



## Mapping of new social enterprise development policies and programs in the partner regions/ countries

Report of second Mapping activity
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Authors: Miriam Mohr, SEZ Input from all partners

### Methodology

The second Mapping activity (Mapping of new social enterprise development policies and programs in the partner regions/ countries) was carried out between February 2022 and March 2022 in the five partner countries (Czech Republic/ South Bohemia, Germany/ Baden-Wuerttemberg, Hungary, Poland/ Podkarpackie region, Slovenia). The results of the mapping activity were based on research, studies and qualitative expert interviews with stakeholders from the social economy ecosystem, on a regional level. Due to new important policy developments and studies in early summer 2022, an updated version of this mapping was finalized in August 2022.

The methodology was divided into two parts: Firstly, an analysis on changes in the Social Enterprise policy landscape in comparison to the regional policy mapping carried out in the original project in spring of 2018; and secondly a territorial analysis on the current status on Social Enterprise development policies in the partner regions.

Since a regional policy mapping was already carried out in 2018 to establish the status quo of the social enterprise policies in the partners regions, this analysis was used as a point for comparison to conclude the changes and developments in the SE ecosystem in recent years. The first comparative section is divided into three subsections: firstly, the identification of new policies or programs to support social enterprises and/ or the social economy sector. New policies were identified in the following four areas:

- Legal and regulatory framework (e.g. legal definition of SEs)
- Access to finance
- Access to market (e.g. public procurement regulations)
- Business Support structures

Secondly, if there have been no or few new policies in the region, partners were to describe the development of the policy landscape and ecosystem in the last years and identify whether there have been any unsuccessful policy initiatives, new ecosystem enablers or key actors, or whether any barriers to the SE ecosystem have been addressed.

Thirdly, the impact of the COVID-19 pandemic was also taken into account, particularly the question whether the pandemic has sparked any significant policy changes or any new policies have been introduced as a result of the pandemic.

The second section of the Mapping constitutes a territorial analysis of the status quo of Social Enterprise development policies. Partners identified which policies or programs have been particularly successful to support social enterprises and also what is still needed to support social enterprises in their territory.

## Executive Summary

In the countries the Mapping was conducted in, we could observe some developments regarding the social economy sector in general. Whilst there were not necessarily new policies or programs supporting social entrepreneurs in all countries, the ecosystems have seen positive trends.

As also stated in the [European Action Plan for the Social Economy](#), the social economy sector in Europe is very diverse, with different framework conditions. In the analysed countries and regions, most have not implemented a legal framework or definition/ legal form of social enterprises. However, new legislations or strategies are currently under development in the Czech Republic, Germany and Poland.

Despite projects supplying funding for social enterprises being implemented in all partner countries, access to finance for social enterprises remains the main challenge reported in all countries. Most countries have provided public funding for social enterprises (e.g. through national or European funds), however at the point of the mapping, the continuity of the funds is not a given in all regions. Overall, social enterprises benefit more from funding that has been designed specifically to their needs and circumstances than from more general funding programs. Access to funding programs designed to support conventional start-ups or SMEs have shown to be less accessible to social enterprises in all partner countries.

Regarding private finance, there have been some new loans programs for SEs e.g. in Hungary, however impact investment remains difficult to attain in all analysed countries.

The trend of specialized and local support being the most effective also goes for business support structures: social enterprises generally benefit more from local contact points and specialised support to the social economy sector than from offers designed for conventional SMEs or start-ups. In most analysed regions, such local contact points for supporting Social Enterprises have emerged or their number has increased in the last years.

Access to market is an area where we have seen the most development and policies in all countries. Public procurement regulations have been adapted in favour of social enterprises in Hungary and the Czech Republic, with an online marketplace for procurement in Hungary and the so-called “Purchasing Mechanism” in Poland being examples of successful support to social enterprises through public procurement.

In all countries, the COVID-19 pandemic had a negative impact on the social economy sector since social enterprises often employ vulnerable groups and are more likely to be active in the fields most affected by the pandemic, such as social, health and hospitality services. Overall, the Mapping found that none of the partner countries had a specific political focus on the

social economy sector during the pandemic, but some positive trends and initiatives to support social enterprises and social innovation in general could be seen in all countries. The awareness for societal challenges has risen during the pandemic as well as initiatives supporting local businesses and local communities that can be described as social innovation initiatives.

All in all, it can be concluded that many challenges in SE support remain, particularly in relation to access to finance and legal frameworks. However, specialized and local support for SEs – mainly local/ regional contact points for SEs – have proven to be beneficial to regional SE development and social innovation and social entrepreneurship is a topic that has gained some momentum in all countries. European funds continue to play an important role to support SEs in all countries and since local support to SEs remains crucial, the implementation of the European Action Plan for the Social Economy will hopefully take shape on a regional level.



## Mapping: country reports

### Hungary

#### 1. Comparative analysis: Changes in Social Enterprise policy landscape

In the framework of SOCIAL SEEDS project, the first mapping reports were made in 2016, and in the case of Hungary the report described the legal and political environment as well as the deficiencies of and opportunities for the social enterprise ecosystem. In the following chapters, we will present the changes of the recent years and the evolution of the ecosystem and support environment.

In Hungary, social entrepreneurship is rooted in the traditional frameworks of civil society and non-profit organizations. Accordingly, it is important to examine the changes in the social enterprise policy landscape together with the changes and trends featuring civil and non-profit organizations recently.

The third sector has been permanently increasing in the last three decades both in the economic and social aspects. In recent years, the financial and employment growth has continued.

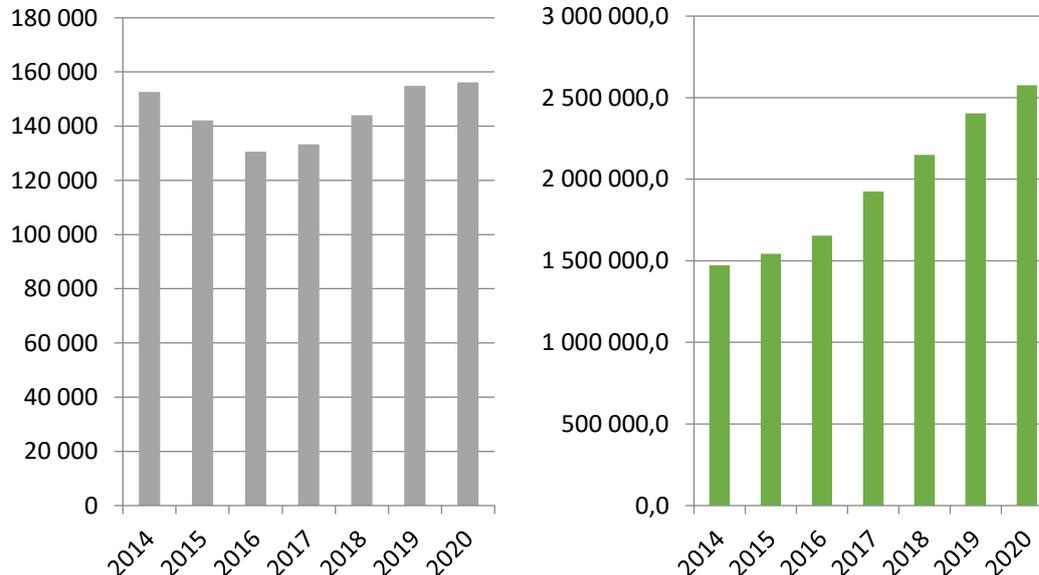


Figure 1 – Number of employees (left) and total revenue (right) of the non-profit sector in Hungary, [KSH](#).

The number of employees was able to increase to 120% between 2016 and 2020, while revenues increased by 55 percentage points during the same period. These are important figures showing the effects of the relevant measures<sup>1</sup> mentioned in the previous mapping study that were implemented during the referred period. In the previous programming period

<sup>1</sup> Examples: EDIOP Economic Development and Innovation Operational Programme, Priority 5 NSO.10.2 and Priority 8 NSO 17.1- Promoting social enterprises, Citibank, Raiffeisen Bank, Erste Bank programmes etc.

the main aim of these measures was the increase of employment especially in the case of disadvantaged labourmarket groups (youth under 25 years, elderly people over 50 years, long term unemployed people, persons returning to the labour market after maternity leave or caring for their dependents, people with reduced working capacities, people belonging to ethnic minority groups especially to the Roma etc.).

To achieve the employment goals of the previous programming period, significant financial resources (grants, subsidized refundable financial instruments) were allocated and made available under the 5th and 8th priorities of the Economic Development Operational Programme (EDIOP) to 3rd sector entities to set up or scale-up business activities, develop products and services which have a positive impact on the employment of disadvantaged people. Accordingly, one of the main target groups of these measures were the social economy entities which had both business and social aims.

Examining the share of revenues of non-profit organizations between 2010 and 2020 it clearly can be seen that the changes of the employment potential of non-profits (Figure 1) follow the rate of state aid in the total revenues of third sector organizations with a slight 1-2 years delay.

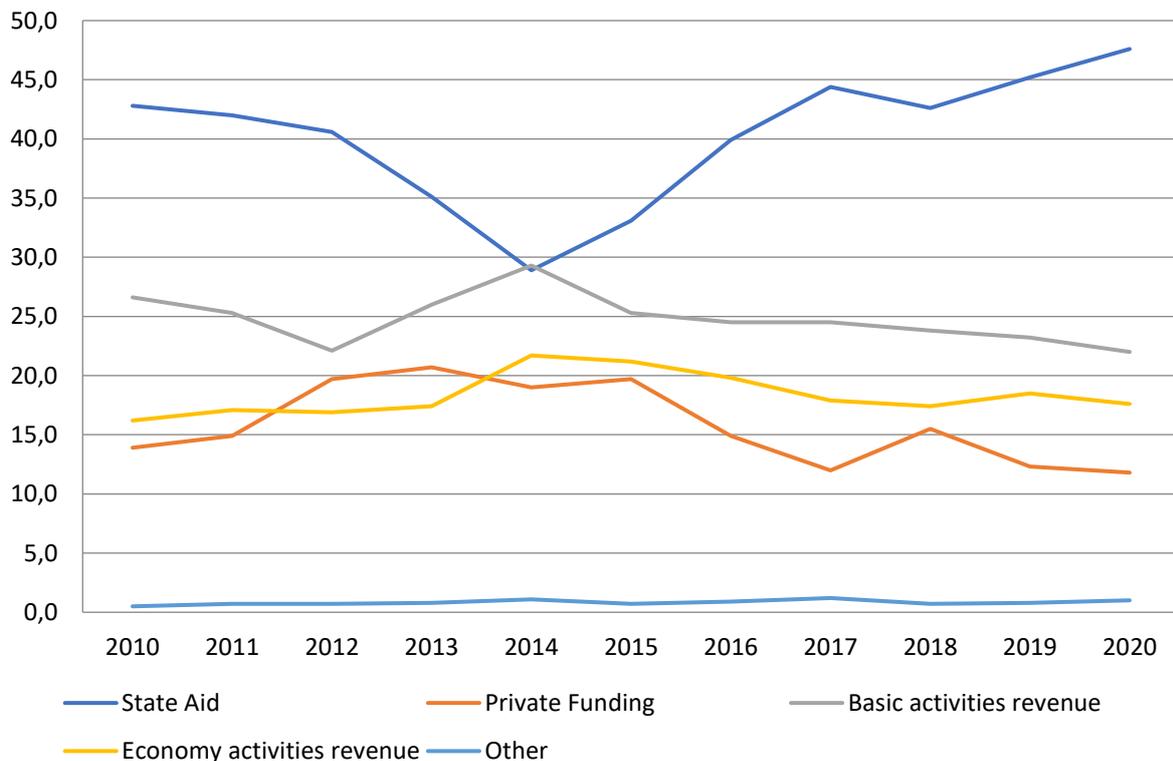


Figure 2 - Share of incomes of non-profit organizations by type of resources 2010-2020, CSO.

As Figure 2 shows the share of the state aid has increased in the recent years while the revenues from basic and economic activities have kept their level and stagnated near to 20%. These data clearly support the statement that public policy measures, mainly ESF based subsidy programmes, especially EDIOP has driven the employment in the third sector in the last programming period. This resulted in less sustainable employment achievements as market-based revenues played a significantly decreasing role in financing the employment capabilities of non-profits and social economy entities.

Development of social enterprises within the frameworks of the third sector appeared among the intervention objectives of employment-related government policies in the 2014-2020 EU programming period. Due to the lack of a legal definition for the operation of social enterprises in Hungary, the definition of the Social Business Initiative (SBI) had been adapted and used in the designing process of the subsidy programmes and the related calls for proposals. In accordance with the Commission's definition, the SBI identifies the following types of businesses as social enterprises:

- for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- where profits are mainly reinvested with a view to achieving this social objective,
- and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.<sup>2</sup>

Based on the definition, the Ministry of Finance as the policy responsible body for EDIOP, was the main operational programme for labour market developments identified foundations, associations, non-profit companies, and social cooperatives as adaptable legal forms for social enterprises in Hungary.

The above identification of suitable legal forms for social business activities had been an extension of the social enterprise concept compared with the previous programming period when solely social cooperatives had been identified as social enterprises having business and social aims in parallel. According to this interpretation, the establishment and development of social cooperatives stood as the focus of subsidy programmes for sustainable job creation and employment development between 2007 and 2013

This narrow approach significantly changed after 2014 when the subsidy policy expected strengthened business orientation and social engagement of social enterprises from the extension of the social enterprise concept, resulting in more sustainable job creation and employment. However, based on Figure 2 it is clearly visible that the policy objectives regarding strengthening the market competitiveness and viability of social enterprises have not affected the market-based revenues of the sector yet. The effectiveness of the subsidies invested in the sector for sustainable job creation based on the development of products and services is thus still questionable.

## **1.1. Comparative analysis: In comparison to the original Policy Mapping, what changes have occurred in the Social Enterprise policy landscape?**

### **1.1.1. Legal and regulatory framework**

As we saw under the previous chapter, the development of the social enterprise sector in recent years is no longer just about social cooperatives. Due to the social enterprise interpretation of major development policies (namely the Economic Development and Innovation Operational Programme – EDIOP), Non-governmental and non-profit organizations

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<sup>2</sup> Social Business Initiative. Creating a favorable climate for social enterprises, key stakeholders in the social economy and innovation {SEC(2011) 1278 final}, <https://www.fi-compass.eu/sites/default/files/publications/social-business-initiative-creating-a-favourable-climate-for-social-enterprises-key-stakeholders-in-the-social-economy-and-innovation.pdf>

and other actors in the social economy may be considered as social enterprises and also have the access to subsidy programmes and other supporting instruments.

The new, subsidy policy-based and employment focused approach of social enterprises had been adapted by the following main policy responsible authorities: the Ministry of Finance as the Managing Authority of EDIOP and the relevant calls (EDIOP-5.1.3-16, 5.1.7-17 and 8.8.1-17) the OFA National Employment Public Benefit Non-profit Ltd and the IFKA Public Benefit Non-profit Ltd. being responsible for providing professional support to organizations applying for subsidies within the frameworks of EDIOP. According to the new approach associations, foundations, non-profit business organizations, church organizations and social cooperatives have been acknowledged as social enterprises if they met certain requirements regarding business operation and social impact potential certified by IFKA within the frameworks of the EDIOP-5.1.2-15-2016-00001 “MarketMate” priority project. 1,282 organizations have been certified by the “MarketMate” pre-evaluation system as social enterprises and gained access to non-refundable and refundable ESF funding accordingly in recent years. However, despite this extensive experience, the legal framework for social enterprise still has not been established yet. Neither the Government nor the Parliament has enacted dedicated legislation to define the social enterprise and its operational circumstances.

Consequently, as mentioned by the previous mapping study in framework of SEEDs<sup>3</sup>, the legal environment of social entrepreneurship still consists of two laws in Hungary basically: the law on civil and non-profit organizations<sup>4</sup> and the law on cooperatives<sup>5</sup>. This regulatory framework does not provide an optimal environment for the establishment, operation and development of social enterprises and social businesses. On the one hand, business activities and profit-making opportunities are limited in case of organisations subject to the above laws. On the other hand, as no regulation exists for social enterprises in general but only for specific organisations considered as social enterprises in the frameworks of specific subsidy programmes, there is no systemic support for social entrepreneurship in Hungary.

These legal frameworks have not been modified since the establishment of applicable law on civil and non-profit organizations in 2011 and the last update of the applicable law on cooperatives in 2012-2013.

Accordingly, the partly outdated partly incomplete regulatory frameworks did not help to find proper solutions to the challenges raised by the pandemic.

Beside the two main laws regulating organizations considered as social enterprises in Hungary there are further regulations which are also relevant for those entities. The list of regulations defining the legal frameworks of social entrepreneurial operation in Hungary is presented in Table 1 below:

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<sup>3</sup> Social Seeds – Interreg Europe, 2017, [Social enterprise inventory\\_Hungary\\_01.pdf \(interregeurope.eu\)](https://interregeurope.eu)

<sup>4</sup> 2011. évi CLXXV. törvény az egyesülésjogról, a közhasznújogállásról, valamint a civil szervezetekműködésérőléstámogatásáról (No. 175 Act of 2011 on Association Rights, Public Benefit Status and the Operation of and Support for Non-Governmental Organizations), <https://net.jogtar.hu/jogszabaly?docid=a1100175.tv>

<sup>5</sup> 2006. évi X. törvény a szövetkezetekről (No. 10 Act of 2006 on the Cooperatives), <https://net.jogtar.hu/jogszabaly?docid=a0600010.tv>

Legal form of organizations considered as potential social enterprises	Relevant legislation	Relevance to social entrepreneurship
<b>Associations and foundations (classical CSOs)</b>	Court Registration of Non-Governmental Organisations and the Related Rules of Proceeding	Reformed the registration and operation of civil society organizations
	Act (181/2011) on the Civil Code Act (5/2013)	Harmonized the new Civil Law and other laws with the new Civil Code
<b>Non-profit companies</b>	Civil Code Act (5/2013)	Reformed the operation of non-profit companies
<b>Cooperatives and social cooperatives</b>	Act (10/2006) on Cooperatives	Established social cooperatives
	Act amending various legislations related to the entry into force of the new Civil Code (252/2013)	Made the membership of local governments, minority self-governments, or certain charitable organizations possible in the case of social cooperatives
	Act on modifying certain employment-related laws (145/2016)	Made the membership of local governments, minority self-governments, or certain charitable organizations compulsory in the case of social cooperatives
	Act 89/2017 amending certain laws related to the establishment of public interest pensioners' cooperatives	Introduced a new type of cooperatives
<b>Church organizations</b>	Act on the right to freedom of conscience and religion, and the churches (4/1990)	Regulated the establishment and operation of churches including church organizations
	Acts on the right of freedom of conscience and religion and on the Status of Churches, Confessions, and Religious Communities (100 and 204/2011)	Replaced the previous regulation and tightened the conditions for establishing churches and operating church organizations

Table 1 – List of regulations relevant to social enterprises in Hungary

The above table clearly demonstrates that the legal frameworks are fragmented and hard to overview in case of organizations considered as social enterprises in Hungary. Due to the fragmented legislative frameworks, the institutional and policy background of social enterprises is still missing in the country. There are no ministries or other policy bodies directly dedicated to social enterprises and entrepreneurship. Accordingly, no clear and comprehensive strategy has been developed and approved yet on the governmental level to promote the development of the sector.

The only faint ray of hope for improvements in the legal environment of social enterprises in Hungary is the 1619/2021. (IX.3.) Government Decision that was published in autumn 2021 the framework of the National Social Inclusion Strategy. The Decision assigned the following tasks to the responsible Ministers regarding the development of the social enterprise ecosystem including legal frameworks for the sector:

- In order to integrate the most disadvantaged groups in the labour market, it is necessary to create a legal environment that clearly defines the Hungarian social economy, including social enterprises, and to create a strategy based on that.
- As part of this, the employment of disadvantaged people should be expanded through the development of the institutional system, as well as with the support of organizations and instruments of the social economy
- The elaboration and spreading of a simple, easy-to-apply impact measurement model and toolkit that is adaptable to the societal goals undertaken by organizations must be established.<sup>6</sup>

Responsibilities and tasks generated by the Decision have been distributed between the ministries as follows:

- The **Ministry of Innovation and Technology** is responsible for this area as it has been responsible for enterprise development and employment policy in recent years.
- The **Ministry of the Interior** is responsible for the development of social cooperatives established in the frameworks of the public employment scheme in rural areas.
- The **Ministry of Human Resources** is responsible for the employability of the most disadvantaged and vulnerable groups and for their preparation for further employment.
- The **Prime Minister's Office** is responsible for the creation of the legal environment.

According to the Decision of the Government, the formation and development of a comprehensive legal and supportive environment for social enterprises shall be implemented by the Government of Hungary with the close cooperation and commitment of these four ministries.

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<sup>6</sup> <https://magyarkozlony.hu/hivatalos-lapok/hyloEEWCm76j5fha5lgA612510b7c0272/dokumentumok/e5e5991edb937c07dd606335ffe71aaf66d923f1/letoltes>

### 1.1.2. Access to finance

The previous mapping<sup>7</sup> showed the following main pillars of financing social enterprises in Hungary:

- a. Capacity building of social enterprises
- b. Non-refundable financial resources (grants)
- c. Refundable financial resources (loans)

#### a) Capacity building for social enterprises

The Hungarian Government dedicated significant resources to the preparation of social enterprises for having access to and absorbing effectively the non-refundable and refundable financial resources provided by the European Union in the 2014-2020 programming period. The long-term goal of these interventions was to strengthen the social enterprise ecosystem and boost its employment capacities. The following policy instrument had been supporting these goals:

Operational Programme	Priority	NSO	Funding source
Economic Development and Innovation Operational Programme (EDIOP)	5 -Employment	NSO 10.2 Employment capacities of social enterprises will be strengthened	ESF

Under EDIOP Priority 5, NSO 10.2 the EDIOP-5.1.2-15-2016-00001 “MarketMate” priority project had been implemented in order to prepare already existing and potential social enterprises for applying for non-refundable and refundable financial resources and use them effectively for adapting the social enterprise concept, develop marketable products and services and establish or scale their business operation as well as their social impact.

As it had been described in Chapter 1., EDIOP extended the social enterprise concept in Hungary. Accordingly, non-profit organizations (foundations, associations), non-profit businesses, church organizations and social cooperatives formed the target group of the priority project and became eligible for its various business support and capacity building services for accelerating and facilitating the access of social enterprises to financial resources. A detailed description of the priority project and its achievements can be found below:

<sup>7</sup> Social Seeds – Interreg Europe, 2017, [Social enterprise inventory Hungary\\_01.pdf \(interregeurope.eu\)](#)

Programme	Objectives	Eligible activities	Grant size (min-max)	Number of applicants/subsidized projects	Total amount of subsidy	Achievements
EDIOP-5.1.2-15-2016-00001 "MarketMate" priority project	Support the creation of new social enterprises on the basis of existing civil and non-profit business organisations; strengthen and stabilise already operating social enterprises by providing them nonfinancial services in various areas, including business model development, product development and marketing, and social impact measurement, etc.	capacity building and stabilization of operational and new social economy entities with regional consultation services, online publications for non- and for-profit companies, e-learning course on social economy building long term employment capacities by assisting the development of a sustainable business model assisting networking of social economy actors and entities raising awareness about social economy, developing labelling/certification pre-assessment and further development of project proposals to assist access to financing (EDIOP-5.1.3-16/EDIOP-5.1.7-17 grants and EDIOP-8.8.1-17 loan) based on business viability and social benefits to expected - social impact measurement online marketplace for social economy entities	n/a	1/1 (consortium of the OFA National Employment Public Benefit Non-profit Ltd., the IFKA Public Benefit Non-profit Ltd and the Ministry of Finance)	EUR 7,6 million	Pre-evaluation of project proposals for the EDIOP-5.1.3-16, EDIOP-5.1.7-17 and EDIOP-8.8.1 calls:  <u>EDIOP-5.1.3-16</u>  Number of Submitted business plans: 394 Developed business plans: 186+35 Rejected business plans: 135 Certified business plans: 212  <u>EDIOP-5.1.7-17</u> Submitted business plans: 888 Developed business plans: 552+280 Rejected business plans: 251 Certified business plans: 474

## b) Non-refundable financial resources

In the case of **non-refundable instruments**, important policy interventions had been implemented during the previous EU programming period between 2014 and 2020. The Hungarian Government dedicated European as well as national financial resources to the promotion and development of social enterprises and social entrepreneurship with the aim of job creation and labour market integration of the most disadvantaged target groups. The following main policy instrument had been developed to contribute to the achievement of that goal by enhancing the social enterprise landscape in Hungary:

- Policy instruments co-financed by the European Union and the Hungarian Government

Operational Programme	Priority	NSO	Funding source
Economic Development and Innovation Operational Programme (EDIOP)	5 -Employment	NSO 10.2 Employment capacities of social enterprises will be strengthened	ESF
Human Resources Development Programme (HRDOP)	1 – Cooperating society	NSO 9. (v) Promoting social entrepreneurship, professional integration into social enterprises and the social and solidarity economy in order to facilitate access to employment.	ESF

The following major subsidy programmes had been announced and implemented within the frameworks of the above instruments to promote social entrepreneurship and social enterprises and their role in job creation, employment development and labour market integration of disadvantaged groups:

- EDIOP, Priority 5, NSO 10.2

EDIOP provided non-refundable financial support (EDIOP-5.1.3-16 and EDIOP-5.1.7-17 grants) for setting up or scaling businesses, products and services, which had an impact on employment of disadvantaged people. The main target groups of the calls for proposals under the policy instruments were those social economy entities, which had both business and social aims. As it had been mentioned several times, EDIOP extended the social enterprise concept to non-profit organizations (foundations, associations), non-profit businesses, church organizations and social cooperatives, which formed the target group of the calls. The projects were implemented between January 2016 and March 2022. The total budget of the calls was approximately EUR 65,4 million. More than 520 social enterprises benefitted from the calls and created more than 2000 jobs for disadvantaged unemployed persons. Details of the programmes are presented below:

Programme	Objectives	Eligible activities	Grant size (min-max)	Number of applicants/subsidized projects	Total amount of subsidy	Achievements
EDIOP-5.1.3-16 grant programme	Dynamization and stabilization of already operating civic and non-profit organizations and already operating social enterprises - by promoting the sustainable business model-based production, marketing and market access of marketable products and services - in order to create long-lasting and sustainable employment opportunities. To prepare social enterprises to be able to operate independently from state aid, basing their sustainability on market revenues.	Employment of the target group Marketing activities Communication, publicity Infrastructure development (up to 50% of eligible costs) Purchase of equipment Product/service development Development of operation Training Awareness raising (including impact measurement) Project management	EUR 17,560-675,675	247/171	EUR 18,5 million	Number of new jobs created: 1403 (FTE according to the applications)
EDIOP-5.1.7-17 grant programme			EUR 24,285-675,675	545/355	EUR 46,8 million	Number of new jobs created: 1513 (FTE according to the applications)

- HRDOP, Priority 1, NSO 9.(v)

The Human Resources Operational Program (HRDOP) contributes to the implementation of National Priority 4 of the Hungarian Partnership Agreement, i.e. addressing the challenges of social inclusion and population.

Priority Axis 1 of the operational program (“Cooperating Society”) covers exclusively the EU thematic objective 9 “Strengthening social cooperation and the fight against poverty and discrimination”.

Under Priority Axis 1 the NSO 9. (v) “Promoting social entrepreneurship, professional integration into social enterprises and the social and solidarity economy in order to facilitate access to employment” aims at supporting and developing the social economy in order to promote social integration and alleviate social and economic disadvantages.

Although the development of the social economy is primarily the task of the EIDOP programs described earlier, under HRDOP a pilot program, HRDOP-1.11.1-17 was announced to support the application of innovative approaches in the cooperation between the public and private sectors and organizations, through the strengthening of the third sector, in particular the adaptation of the social entrepreneurship model.

Programme	Objectives	Eligible activities	Grant size (min-max)	Number of applicants/subsidized projects	Total amount of subsidy	Achievements
HRDOP-1.11.1-17	<p>The aim of the call is to find solutions for social and economic integration, which supports groups that are not present in the open labour market, or which are difficult to integrate, namely the most disadvantaged people including the Roma and people with limited work abilities, low work intensity, low education as well as people over 50 and young people.</p> <p>The call also aims that the members of the target group should gradually become able to get a foothold in the labour market after a transitional period,. The members of the target group become full members not only of economic life, but also of the local community.</p> <p>The primary goal of the call is to strengthen the employment potential of local organizations that combine business and social aspects by incentivizing and supporting social enterprises. By promoting and strengthening cooperation between the non-profit and for-profit sectors, the main goal is to create long-term sustainable business models that support the above goals.</p>	<p>Project preparation Needs assessment and market research, professional planning Business planning Knowledge sharing between consortium partners Recruitment of the target group Building networks of experts, professional workshops Independently subitizable, compulsory activities Development, adaptation and introduction of social enterprise models Recruitment of the target group Training of the target group Employment of the target group Optional activities: Development of products, and services (professional consultancy, purchase of equipment) Market development (market presence, marketing) Infrastructural development Development of the professional operation (introduction of quality, environmental and governance standards and systems) Training of the professional staff Local actions for awareness rising Investments, purchase of special equipment and special support services in the case of the employment of handicapped people and people with limited working abilities.</p>	EUR 76,923 – EUR 128,205	23/16	EUR 1,76million	<p>Number of involved people for labour market integration program – 568</p> <p>Number of involved people, from disadvantaged group for labour market integration program – 288</p> <p>Number of involved people in social economy training or program – 498</p> <p>(Resource: Evaluation of measures supporting social enterprises, EQUINOX, 2021)</p>

- National policy instruments of the Hungarian Government

In 2016 and 2017, two domestic subsidy programmes had been announced and made available for social cooperatives with municipal membership at the expense of the National Employment Fund. Building on the basis of public employment programs, the Focus Program I. and II. were open to social cooperatives in which local governments and at least two public employees had a membership. From June 2016, and in the second round from March 2017, social cooperatives could apply for projects to be implemented in a maximum of 36 months up to a maximum amount of EUR 200,000 as defined in Commission Regulation (EU) No. 1407/2013.

### c) Refundable financial resources

In the case of **refundable financial resources**, significant developments took place and new instruments become available for a new target group, the social enterprises in Hungary in the 2014-2020 programming period. Refundable financial resources were provided on the one hand by the Hungarian Government from EU funds, also with the aim of job creation and labour market integration of the most disadvantaged target groups, through the strengthening of the social enterprise ecosystem in Hungary. On the other hand, private financial institutions started to provide refundable financial resources to social enterprises in the last 5-6 years.

- Financial instruments co-financed by the European Union and the Hungarian Government:

Operational Programme	Priority	NSO	Funding source
Economic Development and Innovation Operational Programme (EDIOP)	8 –Financial instruments	NSO 11.7 Enhancing the competitiveness by improving access to external funding in case of companies -including social enterprises- that implement employment promoting investments while not having access or having insufficient access to financial resources	ESF

- EDIOP, priority 8., NSO 11.7

The 8th priority (Financial Instruments) of EDIOP helped the corporate sector not or not adequately funded from the market –mainly SMEs and social enterprises- to gain access to financing. It also enabled projects strengthening competitiveness or improving employment, as well as (private and public) projects increasing energy efficiency or promoting renewable energy resources struggling with financial difficulties to get the necessary resources even in the less developed regions.

NSO 17.1 “Enhancing the competitiveness by improving access to external funding in case of companies -including social enterprises- that implement employment promoting investments

while not having access or having insufficient access to financial resources aimed at the development of access to external financial resources and employment opportunities in case of young people, job seekers and social enterprises.

In the framework of priority 8, NSO 11.7 of EDIOP, the first refundable financial instrument, EDIOP-8.8.1-17 (subsidized) Employment Loan Programme was announced for social enterprises in Hungary, however as the operations of social enterprises became riskier during the time of the pandemic, the attractiveness and popularity of this kind of financial support decreased significantly in Hungary.

Programme	Objectives	Eligible activities	Grant size (min-max)	Number of applicants/subsidized projects	Total amount of subsidy	Achievements
EDIOP-8.8.1-17	<p>Overall goal of the instrument was to enhance competitiveness by improving access to external funding in the case of formerly inactive or unemployed private entrepreneurs, their micro enterprises and social enterprises (non-profits and social cooperatives) that implemented employment-promoting investments while not having access or having insufficient access to financial resources.</p> <p>Title: Loan product for boosting employment Target groups: newly founded micro-enterprises and social enterprises Main claiming conditions: 1 duly closed business year and pre-assessment or certificate of the support project (EDIOP-5.1.2-15) declaring that the company is considered a social enterprise entity Payment period: 5-15 years Interest: 0% Value of collaterals: 50%</p>	<p>Eligible activities: Investment related to company development, Purchase of stocks and supplies</p> <p>Eligible costs: Purchase of property; Building, renovation, reconstruction; New equipment and conditionally used equipment Immaterial rights only with other investments; Wages and wage related costs</p>	EUR 2,800-14,300	147/66	EUR 3,7million	<p>The target group of EDIOP 8.8.1. are the social economy entities as social enterprises (1) and self-employments as micro-enterprises founder (2).</p> <p>In the framework of the measures more than 147 claims were submitted with 6 million EUR (average loan amount: 40.416 EUR), and were made more than 62 financial decisions with 3,3 million EUR.<sup>8</sup></p>

<sup>8</sup> Contribution of Economic Development and Innovation Operational Programme (EDIOP) to social economy ecosystem in Hungary, Ministry of Finance, *presentation*

- Refundable financial support provided by the private sector to social enterprises
- **Loans**

In the last 5-6 years socially responsible **community banks and commercial banks** started to run programmes for financing and strengthening the social enterprise landscape in Hungary.

- **MagNet Bank** has recently started its operations as an ethical community bank in Hungary, offering favourable conditions to SMEs, social enterprises and non-profit organisations.  
Within the framework of its Community Donation Programme, the bank also provides the opportunity to its clients to decide on supporting with 10% of bank profits the civil society organizations and social enterprises important to them.<sup>9</sup>
- **ERSTE Bank Hungary** started the ERSTE SEEDS (Social Enterprise Establishment and Development Support) programme in cooperation with the ERSTE Social Banking Development and the ERSTE Stiftung at the end of 2016 within the frameworks of its social banking programme. As an 18-month incubation programme, ERSTE SEEDS provided tailor-made development for social enterprises, including trainings and one-on-one multi-stage coaching and professional assistance by acknowledged actors (successful entrepreneurs, start-uppers, managers, business development experts) of the Hungarian business scene. The programme also provided non-refundable seed money (approximately 100,000 EUR) to the most promising 10 social enterprises that had been selected in 2017 by an international committee of financial experts and investors based on their performance during the programme and their pitch presentations. Due to the unprecedented success of ERSTE SEEDS, the programme had been continued in January 2019 with the 2<sup>nd</sup> round of one-on-one financial mentoring and consultancy provided by leading non-profit and social enterprise development organizations (SIMPACT, IFUA Non-profit Partners) to those organizations which had been selected for funding at the end of the 1<sup>st</sup> phase of the programme.  
3<sup>rd</sup> and 4<sup>th</sup> rounds of ERSTE SEEDS had been implemented from 2020 with the provision of 2 days-long workshops focusing on the development of financial and organizational competencies at non-profit and social business organizations as well as on personalized business planning consultancy.  
After the closing of the 3<sup>rd</sup> and 4<sup>th</sup> rounds, ERSTE SEEDS have been continuing the provision of capacity building for social enterprises and non-profit organizations on the fields of financial skills development and organizational development.<sup>10</sup>
- **UniCredit Bank** has been developing its Social Impact Banking Programme during the former years, which has been launched in 2020 with UniCredit's joining to the Finance4SocialChange project. The launch of the programme marks a significant increase in the level of the Bank's commitment to those social issues and initiatives in which UniCredit has long been engaged. Three action areas lead towards the final goal of UniCredit's Social Impact Banking of having a positive social impact in the communities where they work.

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<sup>9</sup>Social Enterprises and their ecosystems in Europe – Country report Hungary, European Commission, 2018 p.74

<sup>10</sup><https://kampany.erstebank.hu/extras/ersteseeds/index.html>

- Impact financing:

UniCredit supports businesses and non-profits that generate clear, real and measurable social outcomes for the community through its impact financing actions. As well as soft loans, the bank provides support through financial education, sharing success stories, and helping to magnify visibility.

- Microcredits

UniCredit supports the start-up and growth of small businesses through microcredit programs that combine access to finance with supplying the fundamental skills and networks they need for growth. The microcredit program under the umbrella of Social Impact Banking goes beyond the regular commercial relationship between a bank and a business customer. Instead, it aims to create a support network that binds together the bank, its partners and volunteers, helping customers through specific mentorship programs.

- Financial awareness and inclusion

UniCredit's Social Impact Banking also promotes financial education as a way to support micro-enterprises and social enterprises when they are established. The program also targets and supports vulnerable groups, especially young people and those at risk of exclusion, by creating better financial awareness to enable their inclusion.<sup>11</sup>

- **Impact investment**

So far, little impact investment activity has shown up in Hungary. As a first attempt, the Impact Accelerator Programme of Civil Support (predecessor of Scale Impact, see in chapter 1.1.4) had been launched in 2015-2016.<sup>12</sup>

During the 6-9 month development program, social enterprises worked together with Impact Accelerator experts and potential investors in order to raise the social impact and financial possibilities of their organizations to a new level by involving investors in financing their projects at the end of the process.

In parallel, the Association of Social Impact Investors (THBE) has been established to organise the first impact investors in Hungary and promote the concept of impact investments in the country. (for more information see Chapter 1.1.4)

In 2018 the first impact investment fund management company, Impact Ventures<sup>13</sup> has been established in Hungary. Impact Ventures runs Two social impact funds (Impact Ventures I. and II. private equity funds) with a focus on social innovation. The company already invested in 11 social businesses with a remarkable growth potential.

Beside financial support, Impact Ventures also provides business development support for social enterprises with sustainable, scalable business models to prepare them for the investment and the successful and secure implementation of their projects

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<sup>11</sup><https://www.unicredit.ro/en/institutional/Sustainability/responsible-business.html>

<sup>12</sup><http://civilsupport.hu/impact-accelerator/>

<sup>13</sup><https://www.impactventures.hu/>

In spite of these promising developments, impact investing is still in its infancy not just because of the low (but growing!) number of impact investors, but also due to many social enterprises are not ready for investment. This is because of their uncertain business plans, hardly scalable business models, limited sustainability and lack of business skills - all that limiting their ability to absorb repayable funding including investments.

These boundaries are complemented by the inability to measure and demonstrate the social impact achieved that also poses a major obstacle for potential investors.

Furthermore, the size of the investments required by social enterprises currently measures very small, causing investors to question their commercial viability.<sup>14</sup>

### 1.1.3. Access to market

- MarketMate – marketplace

In the framework of the “MarketMate” priority project, the OFA National Employment Public Benefit Non-profit Ltd. has established an online marketplace<sup>15</sup> to support social enterprises in access to markets in line with the objectives of the priority project regarding the development of market visibility, competitiveness and sustainability of social enterprises to strengthen their employment potentials and capacities for job creation.

The website ensures opportunities for partner search and building business cooperations. Social enterprises may register and share their products and services (photos, specifications and prices) through the website, however the marketplace is not a web shop, rather it is a bridge between social enterprises and their potential private, corporate or municipal customers.

- Public procurements

A realistic and existing opportunity for facilitating the access of social enterprises to markets is their participation in public procurements. The EU legislation has been allowing contractors to give preference in public procurement processes to bidders including social enterprises, which have a certain positive social or environmental impact. The respective rules also have been adapted and applied in the Hungarian public procurement legislation (143/2015 Act on Public Procurements<sup>16</sup>) that also integrates environmental and social objectives and supports local small and medium-size enterprises.

Accordingly, while awarding public procurement, the contracting organisation may prescribe compliance with social, environmental and innovative requirements for the duration of the contract, which must be declared in the original call.

The law also transposes the social aspects by giving the opportunity to reserve procedures for sheltered workplaces. This means that the contracting authority may reserve the right of organisations classified as sheltered workplaces (social and social security employers with more than 30% of employees with reduced working capacities or other disadvantages) to participate in a public procurement procedure, or in the case if it is ordered by the government this right must be reserved for those organizations.

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<sup>14</sup> Julianna Kiss - Melinda Mihály, Social Enterprises and their ecosystems in Europe. Country Report, Hungary.

<sup>15</sup><https://piactars.hu/piacter>

<sup>16</sup><https://net.jogtar.hu/jogszabaly?docid=a1500143.tv>

In addition, certain organisations can reserve the right to participate in public procurement procedures for health, social and cultural services if they serve public functions on these fields. These companies must not operate for profit and must employ a management or ownership structure that ensures employees' active participation.

Although national rules allow, they do not require the application of social clauses in public procurements as described above. In most cases, the practical application of these rules ignores the opportunities offered by public procurement legislation.<sup>17</sup>

One reason for this is the simplification of procurement to avoid the potential procurement and audit risks. Another reason of the ignorance of social procurement opportunities is the lack of financial and production capacities of social enterprises.

#### 1.1.4. Business support structures

In parallel with the policy-driven extension of the social enterprise concept in Hungary, the increase of available refundable and non-refundable financial resources for social enterprises and the growth of the sector, more and more business support organizations have expanded their knowledge and experience in this area, and have become able to provide relevant business support and incubation services to social enterprises. The number of online courses and networking events increased during the coronavirus period. Platforms, which provided business development, knowledge sharing and capacity-building services became easily accessible to existing and start-up social entrepreneurs in Hungarian and English as well.

<p><a href="#">Impact Hub Budapest</a></p>	<p>Member of the global Impact Hub network  <u>Services:</u>            Co-working space for start-ups, SMEs and social enterprises            Business support services (networking, training, consultancy)            Incubation programs for innovative, socially responsible and start-up enterprises (Incorpora, +Acumen course, Social Impact Award, Academy for Women Entrepreneurs (AWE) in Hungary, Momentum project) Impact Hub Budapest organized the third Social Impact Awards pitch events and award ceremony on the 30th of September in 2021.</p>
<p><a href="#">SIMPACT</a></p>	<p>Non-profit consulting company providing valuable business support services to non-profits and social enterprises. SIMPACT is a permanent key partner of the ERSTE Bank Hungary in implementing the ERSTE SEEDS Program. The organization also plays a key role in the development of the employment element of the "Emerging Settlements" Programme coordinated by the Hungarian Charity Service of the Order of Malta, which intends to involve local social enterprises in the mitigation of unemployment in the most disadvantaged 300 settlements in Hungary.  <u>Services:</u>            Training, capacity development and networking events (organizational development, HR, IT, fundraising, business planning, finances) for NGOs and social enterprises            Diagnosis-based tailored support (action planning, mentoring, follow-up)            Corporate professional volunteer programmes</p>

<sup>17</sup> Julianna Kiss - Melinda Mihály, Social Enterprises and their ecosystems in Europe. Country Report, Hungary.

	<p>Research and consultancy Impact measurement and evaluation</p>
<p><a href="#">Ashoka Hungary</a></p>	<p>Member of the global Ashoka network focusing on the personalized development of potential change-makers: <u>Services:</u> Building powerful networks of Hungary's leading social innovators. Capacity building of Ashoka Fellows: creating systemic changes in areas like health, civic participation, economic development, environment, education and human rights. Programs: Green Lab, Impact Academy, Research Program, Board Academy, Ecosystem Program, Impact Measurement Resource Centre The Impact Academy Programme of Ashoka Hungary was available during the whole pandemic. In 2022 the Green Lab programme will be implemented in cooperation with Telekom Kraft in the Frameworks of Impact Academy. Green Lab will be a mentoring and incubation program for young entrepreneurs to develop sustainable solutions for environmental challenges.</p>
<p><a href="#">IFUA Non-profit Partners</a></p>	<p>CSR subsidiary of IFUA Horváth&amp; Partners Kft. The organisation is a permanent key partner of ERSTE Bank Hungary in the implementation of the ERSTE SEEDS programme. <u>Services:</u> Non-profit management consulting Social enterprise development Professional volunteer programmes Training and capacity building for non-profit and social business organizations</p>
<p><a href="#">BADUR Foundation</a></p>	<p>British foundation being active in the UK, Laos and Hungary to tackle poverty through education and social entrepreneurship. <u>Services:</u> Sector mapping (Roma education) Resilience Pilot Programme (tailored development of charities working with marginalised communities) Social enterprise development and funding Roma Heroes</p>
<p><a href="#">Scale Impact</a></p>	<p>Recently established private agency for scaling social impact <u>Services:</u> Capacity and skills' development for increasing the resilience and scaling as well as multiplying the positive social and/or environmental impact of non-profit, civil and social business organisations. Building links and bridges between corporate partners and civil/non-profit/social business organizations through CSR</p>
<p><a href="#">SEIP Hungary</a></p>	<p>During the pandemic, Social Entrepreneurs Incubation Program (SEIP) was established with a SEIP Hungary branch, which is an international platform for the development of social businesses that organizes a mentoring network and online capacity-building and networking events.</p>

	<p><u>Services:</u> Online incubation program for social enterprises Youth entrepreneurship program International networking clu-SEIP university cooperation Brand strategy workshops</p>
<p><a href="#">Association of Social Impact Investors</a></p>	<p>The first organisation of impact investors in Hungary supporting the promotion of the social impact investment approach in the country</p> <p><u>Services:</u> Knowledge-sharing and professional networking events Live knowledge centre to support and develop the social impact investment sector Cooperation with the key players of the Hungarian and international impact ecosystem</p>
<p><a href="#">Telekom Kraft</a></p>	<p>Telekom Kraft is the incubation program of the Hungarian Telekom, which provides development opportunities for start-ups and companies with social goals-</p> <p><u>Services:</u> Community workplaces and experimental spaces: IT Lab, Workshop Lab, 5G Room, Podcast Room, Studio Kraft, KV Zone (community place) KraftRoad incubation programme. Target topic in 2022: Green Lab (in cooperation with Ashoka Hungary)</p>

## 1.2. Social Enterprise support policies in the context of the COVID-19 pandemic

In the last programming period, grants for the development of social enterprises were ensured in the framework of the Economic Development and Innovation Operative Program (EDIOP). Grant-type support have been supplemented in recent years with interest-free loans (EDIOP-8.8.1-17) that have remained available to organizations throughout the pandemic.

Accordingly, many social enterprises are beneficiaries of interventions in the 2014-2020 programming period. However, the implementation of the projects has become very risky during the coronavirus period especially regarding the achievement and sustaining of employment and income generation related goals, indicators and contractual obligation. This may have resulted in a number of sanctions and corrections applied by managing authorities against beneficiaries including social enterprises. Recognizing the high risks of project implementation during the pandemic, the Hungarian Government has adapted to the changing circumstances and introduced the following amendments to the regulations related to the use of EU funds and the implementation of subsidized projects:

- For the 2014-2020 programming period, Regulation 272/2014. (XI. 5.) shall apply with the derogations specified in the Government Decree.
- Speeding up and simplifying the announcement of calls for proposals

- Extension of contract deadlines: on request, the contract deadline can be extended to 120 days instead of 30 days
- The planned date of physical completion set out in the grant agreement, the dates of the milestones and the deadline for submitting the final payment claim will be automatically extended by three months.
- There is no need to amend the grant agreement if the physical completion of the project or the achievement of milestones is delayed by up to 6 months.
- In the case of state aid, instead of 3 years from the payment of the advance, the advance must be settled within 39 months, up to 50% for sectors affected by government measures to deal with the emergency.

These were general interventions and amendments to the regulations which were available to social enterprises as well, however none of them was tailored to the sector. Similarly, job protection and job creation wage subsidies presented in the Mapping of Covid effects study had been available to any kind of organization including social enterprises, and in addition to grants, the possibility of interest-free loans was constantly present and available for the same purpose generally.

All in all, we do not have information on specific measures tailored and applied for social enterprises to mitigate the consequences of the COVID-19 pandemic on the sector.

In addition, we mention that access to development resources has been particularly limited in general for new organizations established in the last years that negatively affected the establishment of new social enterprises and the growth of the sector recently.

## **2. Territorial analysis: current status of Social Enterprise development policies**

### **2.1. Best Practice identification: What policies have been especially successful to support social enterprises**

The main source of identifying successful policy practices to support social enterprises in the last programming period may be the evaluation of the social economy development-related measures of the Economic Development and Innovation Operation Program (EDIOP) that was implemented and finished in 2020 by EQUINOX Consulting Ltd. The evaluation of the interventions affecting social enterprises in the 2014-2020 programming period was published in the summer of 2021.

The other source of information in this regard will be the series of surveys managed by IFKA to collect first-hand information on the effects of the COVID-19 pandemic on the Social enterprise sector right at the start of the pandemic, and one year later in 2021. The target group of the surveys was all kinds of social enterprises, primarily those which were supported by the consortium members of the EDIOP-5.1.2-15-2016-00001 "MarketMate" priority project (IFKA, OFA, Ministry of Finance) either as recipients of business plan evaluation, development and certification services or as beneficiaries of any of the EDIOP and FOCUS programs.

According to these resources the status of current social enterprise development policies may be drafted as follows:

- A significant difference from previous programs in terms of the target group of support measures is that **the range of target organizations and applicants has expanded significantly**. In addition to social cooperatives engaged in business activities, church organizations, associations, foundations and non-profit businesses could also apply for non-refundable and refundable EU and domestic funding.
- Consequently, another important change is that instead of encouraging the start-up of new businesses, the emphasis has shifted to strengthening the sustainability and increasing the competitiveness of existing social enterprises.
- The quantifiable results of the EDIOP measures for supporting social enterprises are the followings:
  - **526 projects** received non-refundable support.
  - **66 projects** received subsidised loans
  - **2916 jobs were created** by the beneficiaries of non-refundable grants
- The **“MarketMate” pre-evaluation system** and the certification procedure supported by that have contributed to the formation of the definition of social enterprises in Hungary. The development services and process that was built in the pre-evaluation and qualification procedure, was not only able to screen applicants but also supported them in designing a successful business model.
- In the case of support for social enterprises, there is no consensus in the implementation of territorial aspects in Hungary. However, in the case of the support measures implemented in the frameworks of EDIOP, funds were dedicated and available only for social enterprises operating in the less developed regions of Hungary (this means Budapest and Central Hungary had been excluded from the programs). In addition, with the aim of reaching and developing the most disadvantaged regions of the country, social enterprises operating in ‘free entrepreneurial zones’ were prioritised with extra points during the final evaluation and decision-making procedure. Consequently, **in the period 2014-2020, the ratio of implemented projects in free entrepreneurial zones emerged to 45% from 37%. In the previous programming period, a smaller number of projects were implemented in free enterprise zones.**

SE	Programming period 2007-2013		Programming period 2014-2020	
	cases	%	cases	%
projects in ‘free entrepreneurship zone’	147	37%	232	45%
projects out ‘free entrepreneurship zone’	254	63%	279	55%

### Illustration 1 - HetedhétHatár Social Cooperative

The HetedhétHatár Social Cooperative in Gyulaj – a small village in the region of Southern Transdanubia - is a community economy initiative that is an element of the complex local economic and community development program, which has been implemented by the local government and the Hungarian Charity Service of the Order of Malta for many years. A community-based cooperative was established by the mayor of the village and developers in 2014. The local government of Gyulaj and the Hungarian Charity Service of the Order of Malta have membership in the cooperative. The social enterprise maintains a meat processing and vegetable/fruit reservation plant. With the continuous support of horticultural professionals and social workers, the cooperative also has been operating vegetable and fruit production programs, providing extra income to more and more local families each year. Regular activities also include community development, networking and knowledge transfer.

The long-term aims of the cooperative are to restart pig farms and home gardening in the village and to revitalize the local economy based on high-quality, family-style, yet uniquely seasoned products. The cooperative also intends to improve the social and labour market situation of the population, and indirectly foster the development of the village as a whole.

Website: <http://hetpecsetes.hu/>

### Illustration 2 – Matyodesign

Matyodesign is a non-profit fashion company that has been creating employment opportunities for local elderly women in Tard, a community in Northern Hungary famous for its colourful embroidery, by applying embroidery to modern fashion products. In addition, the company is contributing to the preservation of the local folk heritage. Matyodesign was funded in the framework of the DIOP-5.1.3 call, and could use EUR 94,000 for job creation and scaling-up between 2017 and 2019.

The project implemented by Matyodesign offered training and employment for 5 local women, included webpage and web shop design renewal, and the development and active use of online and offline marketing tools. The infrastructure of the workshop in Tard also had been developed and new equipment including sewing machines had been purchased.

Website: <https://matyodesign.hu/>

## 2.2. Outlook: Opportunities and barriers

As we have mentioned, the evaluation report on the interventions affecting social enterprises in the 2014-2020 programming period was published in 2021. It provided a very good opportunity to make the sector more visible to policy makers. The evaluation concluded with the following recommendations:

- The primary task would be to develop the legal setting explicitly defining social enterprises. This does not necessarily entail a new legal form, but a regulation integrated in an already existing legal setting.
- One method for the identification of social enterprises would be to establish a qualification system, where if organizations fulfil the criteria, they become qualified for funding. In some countries, these qualifications („mark”, „label” or „certification”) are implemented through legal means by public bodies, while in other cases independent professional organizations develop them.
- In addition, the qualification can be extended to include a complex social impact assessment method. The key advantage of social impact assessment is that it supports the monitoring of the goals, progress and impacts of social enterprises.
- Following the identification of social enterprises, it is necessary to construct a solid and reliable funding structure in line with a long-term business development strategy. This strategy needs to define the strategic goals of all funding forms.
- In the 2014-2020 period multiple ministries and state secretariats addressed the development of social enterprise along varying objectives. It would be beneficial to synchronize the tasks and funding objectives along a unified strategy in the future.
- 2–3-yearslong funding for business development is not sufficient for supporting the launching, stabilizing and scaling of social enterprises. Accordingly, an 8-10 years long reliable and predictable funding period would be required.
- Instead of, or complementing the current periodical funding logic and programmes, long-lasting wage subsidies, normative funding as well as tax benefits acknowledging the social responsibility and impact of these organizations are recommended for the purpose of long-term sustainability.<sup>18</sup>

Unfortunately, the resources of the ESF+ and ERDF+ have not yet arrived in Hungary, the development resources of the programming period between 2021 and 2027 are only slightly available for Hungarian enterprises. The Partnership Agreement and Operational Programs published in 2021 do not include measures for the development of social enterprises, it is hoped that general development resources will be available to civil society and non-profit organizations with business purposes, but focused ecosystem development most likely will not continue.

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<sup>18</sup> Evaluation of measures supporting social enterprises, EQUINOX, 2021; 11-12. p.

# Czech Republic, South Bohemian Region

## 1. Comparative analysis: Changes in Social Enterprise policy landscape

### 1.1 Comparative analysis: In comparison to the original Policy Mapping, what changes have occurred in the Social Enterprise policy landscape?

The Social Entrepreneurship act has still not been embedded in the Czech Republic. Social enterprises are either entrepreneurial entities or non-profit organizations. The act itself is inapplicable in the form it has been designed 15 years ago. A new proposal for the act is currently under preparation. It should define rules of operation for the social enterprises and also the means of systematic support. The Czech Government and the Parliament of the Czech Republic should be presented with a draft during the 1<sup>st</sup> half of 2022.

Previous attempts in embedding the rules for social entrepreneurship failed. The act was promised by the previous government (in power 2014-2017) and it should have been introduced in 2017. A draft was prepared, however, there was no agreement from the whole government. Legislature changes were also brought back by the former government (in power 2018-2021), the amendment to this proposal was presented in 2019. The Cabinet, however, never discussed it and thus it has been delayed.

The new, current, proposal is a mixture of the old draft and new amendments that should be considered. The act states that the social enterprise uses its profit to a beneficial aim, its development and it also takes into consideration the environment. The disadvantaged employees were defined as people with physical or mental disability, long-term unemployed, people with small children, elderly, people without education or people with criminal history. According to the previous proposal the subsidies were to make up a maximum of 70% of the SE's income. The state should contribute with subsidies for investments, help to cover staff places or operational costs. The status of social enterprise should be granted by the Ministry of Labour and Social Affairs of the Czech Republic. It should also operate a register of social enterprises. Integrative social enterprises should have a chance to gain selected public procurements, which were until now for all legal entities with at least 50% of employees disadvantaged on the labour market.

A significant new aspect is the debate about rules for public procurements. The new proposal could contain the size and period of employment payments. The support would be provided for the amount of time worked and in the first year of project implementation, it could be a double of minimum wage. Currently it is possible to gain the subsidy only if the social enterprise is recognized as an employer on the protected labour market or from specific tools of the Active policy of employment instrument.

Besides this option, the social enterprises will still have the possibility to gain subsidies from the Operational Programme Employment+ and from programmes of Local Action Groups (social entrepreneurship in rural areas), however, it is not expected that this variant will be largely used.

To summarize, we can claim that number of support measures and tools decreases.

The novelty of Socially responsible public procurements act was put in force in 2021. Every public contracting authority or anyone contracting products/services from public funds have to consider not only the final price and quality of the product/service, but also the social and

environmental impact. This act is being slowly adapted by state/regional/local institutions, nevertheless, the benefit for social enterprises is rather limited.

The network of national support tools remains stable, some municipalities and regions are involved more pro-actively than others.

In the South Bohemian region, the socially responsible public procurements are historically implemented by several companies (as part of their CSR programmes) and several larger towns (Tábor, České Budějovice, Vodňany) in a form of responsible purchase. On the regional level public procurements follow this act, however, there is no visible intension to systematically support social enterprises.

## **1.2 If there have been no/few new policies in your territory, please describe the development of the policy landscape and ecosystem.**

From October 2012 to October 2015, the Ministry of Labour and Social Affairs of the Czech Republic supported the development of social entrepreneurship through the individual project "Support for Social Entrepreneurship in the Czech Republic". Employers were offered professional support, mainly by creating a network of local consultants and experts who provide individual counselling.

Another way of support was the possibility of completing an internship directly in a social enterprise, which is chosen by the current or future employer. The applicant got acquainted with the functioning of social enterprises and was better prepared for the establishment or management of his own social enterprise. The aim of the project was also to test the support structure for employers in the segment of social entrepreneurship in the Czech Republic and to verify the indicators that will contribute to the recognition of social enterprise and integrative social enterprise.

This project was followed by another project entitled "Support for social entrepreneurship in the Czech Republic continues", which focused on the development of a supportive network of local consultants, professional advisers and internship opportunities for beginning or developing social entrepreneurs. The project developed a web portal on social entrepreneurship and the social economy in the Czech Republic, which is a source of information not only for social enterprises but also for the general public in the Czech Republic. The project was implemented from January 2017 to November 2021.

Several important key activities are being implemented within its framework.

- Expert counselling in the regions through the aforementioned network of local consultants.
- Professional counselling through a network of experts who provide specialized consulting services in the areas of crisis management, management, gastronomy, setting up an effective marketing strategy, cash flow, human resources, ensuring the sustainability of business and jobs after financial support, procurement, working with target groups etc.
- Internships in social enterprises. The purpose of internships is to transfer information about the functioning of social enterprises and increase competencies for the establishment or management of social enterprises and work with the target group (disadvantaged people).

This trend continues in the current programming period, among the most used support are internships for social enterprises (but these were reduced in COVID), as well as counselling at a time when calls from OP Employment and Integrated Regional Operational Programme were issued. Social agriculture, in cooperation with the Ministry of Agriculture, has its own platform and consultation initiatives aimed at developing this type of business in the Czech Republic. Networks such as TESSEA, the Cluster of Social Enterprises and Innovation, and others have been operating in CZ for a long time. The topic was newly written in rural areas, specifically in the form of support from the LAGs (Local Action Groups). However, apart from the activities related to socially responsible public procurements, the situation did not change at the national level, previous governments had other priorities. At the same time, various smaller initiatives are emerging at the level of cities, municipalities and regions. The Pardubice region has long been the most active in CZ.

The initiative of South Bohemian Social Incubator (non-formal umbrella gathering in South Bohemia focusing on support of social innovations) was established in the South Bohemian Region, where, among other things, the issue of social entrepreneurship and the transfer of good practice from the Pardubice Region, for example is also addressed.

### **1.3 Social enterprise support policies in the context of the COVID-19 pandemic**

During the COVID crisis, TESSEA initiated the possibility of including the topic of social entrepreneurship, especially in the subsidy programs of the National Recovery Fund, several negotiations took place, but social enterprises were not emphasized in the National Recovery Plan. One of the reasons that most likely led to the fact that social entrepreneurship did not receive any specific support is that social entrepreneurship is not yet enshrined in legislation. Social entrepreneurship will receive support from OP Employment+ in an almost identical form as before COVID.

In the South Bohemian Region, respectively in České Budějovice, a new working group Social Economy was established, the aim of which is to get the topic of social entrepreneurship into the city's strategic documents so that social enterprises can receive support for promotion or development, at least in the subsidy programs of the City of České Budějovice. We assume that this working group will be extended to the whole region.

## **2 Territorial analysis: current status of Social Enterprise development policies**

### **2.1 Best Practice identification: What policies have been especially successful to support social enterprises?**

Both financial and non-financial support of social enterprises works in the Czech Republic. Non-financial support for social enterprises takes place mainly through a project implemented by the Ministry of Labour and Social Affairs in the form of consultations of social enterprises with local experts and experts, as well as support for internships and education.

Other activities include internships in social enterprises and seminars for social enterprises. Social enterprises receive financial support from calls from the ESF and the Integrated Regional Operational Programme, with emphasis on the creation of new enterprises, business activities or the development of existing activities. Almost (apart from small local grants) there is no support for existing operations (as is the case, for example, with registered social service providers).

Social farming was supported through Ministry of Agriculture, especially within the Programme of rural development (but it was not only support for social enterprises) or NGO support, especially focused on environmental protection, health promotion, etc. (i.e., projects that can work with social farmers).

Of the companies that receive support, more than 50% continue to operate, but most of them have a reduction in the number of employees. A large part of them then switch to the employer regime on the protected labour market. As a result, people with social disadvantages are less employed.

So far, the tools “S-Enterprise” (support of investments in entrepreneurship) and “S-Guarantee” (support for ordinary expenditure except salaries) do not seem to be very effective, which proves to be difficult to achieve for social enterprises and, moreover, does not solve the problem of compensating for the costs associated with lower work performance of disadvantaged employees.

## 2.2 Outlook: Opportunities and barriers

The fact that social entrepreneurship is not legally covered in the Czech Republic creates a large number of areas that are not addressed.

The basic problems (as described, for example, by the Social Inclusion Strategy 2021-2030) include the connection of social enterprises to social services (cooperation, for example, in employment and housing), preparation for employment in social enterprises, greater emphasis on occupational rehabilitation and also work in socially excluded localities. In connection with the current crisis, the topic of working with refugees is also emerging.

There is a lack of clear definitions of the different types of social enterprises and a reduction in the emphasis (especially in the area of financing) on so-called integration enterprises.

The training of contracting authorities in the field of socially responsible public procurements is currently underway, specifically emphasis is placed on the use of social enterprises.

Social enterprises lack (in long-term) the capacity for promotion, but also fundraising, etc. Some of the solutions could be: sharing experts or pro bono service organizations, which would help them in the course of business (for consultations, but practical help)., set up of regional support centres, broader subsidies support in the regions and cities, etc. Currently the Regional Development Agency of South Bohemia is in negotiation with the Ministry of Labour and Social Affairs of the Czech Republic about setting up a regional centre for support of social economy, which should operate from 2023.

# Slovenia, Gorenjska Region

## 1. Comparative analysis: Changes in Social Enterprise policy landscape

### 1.1. Short overview of macroeconomic situation regards Social Enterprise landscape including COVID-19 impact

In the past 30 years Slovenia has achieved solid economic growth and has been successful in meeting the UN Sustainable Development Goals. However, the economic and social environment remains a challenge. Slovenia was hit hard by the global financial and economic crisis of 2008 and more recently by the **coronavirus** pandemic when GDP contracted by 4.2% in 2020. Other concerns include the persistent disparities between the cohesion regions of eastern and western Slovenia and at regional level, as well as Slovenia's ageing population.

Social enterprises, which are increasingly and actively supported by policymakers, are an important factor for inclusion in work and for the development of rural areas and regions. Following the 2008 crisis and the EU's stimulus for social enterprises, they have gained political support in a country with a long tradition of civic engagement. Efforts in the field of social enterprises culminated in 2011 with the adoption of the Law on Social Entrepreneurship, which was subsequently amended in 2018 to further include stakeholders with different legal-organisational forms in the definition of the social economy. The law provides for mandatory reporting for registered social enterprises and mandates the adoption of a regulation on social impact measurement.

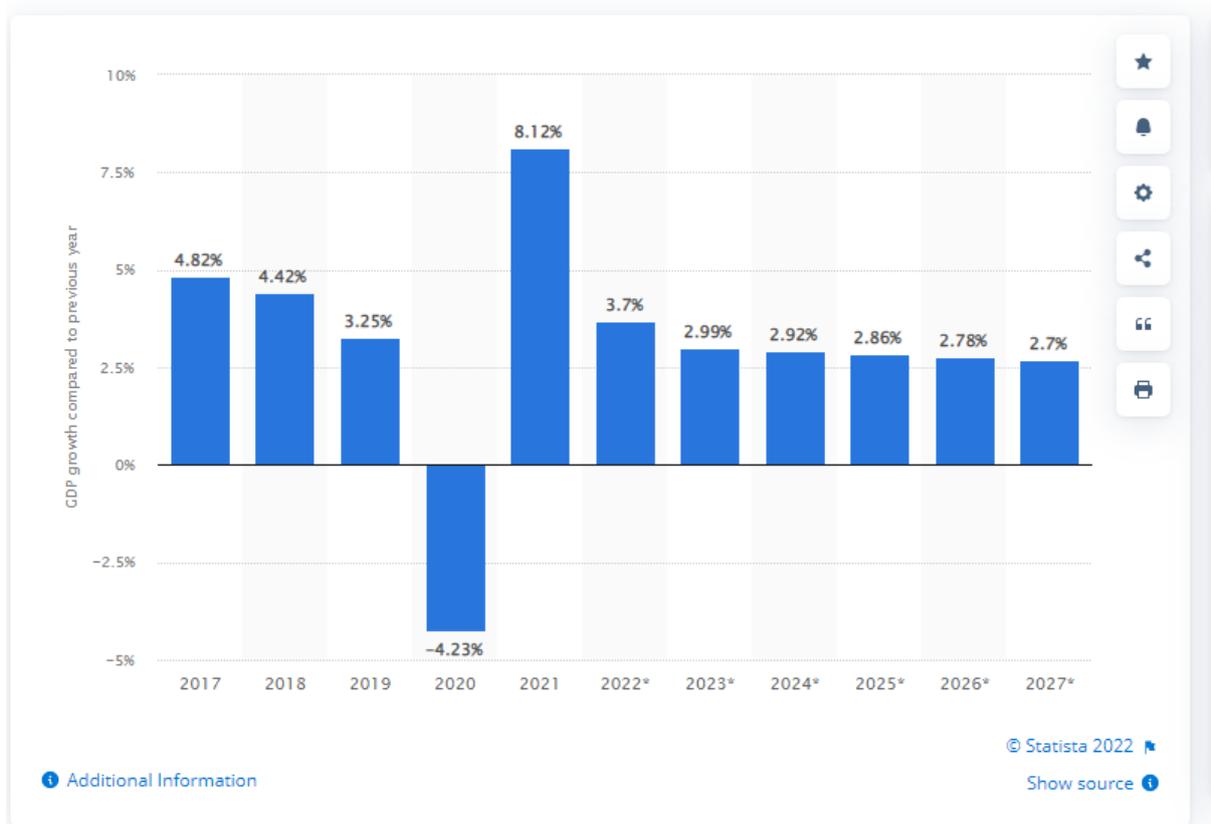
However, several challenges limit the development of social entrepreneurship and social enterprises. For example, there is still confusion about the understanding of the term social enterprise, social entrepreneurship, social economy and social innovation. The fragmentation of the institutional and legal environment for social enterprises and the limited interconnectedness of the support environment further undermines the coherence of the ecosystem in which social enterprises operate. Their success is hampered by limited access to finance and public and private markets, while measuring social impact is not yet common practice despite previous public and private efforts.

The coronavirus pandemic has had a major impact on the Slovenian economy, resulting in a 4.2% decline in GDP in 2020. The recovery in economic activity recorded in the third quarter of 2020 after the end of the closure in mid-May was interrupted by an outbreak of new infections in September 2020 and therefore by new restrictions. These were gradually lifted in early 2021, but the recovery was delayed as a third closure was imposed in April following the rapid spread of COVID-19 variants. Extensive government measures aimed at supporting employment and limiting insolvency have cushioned the impact of the crisis, consequently the employment has fallen, and unemployment has slightly risen. The economy rebounded in the second half of 2021 thanks to vaccination and other factors (e.g., support to public investment under the EU's Next Generation programme and an increase in private investment due to reduced uncertainty and favourable financing conditions). For 2022 and 2023 the current GDP

growth projection is between 3,6% and 3,8% annually, but the Ukraine crisis, rising inflation and global recession could easily negatively influence growth projections.

The COVID-19 pandemic has interrupted an era of strong growth and improvement in the labour market. Between 2014 and 2019 the economy grew by about 20% while in the pandemic year of 2020 Slovenian GDP fell by 4.2%. Policy measures to mitigate the socio-economic impact of the crisis prevented a rapid rise in unemployment and bankruptcies. In 2021 and 2022 Slovenian economy managed rapid recovery, GDP grew by 8,1 % and by the third quarter of 2021, it had already reached its pre-pandemic level.

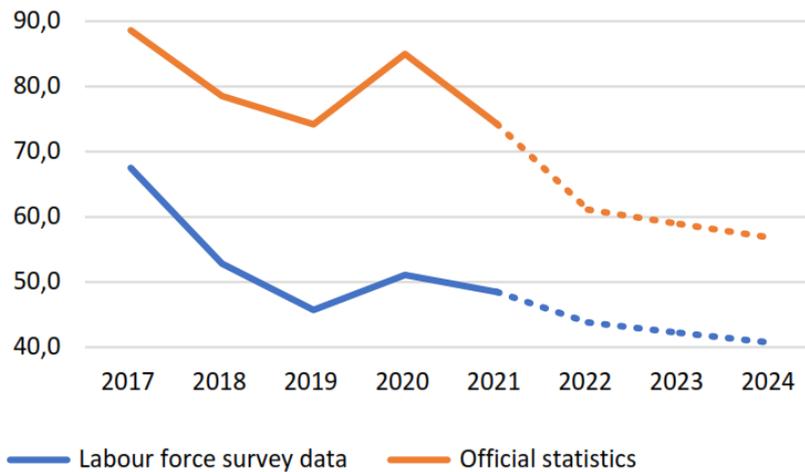
## Slovenia: Growth rate of the real gross domestic product (GDP) (compared to the previous year)



The downward trend in unemployment, which was interrupted by the COVID-19 crisis, is predicted to continue in the period 2022-2024. For 2022 the number of registered unemployed is expected to decrease

below the level in 2019. Labour shortage pressures will intensify, which could have the effect of increasing upward pressures on wages and reducing business growth. On the one hand, the labour market will be constrained by demographic factors, which will gradually reduce labour supply, and on the other hand an inadequate structure of education and experiences will have negative impact on the labour structure.

Projection of unemployed people (in thousands)



Source: UMAR - spring forecast 2022.

## 1.2. Comparative analysis: In comparison to the original Policy Mapping, what changes have occurred in the Social Enterprise policy landscape?

During the last years, there were no changes in main legislation: The national Act on Social Entrepreneurship stayed the same.

Main topics of the national Act on Social Entrepreneurship are the following:

Social enterprises in Slovenia do not have a specific legal form, but can have different legal forms and statuses, reflecting the entrepreneurial approaches of the social economy. In law social enterprises are those that are legally recognised through ad hoc legal forms and statuses, while “de facto” social enterprises are those that are not legally recognised as such, but meet the operational definition of a social enterprise, produce important services of general interest and use a legal form not specifically designed for social enterprises (e.g., association, cooperative, conventional company).

In 2011, Slovenia passed an Act on Social Entrepreneurship (upgraded in 2018) which provides a definition of a social enterprise that is largely in line with the EU definition.

In article 2, a **non-profit legal entity** (social enterprise) is defined as follows: Non-profit legal entity shall mean a society, institute, foundation, company, cooperative society, European cooperative society or other legal entity governed by private law not established for the sole purpose of generating profit, which does not distribute assets or the generated profit or excess revenue over expenditure, except to a limited scope in accordance with legislation.

In Article 3: **definition of social enterprises** and its objectives are defined as follows:

Definition of social entrepreneurship: “Social entrepreneurship shall represent the permanent performance of social entrepreneurship activities or other activities, which are subject to special conditions of employment, in the manufacture and sales of products or the provision

of services on the market, for which the generation of profit is neither an exclusive nor a main objective”

**Objectives of social enterprise:** Social entrepreneurship shall strengthen social solidarity and cohesion, promote the participation of the people, support voluntary work, improve society's capacity for innovation in addressing social, economic, environmental and other issues, ensure the additional supply of products and services in the public interest, develop new employment possibilities, provide additional jobs and enable social integration and vocational reintegration of the most disadvantaged groups in the labour market (social entrepreneurship objectives).

Article 4 defines **social enterprises' principles and requirements:**

A non-profit legal entity may engage in social entrepreneurship provided that it is established and operates pursuant to the following principles and requirements (hereinafter: the principles), which indicate its public benefit nature and social character:

- it is established by the voluntary decision of its founders (autonomous initiative);
- its sole purpose is not to generate profit (non-profit purpose of establishment);
- it is established with the main purpose of continuously engaging in social entrepreneurship or other activities with a view to employing the most disadvantaged groups in the labour market and thus serving the public interest (performance of activities in the public interest);
- its members work voluntarily (voluntariness);
- it is managed independently (independence);
- the manufacture and sale of its products or the provision of its services in the market are largely organised according to market principles (market orientation);
- it typically involves voluntary work (voluntary work participation);
- individual founders or owners do not exercise dominant influence over decision-making; decisions are adopted by all members according to the principle one member-one vote, and irrespective of the capital share (equality of members);
- the stakeholders are involved in decision making (stakeholder participation in management);
- assets, profit and excesses revenue over expenditure are used for the purposes of social entrepreneurship or other non-profit purposes, profit or excesses revenue distribution is not allowed or is limited in accordance with this Act (non-profit operation);
- it provides for the transparency of its financial operation and for internal control over its inventory management and financial operations (operations transparency);
- it permanently performs its activities for the benefit of its members, users and the wider community (operating for the public benefit).

Act defines in article 8 **two types of social enterprises:**

- **type A**, which carries out (one or several) “social entrepreneurship activities” as laid out in Article 5 of the Act or as defined in the Regulation on Determination of Activities of Social Entrepreneurship;

- **type B**, which is a work-integration social enterprise (employing people from vulnerable groups). The following groups are defined as vulnerable target groups: the disabled, unemployed persons that are hard-to-employ due to lasting physical or mental problems, long-term unemployed (over 24 months), first-time job seekers (unemployed persons, registered with the Employment Service of the Republic of Slovenia for more than six months if employed for the first time after having finished their education or after having finished their traineeship), unemployed; people older 55, Roma people, young drop-outs from primary and secondary education, ex-prisoners (for one year after serving the sentence), refugees included in the integration programmes, drug and alcohol abusers that are in rehabilitation programmes or up to two years after the rehabilitation programmes, or homeless people.

Article 8 define which legal entity can acquire the **status of social enterprise**: any non-profit legal entity can acquire the status of a social enterprise provided it meets the following criteria:

- It has been established with a view to permanently performing the social entrepreneurship activities and employing at least one worker in the first year of its operation and at least two workers in subsequent years (hereinafter: social enterprise of Type A); or
- established with a view to employing persons referred to in Article 6 of this Act and being engaged in a particular activity by permanently employing at least one third of these workers out of the total staff (hereinafter: Type B social enterprise); and it operates according to the principles of social entrepreneurship stipulated by the Act,
- all other conditions stipulated by this Act and the act governing the legal structure of particular types of a non-profit legal entities are fulfilled.

#### **Maintenance of the status of social enterprise (article 8):**

A non-profit legal entity may only maintain the status of a social enterprise subject to proving that it has started to pursue a legitimate social entrepreneurship activity or other activity and has employed the number of workers referred to in the first indent or has complied with the staff structure requirement referred to in the second indent of the previous paragraph (see the text article 8 above) within the time limits specified in the first paragraph of Article 19

- A social enterprise shall submit evidence of the commencement of its activity to the responsible ministry within one year of acquiring the status. A Type A social enterprise shall submit evidence of the employment of at least one worker after the end of the first year of operation and evidence of the employment of at least two workers after the end of the second year of operation. A Type B social enterprise shall submit evidence of the employment of workers and its staff structure within two years of acquiring the status.
- A social enterprise shall report to the responsible ministry by 31 March of the current year on a possible failure to generate the prescribed revenue threshold from social entrepreneurship activities in the previous financial year. The failure to comply with the staff headcount or staff structure requirements shall be reported by the social enterprise

within three months of having fallen below the number of workers, or after a change in its staff structure has occurred. It shall also indicate the reasons for failing to generate the revenue threshold or maintain the prescribed number of workers or staff structure).

- The report referred to in the preceding paragraph shall be accompanied by a plan to restructure the social enterprise so as to comply with the required annual revenue threshold in the subsequent year or an employment plan with a timetable to cover the bridging period.
- The use of the public funds granted as incentives, exemptions or allowances to social enterprises shall be subject to reporting by a social enterprise in accordance with the implementing regulations issued pursuant to this Act, special regulations or the existing contractual obligations.

To maintain the status of a social enterprise, the annual report of the Type A social enterprise shall disclose at least 40% of its total revenue from social entrepreneurship activity after the second calendar year of its operation, and at least 50% of the total revenue after the third and all subsequent years of its operation.

Article 5 defines **areas and activities** of social entrepreneurship:

- social assistance;
- family assistance;
- protection of persons with disabilities;
- science, research, education ;
- provision and organisation of youth work;
- protection and promotion of health;
- ensuring social inclusion, promotion of employment and vocational training of unemployed people and persons at risk of unemployment;
- job brokerage for people referred to in Article 6 herein, including the activity of hiring out such workers to another user;
- organic food production;
- nature conservation, landscaping, environmental protection and animal protection;
- promotion of the use of renewable energy sources and the development of the green economy;
- tourist services for people otherwise excluded from or limited by their living conditions in accessing them, provided in a manner that respects the values of sustainability, accessibility and solidarity (social tourism);
- shops for socially disadvantaged people (social shops), shops selling the products of small producers from the most undeveloped environments, based on ethical, transparent and equal business relationships between producers and traders aimed at ensuring fair pay for the producers and their survival (fair trade), and shops with services and products from social entrepreneurship activities;
- culture, technical culture and preservation of cultural, technical and natural heritage;
- amateur sport and physical activities for recreational purposes and socialisation;

- protection and rescue activities;
- promotion of local communities' development;
- support services for social enterprises;
- other areas of social entrepreneurship, that can be defined by special Acts.

All social enterprises are registered at the [national Ministry for economy and technology development](#). The law also proposes the regional support measures, i.e. points where specific support for social enterprises will be given (just recently put in force via National OP 2014-2020 funds).

### 1.3. If there have been no/few new policies in your territory, please describe the development of the policy landscape and ecosystem.

As stated in an OECD study from February 2022 (Bosting Social Entrepreneurship and Social Enterprise Development in Slovenia – OECD Study 2022) the social enterprises environment in Slovenia is characterised by a **broad spectrum of legal forms and statuses for entities willing to perform as social enterprises**. The institutional framework is also characterised by several departments in charge of social enterprise-related competences, which contributes to operating environments that are difficult to navigate for social enterprises. Co-ordination mechanisms among departments with responsibilities for the social economy and social enterprises, **such as inter-ministerial committees**, should be developed to allow better alignment across different policy areas. The establishment of a **task force overseen by the Council of the Social Economy** to undertake operational work on a regular basis could be an option to reinforce alignment across policy areas. **Simplifying the legal environment** where social enterprises operate and reinforcing coherence among support schemes, including fiscal benefits, could also help overcome the current fragmentation of the legal landscape.

Necessity to **build up a regional support environment** was strongly pointed out in the Applicative analysis of social entrepreneurship in Slovenia<sup>19</sup> as well as in the overview of social entrepreneurship in Slovenia prepared by the OECD. Specialised ecosystem for the development of social economy was pointed out also in the recently published Action plan for social economy prepared by European Commission.

Important change – **putting in force the regional support measure – points** planned to be put in force in 2022, will add on to the development of local/regional support to social enterprises (till now the support was given only via national support mechanism) and/or via support mechanisms on local/regional level that were not adjusted to needs of social enterprises and social enterprises start-ups.

The newly established support environment will offer free support services and information for development and professionalization of the social enterprises (new and existing ones). Support environment will assure promotion of the culture of the social entrepreneurship and

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<sup>19</sup> Bosting Social Entrepreneurship and Social Enterprise Development in Slovenia – OECD Study 2022.

development of partnerships for development of social enterprises and social innovation on local and regional level.

Regarding access to public markets, the OECD report finds the following: “Despite significant improvements in **public tendering processes**, the potential of Slovenian legislation to stimulate social enterprise access to public markets remains under-used. **Social enterprises in Slovenia still have limited access to public markets** due to the centralisation of welfare service provision by public agencies, poor technical skills among social enterprises and the limited support and expertise on social procurement in the ecosystem. In addition, access to private markets is affected by the quota system that **mainly benefits companies for persons with disabilities** and also depends on the legal form or status adopted by social enterprises.”

Although there is **public commitment to encourage social impact measurement** by policy makers and independent attempts by social enterprises, concrete progress is rather slow (new methodology in preparation).

Based on **strong monitoring of the status of social enterprises** established and ran by National ministry for economy and technology development the role of social enterprises is slowly growing, while they tackle relevant production/services that are important for the development of the society as a whole.

There are 261 registered social enterprises, while over 80 have lost their status, which for Slovenia is not at all a significant number, especially in the region Gorenjska we have only few social enterprises and we are lagging behind.<sup>20</sup>

Since many organisations in many ways work as social enterprises but in the case of employment centres (for which the state is covering costs for salaries of employees and vulnerable target groups/ based on concession) and many non-profit institutes, foundations or associations rather work under different legal forms. In these cases, the system of work is less rigid which gives them more space for needed flexibility and steady financial support from the state. Therefore „social entrepreneurship“ includes a broader number of institutions as seen from the list of registered social enterprises.

Additionally in **many cases social enterprises develop cooperation** in various ways (via exchange of experiences, via joint development of services etc.), which is based mainly on private initiatives of social enterprises. Hopefully with the establishment of the regional support measures, also public support will be given to social enterprises to better explore joint options for cooperation.

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<sup>20</sup> <https://podatki.gov.si/dataset/evidenca-socialnih-podjetij>

## 1.4. Social enterprise support policies in the context of the COVID-19 pandemic

As written in the OECD report, in the short term, **increasing the outreach of existing public and private financial instruments would improve access to finance for social enterprises.**

Many of the financial/ non-financial support measures identified in 2016 are still in place while some have been added based on the experiences of the COVID-19 pandemic, e.g. new topic of digitalisation or regional support measures.

### **Financial support:**

In the national strategy for development of social enterprises it is clearly stated that limited access to finances is the main reason for slower growth of social enterprises. Additional financial support infrastructure, financial instruments and intermediate bodies for access to capital for social enterprises are not yet developed.

Social enterprises cannot, due to their financial weakness, get access to specific entrepreneurial financial subsidies or loans that are supported through EU funds and provided by national ministries or national funds. Specific crowd funding, micro loans, donation schemes, business angels, risk capital, ethical banks are non-existing, therefore most of the social enterprises, that are „more successful on the market” are mostly financed by public funds (special public funds available through ERDF and ESS funds).

The rest of the social enterprises are mostly on their own, trying to find the money to develop the social enterprise mostly using their own resources or smaller donations.

On the other side there is very low knowledge among NGOs and social enterprises regarding the possible alternative forms of financing of the development of social enterprises.

Most of the banks are not „social enterprises” friendly and do not provide user-friendly services, that would offer social enterprises or social start-ups possibilities for favourable loans. Private companies are not likely to donate to social enterprises, they are often mostly interested in financing „sports” and other more „value for money” entities.

### **Existing financial support:**

#### **Private funds:**

There is only one private foundation for social investments<sup>21</sup> which main goal is to support social investments by offering smaller grants, bridge loans, impact microcredits, innovative instruments of impact bonds, but they are very limited with their resources (they so far manage 268 social investments worth 4 mio. EUR) and they support a broad range of beneficiaries, not special fund for social enterprises.

Due to scarcity of established social or impact-driven investors, it is very rare to find private investors who invest in social enterprises.

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<sup>21</sup> <http://www.sklad05.si/>

## Public funds – grants and loans

Grants and loans through structural funds via the National operational program for cohesion policy was so far given by:

- **microcredit scheme** on Slovene enterprise fund where special micro loans for social enterprises can be obtained<sup>22</sup>, but due to the fact that social enterprises are weak (especially looking at balance sheets) the progress with using this very welcome support is expected to be rather slow.
- **Start-up social enterprises:** incentives for founding enterprises and youth cooperatives/special support for creatives, under the condition that they are social enterprises.

Even if a social enterprise obtains a public grant for development of new line of business of social enterprise, there is always a condition to provide several regular employments to vulnerable target groups involved in the starting phase of the new „business endeavour“ after the closure of the project and after the public support is finished. In case that they cannot secure employment after the closure of the project, the social enterprise can expect that they will have to return public funds.

Grants for the development of new social enterprises are usually „project-based“, therefore long-term co-financing of newly established activities cannot be foreseen. Thus, even if social enterprises are counting on structural funds money they can easily end up in financial difficulties (so-called gap between one and next public financing).

Based on findings during the COVID-19 pandemic, new support measures were put in force:

- Voucher for digital marketing of the social enterprises, covering 60% of the costs for web pages, mobile applications etc.
- Voucher for upgrading digital competences, which cover costs for upgrading digital competences in social enterprises.

The Slovenian Export and Development Bank (SID Banka), through its “Fund of funds”, offers public financing instruments for SMEs (and other legal entities) that can also benefit social enterprises. These financial instruments support the objectives of the EU's 2014-2020 Cohesion Policy through four priority areas: research, development and innovation, small and medium-sized enterprises, energy efficiency and urban development. A total of nine financial instruments have been developed and disseminated through several financial intermediaries, such as the Slovenian Enterprise Fund, the Public Fund of the Republic of Slovenia, contracted commercial banks (Primorska Savings Bank Vipava, Gorenjska banka, Sberbank, Delavska Savings Bank, NLB) and through SID Bank itself, four of which have been specifically targeted at SMEs. Social enterprises of all legal forms and statuses can in theory access two general instruments, namely micro-credits for SMEs of up to €25,000 and loans for responsible research and innovation of up to €10 million. However, the call for tenders for these instruments does not include social criteria and no social enterprise has applied so far. In

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<sup>22</sup> <http://www.podjetniskisklad.si/en>

response to the COVID-19 crisis, the Fund has received an additional EUR 65 million, of which EUR 60 million foreseen for SMEs is to be increased by a factor of 1.5 by private banks to offer micro-credit, and EUR 5 million foreseen for responsible research and innovation is also to be increased by a factor of 1.5. These two instruments are available to social enterprises. Although no specific support measures have been adopted to support social enterprises, some social enterprises, such as cooperatives and limited liability companies, are eligible and are expected to benefit from the general measures.

In January 2021, the Ministry of Economic Development and Technology allocated €4.4 million to support social entrepreneurship. This was triggered by the 2010 OECD recommendation to recognise and support social enterprises through seed funding, advisory services and other mechanisms specifically designed to support social enterprises. Under this initiative, €3 million have been foreseen for mentoring schemes through calls for tenders managed by the Slovenian Regional Fund and co-financed by the European Social Fund. The Slovenian Agency for Entrepreneurship is running a €13 million call for tenders to support SMEs, co-financed by EU React, with €1 million of the total amount going exclusively to social enterprises. Applicants selected in the call will be eligible for grants to support marketing skills and/or vouchers to upgrade digital environments such as websites and apps. The call was launched at the beginning of October 2021 and the first applications have already been received. An additional call for proposals was launched in November 2021 for an amount of EUR 400,000 for Supporting the social economy ecosystem in the eastern and western regions of the country to strengthen enterprise development through mentoring programmes.

#### **Non-financial support (free services for social enterprises):**

- Slovenian forum of social enterprises, which was established in 2011 (85 founding members), with the aim to bring together organisations (from public, private and NGO sector) interested in development of social entrepreneurship in Slovenia.<sup>23</sup> Members can exchange information and knowledge.

Education and trainings: Most of the faculties in the field of economy and entrepreneurship (public and private) have in their regular educational programs at least some parts of education content connected to social entrepreneurship, in some cases they provide a specific subject on social entrepreneurship.<sup>24</sup> There is also a range of shorter trainings and workshops connected to the development of social enterprises but these are mostly connected to the public (EU) funds.

**Additionally, some general support**, mostly giving the support to SMEs and start-ups in general, is the following:

- One-stop-shop for SMEs and start-ups (traditional national scheme available in all regions in Slovenia), but the knowledge of experts working there are not „social enterprises” specific, but more general in terms of support organisation for SMEs and

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<sup>23</sup> <http://fsp.si/>

<sup>24</sup> <http://gea-college.si/>

start-ups. To specifically support social enterprises, the experts would have to attend a particular training.

- Coworking centres: we have a range of coworking centres that in some cases are also promoting that they are „social enterprises friendly”, but none of them only caters to the needs of social enterprises.
- Google fund: € 1 million will be allocated from Google.org to strengthen the Slovenian social entrepreneurship ecosystem and an additional €500,000 in grants to provide access to capital and support for disadvantaged entrepreneurs. The funding is part of the new Google.org Fund for Social Innovation in Europe, which supports the development of social entrepreneurship in Europe.
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## 2. Territorial analysis: current status of Social Enterprise development policies

### 2.1. Best Practice identification: What policies have been especially successful to support social enterprises?

Social entrepreneurship is under the patronage of the National ministry for economy and technological development giving social entrepreneurship an important role in the society. The National ministry also proposes the needed support measures based on the Law and regular contacts with social enterprises. Additionally, the supervised list of social enterprises also gives clear value and recognition to social enterprises. Moreover, the Ministry promotes social enterprises and provides in many ways links with other stakeholders (e.g. local communities, other national ministries).

Slovenian Ekvilib Institute implemented yearly research measuring the impact of COVID-19 on the social responsibility in the period of 2021-2022 (report on social responsibility: [www.ekvilib.si](http://www.ekvilib.si)). Ekvilib is a non-profit and independent organisation, active in the fields of social responsibility, human rights, and development cooperation. The Institute is committed to socially responsible action by all actors of the society, with special emphasis on corporate social responsibility and socially responsible management of human resources. It is a holder of the certification process "Family-Friendly Enterprise" and they perform various trainings and consultancies in this field.

The research pointed out the high importance of social responsibility which is even increasing in the time of the COVID-19 pandemic. It seems companies are adapting to the situation since social responsibility measures are increasing while fear of the virus is decreasing. It is encouraging to see improvement of corporate social responsibility during the COVID-19 pandemic.

On 9<sup>th</sup> June 2022, the Ekvilib Institute in cooperation with E-zavod organized an international conference "Trends in Corporate Social Responsibility" in the IEDC school Bled.

Resulting from the workshop, the following factors were suggested to the decision makers for improvement of Social Entrepreneurship policies:

#### Internal:

- higher level of employee engagement
- more healthy and safe working environment
- good chance for developing resources for organizational development in general
- walk the talk- credibility/integrity of the leadership
- strengthening the power of corporate and other brands of the organization
- employee satisfaction/empowered employees
- creating stable/positive organizational culture and comfortable organizational climate
- costs optimization
- rise of an intellectual and social capital of the organization
- psychological safety of the employees
- resilience on each level (micro/mezzo/macro)
- employee retention

#### External:

- rise of the employer brand strength
- rise of the corporate brand strength/ corporate reputation
- subsidies and advantage at the public tenders
- competitive advantage in the labour market
- to be in line with world and EU policy trends
- positive effects on environment- sustainable development goals/contribution to the environmental issues of the civilization
- positioning in a world business environment / supply chains
- stakeholder requirements
- competitive advantage in general
- general awareness of the end users and various stakeholders/publics in terms of sustainability
- link with the local communities/social progress
- legislation/policy level

Moreover, some social enterprises are opening new areas of work, e.g. local value chains with food, reuse of waste/products, circular economy, based also on support measures offered by the state and local communities.

Some best practice examples:

#### **a.) Eco-social farm Korenika (Pomurje region)**

The eco-social farm Korenika is located in Šalovci, in the Regional Park Goričko. Korenika is recognised by the professional public as an example of good practice in the field of social entrepreneurship, employment of persons with disabilities and persons from other vulnerable social groups and protective employment. The eco-social farm develops activities in the field of organic agriculture in connection to the protection of natural and cultural heritage and the development of organic tourism. They are engaged in organic production and processing of fruits, vegetables, cereals and herbs. They cultivate about 16 hectares of arable land, 2

hectares of orchards and 5 hectares of meadows. Every day, 50 to 60 people from vulnerable groups are involved in farm work. Most are fulltime employees, and some are enrolled in social inclusion programs, while some are enrolled in various work training, rehabilitation and public works programs. The farm runs as employment centre and social enterprise.

### **b.) Voluntary cooperation between Vincenc Draksler foundation and Kranj waste management company**

The primary objective of the Vincenc Draksler Foundation is to help vulnerable groups of the population, especially former drug and alcohol addicts, people with disabilities and young people in need, by co-funding programmes, by providing employment rehabilitation and job training and education. The secondary objectives are to create the conditions to help those in need by working as hard as possible, seeking new challenges for development and promotion. Through their activities in the field of re-use, the foundation aims to reduce the amount of waste disposed of, in order to contribute to the protection of the environment. By selling second-hand items they want to enable people to buy second-hand but still useful items at a good price.

The foundation has been cooperating with Kranj waste management company for years, but during the COVID-19 period, the cooperation intensified due to common challenges. The cooperation was submitted to the competition for Socially Responsible Partnership Awards and won the first prize in the SMEs category.

Cooperation resulted in several innovative products/services:

- Development of bike restoration workshop.
- Setting up the exchange of second-hand clothes.
- Development of series of new wooden products, as for example wild bee-hotels, wooden decorative candles, and refurbished furniture.
- Development of innovative internal waste collection spots for schools.
- Development of zero waste eco-islands.
- Development of game for children called wheel of knowledge.

The most innovative value in all the projects comes from the materials used, which take on a new function or give new life to the original. In this way citizens reduce shopping, reduce packaging and reduces the carbon footprint.

### **c.) Kostak and Knof win first award for socially responsible synergies**

The Socially Responsible Synergies Award focuses on successful partnerships between a company and a non-profit stakeholder. Special attention is paid to innovation, which encourages companies to create innovative sustainable solutions. The award includes criteria related to the positive impacts of the partnership, for society, the environment and the economy, as well as for the company. The need for collaboration and social-environmental innovation is all the more necessary in challenging times, as many examples of good practice show. The most appreciated of these was the project "Re-used furniture showroom", which is being implemented in cooperation with the Knof Institute. The latter reflects a circular economy approach and the reuse of solid wooden furniture, aimed at new users.

Awareness-raising and waste prevention efforts are Kostak's business domain. Through the project, more appropriate sorting and reuse is promoted. KNOF ensures that the products are properly repaired or refurbished, temporarily stored and returned to the market (sold). The results of the project or business model are most visible through the increased number of green jobs and the inclusion of people with disabilities, the reduction of landfilling for reuse and the reduction of negative environmental impacts.

#### **d.) Certificate Socially Responsible Employer (ISO 26000)**

The Socially Responsible Employer certificate is based on the guidelines of the international standard for social responsibility ISO 26000, which aims to improve socially responsible management in organisations and companies in Slovenia in relation to employees. Through a set of measures, the certificate offers employers opportunities to improve in the areas of work-life balance, health and safety at work, intergenerational cooperation and topics such as ethical management and non-discrimination at work. This improves working conditions in individual companies, creates flexible forms of work organisation, raises the level of a positive organisational climate and work culture, thus creating an attractive environment in which to work.

The certificate does not only include a commitment to social responsibility at the highest management level in an organisation or company, but also addresses employees to actively participate in the design and implementation of activities for socially responsible business operations of the organisation or company. In this case, we are talking about raising the level of awareness of social responsibility at all levels of management.

Through a set of measures, the certificate offers employers opportunities for improvement in the areas of work-life balance, health and safety at work, intergenerational cooperation and topics such as ethical management and non-discrimination in the workplace. This will, among other things, increase the willingness of individuals to stay longer in the workplace, especially older people aged 45+, which will help to increase the labour force participation rate.

The objectives of the Socially Responsible Employer certification are

- to encourage employers to act in the field of social responsibility or sustainable development
- to strengthen the socially responsible management of companies and organisations,
- improving working conditions by creating flexible forms of work organisation
- improving the organisational climate and work culture; and
- improving the attractiveness of the working environment.

During the pandemic the number of Slovenian enterprises with ISO 26000 grew significantly. As many as 62 new enterprises received the certificate in 2021 and 138 are planned to receive the certificate in 2022.

#### **e.) sPOINT - Social Policy Information Point**

As of 1<sup>st</sup> April 2022, the sPOINT - Social Business Information Point project was launched under the Strengthening the Support Environment for Social Enterprises call for proposals. Under the auspices of the Ministry of Economic Development and Technology and with funding from

the European Regional Fund, the project partners will be the Regional Development Agency of Gorenjska - BSC Kranj, the Rotunda Centre, Koper, so.p. and the Regional Development Agency of the Ljubljana Urban Region, together with five associate partners. Nova Gorica, SLOAM - Agency for Youth, established a specialised support environment for social enterprises in the West Slovenia Cohesion Region in the framework of 4 information points.

The aim of the project, which will be implemented in 2022 and 2023, is to establish an effective and encouraging support environment for social enterprises, which will contribute to strengthening the skills and competences of social enterprises, increase the opportunities for the creation of new social enterprises, promote the growth of existing social enterprises, strengthen the information of social enterprises for the development and promotion of social entrepreneurship, contribute to the creation of new jobs and the networking of social enterprises with the local environment, research and educational organisations and the economy, with the aim of creating conditions for better access to the market.

The Ministry of Economic Development and Technology has allocated a total of almost €418,220 to two projects under the call for proposals for Strengthening the Support Environment for Social Enterprises. In the West Slovenia Cohesion Region, the activities of the supportive environment will be implemented by a project partnership led by the Regional Development Agency of Gorenjska - BSC Kranj, and in the East Slovenia Cohesion Region, the activities of the supportive environment will be implemented by a project partnership led by the Development Agency of the Savinjska Region, d.o.o.

New and existing social enterprises in each cohesion region will thus be provided with a supportive environment, free of charge, to develop and professionalise. The support environment will also ensure the promotion of a culture of social entrepreneurship and will help to build partnerships for the promotion and development of social entrepreneurship and social innovation at local and regional level.

## **2.2. Outlook: Challenges, Opportunities, and barriers**

Beside already existing opportunities and barriers the COVID-19 pandemic exposed additional vulnerability of the social entrepreneurship from knowledge, organisational and financial point of view. Additionally, also public and private sector put priority to other urgent matters (also connected to health and provision of necessary funds to people in need from public funds directly or via calls) while social enterprises as the final buyer of the products/services suffered a lot, e.g. losing customers, market, having troubles paying the employees. Once more it was proven, how vulnerable social enterprises are from a financial point of view and that a special financial mechanism only for social enterprises is needed. Moreover, clearly the lack of appropriate management skills was observed, leading to losing the status of social enterprise or cutting down the scope of work.

### **Challenges:**

- Policy stakeholders, for-profit companies and citizens lack understanding of what the social economy sector is.

- For the last 5 years, Slovenia is faced with an absence of a long-term strategy of development of social economy since the last strategy already expired in 2016.
- Absence of a comprehensive analysis of the sector. The last analysis was prepared in 2018 and it should provide a base for a new national long-term strategy of the social economy sector 2019-2029 but the plans of previous government were not implemented. The statistical office of Slovenia does not monitor the sector and its impact separately, so there is no available data to argue interests of the sector.
- Absence of measures, which could boost the development of social entrepreneurship: no tax incentives, no support in the field of public procurement, no measures of public concessions to SE, which could implement social services in the name of the state/municipality.
- Absence of public calls for support, the last one was published in 2015/2016.
- The Slovenian Social Economy board that was set-up in 2011 and includes members of national Ministries, representatives of social companies and research institutions that would cooperate to ensure better development of social economy. The Board never met since it was established.
- Absence of social economy and entrepreneurship in formal education curricula. Education is available only through informal and short-term programs.
- In Slovenian Cohesion Operational Program 2021-2027, social economy is largely ignored, although representatives of the sectors prepared suggestions for potential projects. Upon this experience, the conclusion is that Slovenian members of social economy sector need a stronger national association, which will be able to present and argue the interests of social economy in Slovenia in the national policy making.
- Trainings and skills among social entrepreneurs are not sufficient and need to be upgraded
- No discounts in taxes (VAT, income tax) for social entrepreneurship are not available so far

#### **Opportunities:**

- Social entrepreneurship has big potential for growth in market niches that so far were not relevantly exploited
- Defined Ministry responsible for social entrepreneurship, legal acts, strategies, action plans, quality assurance and monitoring in the field of social entrepreneurship
- National operational program 2014-2020 offered possibilities to upgrade social entrepreneurship in Slovenia
- There is a strong determination of the national ministry for economy and technology development to upgrade regulations to increase the possibilities for social enterprises and

to enlarge the possibilities for companies who employ people with disabilities and employment centres to join the family of social enterprises

- There is a strong determination of the national ministry for economy and technology to support development of support mechanisms to enable the improvement of support landscape for social entrepreneurs
- There is a need for improvement of recognition of social entrepreneurship, its role, principles and potentials both on local, regional and national level
- Local communities so far do not provide specific calls for social enterprises, but there is a growing number of local communities in favour of social enterprises - therefore there is time and place for development of local support mechanisms for social enterprises
- There is a need to upgrade understanding and knowledge in public procurement among public officials to quicker develop the market possibilities for social enterprises
- Some SMEs are in favour to support social enterprises in the case that they have a „strong case” and they are trustworthy, therefore opportunities for bigger involvement of SMEs in social entrepreneurship can be expected
- Some banks are showing more and more appreciation also to smaller investors in businesses, also the word „ethical bank” is becoming more understandable so there is a clear expectation that beside public support of social enterprise in a long run loans from private banks should be developed
- Traditional solidarity among inhabitants and strong role of NGOs, which mostly are still based on voluntary basis but have big potentials to gradually develop some ideas in the field of social enterprises

### **Barriers;**

- Social entrepreneurship still remains „the outsider” and will not be the best understood and supported in the overall policy field (national ministries, local communities).
- Due to rather harsh conditions of the Act for social enterprises, many of social enterprises will lose the status - registration at the national ministry
- Due to unfavourable financial incentives (especially at private banks with no favourable loans) and limited public funds, further low development opportunities for social enterprises can be expected
- Further low readiness of national level for tax deduction for social enterprises
- Further non-existence of specific benefits for local communities and private companies to act as strategic partner (buyer of services and products) from social enterprises
- Social enterprises will remain financially weak with so-called local focu” with rather unstable business models, unstable incomes, rather low employment and too low

standards of quality of products/services therefore will be pushed over the „edge of the interest and support

- Social entrepreneurship act and other legislation will remain the same; therefore no opportunity for cutting down the barriers and possibilities for further opening the field for innovative approaches and ideas (including tax policies)
- The support mechanisms on regional/local level, so far not developed, will not be adequate, therefore no adequate support, especially in „soft measures” cannot be expected
- Due to further limitation of public funds further existing benefits and services of social state can be lost and some „elementary fields of social state” will be pushed to „social entrepreneurship only” option.

## 2.3. Policy recommendations

### **a.) Reviewing the fragmented framework allowed by Social Entrepreneurship Act and considering a possible rationalization and a bureaucratic simplification**

Review could lead to simplification that would contribute to better understanding of social entrepreneurship by policy stakeholders, for-profit companies and citizens.

### **b.) Development of Social Economy Strategy**

Since last 6 years, Slovenia is facing the absence of long-term Strategy of development of Social economy. Last strategy already expired in 2016. Slovenian Social Economy Board should be reintroduced, and comprehensive government-lead analysis of the sector performed.

### **c.) Developing a stronger financial framework supporting the Social Economy sector**

Social economy should be supported through the Cohesion Operational Program 2021-2027, where social economy is currently largely ignored. Further tax incentives (VAT, income tax...) could be introduced for social enterprises. Tailored public tender/procurements for social entrepreneurs could be introduced as well as measures for introduction of public concessions to social economy sector.

### **d.) Improving competitiveness of social economy sector**

Successful social economy enterprises should be further supported to ensure market competitiveness, cooperation with business sector, cooperation with academia and internationalisation. Special development-oriented calls could be introduced for more advanced social entrepreneurs to design showcases of possible success in the sector to other followers, who would then easier decide to enter the social economy.

# Poland, Podkarpackie Region

## 1. Comparative analysis: Changes in Social Enterprise policy landscape

*Please use the regional Policy Mapping from the WP3 “Social Enterprise Landscape & Comparative Analysis” as a reference point.*

### 1.1 Comparative analysis: In comparison to the original Policy Mapping, what changes have occurred in the Social Enterprise policy landscape?

*Have there been any new policies or programs to support social enterprises and/ or the social economy sector in general?*

*Please refer to new policies/ programs in the following areas:*

#### **Legal and regulatory framework (e.g. legal definition of SEs)**

As reported in the last policy mapping, we have still the same situation when it comes to Legal Definition of SE. In Poland, the definition of the social economy and the characteristics of social entrepreneurship were defined for the first time in the National Program for Social Economy Development (KPRES) for the years 2014-2020 - a government development program.

KPRES was developed by the Strategic Affairs Group operating as part of the Systemic Solutions in the field of Social Economy under the leadership of the Ministry of labor and social policy, and sets the key directions of public intervention aimed at shaping the best conditions for the development of the social economy and social enterprises. In KPRES, the social economy is defined as "the sphere of civic activity, which through economic and public benefit activities serves for professional and social integration of people at risk of social marginalization, it helps new jobs creation and provision of social services of general interest which lead to local development."<sup>25</sup>

There is no clear and one definition of a social enterprise in Polish legislation, but the characteristics and operational definition of such an entity, presented in the already mentioned National Program for the Development of Social Economy, are consistent with those adopted by the European Commission, and all types of social enterprises operating in Poland meet the requirements of the EU characteristics. Work on the preparation of regulations for the legal environment of social enterprises took several years in Poland. However, they were suspended in September 2015.

#### **Access to finance**

No changes comparing to the one described in the first analysis. The social sector is rather based on EU finances and dedicated projects, there is still not much of systemic and more complementary possibilities.

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<sup>25</sup> [https://www.ekonomiaspoleczna.gov.pl/download/files/KPRES\\_RM.pdf](https://www.ekonomiaspoleczna.gov.pl/download/files/KPRES_RM.pdf)

## Access to market (e.g. public procurement regulations)

Recommendations after the policy implementation results analysis emphasised the lack of competition conducted by entities in tenders for procurement from local governments. The application of social clauses to public procurement processes still has the potential to be more promoted among representatives of local government units responsible for public procurement.

## Business Support structures

The same business support structures mentioned in the last mapping document are operating now: the OWES – SOCIAL ECONOMY SUPPORT CENTERS. The main goal of the Rzeszów Social Economy Support Center is to support and promote social economy entities operating in the Podkarpackie region. The key principle underlying the functioning of our Center is social mission, understood as the priority of acting for the benefit of people over maximizing profit. They provide more or less the same support now as it was mentioned in the first analysis which mainly is:

consulting local animation training accounting, marketing and legal support financial support for job creation etc. OWES also collects statistical data on how many services already have been given to social entities, which kind and what are the needs for the future actions. It influences further the policies dedicated to social economy sector in the region.

## 1.2 If there have been no/ few new policies in your territory, please describe the development of the policy landscape and ecosystem.

*Please describe how the social enterprise support ecosystem has evolved in the last years. Were there any unsuccessful initiatives or policy proposals? Are there new ecosystem enablers? In terms of the opportunities and barriers which were originally identified, have those been addressed in the last three years?*

Opportunities and barriers identified in the implementation of policy instrument:

- ROP of Podkarpackie PRIORITY VIII
- Measure 8.5:

Support for the development of the social economy sector in the region, covering the provision of animation, incubation and business services for supporting the development of the social economy through accredited subregions (competition projects).

- Measure 8.6:

Coordination of the social economy sector in the region, being implemented through an out-of-competition project of the Centers for Social Policy, covering various activities related to the coordination of the social economy sector (including, among others supporting the cooperation of Social Economy Support Centers, SE entities and other institutions, increasing the visibility of SE and evaluation))

## Support effectiveness

The achievement of the programme's objectives as measured by quantitative indicators is not jeopardized. At the same time, problems were found with the implementation of the non-measurable goals assumed by the project promoters, primarily related to the **promotion of SE** and **creating a friendly social environment** around it. Most of the barriers to the effectiveness of SE support in the region are systemic and they are not related to the practice of projects implementation. Therefore, it should be considered that the implementation of the projects under the current conditions is satisfactory. The COVID-19 epidemic was the main reason for the reduction of project activities and delays in the implementation.

## Usefulness of support

The projects mostly met the participants' needs, especially in terms of financial support. The objections raised most often related to educational activities: training and counseling provided by highly qualified people **who do not fully know the specificity of the social economy**. The respondents (Social Entity founders, owners, workers) primarily indicated the **need for support** related to the economic / business aspect of the entities' operations, sales, obtaining orders, building a position on the market and investment support for the already existing SE. Support for the social economy sector should address this list of problems in the future financial perspective (now under preparation). Business support should also be aimed at **creating an offer on the bank loan market** addressed to SE entities. The sustainability of the effects of Measure 8.5 and Measure 8.6 largely depends on whether the SE created or supported under the project remains in SE ES support system. As a result, SE entities undertake activities that are conducive to staying in the system, although such activities may be contrary to the entity's development priorities (e.g. increasing employment). It may also have an impact on the sustainability of previously created jobs, as it prompts the employer (of SE) not to extend employment beyond 18 months. The average cost of one job created in a social enterprise was zł 87,489.73. From an activating point of view, SE projects are quite expensive. When it comes to implementation of social clauses the report on the effects of policies reveals that there is **no sufficient usage** of this to support SE. Social Economy representatives also pointed to the **lack of competition** conducted by entities in tenders for orders from local governments. The application of social clauses of the PPL **should be more promoted among representatives of local government units** responsible for public procurement.

### 1.3 Social Enterprise support policies in the context of the COVID-19 pandemic

*Are the new policies long-term or temporary (e.g. temporary as part of COVID-19 mitigation measures)? Were the policies introduced as a result of the pandemic or independently? Did the pandemic spark any significant policy changes in your territory?*

#### **New instrument: PURCHASING MECHANISM**

Addressed to social economy entities (PES) which are:

- impacted by COVID-19,
- having a difficult situation,
- being able to deliver goods or services which counteract COVID-19.

The allocation 200,000.00 PLN–approx. 42 500 EUR.

The maximum amount per one social entity 25,000.00 PLN–approx. 5300 EUR.

Products and services purchased from social entities are provided free of charge, and their recipients allocate them to:

- personnel involved in counteracting the effects of COVID-19;
- people in need, in particular: seniors, people with disabilities, the homeless, children in foster care,
- for own use, in order to minimize the effects of COVID-19.

The idea was to release public entities from public procurement rules and make orders directly from Social Entities. In connection with the recommendation of the Minister of Funds and Regional Policy regarding activities undertaken in OWES projects as part of Regional Operational Programs, the possibility of using the PES and PS support mechanism was introduced by OWES purchases from these entities, products or services related to counteracting the effects of COVID-19. Purchases are made from PES, including PS, affected by the effects of COVID-19 in order to provide these entities with orders and enable further operation. Among the most frequently performed by OWES "purchases" we can mention, among others: ordering personal protective equipment produced by PES and PS (e.g. protective masks, helmets) and providing them free of charge to health care institutions; ordering catering services (preparation and delivery of meals) provided by PES and PS and providing them free of charge to people in a difficult situation in connection with the occurrence of COVID-19 (elderly people, people with disabilities, children who have so far benefited from free meals in schools, people in isolation or quarantine and people who need support in everyday functioning in the local community); ordering hygiene products (e.g. disinfectants) from PES and PS, providing them free of charge to the organisations mentioned above; ordering social services provided in the local community, in particular care and assistant services for people who have been cared for in institutions (24/7 and day care facilities) or who require such care in connection with the pandemic situation in the country, along with personal protection measures for employees providing services; organization and rental of 24-hour spaces for the stay during quarantine, as well as for the stay of health care staff and other social services or intended to temporarily reduce the number of people in 24-hour institutions; procurement of cleaning and decontamination services for buildings and public spaces; other services and orders for goods, the use or application of which may arise

with the development of the pandemic situation in the country, and the production, distribution and provision of which is not restricted by other legal regulations relating to the state of the pandemic.

## 2. Territorial analysis: current status of Social Enterprise development policies

### 2.1 Best Practice identification: What policies have been especially successful to support social enterprises?

Please describe which policies or programs are the most successful to support social enterprises in your territory. Have they been introduced in the last three years?

Purchasing Mechanism as a counter measure to the COVID-19 pandemic (Described above)

### 2.2 Outlook: Opportunities and barriers

*Please indicate areas that are currently not covered by your policies and strategies addressed to social entrepreneurship but should be improved in the coming years. What is still needed to support social enterprises in your territory? Are there any changes or new policies in sight that might be introduced in the near future?*

Recommendations for the new policy perspective, after the analysis of currently existing policies are as follows:

They relate to the need to change the intervention logic, which should do more be oriented towards supporting existing SEs and their various needs development and move away from unequivocally oriented interventions towards growth employment in SE entities.

These are:

- recommendation of further promotion of social clauses and commissioning the implementation of public services by social entities,
- recommendation to support the access of business services for social entities which OWES does not provide directly, but financially supports their acquisition, e.g. from the specially dedicated database
- recommendation to reorient a significant part of the support for the social economy to actions not related to job creation

Due to the fact that the social entities operating for a long time on the social market are interested in acquiring credit support from the bank, and at the same time often today their applications are different reasons rejected as risky, it is also necessary for the appearance of a loan offer product-oriented to the needs and possibilities of PS. Therefore, it is recommended to take the initiative to the Ministry of Labor and Social Policy in the scope of undertaking negotiations with banks on the loan offer for the ES sector.

# Germany, Baden-Württemberg

## 1. Comparative analysis: Changes in Social Enterprise policy landscape

*Please use the regional Policy Mapping from the WP3 “Social Enterprise Landscape & Comparative Analysis” as a reference point.*

### 1.1 Comparative analysis: In comparison to the original Policy Mapping, what changes have occurred in the Social Enterprise policy landscape?

*Have there been any new policies or programs to support social enterprises and/ or the social economy sector in general?*

*Please refer to new policies/ programs in the following areas:*

- Legal and regulatory framework (e.g. legal definition of SEs)
- Access to finance
- Access to market (e.g. public procurement regulations)
- Business Support structures

The original Policy Mapping (spring 2018) found the social economy sector in Germany to be very heterogenous and there was not much data available about specific characteristics of the sector. There had not been a particular legal form for social enterprises but plans to establish a new legal form on a national level better reflecting the needs and characteristics of social enterprises. Generally, SEs had a more local focus, small annual income and were rather small and young entities. With the new regional “Start-Up BW” campaign from the Ministry of Economics, Labour and Tourism Baden-Wuerttemberg, founding activities were increasingly supported by the land, but it was found that tech start-ups received more attention than social start-ups, despite an officially comprehensive approach to “innovation”.

While many of these characteristics of the social economy in Germany remain true today, there have been some developments and new policies (or policy aspirations) in the following areas:

#### **Legal and regulatory framework**

In the original Policy Mapping, the low availability of data on the social economy sector was highlighted, which has since changed through the **German Social Entrepreneurship Monitor (DSEM)**. Since 2018, the German Social Entrepreneurship Monitor collects data on the German social entrepreneurship ecosystem with the aim to provide decision-makers from politics, business and civil society with a basis for supporting social enterprises. The DSEM is published on a yearly basis by SEND (Social Entrepreneurship Netzwerk Deutschland). In addition to conventional metrics such as organisation size and turnover, it collects specific data relevant to the ecosystem, e.g. choice of impact models, types of governance, data on non-profit status or number of volunteers. Since 2020, the DSEM has been integrated into the European Social Enterprise Monitor, led by EUCLID Network and funded by the European Commission. The German edition is additionally funded by private foundations.

On a **regional level, a study on social innovation** was carried out by Steinbeis Europa Zentrum (SEZ), the Centre for Social Investment (CSI) of the University of Heidelberg and the Ministry for Labour, Economics and Housing Baden-Wuerttemberg in 2018 which examined the economic and technological relevance of social innovations in the region of Baden-Wuerttemberg. One key finding of the study was that suggestions for social innovations are mostly made by civil society organisations, but ideas are often not further developed and therefore rarely reach commercialization. Only few economic actors are involved in social innovations, while most social initiatives by economic actors take place in the realm of corporate social responsibility strategies (CSR). Synergies between actors from civil society and the business community remain mostly unexploited. Social innovators and companies remain isolated from each other and often cannot find suitable support, partners or investors. However, the study also identified factors that were crucial for the success of social innovations in Baden-Wuerttemberg, e.g. the cooperation of actors from different sectors who had not been cooperating before and a secure financial basis in the development and growth phases of the product or service. Effective cooperation of economic and social institutions, public awareness for certain social issues and customer acquisition when the social innovation has entered the market are also named as essential for the success of a social innovation.<sup>26</sup>

The election of the **new federal government** in autumn **2021** is seen as favourable to the development of new policies in the social economy sector since the **coalition agreement** has laid a solid foundation for political progress. Among other things, the coalition agreement provides for the creation of a legal framework to make dormant assets available to the public good, potentially in the form of an Impact Fund. The Federal Ministry of Economics and Climate Protection and the Federal Ministry of Education and Research will jointly launch a **National Strategy for Social Entrepreneurship/Social Innovation** which will build on a concept of the previous government. The first concrete steps are to be taken by the end of 2022. The Strategy will entail the implementation of an EU-funded programme "React with Impact" intended to help social entrepreneurship become more widespread in society, the creation of a legal form of "company with tied assets" that cannot be misused as a tax saving model and the continuous development of public procurement to strengthen social economy actors. Social entrepreneurship is also to become an integral part of the start-up strategy currently developed by Ministry of Economics and the strategy will strengthen technology and knowledge transfer from the Higher Education institutions.

### **Access to finance/ Business Support structures**

In March 2020, the **German Foundation for Engagement and Volunteering** was created as a foundation under public law by three Federal Ministries with the aim to strengthen and promote volunteering and civic engagement in Germany. Equipped with 30 million euros annually, the foundation provides services such as counselling and qualification for volunteers and supports associations and initiatives in the further development of their organisational

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<sup>26</sup> Victoria Blessing, Sarah Mortimer, Ute Bongertz, Georg Mildenberger, Jonathan Loeffler, Neue Technologien und soziale Innovationen. Europäische Forschungsstudie über private und öffentliche Initiativen (Stuttgart: Steinbeis-Edition, 2018).

structures. In 2022, the foundation offers five different funding programmes for civil society organisations, e.g. supporting the digitization of small associations, activities to support families and young people or civil society in rural areas, as well as funding for research on civic engagement and volunteering.

Also on the national level, the introduction of a new scheme can be reported: In May 2020, the Federal Ministry for Education and Research launched the competition “**Gesellschaft der Ideen**” (**society of ideas**), a competition for Social Innovation ideas. Applicants could propose concepts for addressing societal challenges of which the best ideas were selected to be further developed in a 3-step programme. The competition was not limited to any organisational form or any specific topic, the general public was also involved in the selection of the best proposed ideas by the means of a public consultation. 30 projects were selected in a first step to further conceptualize their ideas within a period of 6 months. In August 2021, 10 projects were chosen for a 2-years testing phase during which the ideas can be further developed and scientifically backed. In the last step, five project teams will get the opportunity to fully implement their projects, supported by scientific, technical and financial means.

On the **regional** level, the number of **business support structures targeted specifically at social enterprises** has increased since the original analysis. These support structures are mainly active in metropolitan areas (Stuttgart, Mannheim, Freiburg, newly established in Karlsruhe since 2022) and are mostly funded by local authorities or foundations, but are not part of the “Start-Up BW” campaign of the land (see point 1.2).

Since July 2022, there are also “**EXI start-up vouchers**” available to social entrepreneurs. EXI start-up vouchers are a regional offer from the state of Baden-Württemberg that provides those interested in starting a business with subsidised access to low-cost, individual advisory services during the pre-start-up phase. This service is funded by the European Social Fund (ESF+) and from state funds. Most EXI start-up contact points consult founders either from a specific region or with a thematic focus (e.g. MedTech, bioeconomy etc.), but at least two EXI start-up contact points offer specific support to social start-ups.

In response to the findings of the above-mentioned study on Social innovation in Baden-Wuerttemberg, the of Economics, Labour and Tourism entrusted SEZ and CSI with the organisation of three so-called “challenge events” within the project “Technological Innovations to Address Societal Challenges - **Social Innovation Challenge Baden-Württemberg**”. The project brought together stakeholders from different sectors to work on concrete social innovation projects and therefore aimed at bridging the gap between ideation and technological/economic implementation of a project idea with the involvement of stakeholders from different sectors. At the challenge events and subsequent workshops, interdisciplinary discussions were held on social challenges and innovative approaches to solutions were developed, which were summarized in a guideline for developing implementation strategies in the field of social innovation.

## 1.2 If there have been no/ few new policies in your territory, please describe the development of the policy landscape and ecosystem.

*Please describe how the social enterprise support ecosystem has evolved in the last years. Were there any unsuccessful initiatives or policy proposals? Are there new ecosystem enablers? In terms of the opportunities and barriers which were originally identified, have those been addressed in the last three years?*

### Legal and regulatory framework

As mentioned above, there has been a positive development of policy aspirations regarding the social economy sector on the national level, with the 2021 coalition agreement **announcing a National Strategy for Social Entrepreneurship/Social Innovation**. However, so far no concrete steps have been undertaken, especially when it comes to the topic of **legal forms** for social enterprises. To this day, social enterprises in Germany operate under different legal forms (for-profit and non-profit), making it difficult to establish inclusive eligibility rules for funding and support programs. The diversity of legal forms has also been an issue during the COVID-19 pandemic when not all non-profit entities were eligible for national crisis mitigation measures such as loans from the state bank. However, the diversity of legal forms is not only seen as negative since the current regulations allow for a high flexibility of social enterprises in how they establish and manage their organization.

Regarding national support to the social start-up ecosystem, the Federal Government published a new **national start-up strategy in July 2022** which prominently features social and non-profit start-ups. Thus, one of the ten identified main fields of activity aims to improve the conditions for social start-ups, establishing the following measures:

- Development of suitable financing instruments for social start-ups, possible utilizing European structural funds, thus facilitating social start-ups' access to finance;
- Development of a national strategy on social entrepreneurship which addresses social start-ups and will involve them in the process;
- Stronger support for social/ non-profit spin-offs from Higher Education Institutions through the EXIST program, a national start-up program;
- Investigation of whether and where there is a disadvantage for social/ non-profit start-ups in terms of business support structures, funding and regulations and reducing them;
- Increase the visibility of social start-ups in public procurement and thus stimulate an increased use of public procurement to strengthen social innovation;
- Support of projects strengthening the social start-up ecosystem by incubators and accelerators.

**SEND, the Social Entrepreneurship Network Germany** founded only in 2017, has been **strengthened in the last years**, however mainly through their own activities and big-scale donations from foundations. In January 2022, Google.org announced they will provide 2.6 million euros to support social entrepreneurship in Germany, of which 1.6 million will be administered by SEND to develop the SE ecosystem and extend the support for social

entrepreneurs.<sup>27</sup> SEND has become a key player supporting the social economy in Germany and is actively lobbying for further developments, mainly on a national level and in Berlin.

On a regional level, the land of **Baden-Wuerttemberg** published a **new innovation strategy** in February 2020 to foster economic and innovation development in the region. The fields defined as specifically strategic for the region are the following:<sup>28</sup>

- Digitalization, Artificial Intelligence and Industry 4.0;
- Sustainable mobility, including automotive industry;
- Health;
- Resource efficiency and energy transition;
- Sustainable bioeconomy

Despite mentioning economic, social and ecological sustainability as well as social participation as important objectives of the strategy and acknowledging new business models including social innovation as a factor of the changing economic circumstances, the innovation strategy does **not include any mention of social entrepreneurship** and the support of the latter. There is **no specific mention of social entrepreneurship** in the regional **start-up campaign “Start-up BW”** either which was launched in summer 2017 and aims at supporting the start-up ecosystem in the region through an online platform, local contact points and funding opportunities and prizes for start-ups.

The regional coalition agreement between the governing parties in Baden-Wuerttemberg from spring 2021 mentions that sustainable business models in start-ups and thus social entrepreneurship will be strengthened through thematic competitions. Moreover, the agreement states the intention to create better funding instruments for social enterprises and to examine how existing funding instruments can benefit social enterprises more. However, it is still unclear when, how and by whom this will be implemented and in comparison to the national policy, social entrepreneurship seems to be less of a focus area in Baden-Wuerttemberg.

### Access to finance

Whilst it can be stated that the lobbying for social enterprises in recent years has contributed to more awareness of SEs’ challenges which includes the search for financing, SEs in Germany still benefit less from public funding and other financing instruments than conventional SMEs. In 2019, 43% of SEs stated that they did not access any funding program, while more than 50% benefitted from funding programmes specifically designed for SEs. Only 5% benefitted from general funding programmes which underlines the difficulty social enterprises have to access funding that is not specifically designed for their circumstances.<sup>29</sup> The often comparatively lower profit margins and slower growth curves (or the conscious intention to refrain from further growth beyond a certain point) not only prolong the time until a social enterprise can finance itself completely from its own resources, but may also make it more difficult to find

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<sup>27</sup> [Neue Perspektiven: 1,6 Millionen Euro für den Ausbau der Unterstützungslandschaft für Sozialunternehmen - SEND \(send-ev.de\)](#)

<sup>28</sup> [Innovationsstrategie Baden-Württemberg: Ministerium für Wirtschaft, Arbeit und Tourismus Baden-Württemberg \(baden-wuerttemberg.de\)](#)

<sup>29</sup> Social Entrepreneurship Netzwerk Deutschland e.V. (SEND), Deutscher Social Entrepreneurship Monitor 2019 (2019), <https://www.send-ev.de/uploads/DSEM2019.pdf>.

seed capital. Some banks are still hesitant about the innovative approach of a foundation as well as the orientation towards the common good.<sup>30</sup>

In terms of financial support for start-ups, the Ministry for Economics, Labor and Tourism **Baden-Wuerttemberg** created the funding instrument "**Start-up BW Pre-Seed**" in 2018 which supports early-stage start-ups from the region. The funding instrument aims at counteracting the difficult early start-up stage during which institutional investors usually act cautiously due to the increased risk and the uncertain prospect of the start-up's chances of success. Financial support from the Start-up BW Pre-Seed instrument consists of a grant from the land (usually 80% of the project volume) plus a co-investment (usually 20% of the project volume from a Start-up BW Pre-Seed partner or co-investor), thus funding start-ups with 50,000-200,000 EUR per project. In addition to the financial support from the state of Baden-Württemberg, the start-ups funded by Start-up BW Pre-Seed are supported by the Start-up BW Pre-Seed partners as they work on their business models and develop their companies. The partners provide support not only in terms of content, but also in the search for co-investors.

This regional funding instrument is open to all growth-oriented start-ups which classify as an SME ("any entity, regardless of its legal form, engaged in economic activity"<sup>31</sup>), therefore also **social start-ups are eligible** to receive this funding. However, prospect beneficiaries have to apply through one of the 12 local Start-up BW Pre-Seed partners, of which only two have specific expertise supporting social start-ups, which leads to less social entrepreneurs benefitting from this funding instrument than start-ups focusing purely on technological innovation.

### Access to market

Regulations regarding **public procurement have not changed** significantly since 2016. National law on public procurement enables public procurement agencies since mid-2016 to include sustainability and other criteria in public procurement activities. Below the EU threshold values, the regional regulation on public procurement of the land Baden-Wuerttemberg specifies that sustainable aspects shall be taken into account insofar as it is possible and appropriate at reasonable expense and insofar as there is a factual connection with the subject of the contract.<sup>32</sup> This includes the possibility of defining selection criteria with regards to social aspects (support of social integration and equality and consideration of the core labor standards) and environmental aspects (energy efficiency and climate protection, noise protection and air pollution control, special regulations for food and paper products).

When it comes to public procurement in practice however, public bodies have to navigate between a limited budget, sustainable and social criteria and a certain hesitance towards restricting the competition, which results in a discrepancy between legal possibilities and common practice in public procurement. Also, no statistical data is available yet on the

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<sup>30</sup> Social Entrepreneurship Netzwerk Deutschland e.V., Social Entrepreneurs effektiv fördern und unterstützen (August 2020), [https://www.send-ev.de/uploads/social\\_entrepreneurs\\_effektiv\\_unterstuetzen.pdf](https://www.send-ev.de/uploads/social_entrepreneurs_effektiv_unterstuetzen.pdf)

<sup>31</sup> [21-06-22\\_Bestimmungen\\_Pre-Seed.pdf \(startupbw.de\)](#)

<sup>32</sup> § 10 Abs. 3 VwV Beschaffung (Verwaltungsvorschrift der Landesregierung über die Vergabe öffentlicher Aufträge).

sustainable criteria used in public procurement and exchange of experience between different public bodies is still based on personal contacts and good will.

For many social enterprises in Germany, **public procurement is an important source of income** and the public sector (mainly local and regional authorities) is a significant customer group. 20.9% of social enterprises engage in B2G (“Business to Government”) activities,<sup>33</sup> compared to only 4.7% of conventional start-ups. Purchasing from social enterprises gives municipalities, ministries and other public actors the opportunity to make their supply chains more sustainable. It also offers the potential to work with social enterprises to develop effective innovative solutions for the public sector's areas of responsibility. Furthermore, social enterprises offer products and services that often have a strong regional anchoring, which enables these institutions to fulfil part of their public mandate through purchasing. The coalition agreement of the Federal Government also contains plans that are likely to have a positive impact on the development of “buy social”. For example, social and ecological indicators are to become part of economic reports in the future which should have a positive effect on social enterprises with a B2B focus. At the same time, impact-oriented budgeting has been anchored in the agreement, which should further increase SEs’ potential for cooperation with the public sector.

### Business Support Structures

The above-mentioned regional start-up campaign “**Start-Up BW**” has supported 14 **accelerator programs for start-ups** since 2017. Out of the 14 accelerator programs funded by the land, **none specifically support social entrepreneurs**. The “SMART GREEN Accelerator” supports start-ups in the field of environmental technology, energy, green digital and sustainable consumption, thus has a focus on sustainability rather than on social entrepreneurship specifically. It is underheld by an affiliate to an organisation that also offers a social entrepreneurship accelerator program (not funded by the land), so they do offer support to social entrepreneurs, but not necessarily through public means. A second accelerator program focuses on fair fashion and smart textiles and social entrepreneurship is featured in the accelerator program, but it is still not the main focus of the program. The other 12 accelerator programs don’t exclude social entrepreneurs, but do not offer specific services or support to them either.

The **regional SME support platform innocheck-bw** which was launched in early 2020 and is executed by SEZ with support by the Baden-Wuerttemberg Ministry for Economics, Labour and Tourism has been updated in 2021 to also offer support to social enterprises in their quest for funding and other support opportunities. The online platform innocheck-bw checks the fit of project ideas to European or other funding programs and connects entrepreneurs to experts who offer consultancy on funding for the idea, potential partners or multipliers.

Overall, it can be concluded that some support structures for SEs have been launched in recent years and the openness of general business support structures to SEs has increased, but the number of targeted support to SEs remains comparatively low.

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<sup>33</sup> Social Entrepreneurship Netzwerk Deutschland e.V. (SEND), Deutscher Social Entrepreneurship Monitor 2021/2022 (2012), [https://www.send-ev.de/wp-content/uploads/2022/04/4\\_DSEM\\_web.pdf](https://www.send-ev.de/wp-content/uploads/2022/04/4_DSEM_web.pdf)

## 1.3 Social Enterprise support policies in the context of the COVID-19 pandemic

*Are the new policies long-term or temporary (e.g. temporary as part of COVID-19 mitigation measures)? Were the policies introduced as a result of the pandemic or independently? Did the pandemic spark any significant policy changes in your territory?*

Most new policies and programs – mainly business support structures targeted at social enterprises and the German Social Enterprise Monitor – have been introduced shortly before the COVID-19 pandemic and are to be long-term measures.

In Germany, the COVID-19 pandemic did not spark the introduction of new support programs specifically for social enterprises. For the most part, social enterprises were eligible to benefit from the national emergency aid fund for SMEs. Overall, it can be seen as a positive sign that after a short period of time, a precision within the COVID emergency aid regulations was made to specifically include non-profit social enterprises as eligible to this financial aid. The discussion around this topic has once again shown the need for a deeper political dialogue on definitions and legal forms of the social economy sector, but also how important the lobbying from SEND has been.

In terms of support for the social economy sector during the pandemic, the different COVID aid campaigns from the crowdfunding platform Startnext offered a mostly unbureaucratic way to raise funds, which over 2,000 projects could benefit from. The #WIRVSVIRUS initiative – a digital hackathon launched by the Federal Government in March 2020 – can also be mentioned as a best practice example fostering open social innovation through the COVID-19 pandemic. Supporting ideas and solutions from civil society and social enterprises, the initiative strengthened the social economy sector, and at the same time supported the development of projects directly answering to societal challenges emerged during the pandemic.

Overall, the active lobbying throughout the pandemic for the social economy sector as well as for the specific struggles of non-profit and civil society organisations might have contributed to a higher awareness of the sector on a national level. On a regional level, lobbying groups have been less present and the pandemic has not sparked any significant policy changes regarding the social economy sector.

## 2. Territorial analysis: current status of Social Enterprise development policies

### 2.1 Best Practice identification: What policies have been especially successful to support social enterprises?

*Please describe which policies or programs are the most successful to support social enterprises in your territory. Have they been introduced in the last three years?*

In Baden-Wuerttemberg, **support structures specifically catering to the needs of social enterprises** are still rare in comparison to classic business support structures but have the highest impact supporting SEs. Organizations like Gruenhof with their Social Innovation Lab program (Freiburg), S-Hub (Mannheim) and Impact Hubs Stuttgart and Karlsruhe support social entrepreneurs with a variety of support measures, ranging from incubator programs,

consulting, funding to coworking spaces. Whilst some of these structures have been introduced in the last three years, it can definitely be concluded that the regional social entrepreneurship ecosystem has evolved during that time.

The positive trend and increased awareness of social entrepreneurship can be attributed to the strong **lobbying activities by SEND** on a national level. Founded only in 2017, their portfolio and visibility have intensified particularly with political position papers and studies on social entrepreneurship. The **German Social Entrepreneurship Monitor (DSEM)** which is yearly published by SEND is also a very positive development since it provides data on the German social entrepreneurship ecosystem. Missing data on social entrepreneurship in Germany to support the demands in favour of the sector had been a key issue, and the DSEM can now provide decision-makers from politics, business and civil society with a basis for supporting social enterprises.

The **#WIRVSVIRUS** initiative can also be mentioned as a best practice example fostering open social innovation through the COVID-19 pandemic on a national level. Supporting ideas and solutions from civil society and social enterprises, the initiative strengthened the social economy sector, and at the same time supported the development of projects directly answering to societal challenges emerged during the pandemic.

## 2.2 Outlook: Opportunities and barriers

*Please indicate areas that are currently not covered by your policies and strategies addressed to social entrepreneurship but should be improved in the coming years. What is still needed to support social enterprises in your territory? Are there any changes or new policies in sight that might be introduced in the near future?*

Overall, the **active lobbying by SEND** has contributed to a higher political attention for social entrepreneurship on a national level, which probably also contributed to the inclusion of the topic into the coalition agreement of the current Federal Government. The **National Strategy for Social Entrepreneurship/Social Innovation** is currently under development by the Federal Government, thus the concrete effects remain to be seen. To ensure the effectiveness of the strategy, it is necessary to involve all relevant actors in the design process. Particularly financing remains a key obstacle for social economy actors, which will require not only extending the access of existing funding programmes to SE actors but also the introduction of new dedicated programmes for social entrepreneurs. Despite public funding opportunities, access to Social Impact Investment, Public Private Partnerships and Social Public Procurement is also still a challenge for social enterprises.

On a **regional level**, there is currently **no specific strategy regarding social entrepreneurship** and the responsibility for social innovation/ social entrepreneurship is shared between multiple ministries, making it harder for stakeholders to find the right contact person for their issues. Although there is no specific strategy, there are approaches to support social enterprises through specific projects and by **institutions offering targeted support to SEs**, funded partly by public and partly by private funds.

The regular **collection of data on SEs through the German Social Entrepreneurship Monitor** is also a positive development and offers new opportunities to underline political initiatives, which could also contribute to an increased political focus on a regional level.

Moreover, the eligibility of social enterprises for funding programmes has increased in recent years since many eligibility criteria now encompass more than the legal form of an entity, but often stipulate that a wider group of entities are eligible for funding, no matter whether they are for-profit or non-profit entities. However, data shows that the increased openness of general funding programmes does not necessarily contribute to more social enterprises benefitting from them. In fact, SEs still rarely make use of funding programmes that are not specifically targeted to them and their needs. Therefore, it will be **necessary to analyse in more detail how the access to public finance and funding opportunity can be increased for SEs**, either by making existing programmes more accessible and attractive to SEs or by creating adequate instruments to specifically support social enterprises.