economic potential. There is both a demonstrated need, and a market for, social enterprise in Ireland, as is borne out in the numbers employed in companies that frequently derive a large percentage of their income from trading and economic activity. With the appropriate enabling and promotional effort, there would appear to be scope for increasing job potential in the sector.

In the Programme for Government, there is a commitment that Government will promote the development of a vibrant and effective social enterprise Sector, instruct agencies to view social enterprises as important stakeholders in rejuvenating local economies and that Government will continue support for social innovation projects for young people through education, community and voluntary structures.

Estimates for potential employment growth are for up to a tripling of the number currently employed if the conditions are conducive for the growth of the sector. Social enterprise accounts for about 6% of GDP across the EU. If Ireland's social enterprise sector, as defined in Section 2, were to approach mean EU levels of output, it is estimated that there would be approximately 65,000 jobs in social enterprises; this figure could grow to as much as 100,000 jobs if Ireland achieved the 9% goal set by the EU under the 'Europe 2020' Strategy. It is important to note that different definitions of social enterprise are utilised across the EU, some of which include the wider non-profit sector. It is clear that if Ireland took a more inclusive definition of social enterprise than the one proposed in this study, Ireland's current GDP share and employment numbers attributable to the sector would be far bigger.

As well as multiplier effects from the direct jobs in the sector, further indirect jobs are created either by enabling the development of other enterprises, for example by social enterprises that assist economic and community development, or by providing services that bring people to a community such as local festivals or community-run hostels.

The benefits of social enterprises are that they can provide jobs to those most distant from the labour market, both spatially and socially. The nature of social enterprises is such that services

tend to be provided locally and so the jobs are created in local communities. They can provide jobs across a range of skill-sets also, some with the specific remit to give employment to those most marginalized.

While endeavouring to develop as sustainable businesses, the creation of a surplus is just one motive of the social enterprise and is a means rather than an end. In addition, as social enterprises can draw on additional resources such as volunteers, they may be able to operate businesses that would not be commercially viable otherwise. For example, shops, pubs and post-offices run by social enterprises as well as providing jobs also provide important, cohesive infrastructures in communities.

All of the sub-sectors below can provide jobs throughout Ireland because by their nature they are local services and can be embedded in local communities. Many provide important social infrastructure. In addition, many of the opportunities listed, such as those related to tourism (including eco-tourism) and heritage, can assist in providing jobs in conventional enterprises such as local restaurants and accommodation.

### 5.4 Sectoral Opportunities

During the consultations, those interviewed were asked what activities might be best suited to social enterprise models into the future. The following were cited as areas of potential:

- Community shops, post offices, pubs, petrol stations
- Green economy - energy production (e.g. biofuels), energy conservation, and recycling
- Local development organisations to assist enterprises, social enterprises, and community groups
- Central services provided by local development organisations - such as the food hub services
- Community radios
- Job centres and employment services
- Tourism promotion
- Tourism and heritage products such as museums, accommodation, etc.
- Festivals
- Leisure and sports services
- Community centres, halls, theatres
- Rural transport

## 6 Growing Importance of the Social Economy at EU Level

In 2011, the European Commission launched the Social Business Initiative as part of the Single Market Act, within which social enterprise is one of 12 priority areas. The Commission has placed the social economy and social innovation at the heart of its concerns, in terms of both territorial cohesion and the search for new solutions to societal problems, in particular the fight against poverty and exclusion, under the Europe 2020 strategy. Under the auspice of the Social Business Initiative (SBI) the European Commission has identified three sets of priority measures:

### Measures to Improve the Access to Funding for Social Businesses:

- Develop a European regulatory framework for European Social Entrepreneurship Funds (proposal made in December 2011).
- Foster the development of microcredit in Europe (work in progress within the European Commission).
- Set up a European financial instrument of €92.28 million to improve social businesses' access to funding (proposal made in October 2011: operational from 2014).
- Introduce an investment priority for social enterprises in the regulations ERDF (European Regional Development Fund) and ESF (European Social Fund) (proposal from October 2011).

### Measures to Improve the Visibility of Social Businesses:

- Comprehensively map social enterprises in Europe to identify good practices and collect reliable data of the social economy (work in progress within the European Commission).
- Create a public database of labels and certifications applicable to social businesses in Europe to improve the visibility and comparison between social enterprises (work in progress within the European Commission).
- Promote mutual learning and capacity building of national and regional administrations and help them put in place integrated strategies to support social enterprises (work in progress within the European Commission).
- Create a single, multilingual information and exchange platform for social enterprises and their partners (work in progress within the European Commission).

### Measures to Improve the Legal Environment of Social Businesses:

- To introduce a European Foundation Statue (proposals made in February 2012) and simplify the regulation of the Statue for a European Cooperative Society in 2012. A study on the situation of mutual societies was launched in February 2012.
- In public procurement, proposals for a specific and streamlined regime for social services including more focus of the element of quality in awarding contracts, possibility to take into account the working conditions for people involved in the production of goods and services in the award criteria and extended possibility of reserved contracts for social enterprises (proposal made in December 2011).
- Simplify the implementation of rules concerning the state aid to social and local services (exemption of the notification obligation) (proposal made in December 2011).

## 7 Key Findings and Recommendations

This section outlines the main findings and recommendations that have been informed by the review of literature in Ireland and internationally, the workshop, and the research fieldwork (interviews) undertaken. A consensus around the key recommendations emerged from the consultations undertaken and these have been discussed with relevant Government Departments.

### 7.1 Mainstreaming Social Enterprise and Development of Social Enterprise Policy

#### Social Enterprise Policy

There is a need for an overarching policy statement for social enterprise development in Ireland into the future. While a number of Government Departments are already engaged with the social enterprise sector, and will continue to be so, policy development and monitoring of the implementation of that policy is necessary if the sector is to achieve its potential. This can be best brought about by coherence around a national policy statement for the sector.

The key government departments with responsibility include the Department of Jobs, Enterprise and Innovation, Departments of the Environment, Community and Local Government, Social Protection, and Health. There is an on-going need to ensure that policy includes a focus on the 'enterprise' aspect of the sector. In addition, regardless of where departmental responsibility lies there is a need for interdepartmental committees to bring together all the departments with an interest in social enterprise.

In 2007, the Social Economy Programme (and the budget), which was essentially "social enterprise", transferred from the then Department of Enterprise, Trade and Employment to the Department of Community, Rural and Gaeltacht Affairs. Following a realignment of Departmental responsibilities in 2011, responsibility for labour market policies and supports (staff and budgets), including Community Employment (now with the Department of Social Protection) and the ESF (now with Department of Education and Skills) were transferred from the Department of Jobs, Enterprise and Innovation, together with FAS. As part of the new arrangements under the current Government, in 2011 responsibility for Community and Rural affairs, which included the Social Economy Programme, transferred to the Department of the Environment, Community and Local Government.

#### Supporting Social Enterprise

There are a range of supports and programmes available for the sector including LEADER, local development companies, Community Support Programme and others. The CEBs in some cases have also provided capability supports. Where the operating model of such enterprises is moving towards trading income, this distinguishes social enterprises from other forms of third sector groups and for such enterprises, local authorities may need to consider appropriate soft supports such as training, mentoring, and business development. For those social enterprises that are more fully in the commercial sphere and developing self-sustaining business models, these will be more suited to benefit from the supports and services to be provided by the forthcoming Local Enterprise Offices, operating under the auspices of Enterprise Ireland and the local authorities. Such enterprises can benefit from a range of supports, as part of a structured progression pathway for high growth and high potential enterprises. [Department of the Environment, Community and Local Government, Department of Jobs, Enterprise and Innovation]

## Measuring the Sector and Evaluating Impact

While some data is available on the sector, it is from 2009, and is not easy to update. Therefore, mapping of the sector is important. As part of the Social Business Initiative, the European Commission has awarded a tender for the mapping of social enterprise in the EU. A subgroup has also been set up as part of the European Commission's Expert Group on Social Entrepreneurship which will continue to develop measurement tools for the sector regarding social impact. This will be helpful, but in any case, to ensure frequent and timely updates, social enterprises should be included as an explicit subsector within CSO business surveys. This will also provide data that is comparable with existing enterprise data.

In addition, the impact of the sector needs to be measured to ensure the value for money of government supports either through soft mechanisms or through funding. In particular, those consulted in the social enterprise sector have expressed a wish to access conventional enterprise supports. Existing appraisal and evaluation frameworks may need to be amended to incorporate the social returns of social enterprise.

## Recommendations: Policy Development for the Social Enterprise Sector

1. The first requirement is to develop and adopt a government policy on social enterprise, and include the following aspects:
  - Adopting the proposed definition for social enterprise *"...as an enterprise that trades for a social/societal purpose, where at least part of its income is earned from its trading activity, is separate from government and where the surplus is primarily re-invested in the social objective"*;
  - Establishing appropriate institutional oversight and co-ordination mechanisms for the sector including assigning responsibility for social enterprise policy to a lead department and consider establishing an inter-departmental and inter-agency group for social enterprise to develop and champion the sector, to include the key Departments of Environment, Community and Local Government, Social Protection, Agriculture, Food and Marine, Arts, Heritage and the Gaeltacht, and Health and Jobs, Enterprise and Innovation; this should form a core element in County/City Local and Community Plans;
  - Developing indicators to evaluate the impact of social enterprises; and
  - Measuring social enterprises explicitly within business surveys, to an appropriate level of detail.

## 7.2 Capacity Building in the sector

### Business Skills Development

Often community groups are operating businesses but they may not realise that they have all the hallmarks of a social enterprise, and may not recognise themselves as businesses. Many of those consulted indicated that identifying and improving income streams as important for the sector to grow, and reduce dependency on fundraising and grant-aid. In this respect the concept of social enterprises needs to be mainstreamed within the non-profit sector.

In 2012, PAUL Partnership in Limerick launched a Community and Social Enterprise Programme that includes seminars to promote community and social enterprise and a business and leadership skills development programme. This could be used as a good model for further roll-out of business skills development.

### Work Placement of Graduates

It was felt by some of those consulted that given the difficulty in finding graduate employment that there was an opportunity to use existing internship programmes, such as JobBridge, to give social enterprises access to highly-skilled graduates, such as in the area of ICT. However, many nascent social enterprises may not pay employees in the early days in which case they are not eligible to avail of the JobBridge programme. The Tús programme, it was argued, may be too restrictive to allow many recent graduates to take part in the programme, as participants must be in receipt of jobseeker's payment for more than one year, and in addition, participants can only work for 19.5 hours per week. Social enterprises have the benefit of being geographically spread and so they provide internship opportunities in many communities.

### Recommendations: Capacity Building in the Sector

2. Encourage existing, successful social enterprises to promote and replicate existing business support models, including those offered through community development social enterprises and LEADER and Partnership companies. Consideration needs to be given to the development of a network among economic and community development companies and the proposed local enterprise offices to share knowledge, best practice and demonstration projects as exemplars for the potential of the sector. This could include a panel of champions to promote initiatives within the sector. [City and County Managers, Local Authorities, Department of the Environment, Community and Local Government].
3. There is a need to consider how best to build capacity in the social enterprise sector to ensure that social enterprises are 'investment-ready' and also have longer-term strategic plans to help improve access to finance. Consideration needs to be given to how best to support capability building in social enterprises by Government departments more generally in working with social enterprises and making best use of the range of measures available through LEADER, local authorities and others. [Local Authorities, DoECLG, DoH, DSP].
4. There is an opportunity to develop local community time-bank mentoring programmes to assist nascent social enterprises as these will help foster relationships between social enterprises and local professional services providers. [Local Authorities, DoECLG].
5. To promote the development of the sector it will be important that curricula be changed (where appropriate) so that social enterprise and non-profit management are included in mainstream academic business courses. [Department of Education and Skills].
6. There may be potential to increase participation on existing work placement programmes to assist in building management and technical capacity in social enterprises and to facilitate participation in social enterprise while maintaining work placement schemes' objectives. [Department of Social Protection].
7. For those social enterprises that are more fully in the commercial sphere and developing self-sustaining business models, these will be suited to benefit from the supports and services to be provided by the forthcoming Local Enterprise Offices, operating under the auspices of Enterprise Ireland and the local authorities. Such enterprises can benefit from a range of supports, as part of a structured progression pathway for high growth and high potential enterprises including those with potential to trade internationally. [DJEI/DoECLG].



## 7.3 Procurement

### Access to Public Procurement

Social enterprises, most of which are considered SMEs, face the same issues as conventional SMEs regarding participation in public procurement competitions. The consensus during consultations was for the facilitation of SMEs, and thus social enterprise, to access public procurement competitions. This assures parity for social enterprises compared with conventional enterprise by ensuring that tender requirements are relevant and proportionate, where appropriate dividing contracts into lots, and using pre-market engagement. In addition, those consulted felt that up-skilling was needed in the social enterprise sector with regard to procurement processes.

Engaging with conventional business is one way for social enterprises to jointly bid in competitions, develops tendering skills, and also builds productive capacity.

### Influencing Social Outcomes through Procurement

Procurement can also be used to influence social outcomes. Social enterprises are well placed to engage in procurement competitions that have explicit social considerations. EU procurement legislation explicitly allows for the inclusion of social and environmental considerations relating to contract performance.

### Example: Community Benefit Clauses

Community Benefit Clauses (CBCs) can be used as part of the contract performance conditions and have been actively promoted by the Scottish Government as a means for contracting authorities to include social outcomes in procurement objectives. Experience of CBCs in Scotland has shown that it is essential that those involved in the procurement process have a full understanding of CBCs and that Value for Money considerations remain at the fore. Bids need to be evaluated only on objective and measurable outcomes to ensure transparency. Clearly defined deliverables also need to be monitored in a robust fashion to ensure that CBCs are met.

Targeted Recruitment and Training clauses are the main form of CBCs adopted in Scotland. These specify, for example, that a certain percentage of labour time in the contract is for the recruitment and training of long-term unemployed. These clauses are implemented as contract performance clauses that can be linked directly to the stated objectives of a contract. For example, they have been used in regeneration projects and also in the 2014 Commonwealth Games. In addition, Target Recruitment and Training Clauses have numerical targets that can be easily measured during bid evaluations and can also be monitored during the project implementation phase.

Glasgow City Council, as part of its Sustainable Procurement policy, has committed to implementing Community Benefit Clauses when tendering for capital investment contracts. Many of the capital investment projects for the 2014 Commonwealth Games have included provisions for targeted recruitment and training of the long-term unemployed. By the end of March 2012, this policy had resulted in 255 places for the long-term unemployed in construction projects for the Commonwealth Games.

### Sheltered Employment for those with Disabilities<sup>8</sup>

Under EU procurement directives, procurement processes can reserve contracts explicitly for sheltered workshops (Article 19 of the EU's Consolidated Directive), where more than half of the employees have a disability. This is one way in which social enterprises can avail of explicit consideration within the procurement process by local authorities and public bodies. It may be timely for the Departments of Social Protection and Education and Skills (and potentially other Departments) to assess how best to ensure that contracting authorities are aware of the potential use of sheltered workshops, while ensuring that such workshops and programmes are consistent with the objective of engaging those with disabilities in meaningful employment in integrated, mainstream settings and also to consider how best to gather data on the number and size of contracts that are reserved for sheltered workshops in Ireland.

### EU Public Procurement Reform

Public procurement reform has been included as a key action in the European Commission's Social Business Initiative. This reform, as part of the Single Market Act, includes proposals for specific and streamlined system for social services. The Commission has proposed that more focus should be given to quality criteria when awarding contracts such as working conditions. In addition, reserved contracts for social enterprises may be extended.

### Recommendations: Procurement

8. The National Procurement Service is progressing a number of initiatives to improve SME access to public procurement, and in this context there is a need to consider how best to ensure social enterprises are not disadvantaged by the procurement process by contracting authorities. Among the measures being considered for SMEs and would be of benefit to social enterprises include:
  - thresholds of relevant and proportionate capacity and disproportionate insurance requirements;
  - reducing administrative burden on tenders, including use of simpler, standardised documentation;
  - where appropriate dividing contracts into 'lots' that are suitably scaled for SMEs; and
  - increasing communication with the market by publishing long-term purchasing plans in Prior Information Notices and through pre-market engagement.
9. There is an opportunity for public authorities in progressing the greater use of 'Meet the Buyer' events and other pre-market engagement tools to include social enterprises, so that buyers can understand the innovative solutions offered by social enterprises and so that social enterprise suppliers can build their capacity in bidding for public procurement contracts. [Local authorities and public bodies].
10. Similarly there is a need to consider how best to develop tendering skills as part of capacity building programmes of social enterprises. [National Procurement Service].
11. Consider how best to encourage social enterprises to work with conventional enterprises as suppliers and as collaborators. [National Procurement Service].

Consider the development of guidance for contracting authorities to incorporate social considerations in procurement processes, such as Community Benefit Clauses, and ensure that Ireland is engaged in the adoption of procurement reform at EU level, and that the

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<sup>8</sup> It is recognised that sheltered workshops are not generally regarded as fully commercially viable enterprises.

concomitant transposition of legislation in Ireland fully implements the range of options that can favour social outcomes. [National Procurement Service].

## 7.4 Funding and Finance

Given the nature of its activities (which often require a level of subvention, especially at the start of the company lifecycle), funding and finance is critical to social enterprise, at least to the same extent as it is to SMEs. However, it is clear from the stakeholder consultations conducted for this study that the sector, in general, wishes to become more self-sustaining and earn a higher proportion of its income from the market rather than from direct government funding. The range of potential sources of funding to the full range of organisations within the social enterprise sphere encompasses a broad swathe of sources including:

- Employment supports (to employ individuals and to develop the capacity of leaders);
- Organisation development finance (grant and repayable loan finance for feasibility, start-up, growth, expansion);
- Thematic funding (environment, tourism, youth, disability, suicide prevention, disadvantaged communities, international development etc.);
- Tax based initiatives to encourage investments in initiatives (Employment Incentive Scheme, Seed Capital Scheme and Revenue designation for recognition of donations to charities, approved bodies and sports organisations); and
- Other funding (philanthropy, trading income, membership fees).

However, the funding available to any individual social enterprise is limited by its specific configuration. The main sources of funding specifically set aside for social enterprises in Ireland are:

- the Community Services Programme managed by Pobal on behalf of the Department of Social Welfare (approximately €45m per annum);
- the Social Finance Foundation funding distributed through five approved social lending organisations (total fund €97m);
- Government contracts for public service delivery (disability provision by non-profit sector €1bn plus other HSE contracts, Rural Transport Programme €11m, Sustainable Energy Authority of Ireland €3m+ plus housing provision by community and voluntary co-operatives);
- Bank finance through Triodos Bank serving Ireland from the UK (approximately €50m committed in loans in 2010 though dominated by wind farm projects); and
- Funding for social entrepreneurs through the Arthur Guinness Fund disbursed by competitive competition through Social Entrepreneurs Ireland (€650,000 in 2012).

Outside these sources of funding, it is very difficult to separate out funding which goes to social enterprises as opposed to commercial enterprises with no explicit social ethos (from, for example, Enterprise Ireland, Shannon Development, Údarás na Gaeltachta, the County and City Enterprise Boards and First Step) or to community and voluntary organisations with no enterprise dimension (in the case, for example, of grants by the different Government Departments from National Lottery funding).

Being a social enterprise, *per se*, does not limit access to either enterprise-oriented funding<sup>9</sup> or grant aid. Thus, this study considers all sources of funding which could potentially be accessed by

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<sup>9</sup> For the wide range of funding available to commercial enterprises, see for example Forfás (2012) The Irish Enterprise Funding Environment. Dublin: Forfás, April  
[www.forfas.ie/media/260412-The\\_Irish\\_Enterprise\\_Funding\\_Environment-publication.pdf](http://www.forfas.ie/media/260412-The_Irish_Enterprise_Funding_Environment-publication.pdf) and

social enterprises if they fulfil the criteria of the funding mechanism. The availability of funding is also affected by the very deep changes which are currently taking place in the structures through which the different sources of funding are being made available.

While the funding environment has become more difficult in recent years, social enterprises have access to a considerable number of funding programmes, for example LEADER (administered through Local Development Companies), and employment support programmes, such as Tús. In the consultations, social enterprises were keen to reduce the dependency on grants, and to build more sustainable income streams. In addition, there is an emerging opportunity for Irish social enterprise to tap into a potentially large EU funding stream under the European Commission's Social Business Initiative, as set out in the following section. A comprehensive mapping of the funding environment for social enterprise in Ireland is provided in Appendix 4.

### EC Social Business Initiative

Funding and finance is an important element of the European Commission's Social Business Initiative. The Social Business Initiative (SBI) comes under the Single Market Acts (SMA) I and II.

There are a number of measures related to funding and finance within the initiative<sup>10</sup>:

- A €90 million fund to provide extra support to microfinance providers, building capacity among microfinance providers, and investment in social enterprises;
- Proposals to include social enterprise within the next round of Cohesion Funds;
- Proposals to improve the regulatory environment for the facilitation of private investment funds that wish to invest in social enterprises; and
- Proposals to simplify state aid guidelines with regard to social and local services.

The European Commission has identified a number of key actions under the SBI and a significant number could be of benefit to Ireland. The Commission has proposed that "promoting the social economy and social enterprises" is an investment priority in the Regulations for the European Social Fund (ESF) and the European Regional Development Fund (ERDF) (SBI Key Action # 4). In its proposal for the Common Strategic Framework, the Commission is encouraging Member States and regions to make use of this investment priority. For the ESF, three key actions are highlighted:

- Direct support for capacity building of teams starting a social enterprise, in order to speed up and increase the rate of creating sustainable social enterprises;
- Delivery of a high-quality supply of business development and support services (education, training, networking, coaching, tendering etc.), in order to stimulate the development of a supportive eco-system, and
- Set up financial instruments to facilitate access to finance.

Given the relevance of these three key actions to Ireland, Ireland should acknowledge the Commission's encouragement and include 'promoting the social economy and social enterprises' as one of the investment priorities under the Operational Plans for ESF & ERDF 2014 - 2020. This will assist Ireland and Irish social enterprises access and benefit from the other actions being pursued by the Commission such as:

- The European Social Entrepreneurship Funds (EuSEF) (Key Action #1);

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Department of Jobs, Enterprise and Innovation (2012) Financial Support for Irish Business, Action Plan for Jobs 2012, Dublin [www.enterprise.gov.ie/Publications/Financial-Support-for-Irish-Business.pdf](http://www.enterprise.gov.ie/Publications/Financial-Support-for-Irish-Business.pdf)

<sup>10</sup> [http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)

- Microcredit / Microfinance, especially given the recent launch of Microfinance Ireland (Key Action #2);
- The European financial instrument (Key Action #3);
- Mapping of social enterprises' sector; (incl. business models, economic weight, tax regimes, identification of best practices interest) (Key Action #5);
- National and regional administrations: promotion of mutual learning and capacity building (Key Action #7);
- Enhancement of the element of quality in awarding contracts in the context of the reform of public procurement (Key Action #10);
- Simplification of the implementation of rules concerning State aid to social and local services (Key Action #11); and
- Increasing and including new aid categories and the revision of the General Block Exemption Regulation (the GBER) (Key Action #20).

As part of the Social Business Initiative, the Commission has established an Expert Group on Social Entrepreneurship to advise the commission on the Initiative. Currently, there is one Irish member on the Group, the CEO of Clann Credo, which provides finance to social enterprises. Governmental level representatives can be appointed to the Group by each Member State. Ireland was represented at the request of Minister of State Sean Sherlock T.D. by Forfás at the second meeting of the Expert Group in November 2012 at which the experts and Commission were briefed about this research report. It is important that Ireland continues to be actively engaged within this expert group at official level given that this group is effectively shaping the development of social enterprise at EU level and is co-ordinating new finance and funding measures for the sector of which Irish social enterprises need to be made aware. There is an additional subgroup on social enterprise measurement and impact.

### Funding from Government or Fee for Service?

As outlined earlier, one of the issues with the data from social enterprises in filed accounts is that income from services provided to government is often listed as grants instead of traded income. Where funding from government is for a service that is provided this might be better reflected as traded income rather than grants and this should be further examined.

### Forum on Philanthropy and Fundraising and the Social Investment Fund

Philanthropy is an important source of funding for social enterprises. Philanthropic funding focuses on targeted social outcomes. In 2012, the Report of the Forum on Philanthropy and Fundraising was published by the Department of the Environment, Community and Local Government. The four main recommendations were the:

- Development of a national "Giving Campaign";
- Improvement in the fiscal environment and infrastructure for giving;
- Development of fundraising capacity among not-for-profits;
- Creation of a National Social Innovation Fund.

It is important that implementation of these recommendations includes the potential role of social enterprises in social innovation.

In other countries, social innovation funds typically provide funding on a match-funding basis, often on a 1:1 ratio. Organisations apply for funding on a competitive basis, and there the focus is on clear, measurable, and targeted social outcomes.

### Access to Finance

Like other SMEs, social enterprises face difficulties accessing credit. The Social Finance Fund established in 2006 acts as a wholesale lender for the community/voluntary sector and microenterprise. There are a number of lending organisations, including Clann Credo and the Limerick Enterprise Development Partnership, which act as financial intermediaries and lend to the social enterprise sector using funds from the Social Finance funds.

During consultations, it has emerged that the availability of finance is not the greatest concern for the sector; the key issue surrounds the need for social enterprise to be 'investment-ready' and the capacity to develop business cases to access finance. It emerged that bad-debt rates in the community and voluntary sector tend to be lower than social enterprises because often organisations in the community and voluntary sector have greater access to fundraising opportunities and charitable giving and may be more risk averse to debt and accessing capital through bank loans. Capacity building and longer-term strategic planning will go some way towards reducing the risk to lending to social enterprises.

However, more research is required to establish the cost of bad-debts in the sector, as the cost per job created in the sector may be lower than other enterprise development initiatives.

Further, during the consultations there were calls for parity between social enterprises and other enterprises when accessing general forms for finance. This requires mainstreaming of the sector so that conventional financial institutions understand what a social enterprise is. In addition, as highlighted above, it requires capacity building within social enterprise so that they can develop business cases to present to financial institutions.

### Credit Unions

Given their history, ethos, and local nature, credit unions are well placed to provide loan finance to social enterprises. The Irish League of Credit Unions is keen to become involved in the provision of social finance because of the relatively large amounts of excess funds in many credit unions, and a desire to see these funds used in a manner that is linked more closely with the credit union ethos and operating principles. However, existing legislation means that credit unions are limited in the level of loans they can advance to any borrower<sup>11</sup>, which means that all but the very largest credit unions are excluded from larger scale social finance projects. Also, a group of credit unions cannot pool funds in order to create a central facility for social finance.

The Final Report of the Commission on Credit Unions published in March 2012 recommended that credit unions play a more prominent role in the provision of social finance. The credit union movement is clearly a potential source of additional finance for social enterprises given its ideal structure, and it is likely to have a more immediate understanding of the activities and objectives of social enterprises than many of the commercial banks. However, credit unions face many difficulties in the current economic environment, and are engaged in a complex process of restructuring, consolidation, governance enhancement and skills upgrading to improve their handling of risk and their responsiveness to changing regulatory requirements. Legislation in

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<sup>11</sup> The main inhibitor to credit unions providing social finance in this matter is contained within Section 35 (3) of Credit Union Act 1997, which states that the largest loan a credit union can advance to any borrower is €39,000 or 1.5 per cent of total assets of the credit union.

support of this broad reform is now under consideration by the Oireachtas. In this context, and as part of their medium term-strategy development, those credit unions of sufficient scale could be encouraged to set aside a fixed proportion of their lending for the support of the social enterprise sector, with this proportion determined taking into account the relative risks associated with lending to social enterprises and lending to their traditional client base. In addition, the possibility of forming a new credit union with the specific objective of lending to social enterprises could be considered.

### Emerging Finance Options

Internationally, there are growing types of social investment such as impact investing, venture philanthropy, and Social Impact Bonds. Consultations indicated that many social enterprises in Ireland are not yet ready for those types of funding and investment options, but that government should monitor these developments, and also ensure that the development of social enterprise policy does not preclude the use of these types of financial instruments in the future. Equity investment in social enterprise is an issue for further discussion in the future; since distribution of surplus and equity investment may be mutually exclusive, the sector may need to develop quasi-equity instruments.

### Recommendations: Funding and Finance

12. There is a need to ensure that social enterprises are incorporated in the implementation of the recommendations of the Forum on Philanthropy and Fundraising. [DoECLG].
13. Given the relevance of the three key European Social Fund (ESF) actions to Ireland, Ireland should include 'promoting the social economy and social enterprises' as one of the investment priorities under the Operational Plans for ESF & ERDF 2014 - 2020. This will assist Ireland and Irish social enterprises access and benefit from the other actions being pursued by the Commission. [Department of the Environment, Community and Local Government, Department of Social Protection].
14. Given the potential for growth of the social enterprise sector in Ireland, it is appropriate now for Ireland to take-up governmental representation on the European Commission's Group of Experts for Social Entrepreneurship (including a likely subgroup on finance), to ensure that Ireland is best placed to benefit from proposed changes in EU regulations and funding. [Government departments including Department of the Environment, Community and Local Government, Department of Social Protection].
15. As part of their medium term-strategy development, those credit unions of sufficient scale should consider opportunities for lending to the social enterprise sector, taking into account the relative risks associated with lending to social enterprises and lending to their traditional client base. In addition, the possibility of forming a new credit union with the specific objective of lending to social enterprises should be considered. [Registrar of Credit Unions].
16. There is a need to consider how best to ensure access to emerging finance options such as impact investing, venture philanthropy, and Social Impact Bonds for social enterprises into the future. [Department of Finance].

## 7.5 Developing Leaders and Harnessing Community Support

### Leadership

Having strong leaders was frequently mentioned during the consultations as a crucial factor in the success of social enterprises. The need for community leaders and experienced business people both at managerial and board level were seen as necessary conditions for a successful social enterprise. Identifying the right individuals to sit on the boards of social enterprises is seen as very important, both in terms of leadership development but also access to other resources such as tapping into existing community support or access to support from another business area. “Bringing people together” and “getting things done” were important leadership skills that were cited during the consultations.

Succession planning was another issue highlighted during consultations that may be affecting some older social enterprises. As part of the capacity building within social enterprises, it is important to incorporate succession planning as part of the corporate strategy. Conventional enterprises that face succession difficulties may have the option of mergers and acquisitions as one succession strategy, however, this option is more limited among social enterprises, and may not always be appropriate.

Ashoka Ireland, an organisation that supports social entrepreneurs, building on its ‘Change Nation’ forum is developing a programme in Ireland to create “changemakers” that can use social innovation to effect social change. Consideration should be given to mainstreaming it in secondary schools when developed that future community leaders and social entrepreneurs are nurtured.

### Community, Stakeholder and Volunteer Involvement

Community/stakeholder involvement and its associated benefits were also cited in the consultations as important resources that are open to social enterprises. Many community development social enterprises have community fora and explicit consideration is given to the community in the Articles of Association of the enterprises. Often the community or targeted stakeholders are the owner of the enterprise. Community and stakeholder involvement ensures buy-in from those that the social enterprise has been established to assist.

It was also noted in the consultations that by their very nature social enterprises may be able to tap into local goodwill and build synergies that conventional enterprises cannot, as individuals do not profit from social enterprises, the returns are to the community. For example, local festivals or events can access community resources that a for-profit event could not access.

The role of volunteers is often not measured, and is not captured in the financial reports of social enterprises therefore underestimating the “net worth” of social enterprises. Volunteers are an important resource for social enterprises.

### Recommendations: Developing Leaders and Harnessing Community Support

17. Consider how best through existing work placement programmes to assist in building management capacity in social enterprises through increased participation. Consider how best successful, established social enterprises can support and replicate existing leadership development programmes. [DoECLG, Department of Social Protection].
18. Initiatives being developed to build on work by the Taskforce on Active Citizenship and to develop a national volunteer policy should take full account of the potential for the development of social enterprise at local and community level. This has been given recognition in the 2013 Action Plan for Jobs. [Department of the Environment, Community and Local Government, Department of Social Protection].



## 7.6 Governance

### Limited Companies & Cooperatives

Generally, social enterprises will become incorporated, for example as co-operatives or will become limited by guarantee. The cooperative model, and its ethos, is a form of ownership that is well suited to social enterprises as a highly democratic form of ownership, and in some cases may be more appropriate for social enterprise organisations than companies limited by guarantee, provided that any surpluses are reinvested in the social mission. It is important that there is a broad understanding of the range of governance arrangements, including co-operatives, so that establishing entities can best choose the model suited to them.

In order to engage in many funding programmes it is necessary for social enterprises to become incorporated. While the administrative burden can be a perceived issue in advance of incorporation, it is important that attention is devoted to considering appropriate governance structures in advance of establishment.

### Avoiding Poverty Traps

It was noted during some of the consultations that many marginalised groups who were engaged with community development social enterprises were fearful of losing benefits. As with conventional enterprise, many social enterprises could be established by or employ those who are currently receiving social welfare supports. It is important that the tax and benefit system does not create disincentives to such activity. For example, there is a perception among some interviewed during the consultations that working a few hours a day or engaging in volunteer work may result in a loss of benefits. While there is some discretion on the part of the Social Welfare Deciding Officer regarding volunteer work, this area perhaps requires a greater degree of transparency.

### Worker Cooperatives

During the research and consultations it emerged that there are types of enterprises that do not fall under the definition of social enterprise, yet are similar in many respects.

When examining the spectrum of organisations from pure charities through to private enterprise, there are forms of private enterprise that lie on the boundary between social enterprise and conventional enterprises. These include enterprise forms that hold many social ideals, and are considered to be 'ethical' businesses. They operate to give return to the owners, which differentiate them from the definition of social enterprise, yet they have high levels of social responsibility.

For example, the worker cooperatives in Mondragon, in the Basque region of Spain have established indivisible reserves to ensure the long-term sustainability of the enterprises, consistent with their social ideals. Net profits in the worker cooperatives in Mondragon are divided in the following way<sup>12</sup>:

- 10 per cent to a Social and Economic Fund
- 45 per cent to indivisible reserves in the co-op (Legislation requires 20 per cent)
- 45 per cent to the members - payable on retirement from the coop

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<sup>12</sup> Submission to Forfás from Workers Cooperative Network.

Forty-five per cent of net profits being returned to workers that fall outside a strict definition of social enterprises. Yet, the cooperative model, in particular the worker cooperative model, contributes to sustainable economic growth, and can provide jobs that are deeply embedded in local communities, and promotion of worker cooperatives as an alternative form of ownership would be of benefit.

A greater awareness of the potential of the co-operative model in Ireland would be of benefit to the development of the social enterprise sector. Consideration could be given to the inclusion of a specific worker co-operative category under the Registry of Friendly Societies (FRS) registration system for industrial and provident societies.

### Commencement of the Charities Act

Many social enterprises will gain charitable tax-exempt status from the Revenue Commissioners. Charitable tax-exempt status is not an organisational form, but a tax status. Currently in Ireland, there are no “registered charities” and there is no legal definition of a charity. Non-profits that are charitable in nature can apply for tax exemption from the Office of the Revenue Commissioners. The stall in the commencement of the Charities Act was cited by many during the consultations as an important issue for the sector. Nearly two-thirds of non-profit organisations are registered as charities. The establishment of a Regulator for Charities would ensure greater data availability and also improve quality assurance in the sector.

### Recommendations: Governance

19. There is a need to ensure the tax and benefit system does not create disincentives for workers and avoids creating poverty and unemployment traps for those engaged in social enterprise. [Department of Social Protection and Department of Finance].
20. There may be a need to consider identification/categorisation of worker co-operatives under the Registrar of Friendly Societies (RFS) registration system which would help to establish the scale of and identify the development capacity of the sector [Department of Jobs, Enterprise and Innovation].
21. There is a continuing need to promote co-operatives where it is demonstrated that the co-operative model offers particular benefits in a particular sector or type of undertaking (e.g. group water schemes, social housing development, certain agricultural sectors). [Various individual Departments e.g. Agriculture, Environment; ICOS, NABCO, FGWS].

# Appendices

## Appendix 1: Individual Consultations

- Dunhill Rural Enterprises Ltd
- ACTION Project (Interreg)
- Clann Credo
- The Wheel
- Philanthropy Ireland
- Winning in Tendering (Interreg)
- Nordubco, DCU
- Ashoka Ireland
- Pobal
- Meitheal Mid-West
- Workers Co-operative Network
- Centre for Co-operative Studies, UCC
- South Tipperary County Council
- The Larkin Centre
- Social Entrepreneurs Ireland
- Social Finance Foundation
- Limerick Enterprise Development Partnership
- Ballyhoura Development Limited
- Innovation Wexford
- Tullyvaran Mill, Bunrana
- Department of the Environment, Community and Local Government
- Department of Social Protection
- Department of Jobs, Enterprise & Innovation
- Central Bank (Registrar of Credit Unions)
- Enterprise Ireland
- Scottish Enterprise

*Forfás would like to thank all of those who participated in the consultations.*

## Appendix 2: Workshop Attendees

- Irish League of Credit Unions
- National Economic & Social Council
- Dublin City Council
- Crafts Council of Ireland
- The Arts Council
- Paul Partnership
- LEPD (Limerick Enterprise Development Partnership)
- REHAB
- GAA
- Business in the Community
- NABCO
- Clondalkin, Palmerstown, Lucan, Newcastle Area Partnership
- Partas
- Clann Credo

*Forfás would like to thank all of those who participated in the workshop.*

## Appendix 3: Case-Studies

- Speedpak
- Jobcare
- Hand on Heart Enterprises
- Fledglings
- My Mind
- Rehab Enterprises

*Note that the views expressed in Appendix 3 are those of the organisations in question and not necessarily those of Forfás.*

## Case-Study 1 - Speedpak



Established 1995

Website [www.speedpak.ie](http://www.speedpak.ie) & [www.shamrockrosettes.com](http://www.shamrockrosettes.com)

Scale: 14 permanent staff and 50 trainees at any time.

Provenance: Northside Partnership in collaboration with the local business community and state agencies.

Structure: Company limited by guarantee without share capital (Co. Reg. No. 234022) and registered charity (CHY 11503)

### Overview

Speedpak provides employment and training to local long term unemployed people through commercial businesses in the areas of contract packing and in the manufacture and sale domestically and internationally of rosettes, sashes and badges under its Shamrock Rosette brand.

The provision of real commercial work experience is complemented by a training programme that develops skills, provides recognised work relevant qualifications, while also promoting positive work behaviours and rebuilding confidence and self-esteem. Speedpak operates on the concept that it is easier to progress people into employment once they have real work experience, relevant training and an employer's reference behind them.

Speedpak also employs those members of the unemployed workforce that are furthest from employment including people with disabilities, ex-offenders and ex drug users.

Speedpak clearly fulfils the Forfás definition of a social enterprise in that it exists and "*trades for a societal purpose, part of the finances are earned from trading activity and profits are re-invested into the social objective*".

### Speedpak's Social Impacts

Speedpak provides employment and training for the long term unemployed. Through its training programme, it provides an opportunity for people who left school early to achieve an educational qualification and so increase their chance of finding employment. Speedpak also supports ex-offenders. This includes people awaiting trial or sentencing for crimes, which are often drug related. In some cases, the person will also have a history of drug or alcohol misuse. Engagement in the programme provides stability and support in readjusting to life after prison; it can contribute to preventing re-offending and from receiving a custodial sentence.

In *Adding Value, Delivering Change*, a report of the Social Enterprise Task Force in 2010 Speedpak was profiled as an organisation supporting ex-offenders and the case of one ex-offender Kevin was cited. Each €1 invested in his work at Speedpak created a saving of €8.50 to the exchequer by keeping him out of prison.

Since its inception Speedpak has trained and employed over 500 people.

## **Business Model**

The Speedpak business model is based on the provision of both goods and services to industry and the public. Contract packing and Shamrock Rosette commercial activities together generate approximately €350,000 in revenue annually.

Their business customers in contract packing include some major manufacturers and distributors in Ireland and the Shamrock Rosette business supplies leading events such as the Dublin Horse Show and exports to the UK, EU and as far afield as Japan. Many of their customers are unaware of the parallel objectives of the organisation and it is not highlighted in marketing to the private sector. For those with whom they have long term relationships the customers are usually aware and are very supportive. Commercial business is generated through competing on the open market at market rates and repeat business is based on quality, price and customer service. Speedpak's view is that a high quality business model leads to a high quality work experience.

## **Non-Commercial Funding**

Almost €600,000 must be sourced from other funders to meet the cost of operating the labour market programmes. The majority of this funding comes from government sources in the form of payments to trainees (for example the Department of Social Protection's Community Employment Programme) which replaces what trainees would get if they were receiving a social welfare payment. Related funding is sourced and channelled through Pobal and Northside Partnership Ltd.

Additional investment is secured from corporate sponsors Diageo, who operate the Arthur Guinness Fund, Forest Laboratories and also philanthropic organisations such as The Ireland Funds.

## **Additionality / Displacement**

Speedpak competes in an open market for work in its contract packing and Shamrock Rosette businesses. Given its additional costs in hiring those least ready to do the work, it has a higher cost base and cannot under-cut prices among others. Speedpak does not cite difficulties with trade unions in relation to the CE Scheme i.e. in having CE workers do work for which the organisation makes commercial income. However the company has to seek annual approval from Unions as part of the conditions required to operate its CE Scheme. Unions ask to meet CE trainees and invite them to become members as part of their agreeing to the programme continuing. Speedpak is happy to meet these requirements.

## **Challenges from Multiple Funding Sources**

Speedpak "falls between two stools" in that because it is in receipt of government funding for its social purposes it has not been able to avail of assistance to businesses from the enterprise agencies. Speedpak faces similar challenges to SMEs but does not have access to assistance such management training and business development. In the past where approaches were made to access supports (from Enterprise Ireland, for example) a decision was taken that this could not be given to an organisation that was already receiving Government funding. This was despite the fact that the Government funding related to the delivery of labour market programmes, not in any way to helping develop and grow the business. Assistance in areas such as business development would help to grow the businesses and reduce dependency on State funding.

In addition, challenges exist in paying different workers from different funding sources under different terms and conditions. Two workers may work side-by-side but may be working under vastly different employment terms.

### Opportunities for Growth

Speedpak is constantly seeking other business opportunities that can be adapted to its unique workforce situation which requires a consistent workflow. This is important for a number of reasons - to generate income; to develop a variety of skills; to ensure sufficient work for employees and to have a range of tasks to match the skill levels of the workforce. This could be aligned with some work required by public sector bodies and Speedpak has sought such work in the past but has not been successful. It has decided to concentrate its efforts on private sector clients in labour intensive work.

In October 2012 the organisation started a new business called The Scan Bureau. They have invested in new staff and equipment to get the operation off the ground and financed this expansion with the support of an investment loan secured from Clann Credo, the social investment fund. The Scan Bureau now has four customers, ten orders and is establishing itself in the niche service area of providing a document scanning service that converts an organisation's important papers to digital images. This process is also referred to as 'document imaging' or 'digital imaging'. [www.thescanbureau.ie](http://www.thescanbureau.ie)

### Opportunities Observed Elsewhere

Speedpak notes with interest the opening up of public procurement to social enterprises through the inclusion of Community Benefit Clauses (CBC's) into public procurement contracts across the EU. These CBC's recognise the social value of the work being undertaken and applicants are assessed on both social and economic/value for money benefits.

The team also noted that in the United Kingdom, Social Impact Bonds have been put forward as a more straightforward mechanism for funding operations such as Speedpak. Social Impact Bonds (Social Finance UK, 2010) provide up front funding for prevention and early intervention services, and remove the risk from the public sector that interventions do not deliver outcomes. In the case of Speedpak, outcomes could be linked to trainees' achievement of goals regarding relapse to drug use or re-offending. Speedpak awaits early pilot testing of this concept with interest.

### Innovative Measurement of Impact

The Workplace Accreditation Model (WAM©) allows trainees to clearly communicate their achievements to future potential employers. The Distance Travelled Monitoring System is a software database that has been developed by Speedpak and allows the company to observe, action and communicate the improvements and achievements of the trainees and of the programme overall.

### WAM©

Lack of formal education is a major barrier to progression to the workplace for those people currently unemployed. To add value to Speedpak's training programme, the Workplace Accreditation Model (WAM©) has been designed to capture workplace learning and skills development, and convert them into a recognised educational qualification in the form of a full FETAC Level 4 award. This education in the workplace both reflects and enhances the work experience and training, and provides a valuable qualification for participants to enable them to move towards work or further training.

In September 2012 17 of the staff graduated with a full FETAC level 4 Award through the Workplace Accreditation Model (WAM) - i.e. they achieved a qualification equivalent to the Leaving Certificate through work. Minister Sean Sherlock attended the graduation.



The emphasis of the training programme is on capturing the learning that already takes place rather than delivering new training. All aspects of the workplace are viewed as learning opportunities. Training is, where possible, relevant to the workplace to make the award useful in seeking work, thereby increasing the person's job prospects. Speedpak's approach maximises the systems that are already in place, adapts work processes only where necessary and uses resources that are currently available.

### Distance Travelled Monitoring

A key aspect of Speedpak's work and training programme is to be able to monitor the progress of individuals in a meaningful way and to assess the impact of a particular intervention. For many labour market programmes, the outcomes of interventions are assessed on whether the individual moved to work or training. This one-dimensional measurement does not reflect either where the individual's journey starts or the distance they travel towards employability.

In 2008 with a view to improving the metrics used and using qualitative research and observation, Speedpak began the development of, and is currently piloting, a comprehensive, and robust monitoring system.

This system looks at the barriers to employment faced by their trainees and maps that to the programmes and interventions Speedpak can offer to help overcome those barriers. 42 detailed indicators are specified under five headings:

- Education and Skills
- Health Physical and Mental
- Workplace Competencies
- Social and Economic Circumstances
- Personal Attributes and Disposition

The organisation is currently developing a bespoke software system for collating data, providing reports and providing leaner feedback.

The final stage of the pilot is to have an independent evaluation of the Distance Travelled Monitoring system to determine:

- its content validity to ensure that the variables being measured adequately represent all relevant facets of barriers to employment;
- the reliability of the variables and marking scheme to ensure consistency among raters;
- the relative contribution of each variable measured in determining a person's progress to employability, so that an appropriate weighting can then be applied to each variable.

Once this monitoring system is fully in place the organisation will use it to communicate the achievements of its trainees and the organisation's impacts.

It will also look to supply this service to others in their sector here and abroad as a robust measurement metric that goes beyond the counting of trainees and monitoring their next steps. This system will create a deeper understanding of those trainee's achievements and the programme's contribution to society.

### Speedpak in the Social Economy Context

Outwardly Speedpak operates at the economic end of the continuum and appears to its clients as a typical company. Inwardly however, it is a highly social organisation which uses its income to fund the core social programmes and reinvests heavily in quality engagement with its employees. It is highly driven by a social entrepreneur who is surrounded by a highly engaged team within the organisation, the board and in the wider community. Speedpak has engaged with the Community Wealth model and has sought ways to generate sustainable resources that will support its mission by engaging with market forces and decrease its dependence on external funding which may restrict how that funding is spent. Speedpak combines " *training and the development of skills of marginalised people within an enterprise that has social dimensions, and that trades in the market*" (Spear & Bidet 2005). In terms of mission relatedness, as defined by Wei-Skillern *et al* (2007 (i.e. the relationship between actual earned income activities and the mission of the organisation), mission alignment and level of earned income would both be classified as high (Quadrant 4), making this an 'Integral' company in the social enterprise sphere using the Wei-Skillern *et al* paradigm.

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## Case-Study 2 - Jobcare



- Established: 1994
- Website: [www.jobcare.ie](http://www.jobcare.ie)
- Scale: 87 Staff
- Founders: Paul Mooney (CEO)/Robin Boles
- Structure: Company limited by guarantee (Co. Reg No. 215563) and registered charity (CHY 11301)

### Overview

Jobcare is a Christian charity addressing the problem of long-term unemployment in Dublin's inner city. Jobcare offers a range of development opportunities for unemployed people with the aim of preparing individuals for employment, building their confidence and developing their skills.

Jobcare services:

- Trasná Work Programme - transitional employment programme for ex-offenders (work, support, training);
- Work Programme for long-term unemployed people through Community Employment (work, training and personal development);
- A resource room for active job searching where advice and support are provided;
- An Employment Preparation Course for jobseekers (FETAC accredited);
- Computer courses (FETAC accredited);
- JobNet - a programme for unemployed professionals.

All the courses and work programmes work towards getting clients job-ready and able to seek, secure and keep meaningful work.

Along with the courses and facilities for job-seekers, Jobcare delivers two transitional work programmes that assist individuals get over their individual obstacles to employment. These transitional work programmes are delivered through the Community Employment (CE) Scheme. Jobcare delivers one of the largest CE schemes in the country and is approved for 72 CE participants at a time. 26 of these places are designated for the full-time Trasná Work Programme for ex-offenders (with specific eligibility criteria - CE eligibility criteria + criminal record, aged over 23, drug-free status). The remaining 46 places are assigned to long-term unemployed people according to general CE eligibility criteria and these part-time positions assist in delivering Jobcare services to unemployed clients. All 72 positions are treated as 'staff' positions; all work programme participants are 'employees'.

### Social Impacts of Jobcare's Trasná Work Programme for Ex-Offenders

The measurements of impact required by funders is a basic monitoring of numbers of participants, progression - i.e. whether they move on positively to further training or to work, and the level of desistance from criminal activity.

However, the organisation also monitors the effectiveness of its work through internal and external measures.

One of the internal evaluation tools is the Jobcare Passport staff evaluation process - a system designed to monitor behaviours and results of each participant which is used in weekly meetings with supervisors. During these meetings participants are mentored through barriers and work with their supervisors to engage and develop during their time at Jobcare. As a commitment to the programme, participants also undergo random drug tests and work with career coaches to assess their job-readiness and work on exit planning. The Jobcare team oversee the effectiveness of the Trasná Work Programme for all 26 participants on an ongoing basis through an End-to-End Participant Care Process where individual progress towards job-readiness and stability is monitored and overall project effectiveness is evaluated.

External evaluation - Many of the impacts of involvement in the Trasná Programme are difficult to measure as they spill out into positive impacts for the families of participants and the social consciousness of their communities where families with a history of generations of unemployment see a success story in the third generation. Indirect impact is more anecdotal, seen in families becoming more stable, children remaining in education, and other members of the community applying to Jobcare for admission to the Trasná Work Programme.

One external measure that is possible is to monitor recidivism. This is recorded by Jobcare for all previous and current Trasná participants (separate to any monitoring that may be conducted to the Irish Prison Service or Probation Service) and is an important measure of the work programme's effectiveness. Of the 52 participants who have moved on from Trasná since 2008 only six men have gone back to prison; this rate at 11% goes against accepted trends and is gaining the attention of court judges, probation officers and other community stakeholders. 63% of Trasná participants have moved on to either full or part time work or further education. Nationally recidivism stands at 27% within a year of release and up to 49% within 4 years (UCD 2006).

Internationally, transitional work programmes for ex-offenders in particular are seen to be highly impactful. For example, the Centre for Employment Opportunities (CEO) - a model Jobcare referred to heavily in the design of Trasná - in New York has proven results (More than a Job, 2004) that demonstrate their financial benefits far outweigh the costs. A benefit cost analysis of the evaluation results calculated total benefits of up to \$3.85 for every \$1.00 spent on the program. The majority of these benefits came in the form of reduced criminal justice expenditures and the value of services that CEO participants provided to government agencies in the transitional job work sites. Under a wide range of assumptions, the programme was considered to cost less than it saved.

### Business Model

At present Jobcare does not earn income from trading sources but has brought the idea of social enterprise to concept level where a model has been designed for self-sustaining work teams. Jobcare has not yet moved beyond concept stage due to a number of obstacles.

However, the Trasná work teams are engaged in work contracts to provide live/real work situations for work and on-the-job training purposes. These are largely short-term work engagements on community projects like community gardens and redecoration of community buildings where the teams supplement other voluntary effort. This generates no revenue for Jobcare. One of Jobcare's

supporting churches provides opportunities for building maintenance and facilities/events resourcing and provides on-the-job training for participants, in exchange.

The obstacles to deploying the Trasná work teams to a social enterprise model are the following:

- Financing Trasná solely through social enterprise would involve generating income through the services of full-time work teams. Jobcare investigated income streams from earned income through training Trasná workers in areas such as special renovation plastering and other construction related skills. However, the downturn in that sector made launching into a social enterprise model at that time open to risk of an operating deficit/loss (which in itself would need funding).
- Part-funding the Trasná Work Programme through social enterprise, with the remainder being met by Community Employment grants would contravene CE scheme contractual terms set down by FAS and the Department of Social Protection (DSP):
  - CE schemes should not deploy CE participants to work where a revenue is generated
  - CE schemes should not deploy CE participants to roles that would result in a displacement of labour (monitored by Trades Unions through an annual process of schemes approval)
- As the nature of the Trasná Work Programme is to take non- or low-skilled individuals with an underdeveloped work ethic for contracts of a year and move them on whenever they are job-ready, work teams will always be operating below-par commercially and therefore would not be charged out at normal commercial rates. Jobcare anticipates, as a consequence, that they would encounter the obstacles of union rates and practice in particular sectors, e.g. the construction sector. In the context of the current economy Jobcare is not investigating this further at this time.

**Note:**

Jobcare particularly want their workers to be engaged full-time and working in meaningful and physical work. This is suited to the target group (ex-offenders/ex-addicts) in particular as part-time work would not engage enough and give enough discipline and structure to their day. Work outdoors is suited to the organisation as Jobcare does not have indoor space in its location. Furthermore, physical work is ideal as literacy would be a serious issue for many in the target group.

**Non-Commercial Funding**

Jobcare's entire budget comes from non-commercial funding. The Community Employment (CE) Scheme grant funds the wages of the 72 CE workers and also provides a budget for 3 supervisors and 2 assistant supervisors. These 5 staff members are on the FAS/DSP CE Supervisor salary scale.

The CE grant also provides schemes with a Materials budget and a Training budget per CE participant employed. However, both these budgets have been halved in the last year. Wage payments to CE Supervisors have not been affected, but payments to CE participants have been reduced in line with DSP cuts to welfare benefits.

As Jobcare continues to seek to provide the same level of service to work programme participants (meaningful training and development), the cuts to the materials and training budget have resulted in a shortfall that Jobcare must make up. This year Jobcare's shortfall is twice that of the previous year.

Over and above the CE scheme grant (and FAS/DSP grants for the jobclub), the organisation needs to fundraise €180,000 to operate its full range of services and fund non-grant-aided salaries.

Its rent is an in-kind funding peppercorn rent provided by its landlord Grace Bible Fellowship.

Other funding comes from a wide variety of sources which are all ad-hoc and require proposal writing and competitive application. In the past funding has come from:

- Social Entrepreneurs Ireland
- St. Stephens Green Trust - whose objective is to reduce crime and assist ex-offenders rehabilitate into the community
- Corporate donors - whose objectives are varied and sometimes non-specific
- Private donors (generally less than 10%).

### Jobs Created

As discussed Jobcare does not currently create jobs but creates job-ready people.

### Opportunities for Growth

Jobcare is operating at capacity in their centre on Pearse Street. They do not have ambitions to grow the organisation beyond this at present but are open to offering their programmes models to those in other locations. They are, with the assistance of a corporate donor, at present documenting and packaging the programmes of the organisation to disseminate to suitable projects. The first is likely to be an organisation in Glasgow with similar objectives to Jobcare. They do not expect to make income from this and are satisfied to transfer this intellectual property for the greater good.

### Additionality / Displacement

Jobcare is not in a position to risk labour displacement through entering the market with the Trasna work teams as the contractual terms of delivering Community Employment do not allow this (see above - *Business Model*).

If CE funding were not at issue (i.e. in a pure social enterprise model), Jobcare would remain hesitant about encountering displacement issues (see above - *Business Model*).

### Opportunities and Methods Observed Elsewhere

Jobcare monitors closely the work of the National Transitional Jobs Network in the USA and benefits from its expertise in monitoring and publishing best practice in the area of transitional jobs programs and through defining & supporting best practices in the field.

Jobcare also has a close relationship with the Centre for Employment Opportunities [www.ceoworks.org](http://www.ceoworks.org) (mentioned above) headquartered in New York and have modelled some aspects of the Trasna Work Programme on best practice viewed there.

### Jobcare in the Social Economy Context

Jobcare offers "*training and the development of skills of marginalised people within an enterprise that has social dimensions*" but does not trade in the market. It does not strictly fall into the definition used by Forfás but believes that the transitional employment model is ideally suited to social enterprise and has developed an operating model to concept stage. Due to obstacles has not launched the project. It operates at the social end of the Social Economy Continuum and is currently reliant on external funding for its existence.

## Case-Study 3 - Hand on Heart Enterprises



- Established: 2010
- Website: [www.handonheart.ie](http://www.handonheart.ie)
- Scale: 3 full time jobs and 6 part-time
- Provenance: Founded by Jamie Regan
- Structure: Company limited by guarantee (Co. Reg No. 479197)

### Overview

Hand on Heart creates jobs for people with disabilities. Using a social enterprise model, the organisation develops self-sustaining enterprises that create jobs for people with various disabilities in truly inclusive work settings.

Hand on Heart is among those social enterprises that seek to achieve their objectives in a highly commercial manner and do not in any way want to be seen as a charity or an organisation that asks for hand-outs of any kind.

They work to create an innovative approach of developing teams of people with different disabilities so that the focus is on people's abilities, rather than their disabilities. Their businesses run over three areas:

- Inclusion Bar - the team has created an Inclusion Bar which opens once a month and where a team of disabled with a mix of abilities work in the bar and create a social venue for their peers, friends and others in the Ballymun area;
- Catering Service - Café operating out of their premises in Ballymun serving local business;
- Vendability Enterprises- the most significant area of activity - Hand on Heart manages 30 vending machines in 20 venues, across Ireland and Northern Ireland, including a recent contract to manage 18 machines in Harvey Norman shops around the country giving nationwide reach.

### Social Impacts

Hand on Heart seeks to create social impact in its business by employing a marginalised workforce to work together in teams of people of differing abilities to improve social engagement among and between the disabled.

Long term unemployment among the disabled is significantly higher than in the general population.

People with disabilities of working age are 2.5 times less likely to be in employment.

Unsurprisingly, the low employment rate has implications for income. 22% of households where the head of the household is out of work due to disability were below the official poverty line in 2001 (compared to 12% of all households). In addition, just over 60% of people with disabilities in the working age groups reported difficulty in working at a job or business (National Disability Authority, 2004).

Hand on Heart seeks to address this high rate of unemployment and a culture of continuous "rehabilitative training" by employing those with disabilities in productive roles and in some cases

providing them with adapted vehicles which offer a level of freedom not previously available to them.

### **Business Model**

Hand on Heart Enterprises generates approximately 75% of its annual income of €150,000 from its vending machine business. The vending machine industry is profitable but difficult to break into due to capital costs of buying the machines themselves. Hand on Heart has been successful in drawing down loans from a high street bank and has qualified for a County Enterprise Board Priming Grant of € 25,000.

Its largest single client is Harvey Norman which has shops all over Ireland and this has allowed the organisation to spread geographically. It has also stretched the organisation but to some extent does not create other social benefits so is considered to be a Quadrant 3 - Sustaining activity which will help the organisation grow and learn but is not part of its high mission-alignment activity around generating improved relations between the disabled and non-disabled population. Ambition for the company lies in working in environments which add to the social benefit by raising the awareness of the ability of the disabled teams to run their own businesses.

### **Funding**

Hand on Heart approached Dublin City Enterprise Board (DCEB) and was successful in getting a priming grant. Funding a social enterprise was a departure for DCEB. However, the highly commercial nature of the work, and the proof of contract with Harvey Norman helped secure the support. At the time the official dealing with the case asked Jamie Regan head of Hand on Heart to talk to the Board of the DCEB as there was a sense that the social enterprise sector was an area in which the CEB needed to become familiar with the growing trend of commercial focused social enterprises.

### **Non-Commercial Funding**

The additional 25% (€50,000) that is needed to run the organisation annually comes from grants and prizes such as the Arthur Guinness Fund and Social Entrepreneurs Ireland. Hand on Heart has not yet availed of the Wage Subside Scheme but may avail of it as the organisation grows.

One employee is employed on the Tús scheme. Other part time staff are paid an allowance to avoid jeopardising their disability payments and benefits. No staff are funded under the Community Employment scheme as Hand on Heart believe they would not qualify. JobBridge is also an option as it has now opened up to the employment of people with disabilities.

### **Jobs Created**

To date Hand on Heart has created three full-time and six part-time jobs. An increase in business will result primarily in the creation of part-time jobs which are suited to those on disability payments who fear jeopardising their benefits with fulltime work.

Staff are ready to work in a productive and interesting role with just two weeks of training. They quickly use the skills they have learned and move out of a continuous training environment.

### **Opportunities for Growth**

Hand on Heart recognises that there is potential for growth in the vending machine business, especially in the areas of healthier foods and in the mid-level locations where the larger suppliers



might not see the demand as being sufficiently high and Hand on Heart can service a slim-line vending machine.

It is also interested in the school sector which is an area not traditionally well-served by others as they are only open for 33 weeks a year and have restrictions on the food and drinks that can be made available to students. Hand on Heart has a target of 200 schools in which they would seek to work with the disabled students to create a business model that would help fund school activities as well as generate jobs for Hand on Heart employees.

Hand on Heart plans to develop in a franchise model which will allow the workers to become self-employed entrepreneurs with support from a central base.

Growth from the supply of labour side can come from better co-ordination in the disability sector. At present most disabilities work in silos and do not co-ordinate across their populations. Hand of Heart seeks to improve this system by allowing those with different disabilities to work together to surmount any barriers to work.

### **Opportunities Observed Elsewhere**

Hand on Heart observes models abroad, which particularly address the suitability of the vending machine business to those with disabilities.

In America for example the Randolph Shepperd Act was passed as early as 1936 with the aim of providing blind persons with remunerative employment, enlarging their economic opportunities, and encouraging their self-support

The act mandates a priority to blind persons to operate vending facilities on Federal property. This continues to this day and has expanded into state, city and municipal properties such as government buildings, and offices open to the public. In 2007, a total of 2,545 blind vendors operated 3,031 vending facilities located on federal and other property. The program generated \$713.2 million, and the average vendor earnings amounted to \$46,753.

### **Additionality / Displacement**

Hand on Heart operates in the area of employing the marginalised. As such it has a high impact from an employment support point of view in offering independence to employees for whom there are limited employment alternatives. Employees tend to come from a generation of those with disabilities who did not enjoy mainstream education, who may have been institutionalised over the years and who face obstacles to independence and employment.

The vending machine business is a competitive market but gaps exist in the supply side especially in smaller venues that are not of interest to the larger operators. An organisation like Hand on Heart can fill this gap.

### **Hand on Hearts in the Social Economy Context**

Hand on Heart employs marginalised long-term unemployed disabled and operates in a highly commercial manner. They combine training and the development of skills of marginalised people within the enterprise that has social dimensions and that trades in the market. Using the Wei-Skillern *et al.* (2007) model of Mission Relatedness, in which the level of traded income is compared with the level of mission alignment, Hand on Heart could be classified as a sustaining enterprise given its high level of earned income.

#### Case-Study 4 - Fledglings



- Established: 2007
- Website [www.ancosan.com](http://www.ancosan.com)
- Scale: 4 FTE core staff plus 51 FTEs employed in eight early years education services
- Provenance: Established within An Cosán
- Structure: Part of registered charity The Shanty Educational Project Ltd - An Cosán (CRO 131383 - CHY8659)

#### Overview

Fledglings is a not-for-profit, social, franchise-based organisation providing high quality, early years education for the children of Tallaght West. Fledglings offers additional supports such as Parent Support Coordinators and Speech and Language Therapists who are funded through philanthropic donations.

Fledglings also provides FETAC-accredited training and HighScope training for early years educators, as well as courses in parenting and a course for grandparents. The first Fledglings Level 7 degree in Early Childhood Studies commenced in September 2012.

In response to the critical lack of high quality early years places in Tallaght West, the Fledglings initiative was born in 2007. Trained early years educators (many of whom were trained by Fledglings) are supported in setting-up new Fledgling services which operate in a similar fashion to a franchise (although not legally structured in this way until January 2013). There are now four separate services in operation in the Tallaght West area with ambition to grow to 20 by 2016. Three new services in Whitehall and Cabra opened in September 2012 and the first service outside Dublin opens in Kilrush County Clare in January 2013. These services are all based in recently-closed VEC crèches.

The real benefit of the organisation lies in the intrinsic value of the early education that the children receive. The fact that parents are themselves able to take up further training or employment is an additional positive side-effect.

#### Business Model

Each of the eight operational Fledglings services is self-funded and breaks-even from its establishment. Its income is made up of fees paid by parents and the subventions and ECCE contributions made from the State. Some philanthropic funding has been won for additional elements such as parental supports.

Fledgling services do not incur significant overheads as all but one service (in a national school) are set up in premises where a peppercorn rent has been negotiated. Each centre also pays a franchise fee of 5% of turnover towards central costs. At the target level of franchise operations for 2016 the central costs of the organisation would be met by franchise fees from the 20 Centres.

## **Non-Earned Income**

At present, central costs of Fledglings are met through a grant from the Department of Children and Youth Affairs which is secure to 2013. Other investment has come from Social Entrepreneurs Ireland and from private donations, corporate funders and philanthropists. Fledglings cannot apply for the Arthur Guinness Fund, for example, because of the prohibition on that fund's involvement with any child-focused project.

## **Jobs Created**

The core staff at Fledglings central office is 4 full-time equivalents (FTEs). The four Fledglings services between them employ 30½ FTEs qualified managers and EYEs (Early Years Educators) who are paid market rates for their employment. EYEs have a minimum of FETAC Level 5 qualification and managers have a minimum of FETAC Level 6 qualification. A small number of trainees are not included in the above figure and are not counted in calculating staff ratios for childcare.

## **Risks to the Business Model**

Each centre currently operates at break-even point but as a business is heavily reliant on the subventions for early childhood education from the State remaining at the status quo. This is the case for all of the community early years services and for many of the private providers. Any change in this would have an immediate and negative impact on all the services. However, Budget 2013 included an additional €14 million of early years subventions for early education in areas of disadvantage.

## **Measurement of the Social Impacts**

Fledglings was born out of the belief that high-quality early education for children is essential if they are to achieve their full potential in primary and secondary education and in later life. Unfortunately, measurement of the return on investment in early childhood education is not available in Ireland.

However, HighScope in the US studied the lives of 123 African Americans born in poverty and at high risk of failing in school. The long term longitudinal study found that adults at age 40 who had the preschool program had higher earnings, were more likely to hold a job, had committed fewer crimes, and were more likely to have graduated from high school than adults who did not have preschool (Schweinhart et al, 2005). It also demonstrated a social return over the life of the adult of \$16 for every \$1 invested in early education.

Closer to home, the London Early Years Foundation's study in 2011 (LEYF, 2011) demonstrated that the added social value of quality early childhood education benefitted children from lower income households the most and showed a total impact of £29,401 net gains per child in lifetime earnings.

## **Fledglings on the Social Economy**

Fledglings moved along the social economic continuum as it realised that it needed to do more than create qualified early years educators. As these early years educators got their qualifications, Fledglings began to help them in creating their own services and to support them in becoming employers of others. This is an on-going process in which Fledglings is moving towards a model whereby those services will in the long term become franchisees and provide self-sustaining income to Fledglings as the central franchisor.

Under this model the community wealth generated will decrease the central organisation's current reliance on external funding.

Fledglings offers an interesting insight into Mission Relatedness. Early in the project, Fledglings considered operating commercial early years services to generate profits to fund their operations in areas of disadvantage. However, they believe that while this may be attractive from a financial point of view, it is positioned in the Sustaining quadrant of the Mission Relatedness model. They would not approve a move to commercial provision of early childhood support - their mission is strictly to provide quality early years education to those who need it most in more deprived areas of need.

Fledglings "offers services to the public that expresses their social values" (Hasenfield & Gidron 2005) while they also "perform tasks for which there is a demand that neither the state nor for-profit organisations are willing to fulfil" (Macedo & Pinho 2006, Hall 1987). Applying the Mission Relatedness model developed by Wei-Skillern et al. (2007) to Fledglings could see it being placed between the Supplementary and Integral modes mission relatedness thanks to its moderate to high level of traded income and high level of mission alignment.

## Case-Study 5 - My Mind



- Established: 2006
- Website: [www.mymind.org](http://www.mymind.org)
- Scale: Serves 2,000 clients with a panel of 50 mental health professionals
- Provenance: Founded by Krystian Fikert
- Structure: Company limited by guarantee without share capital (Co. Reg No. 434008)

### Overview

MyMind was founded in June 2006 as a community based provider of mental health services, operating as a non-profit organisation with charitable tax-exempt status. Their vision is that everyone in Ireland has easy and quick access to community based mental health services.

My Mind observed that the public health system in Ireland was failing to intervene early in mental health among the low-income population and that delays were causing relatively minor issues to escalate and worsen while clients waited to see mental health professionals. It has also noted that referrals from GPs needed to be more tailored to the need of the individual and that referrals to psychiatry were common and sometimes unnecessary. Moreover, the delay in actually seeing the psychiatrist sometimes meant that the situation had worsened in the meantime. The option of seeing a mental health professional in private practice was out of reach for most of the target audience.

MyMind's resolution to the challenges in the system was to create:

- Earlier intervention leading to better mental health;
- An alternative to the medical model – My Mind does not prescribe drugs as a resolution, only if necessary;
- Ease of access whereby clients are able to see a professional within a few days after initial contact;
- Affordable services with reduced or free sessions for those who cannot afford full fees.

### Social Impacts

The My Mind model can reduce the cost of intervention by the State in the long term. Social and personal health problems which would emerge without intervention are prevented.

There is faster referral of clients by experts to the relevant sources of help.

My Mind anticipates serving over 2,000 clients with 8,000 sessions annually by 2013.

The MyMind Team speaks several languages: English, French, Italian, Polish, Portuguese, Romanian, Russian, Slovak, Spanish and hence reaches out to groups that could not be accommodated by the public sector health provision or by most mainstream private practices.

### Business Model

80% of the organisations income is earned through professional fees. The target balance on a monthly basis between paying and non-paying clients is 70% paying and 30% paying reduced rates.

For those clients that do pay, My Mind charges reduced fees to clients at the rate of €50 per 50 minutes of therapy. This compares to rates in the private sector of at least €80 per hour (but more often €120) for a session with a psychologist, for example.

Profits made from fee-paying clients are used to subsidise clients who cannot afford full fees. The unemployed and students are charged €20 and waived fees are also offered in some cases.

The participation of the panel of approximately 50 mental health professionals such as psychologists, psychotherapist, counsellors and life coaches is vital to the success of My Mind. Initially these professionals volunteered their time but the founder decided this was not sustainable in the long term and professionals are now paid an honorarium for their time. These rates are much reduced from what those same professionals would charge in private practice and some of the panel waive their fee completely.

At present the Dublin offices of My Mind pay commercial rates of rent but the Cork office will benefit from waived rent as a result of an arrangement made with the Cork champion for the project, Eugene O'Connor. This waiver will assist the overall organisation (in Dublin and Cork) to offer greater levels of reduced fee services to clients.

My Mind also offers a series of workshops held at their premises on areas such as stress management and changes affordable rates for these workshops.

Finally some elements of the service are available online which is highly scalable but offered free of charge at present.

### Non-Commercial Funding

20% of the organisation's funding comes from non-earned income. This 20% includes sources such as:

- JobBridge to fund one counsellor
- Tús to fund administrative staff

Once off funding sources have been accessed over the years such as -

- Arthur Guinness Fund
- The One Foundation - The Captain Cathal Ryan Scholarship in 2010
- National Council for Suicide Prevention
- Social Entrepreneurs Ireland in 2009
- ESB Electric 8 (which has a specific focus on suicide prevention)
- Dublin Bus

### Jobs Created

At present the organisation sustains three full time positions (CEO who is also a psychologist and two administrative staff) who are paid rates of pay typical in the social enterprise sector but below the market rate for the same work.

The organisation is streamlined to be highly efficient. For example, two administrative staff manage the client registration and payment systems for up to 640 appointments per month in the two Dublin offices. This area of the workload is carefully designed and uses technology in order to be as non-labour intensive as possible as these costs would prevent the wide scale provision of services.

### **Opportunities for Growth**

Krystian Fikert is an Ashoka Fellow and My Mind has been recognised as highly scalable social franchise model that is a “System-Changing Idea for Health” and can offer an affordable and easily accessible mental health care service for all. Krystian is regularly asked to present his model to Ashoka Fellows from all over the world and is in conversation with like minded social entrepreneurs in the UK, Australia, Dubai and elsewhere about scaling the model internationally.

### **Risks to the Business Model**

The business model is highly reliant on the good will of mental health professionals which is in good supply. My Mind accepts only one of the eight applicants it gets to serve on its panel and is confident of the regular supply of talent to the panel of professionals.

### **Measurement of the Social Impacts**

My Mind conducts quality reviews in the form of surveys to clients and recorded 95% of clients reporting “good progress” in last year’s survey.

At national level, Mental Health Reform, which promotes improved and prioritised mental health services in Ireland, claims that the quality of services in the areas of mental health lag behind international best practice and developments in other areas of healthcare. Their commentary (See for example their publication *Agenda for Action - Guiding a Vision for Change*) says that there is over-reliance on the medical model and in-patient treatment. Traditionally, Ireland’s response to mental health needs has been almost exclusively medical, with decision making power focused in the hands of the clinician (psychiatrist) and with medication as the dominant form of treatment. It advocates early intervention programmes that will reduce incidence of mental health difficulties.

It was estimated that the direct annual costs of poor mental health in Ireland was €3Bn in 2006, or 2% of GNP.

### **Additionality / Displacement**

My Mind does not displace private practice as they target those low-income groups who would not attend a private practitioner but would alternatively go to a GP and wait for a referral, potentially for up to a year.

In offering their solution My Mind creates direct access in the early stages of a mental health issue to a suitable professional without the need for a referral from a GP and in many cases can prevent the escalation of the problem to one in need of a psychiatrist and medication.

Data to support this anecdotal evidence is not available at this time.

### My Mind in the Social Economy

In providing these mental health services, My Mind has recognised the need to "*perform tasks for which there is a demand that neither the state nor for-profit organisations are willing to fulfil*" (Macedo & Pinho 2006, Hall 1987).

In terms of Mission Relatedness My Mind operates comfortably in Quadrant 2 (i.e. Supplementary: high mission alignment but a lower level of earned income) where those clients who fit in its target group (low-income in need of mental health support) are key to the mission of the organisation and also contribute some financial contribution to the organisation. It also is comfortable operating to some extent in Quadrant 4 (i.e. Integral: both the earned income and mission alignment are seen as high) serving a proportion of clients who are not in the low-income target group necessarily but who are in need of the service, pay a higher rate and make a higher financial contribution.



## Case-Study 6 - Rehab Enterprises



- Established: Evolving since late 1980's
- Website: [www.rehab.ie/rehabenterprises/](http://www.rehab.ie/rehabenterprises/)
- Scale: Turnover €32 million, 327 employees of whom 172 have a disability
- Provenance: In conjunction with The Rehab Group
- Structure: Single member private company limited by shares (Co. Reg. No 216680) Wholly owned subsidiary of the Rehab Group. Individual divisions within Rehab are registered business names only. Rehab is a registered charity (CHY 4940) but not Rehab Enterprises

### Overview

Rehab Enterprises is the commercial division of The Rehab Group. Rehab Enterprises offers dynamic business solutions to Irish industry nationwide in areas such as recycling, logistics, retail services and disability consultancy in four European countries and employs over 530 people, of whom over 313 are people with a disability.

The Rehab Group is an independent, not-for-profit organisation which provides training, employment, health and social care and commercial services for over 50,000 people each year in Ireland, England, Wales, Scotland, the Netherlands and Poland.

Rehab Enterprises have 1,800 active customers including most of the large multinational companies in Ireland. It is Ireland's largest non-governmental employer of people with disabilities and the largest user of the Wage Subsidy Scheme. It operates at the economic end of social enterprises and competes with other commercial for-profit entities in all the market areas it serves.

Within Rehab Enterprises there are three enterprise activities

- Recycle  
Glass Recycling, first and largest e-recycling facility in Ireland (WEEE)
- Logistics  
Warehousing, Logistics, Screen assembly, Electronic Assembly, Kitting, Packaging manufacture and assembly
- Retail  
SMILES Newsagents operate in Leinster House, Trinity College, RTE and six other large employers premises in Dublin.

### Social Impacts

Rehab Enterprise notes the following benefits to the employment of those with a disability:

- Employment at Rehab Enterprises increases the individual's potential and morale
- Employees are encouraged to develop to their fullest potential
- Employees are rewarded appropriately for their work performance
- Employees contribute to their pension

- Employees consider themselves part of a truly diverse workforce.

Rehab notes that there is an obvious economic argument, in addition to a social one, for supporting the employment of people with disabilities as it reduces dependency and, therefore, reduces the States' health, social care and welfare costs. Just because a person has a particular disability, that does not mean that they do not have many talents and skills and, when given the opportunity, can make a significant contribution to both economies and societies.

Rehab has called on the United Nations to include targets for the employment of people with disabilities in the revised Millennium Development Goals at the United Nations Economic and Social Council (ECOSOC) 2012 High Level Segment.

### **Business Model**

Rehab Enterprises operates in highly competitive markets in all its enterprises and conducts its business model the same as any other business. However, as one of its objectives is to employ as many people with disabilities as possible, while being self-sufficient, it has costs associated with additional support structures to facilitate workers with disabilities, which run throughout all operations.

These supports include a Performance Management System based around a Core Competency Framework which monitors the situation of employees. In addition, WorkPath (subsidised by the Wage Subsidy Scheme) offers an Employment Assistance Officer to support the employees in issues relating to their work or personal lives where there are 30 or more workers with disabilities in employment.

Some of the enterprises benefit from peppercorn rent from The Rehab Group but pay market rates of rent or leasing in others.

### **Non-Commercial Funding**

The only support Rehab Enterprises receives other than its commercially earned income is the Wage Subsidy Scheme (WSS). It is the largest creator of jobs under the scheme in the country. The Wage Subsidy provides a rate of €5.30 per hour per employee with a disability and works on the basis of helping to fill a productivity gap of between 50 - 80%. The WSS contribution to Rehab Enterprises income is less than 7%.

### **Jobs Created**

Rehab Enterprises has created 530 jobs of which 327 jobs are based in Ireland. The Wage Subsidy Scheme supports 172 positions and the other 217 positions are at typical rates of pay for their sectors in logistics, manufacturing, etc.

### **Opportunities for Growth**

Rehab Enterprises operates in a fully commercial market place and competes in all its markets. As such it is in daily competition with smaller Irish-owned SMEs as well as large international competitors.

Particular to its position as a social enterprise, Rehab Enterprises sees opportunities in the active engagement of Irish public sector tendering bodies with Article 19 of the UN Convention on the Rights of Persons with Disabilities (Living independently and being included in the community), which would reserve some public sector contracts for workplaces where more than 50% of employees are disabled. In such cases, the public sector tendering bodies have a requirement to

source a portion of that type of work from Social Enterprises and this opens huge opportunities for operations such as Rehab Enterprises to scale and operate in a more commercially viable manner. However, in Ireland there appears to be little evidence of Article 19 in action.

### **Challenges in the Business Model**

As a high profile employer of disabled workers and as advocates and support for the disabled in its other guises as The Rehab Group, Rehab Enterprises operates in a difficult market with highly commercial realities. This was borne out in particular as difficult market conditions forced the lay-off of 18 workers in Galway in 2012 including some 15 employees with disability. The decision attracted strong negative reaction including political commentary in the Dáil, despite redundancy packages that exceeded industry norms and tailored individual transitional support services.

Absenteeism is very low among the workforce especially among those with a disability. However, once a disabled employee is out on sick leave they are potentially out of work for a long period of time and their careers can be cut significantly shorter than that of the general working population, usually related to complex conditions. As the key employer of disabled workers Rehab Enterprises believes that the Wage Subsidy Scheme has an excellent short to medium term benefit but that the long term implications of a disabled person taking up a job and leaving the “system” of care has not been fully thought through. It finds itself in a position whereby it has encouraged a person into the workforce for whom an “exit strategy” is not fully in place when that individual can no longer work due to ill health or lay-off.

### **Cost Benefit of Social Enterprise**

The most up-to-date information available to Rehab Enterprises on the cost-benefit of employing people with disabilities under the Wage Subsidy Scheme is the 2008 Review of the Wage Subsidy Scheme carried out by Goodbody Economic Consultants. Section 7 discusses the cost to the exchequer of the Disability Allowance vs the Wage Subsidy Scheme. It identifies benefits to the individuals of being in employment, to the employers and to the Exchequer (in the long term) of individuals being supported under the Wage Subsidy Scheme. The conclusions from the chapter are reproduced at the end of this case-study

Rehab Enterprises notes that when published, the Back to Work Allowance (BTWA) was still in place which is no longer the case. The Back To Work Allowance allowed the employee to retain a percentage of their Social Welfare benefit for a three year period. Rehab also highlights that the cost of the Disability Allowance does not include the fact that the individual may also be in receipt of funding for respite day care or training services which would substantially add to the Exchequer costs.

### **Rehab Enterprises in the Social Economy**

Rehab Enterprises position themselves at the farthest economic end of the continuum of any social enterprise in Ireland.

It is a good example of an organisation that has created Community Wealth in generating sustainable new resources to support its mission, has a very low dependence on external funding and devises new ways to leverage existing assets.

## Appendix 4: Funding Mechanisms for Social Enterprise in Ireland

### 1. Employment Supports

#### 1.1 Community Services Programme (CSP)

The Community Services Programme (CSP), managed by Pobal under the aegis of the Department of Social Protection, is the single most targeted Government-sponsored initiative for social enterprises. The objective is to support community businesses to deliver local services to their communities and to create employment opportunities for people from disadvantaged groups. CSP currently co-funds the services delivered by 440+ community based not-for-profit enterprises<sup>13</sup>. It is designed to work in partnership with local service providers where gaps are identified in services or there is insufficient demand for services that would normally be provided by the public and/ or private sectors.

CSP funding is primarily intended to contribute to the wages costs of the service provider expressed as a fixed annual contribution towards the costs of employing full time equivalent workers, and in some cases, a contribution towards the cost of employing a manager.<sup>14</sup>

The grant received from the programme must be matched over time with similar levels of traded income to fund further development of the organisation to enhance the services provided and to generate additional employment. The contribution levels vary from between 15% to 85% of turnover. The 440 organisations funded under the CSP employed 2,800 people in full- and part-time employment at March 2012<sup>15</sup>. The budget has averaged €45m in recent years:

€48.0m in 2008

€50.6m in 2009<sup>16</sup>

€45.3 m in 2011

€45.4 m in 2012<sup>17</sup>

The programme is not open for new applications.<sup>18</sup>

#### 1.2 Other Employment Supports

With over 400,000 people on the Live Register (and almost 300,000 unemployed)<sup>19</sup>, jobs and skills development opportunities are the number one priority for the current Government. The main

<sup>13</sup> Details available from CSP Approved Applicants Contact Details (Excel File) available on [www.Pobal.ie](http://www.Pobal.ie)

<sup>14</sup> Written answer by Minister for Social Protection Deputy Joan Burton to Deputy Tom Hayes March 12 2012 <http://debates.oireachtas.ie/dail/2012/03/13/00211.asp>

<sup>15</sup> As above

<sup>16</sup> 2008 and 2009: Department of Community, Rural and Gaeltacht Affairs (2009) Evaluation Paper Special Group on Public Service Numbers and Programme Expenditure [www.finance.irlgov.ie/documents/publications/other/2009/boirdsnippap09/commruralgael.pdf](http://www.finance.irlgov.ie/documents/publications/other/2009/boirdsnippap09/commruralgael.pdf)

<sup>17</sup> 2011 and 2012: Government of Ireland Revised Estimates for Public Services 2012.

<sup>18</sup> [www.pobal.ie/FundingProgrammes/CommunityServicesProgramme/Pages/CSP%20Home.aspx](http://www.pobal.ie/FundingProgrammes/CommunityServicesProgramme/Pages/CSP%20Home.aspx) Accessed August 7 2012

<sup>19</sup> As of June 2013.

employment measures available to social enterprises and the associated level of take up in March 2012<sup>20</sup> were:

- Tús Community Workplace Initiative with 2,875 of 5,000 places available nationally places taken up.
- JobBridge - National Internship Scheme with 5,163 internship placements commenced and a further 2,266 internship placements advertised
- Rural Social Scheme with 2,730 places taken up.
- Community Employment with funding available for 23,300 people.
- Wage Subsidy Scheme with all 500 places available taken up.

In addition, existing measures have been re-configured to place greater emphasis on the employment agenda. The Business Expansion Scheme (profiled later), for example, is now the Employment Investment Scheme, an employment focused intervention.

The Wage Subsidy Scheme exists to provide financial incentives to employers, outside the public sector, to encourage them, in both sheltered and mainstream settings, to employ people with disabilities; and to give people with disabilities the opportunity to experience open labour market employment.

The rate of subsidy is €5.30 per hour and is based on the number of hours worked, giving a total annual subsidy available of €10,748 per annum based on 39 hour week. In addition, a subsidy is made towards supervisor costs depending on the number of employees.<sup>21</sup>

### 1.3 Leadership Development Supports

A number of organisations have developed supports specifically to develop the leadership within social enterprises. The funding in such cases is often considered secondary to the impact of peer-learning, exposure to good practice and motivation through working with other exceptional individuals.

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<sup>20</sup> From series of questions to Minister for Social Protection Deputy Joan Burton on March 1 2012  
<http://debates.oireachtas.ie/dail/2012/03/01/member133.asp>

<sup>21</sup> An evaluation of the scheme is available at Goodbody Economic Consultants (2008) Review of the Wage Subsidy Scheme. Dublin: Goodbody. May 2008. <http://www.djei.ie/publications/labour/2008/review-wage-subsidy-scheme-may08.pdf>

Arthur Guinness Fund	Finance to develop a social enterprise	To support and empower social entrepreneurs. Distributed through a competitive process managed by Social Entrepreneurs Ireland after which eight to ten social entrepreneurs are selected annually. Awards at two levels: €200,000 (impact programme) and €35,000 (elevator programme). 2012 awards will total €775,000 (including support from DCC Plc).
Ashoka Fellowship	Funding to finance 2 to 3 years' salary	To allow a social entrepreneur and change maker to focus on developing their project
Ray Murphy Fund Grant	Funding to finance leadership training	To provide CEOs in the community and voluntary sector with the opportunity access leadership-related education or training.
Vodafone World of Difference Programme	Staff salary support	Funds four people per annum to leave their jobs and work for a charity of their choice for a year, with Vodafone Ireland Foundation paying their salary of €40,000.

## 1. Public Sector Contracts

### 2.1 Introduction

The primary Public Sector Contracts available to social enterprises are from:

- The HSE for the care of people with disabilities, day care, hospice care and other health services;
- The Department of Environment, Community and Local Government for the provision of social housing and other niche services;
- The Department of Transport, Tourism and Sport to provide local transport services primarily for older persons living in rural areas and with limited access to other transport services;
- The Sustainable Energy Authority of Ireland for the integration of innovative energy solutions at community level.

While there have been some initiatives to encourage public procurement from SMEs<sup>22</sup> (from which social enterprises could also benefit), there is no specific social enterprise oriented procurement initiative like the UK Social Investment Business (SIB) £10 million Investment and Contract Readiness Fund or the provision in Italy for favourable public procurement arrangements for non-profits.

<sup>22</sup> Department of Finance, for example, issued Circular 10/2010, which aims to remove barriers frequently encountered by SMEs when competing for public sector contracts. Included among the guidelines contained in Circular 10/2010 is a lower threshold of €25,000 (previously €50,000) for the open advertising of contracts through [www.etenders.gov.ie](http://www.etenders.gov.ie) and an emphasis on proportionality and relevance in qualification criteria used (cited in DCU report on Opportunities in Public Sector Recruitment). See also Using Public Procurement to Stimulate Innovation and SME Access to Public Procurement (DETE, 2009)

The report prepared for the National Procurement Services of Ireland " *Opportunities in Public Sector Procurement - The National Procurement Service Annual Survey 2012*"<sup>23</sup> recommends greater engagement with the not-for-profit sector stating:

*"Engagement by public sector procurers with not-for-profit organisations seems to only be in its infancy in Ireland. Yet, it is a relationship that has much to offer for both parties. In sectors such as training and education and homecare and personal assistance social entrepreneurs and not-for-profit organisations have acquired high levels of experience and expertise. Opportunities exist for public sector organisations to harness this potential in the delivery of certain public services".*

The innovation within the public procurement arrangements for existing contracts with social enterprises varies considerably with little innovation in health services, strong structures for the delivery of social housing, Seniors' Alert and rural transport to respond to local need and relatively high innovation and competition in energy initiatives.

## 2.2 HSE - Provision of Disability Services<sup>24</sup>

The Value for Money Report 52 of Comptroller and Auditor General - Provision of Disability Services by Non-Profit Organisations (December 2005)<sup>25</sup> examined the arrangements between the State and the non-profit sector for the provision of disability services, particularly as they applied to the larger non-profit organisations. The State provided €877m to non-profit organisations for these services in 2004. Twenty-five of the organisations each received more than €10m and a further 75 organisations received between €1m and €10m. In addition, 683 grants, averaging slightly over €100,000 were awarded to a range of smaller non-profit organisations.

The report concluded that " *The State's relationship with non-profit organisations has evolved into one where services to persons with disabilities result from a historical pattern of provision and are largely negotiated rather than the result of contested procurement. The current approach to the funding of non-profit organisations is based on incremental increases and the cost of new placements.*"

The Value for Money and Policy Review of the Disability Services Programme in 2012<sup>26</sup> shows a spend of €997m across 30 services providers mainly from the community and voluntary sector (See Appendix 5) and recommends a more robust public procurement policy. In any event, the model of service delivery, particularly for the provision of disability services is set to change considerably and this may open up opportunities for social enterprises (see further details at the end of this section).

In general, it would appear that the lack of competitive procurement has resulted in limited levels of true social entrepreneurship within the health sector.

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<sup>23</sup> Dublin City University Procurement Research Group, Faculty of Business (2012) *Opportunities in Public Sector Procurement - The National Procurement Service Annual Survey 2012*. Dublin: The National Procurement Service of Ireland. [www.procurement.ie/sites/default/files/opportunities\\_report\\_final\\_version\\_pdf.pdf](http://www.procurement.ie/sites/default/files/opportunities_report_final_version_pdf.pdf)

<sup>24</sup> This section is based on a focus on disability services which accounts for almost €1bn of the HSE spend. Different scenarios may exist in arrangements for day care, respite care, etc.

<sup>25</sup> Comptroller and Auditor General (2005) Report on Value for Money Examination Health Services Executive Provision of Disability Services by Non-Profit Organisations, Dublin. December 2005. [www.audgen.gov.ie/documents/vfmreports/52\\_DisabilityServices.pdf](http://www.audgen.gov.ie/documents/vfmreports/52_DisabilityServices.pdf)

<sup>26</sup> Department of Health (2012) Value for Money and Policy Review of Disability Services in Ireland. Dublin: Department of Health, July [www.dohc.ie/publications/VFM\\_Disability\\_Services\\_Programme\\_2012.html](http://www.dohc.ie/publications/VFM_Disability_Services_Programme_2012.html)

## 2.3 Department of the Environment, Community and Local Government

### 2.3.1 Social Housing

The Capital Assistance Scheme (CAS) and Capital Loan Subsidy Scheme (CLSS) of the Department of Environment, Community and Local Government are deployed by the County Councils as through a network of 450 active approved housing bodies (AHBs) (December 2008)<sup>27</sup>. Virtually all of the approved housing bodies are also approved for charitable tax-exempt status by the Revenue Commissioners.

In 2002, the Department of the Environment issued a memorandum<sup>28</sup> which stated that the community and voluntary sector was an effective delivery mechanism for the provision of social housing. The memorandum served to update, consolidate and combine all the information and guidance required, both by housing authorities and the management boards of approved housing bodies, to achieve the speedier commencement of more housing projects and to adopt appropriate means for compliance with the terms of the Schemes. All local authorities were mandated to appoint an administrative officer to have direct responsibility for the implementation of the operation of all aspects of the Capital Funding Schemes in a co-ordinated way.

Of the 450 active AHBs, a very large majority are run on an entirely voluntary and local community-based model. While the sector currently contains around 27,000 housing units, 70% of those are managed by just 20 individual AHBs (which all have fulltime staff). The sector meets key areas of housing need and has been recognised in the Government's 2011 Housing Policy Statement as having a central role in future social housing provision given the very constrained capacity of the local authority direct housing provision model for the foreseeable future.

In recognition of this central role for the sector, DECLG is developing a regulatory structure that will provide a framework within which the sector can expand and take on more development risk / opportunities. A voluntary regulation code for the sector is due to be published in Q3 2013 which will then form the basis for the development of a statutory regulatory system.

The 2009 strategic review of funding for co-operative and voluntary housing bodies by Grant Thornton and Fitzpatrick Associates<sup>29</sup> concluded that the voluntary and co-operative housing bodies were effective providers of housing for persons with special needs and sheltered housing for older people due, in particular, to the on-site support and care and the effective management of tenants.

They recommended that the range of funding options for co-operative and voluntary housing bodies should include: a continuation of the existing CAS scheme; the sourcing of monies on commercial lending basis from banks, building societies and or credit unions; the sourcing of funding from investors such as pension funds; participation by voluntary and co-operative bodies in commercial property ventures; participation on the part of voluntary or co-operative bodies in Public Private Partnership type schemes and the release of funding through a sale and lease back of existing assets.

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<sup>27</sup> Grant Thornton and Fitzpatrick Associates (2009) Strategic Review of funding for Co-operative and Voluntary Housing Bodies Dublin: Centre for Housing Research, November

<sup>28</sup> Capital Funding Schemes for the Provision of Rental Accommodation by Approved Housing Bodies (Voluntary & Co-Operative Housing) Memorandum 2/02 2002

<sup>29</sup> Grant Thornton and Fitzpatrick Associates (2009) Strategic Review of funding for Co-operative and Voluntary Housing Bodies Dublin: Centre for Housing Research, November



### 2.3.2 Seniors' Alert

The Seniors' Alert Scheme replaced the Scheme of Community Support for Older People in May 2010. The scheme provides grant assistance towards the purchase and installation of equipment to enable older persons without sufficient means to continue to live securely in their homes.

The Department has identified community groups as particularly effective service providers to this vulnerable group within communities. Over 730 community and voluntary groups have registered with the Department to deliver the scheme in their areas and all applications for grant support are submitted through these groups. Subject to sufficient funds being available, the application process remains open throughout the year.

The programme does not sustain social enterprises per se but does give community and voluntary groups the opportunity to develop relationships with people in the community around which other activities can be built.

### 2.4 Department of Transport Tourism and Sport - Rural Transport Scheme

In 2011 the Rural Transport Programme (RTP)<sup>30</sup> received €10.6m from the Department of Transport, Tourism and Sport. The average Programme allocation per group was approximately €257,000, with this ranging from a high of €639,000 to a low of €150,000. The Programme constitutes under 2% of all Government subvention to public and quasi-public transport in Ireland.

RTP funding is used to provide local transport services via the 36 Rural Transport Companies around the country. The Programme provides nearly 1.5m passenger trips annually, primarily for older persons living in rural areas and with limited access to other transport services.

In January 2012, the Government approved new arrangements for the development and implementation of integrated local and rural transport services. It was decided that the National Transport Authority (NTA) would be assigned national responsibility for local and rural transport services integration including the RTP and this has been effective since 1<sup>st</sup> April 2012, putting such services in a broader transport context. A Value for Money and Policy Review of the RTP for the period 2002-2009 was published in 2012 which made a number of recommendations to improve the efficiency of the Programme, including organisational restructuring and the better alignment of the 35 RTP groups with local authorities. The NTA is currently finalising proposals for an optimal structure for the delivery of rural transport from an efficiency and service perspective, for the approval of the Minister of State for Public and Commuter Transport. It is expected that a new structure will be announced in Q3 2013 which will allow for the maximising of spend on services and the reduction of administration costs. Any future structure for the RTP will be based on community input, local flexibility and involving the voluntary sector. Rural transport is community based and this is set to remain under any new structure.

### 2.5 Sustainable Energy Authority of Ireland - Better Energy Communities Pilot

The Sustainable Energy Authority of Ireland (SEAI) tends to allocate funds on the basis of competitive tendering. Its Better Energy Communities Pilot 2012 has a €3m budget aimed at stimulating *"the delivery of innovative energy efficiency projects in communities and other areas"*.

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<sup>30</sup> Information in this section from Fitzpatrick Associates Economic Consultants (2011), Towards Integrated Rural Transport - Achieving more for Less. A submission to Government from the Rural Transport Network. Rural Transport Network, August. <http://ruraltransportnetwork.ie/wp-content/uploads/2011/08/Toward-Integrated-Rural-Transport.pdf>

The initiative is specifically seeking to test innovative and pioneering partnerships for delivery between for example, the public and private sectors, domestic and non-domestic sectors, commercial and not-for-profit organisations. The SEAI anticipates awards in excess of €250,000.

The capacity within communities to tender for such projects has been built up over time and illustrates the potential of public procurement to develop social enterprise.

### 3. Repayable and Equity Finance

#### 3.1 Bank Finance

The mapping of the Social Enterprise Sector for Clann Credo by DKM Economic Consultants<sup>31</sup> found that only 413 companies (29%) had a loan/overdraft. They concluded that this *“reflects the dearth of financing options available to the sector”* although they also noted that, *“many companies may also have Articles of Association specifically prohibiting borrowing”*. The average loan/overdraft for those Social Enterprise/Community Businesses which had one was €62,000.

There is no equivalent in Ireland the Charity Bank in the UK and there are no Irish members of the European Federation of Ethical and Alternative Banks and Financiers (FEBEA).

Triodos, a Dutch Bank, serves the Irish market out of the UK and has become active in Ireland over the last few years. Its objective is *“to finance companies, institutions and projects that benefit people and the environment and add cultural value, with the support of savers and investors who want to promote a sustainable society - as well as offering a good return on their money.”*

Projects funded span the full range of social enterprises and include: Mossfield Farm, Birr (Organic Farming), Camphill Communities of Ireland (Healthcare - accommodation special needs), Headstart (Healthcare), Tipperary Technology Park (Community owned enterprise centre), Killinkere Development Association (Tourism accommodation and community centre), Clondalkin Community Property Development, Waterford Regional Youth Service, The Organic Centre, Gyreum (Ec Lodge Sligo) and Gortbrack Organic Farm.

Triodos have a specific interest in wind energy and have supported IQ Wind, Sunflower Design (Windpower), Bearna Gaoithe Teoranta (Windpower), Western Power (Renewable Energy) and North Tipperary Windpower. In May 2010, they anticipated €43m of actual lending with further commitments of €16.5m in Irish wind projects being paid out over the following few months.

#### 3.2 Social Finance Foundation

As a result of the dearth in repayable finance, the Government launched the Social Finance Foundation in 2006 *“to make loan finance available at affordable interest rates to community-based projects and micro-enterprises which generate both a social benefit as well as a financial return”*. In 2007, the banking sector, through the Irish Banking Federation, provided seed capital of €25 million to the Social Finance Foundation. In 2009, an additional €72 million was secured from the banks by the Social Finance Foundation by way of a twelve-year loan agreement at discounted interest rates.

This funding is distributed by five approved Social Lending Organisations (SLO's) each of which have a specific focus to their activities:

- Clann Credo - community enterprises and social infrastructure throughout Ireland (Total fund of €35m includes €25m from the Social Finance Foundation and €10m from religious charities).
- First Step Microfinance - microfinance for business start-up throughout Ireland. (First Step ceased lending on 1<sup>st</sup> October 2012, with the establishment of Microfinance Ireland. First Step's current function is solely to service the existing loan book).
- UCIT (Ireland) - community enterprise and social infrastructure, primarily in the border region but expanding throughout Ireland.

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<sup>31</sup> DKM Economic Consultants (2011) The Economic and Social Contribution of Clann Credo - the Social Investment Fund, Dublin, December.

- Limerick Enterprise Development Partnership - both community development and micro-enterprise in the Limerick Region.
- Cavan County Enterprise Fund - individual and community micro-enterprise in County Cavan.

In the 2010 Annual Report<sup>32</sup>, the Social Finance Foundation declared: "Since commencement of lending in September 2007, loans totalling €23.6m have been approved by the Foundation for the current Social Lending Organisations. Loans drawn down in that period amounted to €11.7m, reflecting delays in drawdowns and cancellation of projects. The current outstanding loans before provisions amount to €7.6m and reflects repayments made."

The average investment by Clann Credo is in the order of €110,000 (though investments can range from €20,000 to over €500,000) while those by the other approved lending organisations tend to be much lower (First Step provided loans of less than €25,000 and Limerick Enterprise Development Partnership €15,000).

In 2010, Clann Credo assisted companies had a turnover of €48 million and were spread across the following sectors:

Sectors	% of Loans
Community Facilities/Infrastructure	27%
Community Care and Education	19%
Employment	19%
Community Enterprise	16%
Arts, Sports and Tourism	10%
Environment, Health and Sustainable Food	5%
Affordable Housing	4%
Other (e.g. Community Banking)	1%

### 3.3 Microfinance/Microcredit

Microcredit is defined by the European Commission, as a loan under €25,000 to support the development of self-employment and microenterprises. It has a double impact: an economic impact as it allows the creation of income generating activities and a social impact as it contributes to the social inclusion and therefore to the financial inclusion of individuals.

There is no specific legislation for general microfinance in Ireland. Banking and financial activities including the provision of micro-finance are governed by the Irish Financial Services Regulatory Authority (IFSRA). The Microenterprise Loan Fund Act 2012 was enacted in August 2012 to implement Government policy by providing for the establishment of a Fund known as the Microenterprise Loan Fund, which is to be used to make loans available to microenterprises. This legislation has resulted in the incorporation of Microfinance Ireland ('MFI'). Microfinance Ireland is exempt from the requirement to hold an authorisation as a retail credit firm in relation to the provision of credit, and is a registered charity.

The main providers of micro-finance are the Approved Social Lending Organisations of the Social Finance Foundation, which has a nationwide remit, the Tallaght Trust Fund and the City and County Enterprise Boards.

<sup>32</sup> Social Finance Foundation (2010) Annual Report [http://www.sff.ie/pdf/SFF\\_Annual\\_Report\\_2010.pdf](http://www.sff.ie/pdf/SFF_Annual_Report_2010.pdf)

Many social enterprises have had success in accessing financial support from City and County Enterprises, particularly those that fall under the commercially oriented umbrella; however, this varies considerably, due to a lack of a required standardised package of support set in policy. This is despite the fact that the eligibility criteria for the Priming Grant of the County and City Enterprise Boards states specifically that it can be accessed by “sole traders, partnerships, community groups and limited companies”. The Priming Grant provides support of €15,000 towards each job created. It allows for a maximum of €150,000 per initiative although grants over €80,000 are considered exceptional. The measure would be limited to social enterprises in the priority sectors of manufacturing, traded services and tourism.

In 2010 the European Union launched a European Progress Microfinance Facility to make up to €100 million available in the 27 EU Member States until 2013<sup>33</sup>. The finance is to be specifically targeted at newly unemployed people, who have difficulty securing finance from traditional banking sources, to start their own businesses. The Microfinance facility does not provide money directly to entrepreneurs but rather enables selected microcredit providers in the EU to increase lending by:

- issuing guarantees, thereby sharing the providers' potential risk of loss
- providing funding to increase microcredit lending.

Up to €25,000 per borrower can be made available in the form of loans and credit guarantees from the European Union.

The Microfinance Facility application process is administered by the European Investment Fund (EIF) on behalf of the European Commission. Although the Irish League of Credit Unions met with the EIF to ascertain the precise details of the application process and alerted credit unions that the application process had commenced<sup>34</sup>, First Step was the only registered provider under the Scheme in July 2012, however, Microfinance Ireland secured a guarantee agreement under the European Progress Microfinance Facility following its establishment in October 2012.

Microfinance Ireland (MFI) was established as a subsidiary of Social Finance Foundation in October 2012, to deliver the Government's Microenterprise Loan Fund Scheme,<sup>35</sup> and is projected to provide over €90 million in extra lending to 5,500 businesses and create an additional 7,700 jobs over ten years. MFI will provide loans of less than €25k to start-up, newly established, or growing microenterprises employing less than 10 people, across all industry sectors, with commercially viable proposals that do not meet the conventional risk criteria applied by banks. Start-ups, sole traders and existing microenterprises are eligible to apply for a loan under the scheme.

The Tallaght Trust Fund (managed by PARTAS) was established in 1987 with private sector contributions to promote economic development and enterprise in the Tallaght area, and is in effect a 'lender of last resort' for small businesses who find it difficult to secure loans through mainstream banks. The fund is a 'revolving loan fund', which relies on loan repayments to fund new loans. It offers small amounts to clients (rarely exceeding €10,000), usually to purchase tools and equipment.

The Tallaght Trust Fund also administers the Worker Co-operative Revolving Loan Fund. The initial finance for this fund came from FÁS, and it covers the entire country. It is designed to assist Worker Co-operatives to access loan finance on similar terms to other small businesses, which they have difficulty in doing because of the legal structure of Worker Co-operatives.

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<sup>33</sup> <http://ec.europa.eu/social/main.jsp?langId=en&catId=836>

<sup>34</sup> CLU Annual Report 2010, [www.creditunion.ie](http://www.creditunion.ie)

<sup>35</sup> For further information see [www.microfinanceireland.ie](http://www.microfinanceireland.ie)

### 3.4 Equity Finance

The observed lack of equity or quasi-equity finance for social enterprises internationally is reflected in Ireland. The international research<sup>36</sup> indicates that the largest potential source of capital is from institutional investors such as pension or mutual funds, insurance companies, or traditional banks which manage large portfolios of capital. However, no specific sources of long term or patient investment capital for social enterprises outside philanthropy (in particular the One Foundation and Atlantic Philanthropies), Angel Investment Networks and the Social Finance Foundation were identified.

Equity investment is available through Enterprise Ireland for high potential companies with the capacity to operate in international markets. In the research for this report, no social enterprise has been identified which has had the capacity to access this funding. Equity investment is also available through Údarás na Gaeltachta and Shannon Development.

The Investment Fund of the Western Development Commission (WDIF)<sup>37</sup> provides seed and venture capital or loans to businesses, community initiatives and 'flagship' projects in the Western Region. It invests directly in sustainable projects, many of which may be experiencing a funding gap. The WDIF offers potential to commercially oriented social enterprise.

Investments are made by the WDC on a commercial basis by way of ordinary share capital, preference share capital and loans, or a combination of these mechanisms. The WDC does not provide grant aid and does look for a financial return on its investments. The fund can invest up to €1 million in any one project and provide further follow-on tranches.

By the end of 2010, the WDC had invested a total of €37 million in 89 companies in the region. The majority of SMEs supported are Smart Economy enterprises. A total of 1,200 people are employed in these enterprises and this employment level is forecast to increase to 2,500 as these companies expand and grow. All monies recouped are reinvested in the region.

In 2010, the exchequer allocation to the WIF was €492,000 representing an 88% cut on the WIF's budget as set out in the National Development Plan 2007 - 2013. This much reduced level of funding meant the WDC was unable to consider investment in any new companies in 2010 and invested the limited available funding into the existing portfolio companies.

### 3.5 Venture Capital and Angel Investors

Enterprise Ireland estimates that €800m in funding is available in Ireland through networks of angel investors, seed and venture capital firms<sup>38</sup>. A total of €645m is under management in Enterprise Ireland-supported seed and venture capital funds. The funds currently open for new applicants are set out below. No examples arose in the course of this research of social enterprises which had accessed any of this funding (which tends to be geared towards the lifesciences and ICT sectors).

- AIB Seed Capital Fund - €53m
- AIB Start-up Accelerator Fund - €22m
- Atlantic Bridge Venture Fund - €67m

<sup>36</sup> Social enterprises in OECD member countries: what are the financial streams? Marguerite Mendell, Rocío Nogales (2009) and Bridges Ventures, The Parthenon Group and The Global Impact Investing Network (2009) Investing For Impact - Case Studies Across the Asset Classes  
[www.socialfinanceus.org/pubs/external/investing-impact-case-studies-across-asset-classes](http://www.socialfinanceus.org/pubs/external/investing-impact-case-studies-across-asset-classes)

<sup>37</sup> Further information on the WDIF is available at [www.wdc.ie/wdc-investment-fund/](http://www.wdc.ie/wdc-investment-fund/)

<sup>38</sup> [www.enterprise-ireland.com/en/Invest-in-Emerging-Companies/Source-of-Private-Capital/Venture-Capital-Funds.html](http://www.enterprise-ireland.com/en/Invest-in-Emerging-Companies/Source-of-Private-Capital/Venture-Capital-Funds.html)

- Atlantic Bridge Venture Fund II - €75m
- Bank of Ireland Early Stage Equity Fund - €32m
- Bank of Ireland Kernel Capital Partners - €51m
- Bank of Ireland Start-up and Emerging Sectors Equity Fund - €17m
- Delta Partners - €105m
- Fountain Healthcare Partners - €73
- Seroba Kernel Lifesciences - €75m
- NCB Ulster Bank Diageo Fund - €75m

Two initiatives to tap into Angel investors are the Halo Business Angel Network and the Angel Investment Network. The Halo Business Angel Network is a joint initiative involving Enterprise Ireland, InterTradelreland and the Irish Business and Innovation Centres. It is managed by the Dublin Business Innovation Centre. The investments typically tend to be between €25,000 and €250,000. In recent times, syndicates of investors have meant that in some cases investment exceeds €250,000. At the end of January 2009 €4.6M euro had been invested directly by Business Angels and an additional €6.5M of funds had been leveraged.

The Angel Investment network is a web-based matching service for angel investors seeking investment opportunities and Irish entrepreneurs seeking capital ([www.irishinvestmentnetwork.ie](http://www.irishinvestmentnetwork.ie)). This website is owned by Angel Investment Network Ltd, a London-based investment company founded in 2004.

## 4. Other Funding

### 4.1 Philanthropy

Philanthropy Ireland defines philanthropy as “a particular kind of charitable giving. It is focused on the root causes of problems and making a sustainable improvement, as distinct from contributing to immediate relief.”

There are 30 active grant-making foundations in Ireland. As in other jurisdictions, these are transforming their roles from donors to investors. The One Foundation was a key funder of projects related to children with the amounts invested ranging from €200,000 to €6 million. However, like Atlantic Philanthropies, another significant funder, it has announced its decision to stop funding projects in Ireland. Philanthropy Ireland estimates that the level of philanthropy currently stands at €500m per annum<sup>39</sup>. They are seeking to increase this to €800m per annum by 2016. However, this includes philanthropy for the arts, education and charities and only a percentage will be applicable to social enterprises.

Philanthropy Ireland identifies four drivers of an increase in giving over the next four years. These are:

- A National “Giving Campaign”;
- Improving the fiscal environment and infrastructure for giving;
- Developing fundraising capacity among not-for-profits;
- Creating a National Social Innovation Fund.

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<sup>39</sup> Forum on Philanthropy and Fundraising (2012) Report of the Forum on Philanthropy and Fundraising May 2012

Philanthropy Ireland envisages a significant fund (starting at €10m+) to support the establishment and growth of social innovations with the potential for transformative impact on critical social issues facing Ireland, including unemployment and the environment.

The Worldwide Ireland Funds is a second key intermediary between philanthropists and Irish projects. The amount dispersed annually varies but is approximately \$1 million. The objective is to enable as many organisations as possible to fund new and innovative responses to social need. There is a specific focus on communities and disadvantaged youth. The maximum amount given to an organisation is €20,000 and the average award is €6,000.

The themes funded by the fund are: Investing in Ireland's Communities; Supporting a Shared Future for Northern Ireland; Providing Access to Education; Promoting Culture and Heritage; Assisting Disadvantaged Youth; Assisting the Elderly "Forgotten Irish" and Promoting Philanthropy in Ireland. The Worldwide Ireland Funds have funded a number of social enterprises including Speedpak, Fighting Words and Fledglings.

#### 4.2 Traded Income

The organisations with the highest level of traded income are likely to be those focusing on commercial opportunities, the agricultural co-operatives, credit unions and some labour inclusion and community development projects.

#### Distribution of Average Turnover of Irish Social Enterprises and Community Businesses (2009)

€	Number	%	
		SE&CB	% Income
>200m	1	0	14
50m-199m	4	0	16
20m-49m	4	0	8
10m-19m	9	1	9
5m-9m	22	2	10
1m-4m	154	11	22
<1m and >500k	172	12	8
<500k and >300k	202	14	5
<300k and >100k	370	26	5
<100k	482	34	1
<b>Total</b>	<b>1,420</b>	<b>100</b>	<b>100</b>

Source: DKM Economic Consultants derived from the Irish Non-Profits Database

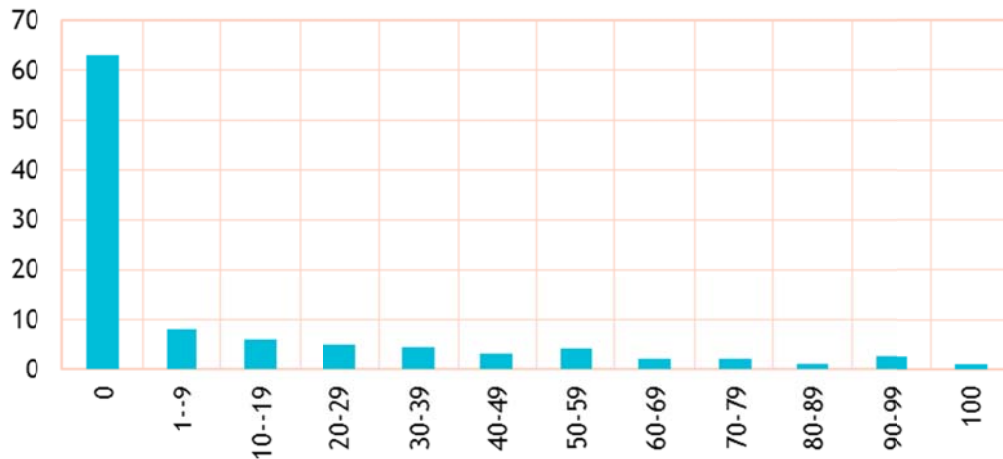
#### Importance of Traded Income

According to the mapping of the Social Enterprise Sector by DKM Economic Consultants, while turnover of over half of Social Enterprises and Community Businesses (SECB) ranges between €300,000 and €4m the level of traded income is very limited. Some 63% of social enterprises and



community businesses did not have any traded income in 2009. The remaining SECBs together had a total traded income of €243.5 million, equivalent to 17% of their total income.

### Traded Income among Social Enterprises and Community Business (SE&CBs) as a Percentage of Total Income (2009)



Derived from the Irish non-profits Database  
Source: DKM Economic Consultants

The main sources of funding for co-operatives and mutuals are traded income and retained earnings. All of credit unions' capital in Ireland consists of retained earnings. Credit unions' loan books are funded by members' savings ("saving mobilisation") and they do not rely on external sources of funding to provide loans. The vast majority of their income (72%) is earned from loan interest.

Co-operatives were reviewed in the November 2007 report for Forfás<sup>40</sup> 'Ireland's Co-operative Sector'. ICOS figures from 2005 indicated that approximately €7.8 billion in turnover was attributable to companies with shares held by co-operatives. The dairy sector accounted for the vast bulk of this.

#### 4.3 Thematic Funding

Depending on the activity of the social enterprise, they may be in a position to draw down thematic funding relating to their specific activity i.e. funding which is targeted at themes such as early childhood development, youth, suicide prevention, rural development, literacy, the environment, the arts etc. Valid Nutrition and the Kimmage Development Studies Centre, for example, have been supported in their activities by Irish Aid as their activities relate specifically to international development.

The two most important sources of thematic funding are National Lottery Funding and the Dormant Accounts Fund.

<sup>40</sup> Forfás (2007) Ireland's Co-operative Sector. Dublin: November.  
[http://www.forfas.ie/media/cooperative\\_sector\\_2007.pdf](http://www.forfas.ie/media/cooperative_sector_2007.pdf)

#### 4.3.1 National Lottery Funding

Thematic funding of the order of €209m (see Table 11 which follows) is potentially available to social enterprises from the National Lottery Discretionary Grants of a number of Departments<sup>41</sup>. In 2012, approximately 65% will be funded from the National Lottery and the remainder will be funded by the Exchequer.

The National Lottery Discretionary Grants tend to be distributed widely, with the majority of individual organisations receiving relatively small grants and a small number of flagship projects receiving large once-off grants. In 2011, in the Department of Children and Youth Affairs, for example, four large amounts of €230,000, €50,000, €46,000 and €33,000 were dispersed and the rest of grants ranged between €3,000 and €20,000. In the Department of Health in 2011, the minimum grant was €300 and the average was €25,000. Only nine out of 126 projects received over €100,000.

#### 4.3.2 Dormant Accounts Funding

The Dormant Accounts Fund has been in operation since 2003. It is managed by the National Management Treasury Agency but overall responsibility for payment of the funds lies with the Department of Environment, Community and Local Government. In October 2011, the Minister for Environment, Community and Local Government announced that the Dormant Accounts Board which had overseen the disbursement of funds was being dissolved and the functions of the Board were transferred to the Department.

The value of the fund at 30 April 2012 was €172 million including a €50m reserve for future claims by account holders and €20m for committed funds which have not yet been dispersed<sup>42</sup>.

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<sup>41</sup> Note the total amount of National Lottery Funding is higher but certain funds are earmarked for other activities such as adult education organisations, the Heritage Council, private housing grants and general expenses of cultural, scientific and educational organisations.

<sup>42</sup> Department of Environment, Community and Local Government (2012) Value of Dormant Accounts Fund at 30 April 2012. Dublin [www.environ.ie/en/Community/DormantAccounts/](http://www.environ.ie/en/Community/DormantAccounts/)

Year	Amount Disbursed
2003	0
2004	14,000,000
2005	14,400,000
2006	33,250,000
2007	45,511,412
2008	73,050,705
2009	37,644,335
2010	20,267,035
2011	8,403,338
2012 (to end April)	278,845
<b>Totals</b>	<b>246,805,670</b>

The legislation governing the Dormant Accounts Fund identifies three broad categories of persons for support from the fund: those affected by economic and social disadvantage; educational disadvantage and persons with a disability.

As with the National Lottery Discretionary Grants, funding under the Dormant Accounts Fund tends to be distributed widely with a small number of flagship projects. The smallest grant under the Dormant Accounts fund in 2011 was approximately €2,000 and the largest grant was over €1m.

The total disbursements since the fund was established in 2003 amount to €247m. The amounts disbursed annually range from a low of €8m in 2011 to a high of €73m in 2008.

Of the total of €247m disbursed between 2004 and 2012, €64m was allocated to the Rural Social Scheme between 2004 and 2008, €18m was dedicated to Early Childhood Initiatives in 2006 and €1.25m was ring-fenced for a 'catch-up' measure in five new RAPID towns.

The Dormant Accounts (Amendment) Act 2012 which came into force on July 12<sup>th</sup> 2012 simplifies administrative arrangements and the associated processes in respect of grants awarded from the Dormant Accounts Fund. The objectives of the disbursements scheme will remain unchanged and disbursements will continue to be made from the Dormant Accounts Fund through the relevant Departments.

#### 4.3.3 Department of the Environment, Community and Local Government

The Department of the Environment, Community and Local Government also disburses funding for Environmental projects under the Environmental Partnership Fund 2012 (small amounts of between €500 and €3,000 disbursed by Local Authorities under Local Agenda 21) and the Environment Fund to reduce and prevent waste (funded by the 'plastic bag levy') and also disbursed by the Local Authorities, although it is noted that the Fund does not have a social enterprise remit *per se*.

#### 4.4 Credit Unions

Ireland has the largest credit union movement in the EU and credit unions hold approximately €14 billion in assets<sup>43</sup>. However, although empowered to establish funds for community development and to give commercial loans to enterprises, there has been little actual involvement by the credit unions movement in funding social enterprise.

##### 4.4.1 Social Funds

Section 44 of the Credit Union Act 1997 provides that a credit union may, by resolution, establish a fund to be used for *“such social, cultural or charitable purposes (including community development) as have been approved...”* This fund may also be used to facilitate the provision of funds to low income groups. A review of Social Finance and the Credit Union Movement was carried out in 2005 by the Credit Union Advisory Committee (CUAC). In its considerations of Section 44 of the 1997 Act, the CUAC Report concluded that, while the fund can be used to *“grant aid socially desirable products within the common bond area, the provision of such funding has been negligible”*.

In January 2010, the Irish League of Credit Unions circulated a paper to members outlining potential approaches to the provision of social finance by credit unions<sup>44</sup>. Credit unions were asked to indicate if they were interested in becoming involved in the provision of social finance in a collaborative fashion. However, the response rate was extremely low and it was difficult for the ILCU to progress the issue although it continued in discussions with Clúid Housing Association.

##### 4.4.2 Commercial Loans

A Guidance note in October 2007 on Credit and Credit Control from the Office of the Registrar of Credit Unions in the Office of the Financial Regulator<sup>45</sup> stated:

- *“Commercial loans should only be made on the basis of a credible business plan, appropriate to the scale and complexity of the activity and should include financial projections. The taking of effective security by the credit union in respect of commercial loans should be considered as an important aspect of this activity and should be effected in accordance with the credit union’s credit policy.*
- *The performance of commercial loans should be subject to regular monitoring, appropriate to the scale and complexity of the activity. Examples of the monitoring process could include a review of bank statements, management accounts, annual audited accounts and/or personal interviews with the borrower.*
- *If a credit union does not possess or have access to the skills to evaluate and monitor particular types of commercial lending then it should not engage in such lending.”*

A summary review of a number of credit union web-sites was not able to identify a credit union providing commercial loans at present. In May 2010 Dundrum Credit Union Limited, in partnership with Dun Laoghaire-Rathdown County Enterprise Board, launched a new Small Business Loan Scheme with a loan rate of 5.95%. Loans were provided for working capital as well as for capital assets. Applicants had to be living, working or operating a business within the Dundrum Credit

<sup>43</sup> [http://ec.europa.eu/internal\\_market/consultations/2012/shadow/registered-organisations/encu\\_en.pdf](http://ec.europa.eu/internal_market/consultations/2012/shadow/registered-organisations/encu_en.pdf)

<sup>44</sup> ILCU Annual Report 2010, [www.creditunion.ie](http://www.creditunion.ie)

<sup>45</sup> Office of the Registrar of Credit Unions (2007) Guidance Note on Credit and Credit Control for Credit Unions, Dublin: Financial Regulator, October. [www.centralbank.ie/regulation/industry-sectors/credit-unions/documents/200710%20guidance%20note%20on%20credit%20and%20credit%20control.pdf](http://www.centralbank.ie/regulation/industry-sectors/credit-unions/documents/200710%20guidance%20note%20on%20credit%20and%20credit%20control.pdf)

Union common bond and could apply for a loan of up to €40,000 with a repayment period of up to five years.

#### 4.5 Small Grants and Crowd Financing

Other small amounts of funding generally targeted at community and voluntary groups but which certain social enterprises would be able to access are:

- Community Foundation for Ireland Grassroots Grant
- Dell Foundation
- Dublin Bus Community Spirit Initiative
- Katherine Howard Foundation
- Intel Involved Matching Grant Programme
- Ulster Bank “Community Cashback Awards”
- Ulster Bank Staff Charity Funds

Reviews of beneficiary lists of Electric Aid Ireland, Coca Cola Thank You Fund, St. Stephen’s Trust, PEACE III and a number of other foundations indicates a much stronger trend of support for charities and specific programmes than for social enterprises though exceptions exist. My Mind for example has received funding from Electric Aid Ireland which has a specific focus on suicide prevention.

Crowd financing is becoming more popular with ammodo.com (a Swiss based company with headquarters in Dublin) active in the Irish marketplace and opportunities open to social enterprises in the creative arts exist on international sites such as kickstarter.com in the US. Innovations such as pay-roll deductions are providing the means for social enterprises to tap into long-term sources of finance. However, crowd finance is still an emerging, developing trend.

#### 4.6 Social Impact Bonds

Social Impact Bonds which are subject to pilots in the UK have not emerged in Ireland. Atlantic Philanthropies funded research and facilitation to investigate the potential for their use in Ireland. The outcomes of the discussion are captured in the report *Roundtable to Explore the Potential For Social Impact Bonds In Ireland* published by Clann Credo in 2011.

#### 4.7 Non-Financial Sources of Support for Social Enterprises

The collaborative ethos within the social enterprise sector places a high emphasis on peer learning, networking and resource sharing as means of effectively accessing and deploying the financial resources available. Other sources of support to the sector to achieve this include:

DCU Ryan Academy	Mentoring and advice to social entrepreneurs
Atlantic Philanthropies	Support for cross-sector supports, capacity building and methodologies (e.g. impact measurement), research and networking
EU Social Business Initiative	Pan-European understanding of social enterprises and transfer of learning.  A single, multilingual electronic data and exchange platform, associated, where appropriate, with the Social Innovation Europe

Platform25 and the 'Enterprise Europe Network' for social entrepreneurs, incubators and clusters, social investors and people working with them.

Suggest financing national projects to set up satellite accounts so that social enterprises appear in national accounting systems

Iris O'Brien Foundation

Support for academic research in social entrepreneurship.

#### 4.8 Other

The St. Vincent de Paul, religious trusts and diocesan trusts are cited as key partners for a number of social enterprises. Their participation tends to be organised at a local level and can be in terms of either financial contributions, provision of premises for projects or access to facilities for initiatives.

Kilmovee Community Council in Sligo secured a contract from An Post to operate the post office in the town after An Post had decided to close the post office. However, such contracts are the exception rather than the rule.

## 5. EU Funding

### 5.1 Commission proposals for the Multiannual Financial Framework 2014-2020

On 29 June 2011, the European Commission presented its proposal for the multi-annual budget for 2014-2020. The overall amount proposed for the next seven years in "A Budget for Europe 2020" is €1,025 billion. Legislative proposals for each area covered by the next EU budget will be discussed by the Council and European Parliament during 2012-2013. The next EU budget will start in 2014.

The 2007 to 2013 EU programmes are nearing the end of their term and some such as Interreg IV have allocated all remaining funds. The requirements in some funding schemes for matching funding can be a significant barrier to take-up of funding opportunities.

The objectives of a range of funds which are potentially relevant to social enterprises are discussed below.

### 5.2 Rural Development Programme and LEADER

The Rural Development Programme runs from 2007 to 2013<sup>46</sup> and has a budget of €5.778 billion over a 7 year period funded by both the European Agricultural Fund for Rural Development (EARDF) and the National Exchequer. The relevant axes of the programme for social enterprises are Axis 3 and 4 which aim to *"improve the quality of life in rural areas and to encourage diversification of economic activity in rural areas including supports for non-agricultural activities"*. The budget for this initiative almost trebled from €150m for the 2000-2006 period to €425m over the period 2007 - 2013. However, in late 2011 the European Commission approved a change submitted by Ireland to increase its co-funding rate from 55% to 85%, this was permitted for countries which were part of the Financial Stabilisation Mechanism. These measures came into force on 1 January 2012 and are effective for 2012 and 2013 without a concomitant increase in the amount of funding to be

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<sup>46</sup> [www.environ.ie/en/Community/RuralDevelopment/EURuralDevelopment/PublicationsDocuments/FileDownload,26522,en.pdf](http://www.environ.ie/en/Community/RuralDevelopment/EURuralDevelopment/PublicationsDocuments/FileDownload,26522,en.pdf)

provided by the EU. This will mean that the overall budget for Axes 3 and 4 of the Rural Development Programme will be substantially reduced.

The LEADER Programme across Europe is acknowledged as one of the most successful EU programmes for local development. Ireland, in particular, is considered to be a good practice example of how to manage EU funding for Local Development using the principles underpinning LEADER.

Measures under the programme aim to meet the key Programme objectives of improving the quality of quality of life in rural areas and diversification of the rural economy through a range of activities all of which are potentially relevant to social enterprises particularly those under the Community Development classification:

- Increasing economic activity and employment rates in the wider rural economy through encouraging on-farm diversification into non-agricultural activities;
- Supporting the creation and development of micro-enterprises in the broader rural economy;
- Encouraging rural tourism built on the sustainable development of Ireland's natural resources, cultural and natural heritage;
- Improving the access to basic services by rural dwellers by, for example, addressing inadequate recreational facilities;
- Regenerating villages and their surrounding areas by improving their economic prospects and the quality of life;
- Maintaining, restoring and upgrading the natural and built heritage.

The individual measures under the Programme relevant to social enterprises are listed below:

- Diversification into non-agricultural activities for farm families;
- Support for business creation and development;
- Encouragement of tourism activities;
- Basic services for the economy and rural population;
- Village renewal and development;
- Conservation and upgrading of the rural heritage;

Thirty-five Local Action Groups, formerly known as LEADER companies, are contracted to deliver the Programme throughout Ireland. Funding across Europe is typically available at 50% of project costs for private sector actors (sole traders, partnerships companies) and 75% of costs for community groups. Given the lack of availability of matching finance in Ireland, the Government applied for the levels to be changed to 75% of project costs for private sector actors. This was approved and has been in force since May 2012. The maximum level of grant aid is €200,000 for private sector actors and €500,000 for community groups, subject to approval by the Minister.

### 5.3 INTERREG IVA

INTERREG IVA (2007-2013) is the successor to the EU INTERREG IIIA Programme. The programme works to address economic and social problems, which have been exacerbated by the existence of land and maritime borders and promote greater territorial cohesion. The programme is delivered through the Special EU Programmes Body (SEUPB).

The latest funding call for the INTERREG IVA Programme closed on Friday 17th February 2012 and the remaining funding was oversubscribed.

The Programme was delivered through two priorities:

Priority 1: Co-operation for a more prosperous cross-border region: by encouraging innovation and competitiveness in enterprise and business development and by promoting tourism;

Priority 2: Co-operation for a sustainable cross-border region: by promoting cross-border co-operation in policy development and improving access to services to promote the quality of life for those living in the eligible areas.

Priority 2, Theme 2.1 looked at developing cross-border infrastructure in the areas such as ICT, transport, telecommunications, energy, waste, utilities and environmental protection. €10m was available from the Programme for the rural development sub-theme, targeting rural disadvantage of which €4m was contributed by the Department of Environment, Community and Local Government.

72 project applications had been received by February 2009 - of which 23 were in Enterprise and 15 in Tourism. Of these 10 enterprise (€30m), and 7 tourism (€30m) projects were approved.

The Lead Partner in any application to the INTERREG IVA Programme had to be a Public Sector Body or equivalent. The financial requirements of ERDF were such that it was considered that large public bodies, with strong governance, risk management and compliance procedures in place, would be best placed to manage and report on the funding and to deliver on the project outcomes.<sup>47</sup>

#### 5.4 Local Community and Development Programme

The Local Community and Development Programme is the main community development programme operated by the Department of the Environment, Community and Local Government in support of the community and voluntary sector.

The aim of the LCDP is to tackle poverty and social exclusion and €55 million is allocated to the Local Community and Development Programme in 2012. The funding is dispersed through the Local Development Companies.

Goals 2 and 3 of the Programme which each receive 40% of the funding are of most relevance to Social Enterprises:

Goal 2: Increase access to formal and informal educational, recreational and cultural development activities and resources

Goal 3: Increase peoples' work readiness and employment prospects.

The Local Government Local Development Alignment Steering Group was established by Minister Hogan in the Department of Environment, Community & Local Government in September 2011 and published an interim report in December 2012.

It asserts that '*Local authorities are the main sub national, democratically based bodies and have a statutory responsibility for local development*' and...*the establishment of the Directorates of Community and Enterprise mean that additional expertise now resides in Local Authorities in the area of community development.*

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<sup>47</sup> An analysis of the programme was carried out in 2009: Fitzpatrick Associates Economic Consultants and Trutz Haase Social and Economic Consultant (2009), Implementation Analysis of PEACE III and INTERREG IVA Programmes July. [www.seupb.eu/programmes2007-2013/interregivaprogramme/INTERREGIVAreportsanddocuments/evaluationandresearch.aspx](http://www.seupb.eu/programmes2007-2013/interregivaprogramme/INTERREGIVAreportsanddocuments/evaluationandresearch.aspx)



It therefore envisages an enhanced role for local government in planning, decision-making, oversight and delivery of local development programmes.

## 5.5 CLÁR

The CLÁR programme was introduced in 2001 to address depopulation and deficits in infrastructure and services in rural areas. The programme co-ordinates existing sources of public and private finance and provides additional funding for the provision of small scale economic and social infrastructure to help rural communities. The areas covered by the CLÁR Programme are those that suffered an average population loss of 35% per county between 1926 and 2002, the sole exception being the Cooley peninsula which was included due to the particular difficulties suffered by that area due to Foot and Mouth disease. The Programme now operates in 23 counties and caters for a population of almost 727,000.

The CLÁR Programme provides funding or co-funding together with other Government Departments, State Agencies and Local Authorities. The CLÁR schemes cover a wide variety of developments and reflect the priorities identified by the communities in the selected areas such as water and sewerage schemes, bi-lingual signage, sports capital projects, health projects, school outdoor play facilities and coastal projects.

In the years 2002 - 2009, €131m was spent on investments under the programme. In 2009, €13.6m was spent on the various measures and a budget of €8m was allocated to the programme for 2010. As a result of the reduced allocations, many measures under the Programme which closed in August 2008 remain closed for new applications.

## 5.6 Competitiveness and Innovation Framework Programme (CIP) 2007 to 2013

The Competitiveness and Innovation Framework Programme (CIP)<sup>48</sup> supports innovation activities (including eco-innovation), provides better access to finance and delivers business support services in the regions.

It encourages a better take-up and use of information and communication technologies (ICT) and helps to develop the information society.

It also promotes the increased use of renewable energies and energy efficiency.

The CIP runs from 2007 to 2013 with an overall budget of €3621 million.

The CIP is divided into three operational programmes:

- The Entrepreneurship and Innovation Programme (EIP)
- The Information Communication Technologies Policy Support Programme (ICT-PSP)
- The Intelligent Energy Europe Programme (IEE)

Under the Entrepreneurship and Innovation Programme a budget of over €1bn is available to facilitate access to loans and equity finance for SMEs where market gaps have been identified. The CIP financial instruments are implemented for the Commission by the European Investment Fund (EIF) on a trust basis.

Equity financing for high growth and innovative SMEs is distributed through funds that have signed an agreement with the EIF. All the funds target life sciences, ICT or engineering sectors. The only Irish Fund to have signed an agreement is Fountain Healthcare Partners which provides finance to life sciences companies.

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<sup>48</sup> [http://ec.europa.eu/cip/eip/access-finance/index\\_en.htm](http://ec.europa.eu/cip/eip/access-finance/index_en.htm)

The SME guarantee facility (SMEG) provides loan guarantees to encourage banks to make more debt finance available to SMEs, including microcredit and mezzanine finance, by reducing the banks' exposure to risk. SMEG provides co-, counter- and direct guarantees to financial intermediaries providing SMEs with loans, mezzanine finance and equity. The only financial institution which has signed an agreement with the EIF is First Step.

The Competitiveness and Innovation Framework will be replaced in 2014 by the Competitiveness of Enterprise and SMEs (COSME) Programme 2014 - 2020.

### 5.7 Competitiveness of Enterprise and SMEs (COSME) Programme 2014 - 2020

The new Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME)<sup>49</sup> will run from 2014 to 2020, with a planned budget of €2.5bn (current prices). The priorities of the programme are:

- facilitating access to finance for Small and Medium-sized Enterprises (SMEs)
- creating an environment favourable to business creation and growth
- encouraging an entrepreneurial culture in Europe
- increasing the sustainable competitiveness of EU companies
- helping small businesses operate outside their home countries and improving their access to markets

The programme will have a particular focus on SMEs seeking cross border markets.

### 5.8 Social Business Initiative

Another new measure which is being rolled out at European level is the Social Business Initiative<sup>50</sup> which is important as it is specifically focused on social enterprises. It includes measures to improve the access to funding for social businesses and aims to:

- Develop a European regulatory framework for European Social Entrepreneurship Funds (proposal made in December 2011);
- Foster the development of microcredit in Europe (work in progress within the European Commission);
- Set up a European financial instrument of €92.28 million to improve social businesses' access to funding (proposal made in October 2011: operational from 2014);
- Introduce an investment priority for social enterprises in the regulations ERDF (European Regional Development Fund) and ESF (European Social Fund) (proposal made in October 2011).

### 5.9 Future Developments

In 2012, Social Innovation Europe Initiative published a report on funding for social innovation including social enterprises. The recommendations of the think tank illustrate the current gaps in the funding framework at an EU level. They include:

- A single portal, or one-stop-shop funding website for EU finance for social innovation;

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<sup>49</sup> [http://ec.europa.eu/cip/cosme/index\\_en.htm](http://ec.europa.eu/cip/cosme/index_en.htm)

<sup>50</sup> [http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm#maincontentSec3](http://ec.europa.eu/internal_market/social_business/index_en.htm#maincontentSec3)

- A target that 10% of Horizon2020 to be earmarked for social innovation;
- Social finance to enable social enterprises to scale up (and to compete with private-sector outsourcers) to take advantage of opportunities arising from public sector reform;
- The creation of a €80m European Social Impact Facility (ESIF) by the European Investment Fund;
- The establishment of a Social Innovation Prize for Europe as well as a website challenge.eu.

## 6. Tax Reliefs

### 6.1 Seed Capital Scheme<sup>51</sup>

Entrepreneurs who start up 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.

Since November 2011, the qualifying trade limitations which had existed were in the main removed leaving the scheme open to a much wider range of sectors. The ceiling on recoverable tax was also raised to the tax paid on €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.

### 6.2 Employment Investment Incentive (EII)<sup>52</sup>

The Employment Investment Incentive (EII) is a tax relief incentive scheme which has replaced the Business Expansion Scheme, which provides tax relief for investment in certain corporate trades. The maximum investment by all investors in any one company or group of companies is €10,000,000 subject to a maximum of €2,500,000 in any one twelve month period.

It allows individual investors to obtain income tax relief on investments up to a maximum of €150,000 per annum in each tax year. Relief is initially available to an individual at 30%. A further 11% tax relief will be available where it has been proven that employment levels have increased at the company at the end of the holding period (3 years) or where evidence is provided that the company used the capital raised for expenditure on research and development.

In general, the Business Expansion Scheme was considered an expensive source of finance, particularly for small projects and, therefore, of limited use for social enterprises.

### 6.3 Tax Relief for Charitable Donations

Section 848A Taxes Consolidation Act 1997 (TCA 1997)<sup>53</sup> provides for a scheme of tax relief for certain "eligible charities" and other "approved bodies". An "eligible charity" means any charity, which is authorised in writing by the Revenue Commissioners. To be authorised a charity must:

- be a body of persons or trust established for charitable purposes only;

<sup>51</sup> Information based on [www.revenue.ie/en/tax/it/leaflets/it15.html](http://www.revenue.ie/en/tax/it/leaflets/it15.html)

<sup>52</sup> Revenue Commissioners (2011) The Employment and Investment Incentive (EII) - Relief for Investment in Corporate Trades, Dublin. November [www.revenue.ie/en/tax/it/leaflets/new-it55-e11.pdf](http://www.revenue.ie/en/tax/it/leaflets/new-it55-e11.pdf)

<sup>53</sup> Revenue Commissioners (2009) CHY2 - Scheme of Tax Relief for Donations of Money or Designated Securities to "Eligible Charities" and other "Approved Bodies" Under Section 848a Taxes Consolidation Act 1997. Dublin May. [www.revenue.ie/en/personal/charities.html](http://www.revenue.ie/en/personal/charities.html)

- have been granted exemption from tax purposes of Section 207 for a period of not less than two years; and
- 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,
- 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.

Relief applies to donations of a minimum €250 in a tax year or an accounting period where the donor is a company. The aggregate of donations by an individual to all eligible charities or other approved bodies in a tax year from 2013 onwards cannot, for tax relief purposes, exceed €1m. Restrictions on tax relief may also apply where a donor, who is an individual, is associated with an approved body. Tax relief for donations made by individuals on or after 1 January is paid to the approved body. In 2011, the Commission on Taxation<sup>54</sup> recommended that:

- the threshold should be reduced from €250 to €100;
- the amount that would attract tax relief should be a maximum of €500,000 per annum;
- tax relief for individuals and companies should be applicable at the standard tax rate and corporate tax rate respectively; and
- the tax relief should be paid to the charity or approved body.

#### 6.4 Tax Relief for Donations to Sports Organisations

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 €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 €40m.

This initiative benefits club and organisation 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*".

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<sup>54</sup> <http://taxpolicy.gov.ie/wp-content/uploads/2011/03/09.20.pdf>

## 7. The Evolving Environment

The funding environment for social enterprises is evolving. The economic crisis is a key factor but a number of other changes are also occurring which will impact on it and these are discussed below.

### 7.1 EU Funds for Local Development

In October 2011, the European Commission outlined its proposal for the next Multiannual Financial Framework (MFF). The proposal encompasses all the key structural instruments to be used to channel funding support to member states for the period of 2014 - 2020.

The key funds which are likely to be delivered using a community led development approach in Ireland are the Rural Development element of EAFRD (LEADER) and the other EU funds which CLLD can be applied to, i.e. European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF). These all now come under the broad heading 'Common Strategic Framework' (CSF)<sup>55</sup>.

The proposal indicates that:

- Local Action Groups formulated on the basis of the CLLD approach as outlined in the EU regulatory framework will continue to be important intermediaries "Responsibility for the implementation of local development strategies should be given to local action groups representing the interests of the community, as an essential principle"
- Social Inclusion will continue to be a priority "in line with EU 2020, 20% of European Social Funds funding is to be allocated to promoting social inclusion and combating poverty<sup>56</sup>". This should benefit organisations involved in integrating the disadvantaged into the workplace.

### 7.2 Credit Unions

In May 2011, the Government established the Commission on Credit Unions to review the future of the credit union movement and make recommendations in relation to the most effective regulatory structure for credit unions, taking into account their not-for-profit mandate, their volunteer ethos and community focus, while paying due regard to the need to fully protect members' savings and financial stability.

The Report on the Commission of Credit Unions March 2012<sup>57</sup> found that "*credit unions could take a more prominent role in developing and maintaining social inclusion lending schemes and play a major role in helping to develop a system of social finance. That role, however, needs to be carefully designed to integrate prudently with the basic credit union business of savings and lending services for individuals. Effective social finance is a specialised form of commercial lending that requires expertise which most credit unions do not possess. But what they do possess is the ability to mobilise the savings of their communities for socially desirable purposes.*"

The Commission made two recommendations of relevance to social enterprises:

1. That a formal process of engagement be established between the credit union representative bodies and Government to determine safe ways to invest collective credit union funds into community projects, employment initiatives and small co-operatives.

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<sup>55</sup> See [www.ildn.ie/docs/2011/ILDN\\_News/Post\\_2013\\_Discussion\\_Paper\\_November\\_2011.pdf](http://www.ildn.ie/docs/2011/ILDN_News/Post_2013_Discussion_Paper_November_2011.pdf)

<sup>56</sup> <http://ec.europa.eu/esf/main.jsp?catId=62&langId=en>

<sup>57</sup> Commission on Credit Unions (2012) Report of the Commission on Credit Unions, Dublin: Department of Finance, March [www.finance.gov.ie/documents/publications/reports/2012/creditunionrepmar2012.pdf](http://www.finance.gov.ie/documents/publications/reports/2012/creditunionrepmar2012.pdf)

2. Credit Unions with assets of between 10m and 100 m (163 currently have assets of between 20m and 100m) would be allowed to do limited business lending and those with assets of more than 100m (currently 30 credit unions) will be able to engage in less restrictive lending to business

Lending by Credit Unions is limited to members with a common bond - most often a geographical/community or occupational bond. It is not clear the degree to which social entrepreneurs in areas with smaller credit unions would be able to access commercial loans.

### 7.3 HSE Contracts for Disability Provision

In 2007, a process began to reconfigure and modernise HSE funded day services to embrace the principles of person-centeredness, access, accountability and quality<sup>58</sup>. The policy objective for people with disabilities is expressed in *Towards 2016*<sup>59</sup>; that people should be supported "to lead full and independent lives, to participate in work and society and to maximise their potential". This has resulted in, among others, a wholesale transitioning from congregated settings to community living.

In 2011, the Government published the Review of Disability Policy for consultation<sup>60</sup>. This proposes a move to a person-centred approach to service provision where services are planned and delivered with the active involvement of the individual, developed around his/her particular characteristics and funded on a personal basis.

The July 2012 Value for Money and Policy Review of the Disability Services notes that "*In the short to medium term, the changed economic climate dictates that there will be little additional investment for disability services*" and recommends that "*The HSE should, in consultation with the disability sector, work towards the directional re-shaping of certain services and models of service delivery based on a new commissioning and procurement framework.*"

These changes would indicate a higher degree of innovation in public procurement within the Department of Health leading potentially to a more active social enterprise sector for the delivery of public services.

### 7.4 Philanthropy

Atlantic Philanthropies announced in July 2012 that it was winding down complete grant-making by the end of 2016 and would cease operations in Ireland by 2020. The One Foundation also announced that it would be ceasing to provide funding within Ireland in 2013. These have been very significant funders both directly and in terms of giving organisations leverage to access other funding. They have been important sources of matching funding as required by EU and State agencies. Philanthropy Ireland has launched a proposal outlining initiatives to increase the amount of philanthropic funding from the current level of €500m to €800m by 2016.

<sup>58</sup> Health Services Executive Working Group (2012) *New Directions Review of HSE Day Services and Implementation Plan 2012 - 2016 - Personal Support Services for Adults with Disabilities*, Dublin. February [www.hse.ie/eng/services/Publications/services/Disability/newdirections2012.pdf](http://www.hse.ie/eng/services/Publications/services/Disability/newdirections2012.pdf)

<sup>59</sup> Government of Ireland (2006) *Towards 2016 Ten Year Framework for Social Partnership Agreement 2006 - 2015* [http://www.taoiseach.gov.ie/attached\\_files/Pdf%20files/Towards2016PartnershipAgreement.pdf](http://www.taoiseach.gov.ie/attached_files/Pdf%20files/Towards2016PartnershipAgreement.pdf)

<sup>60</sup> [www.dohc.ie/publications/pdf/ERG\\_Disability\\_Policy\\_Review\\_Final.pdf?direct=1](http://www.dohc.ie/publications/pdf/ERG_Disability_Policy_Review_Final.pdf?direct=1)

## 7.5 Development Support from Local Authorities

Local authorities successfully work with businesses, community groups and social enterprises in every part of the country and the role of local government is fundamental to enterprises development in all its facets. The Final Report of the Local Government/Local Development Alignment Steering Group of March 2012 concluded that at present, there is no overarching policy for national local and community development which can underpin a 'whole of government' approach to the planning, oversight and delivery of local and community development programmes and initiatives. This report recommended that a national Local and Community Development Policy should be developed, setting out national priorities and a framework for the realisation of a cross-government approach at local level. It would be important that the development of such a strategy takes full account of the potential of the social enterprise sector to contribute to the achievement of the objectives community and local development, and opens up opportunities for sustainable business development models to emerge.

## 7.6 Intermediary Organisations

The international review highlights the importance of intermediary organisations in mediating between large funders and small organisations on the ground. Intermediary organisations are seen as an effective mechanism through which potential social enterprises can be identified and the impact of their social ethos effectively evaluated.

The organisations which are emerging as the key intermediary organisations in Ireland are:

- The approved Social Lending Organisations of the Social Finance Foundation:
- The 52 Local Development companies (16 Urban and 36 Rural) which emerged from a consolidation of the structures for the local delivery of EU funding between 2006 and 2009. These Partnerships deploy a variety of national and EU sources in their areas. In rural areas the primary programmes delivered are the LEADER programme, the Local Development Social Inclusion Programme (LDSIP) and the Rural Social Scheme (RSS).
- The Local Authorities which already have structures in place in relation to delivery of social housing by co-operative and voluntary bodies and from 2013 will be assuming responsibility for micro-enterprise development (less than 10 employees) from the County and City Enterprise Boards.
- Pobal, the organisation responsible for the management of the Community Services Programme, the Rural Transport Scheme, the Rural Social Scheme and a number of EU programmes.
- Special EU Programmes Body currently responsible for managing PEACE III and INTERREG IVA, European Structural Funds programmes in Northern Ireland, the Border Region of Ireland and Western Scotland.
- The Western Development Commission, the statutory body that was set up to promote both social and economic development in the Western Region (Donegal, Leitrim, Sligo, Mayo, Roscommon, Galway and Clare).

Summary Overview of Funding Sources for Social Enterprises in Ireland

<p>Status quo funding available to social enterprise in Ireland</p>		<p>Local organisation or individual identifies a gap in infrastructure or services where private sector has not been able to develop a commercially viable solution.</p>	<p>Organisation is primarily a delivery agent of public sector services (particularly to individuals and groups who are not in a position to pay full commercial rates for services)</p>	<p>Organisation works with individuals who are marginalised and disadvantaged and seek market opportunities in suitable sectors and industries for their labour.</p>	<p>Co-operative or mutual where members work together to exploit the benefit in numbers</p>	<p>Organisation trades in a service or product which has a social good AND a high potential income generation capacity</p>
<p>Specific funding</p>	<p>State</p>	<p>Sports Capital Grant Environmental Partnership Fund Local Authority Amateur, Voluntary and Community Arts Grants Irish Youth Foundation Small Grants Scheme?</p>		<p>Wage Subsidy Scheme (Disabled employees)</p>		
	<p>Other</p>	<p>Local fundraising Community Foundation for Ireland Grassroots Grant Dublin Bus Community Spirit Initiative</p>		<p>Company facilitation of projects (CSR agenda)</p>	<p>Membership fees</p>	
<p>State contracts</p>		<p>Dept. of Environment, Community, Local</p>	<p>HSE (disability, respite, daycare)</p>		<p>Dept. of Environment, Community, Local</p>	<p>No specific</p>



		Government Sustainable Energy Authority of Ireland (Better Communities) An Post	Department of Transport, Tourism and Sport (Rural Tourism Network)		Government (Housing)	
Loan / repayable Finance	State	Social Finance Foundation, Capital Assistance Scheme, Capital Subsidy and Loan Scheme & Loan Guarantees for Projects (Social Housing)				Enterprise Ireland , Shannon Development, Údarás na Gaeltachta
	Other	Credit Union Loans, Triodos Bank				Angel Investment
	Joint	Tallaght Trust Fund, UCIT Social Investment Fund, Clann Credo Social Investment Fund		Worker Co-operative Revolving Loan Fund		Venture Capital Employment Investment Scheme
Employment support	State	Community Services Programme Tús Community Workplace Initiative, Community Employment Scheme, Rural Social Scheme				Enterprise Ireland , Shannon Development, Údarás na Gaeltachta
Grants	State	Dormant Accounts Fund (Thematic), National Lottery (Department Discretionary Funds), Environment Fund (Plastic Bag Levy)				Enterprise Ireland (Feasibility, start-up, expansion, market development, R&D)
	Other	Worldwide Ireland Funds Annual Grant				
Philanthropy/ donations	State	Various buildings donated or premises made available at peppercorn rents				
	Other	Religious/ Diocesan Trusts, Donations through fund-raising (from general public & corporates), Corporate Foundations (Vodafone Foundation, Intel Foundation, Ulster Bank, NTR Foundation, Arthur Guinness Foundation), Philanthropic donations (One Foundation, Atlantic Philanthropies - both winding up), St. Vincent de Paul, Crowd finance				

Funding for all	State	JobBridge National Internship Scheme, City/County Enterprise Board - Priming Grants (to become Local Enterprise Offices within Local Authorities during 2013), Revenue Seed Capital Scheme
	EU	LEADER (Axes 3&4 of the Rural Development Programme 2007-2013), Common Strategic Framework, INTEREG IV (Border Regions)
	Other	First Step Microfinance Loan Scheme, Limerick Enterprise Development Loan Fund, Ashoka Fellowship, Trading Income, Bank Finance (limited)

## Appendix 5: Forfás Board members

Eoin O’Driscoll (Chairman)

Managing Director, Aderra

Martin Shanahan

Chief Executive, Forfás

Mark Ferguson

Director General, Science Foundation Ireland

John Murphy

Secretary General, Department of Jobs, Enterprise and Innovation

Barry O’Leary

Chief Executive, IDA Ireland

Frank Ryan

Chief Executive Officer, Enterprise Ireland

Michael O’Leary

Secretary to the Board, Forfás

## Appendix 6: Recent Forfás publications

National Skills Bulletin 2013 EGFSN	July 2013
Monitoring Ireland's Skills Supply: Trends in Education and Training Outputs 2013 EGFSN	July 2013
Annual Business Survey of Economic Impact 2011 Forfás	July 2013
Global Entrepreneurship Monitor 2012 Global Entrepreneurship Monitor	July 2013
Annual Employment Survey Forfás	July 2013
Ireland's Competitiveness Performance 2013 Forfás	May 2013
Making It In Ireland: Manufacturing 2020 Forfás	April 2013
Future Skills Needs of the Manufacturing Sector to 2020 EGFSN	April 2013
Sectoral Regulation Forfás	April 2013
EGFSN Statement of Activity EGFSN	March 2013
Costs of Doing Business in Ireland 2012 Forfás	March 2013
Vacancy Overview 2012 EGFSN	February 2013
Action Plan for Jobs 2013 Forfás, DJEI	February 2013
A Review of the Equity Investment Landscape In Ireland Forfás	January 2013

Regional Labour Markets Bulletin 2012 EGFSN	January 2013
A Review and Audit of Licenses Across Key Sectors of the Irish Economy Forfás	December 2012
Global Entrepreneurship Monitor (GEM) 2011 Global Entrepreneurship Monitor	September 2012
Annual Employment Survey 2011 Forfás	August 2012
National Skills Bulletin 2012 NCC	July 2012
Monitoring Ireland's Skills Supply - Trends in Education and Training Outputs 2012 EGFSN	July 2012
Ireland's Competitiveness Scorecard 2012 NCC	July 2012
Forfás Annual Report 2011 Forfás	July 2012
Key Skills for Enterprise to Trade Internationally EGFSN	June 2010
Sustainability of Research Centres Advisory Science Council	June 2012
The Science Budget 2010-2011 Forfás	June 2012
Annual Business Survey of Economic Impact 2010 Forfás	June 2012
Overview of the Main Infrastructure Issues for Enterprise Forfás	May 2012

The publications of Forfás and the advisory groups to which it provides research support are available at [www.forfas.ie](http://www.forfas.ie)

To sign up for our email alerts contact us at [info@forfas.ie](mailto:info@forfas.ie) or through the website.

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