

Position Paper regarding the Second National Social Enterprise Policy

August 2023



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Summary

This document outlines Rethink Ireland's insights into the progress made under the first National Social Enterprise Policy and our role in working towards achieving its goals. Building on learnings of working with social enterprises from across the entire lifecycle of social innovation since 2018, as well as from engaging with the key stakeholders in the social enterprise ecosystem, this position paper outlines key recommendations to include in the second policy, centering around the areas of:

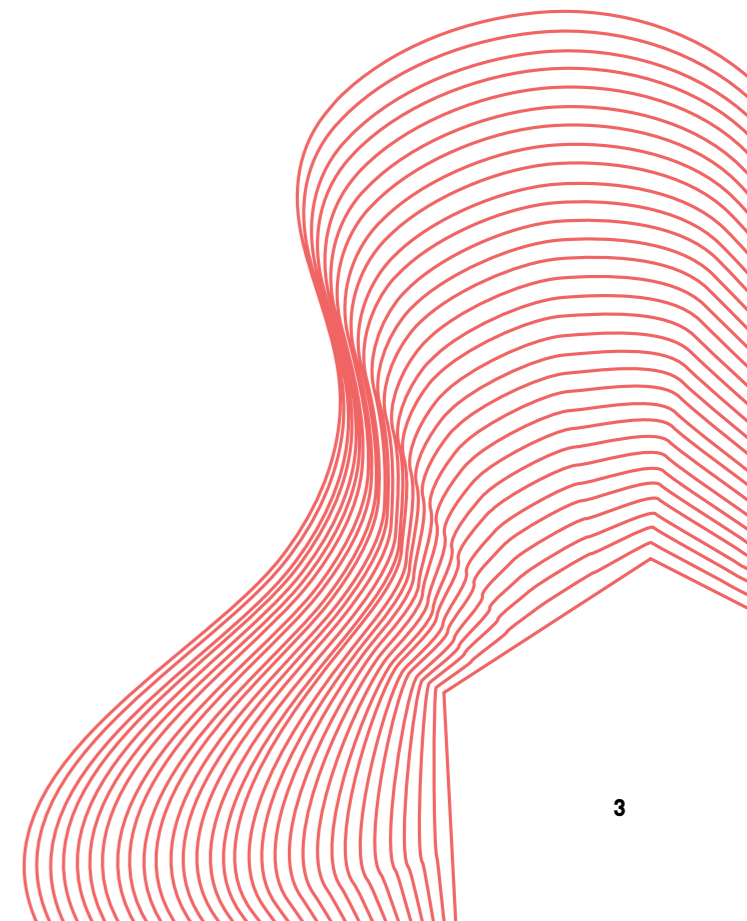
- Establishing a supportive, tailored legal framework for social enterprises
- Ensuring equal access to procurement and finance opportunities
- A whole-of government support of social enterprises
- Provision of capacity building supports, in particular via a national competence centre and impact management tools
- Continued awareness raising work

Introduction

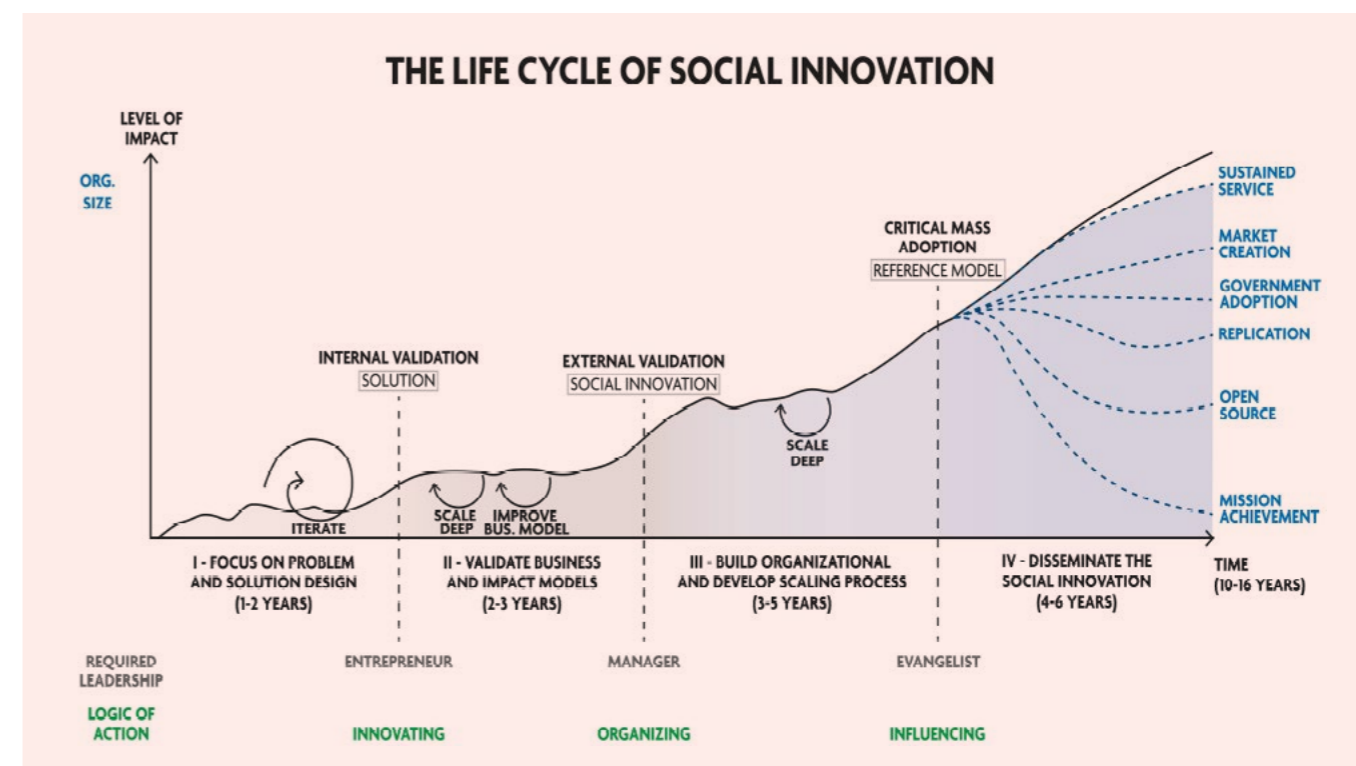
This paper summarises Rethink Ireland's observations on the impact of the first National Social Enterprise Policy and details our own experiences of working towards the Policy's goals. It builds on insights from having worked with 183 social enterprises, participation in the Policy Implementation Group, findings from the research conducted by our EU projects and working in direct partnership with the Department of Rural and Community Development (DRCD).

Rethink Ireland believes that social enterprise is part of the fabric of local communities in Ireland, who provide local services and play a core role in the local economy. Services provided by social enterprises have a mandate of legitimacy for service users in local communities. We aim to support social enterprises to scale and maximise their impact, creating dedicated funding for local social innovators. Our goal is to find and back Ireland's best and most promising social enterprises. So far, we've provided over €10 million in cash grants and business support to social enterprises in every county. We believe social enterprises can lead the transition to a more inclusive, sustainable and green economy.

We have built strong relationships with Local Authorities, social enterprise stakeholders and European partners, whilst providing vital seed capital and business supports to 183 social enterprises and have supported another 200 social enterprises at the idea stage. We have been able to create a positive impact on the social enterprise ecosystem across Ireland through awardees who have delivered services to over 400,000 people throughout Ireland. The table and illustrations below provide a snapshot of the impact our awardees create year on year.



Fund	Total Investment	No. of Awards	Impact (*as of end of 2022)	Lifecycle Stage of Social innovation
Social Enterprise Start Up Fund	€800,000 (Over two years)	44	<ul style="list-style-type: none"> – Reached over 34,000 people in 2022 – Over 12,000 people received accredited training – 20 participants secured employment 	Stage 1
Social Enterprise Development Fund	€4.4m (Over six years)	71 SED Awards 7 Business Course Awardees to date 101 Business Supports 200 business course participants	<ul style="list-style-type: none"> – delivered services to over 400,000 people – mobilised 16,000 volunteers – Created 209 jobs 	Stage 2- 3
Social Enterprise Step Up Fund	€700,000 (Over two years)	5	*Fund awardees announced in March 2023, impact data not yet due	Stage 3
Growth Fund	€5,977,467 (Over 6 years)	4	<ul style="list-style-type: none"> – provided therapy supports to 1,600 children – reached 1M people – diverted 40,000 mattresses from landfill – saved over 1.1M meals from landfill – diverted 42,500 tonnes of food from landfill 	Stage 4



To fully support social enterprises throughout their lifecycle of social innovation, we have launched multiple funds for continued investment. These funds empower social enterprises to generate more jobs, create positive social & economical impact within their communities, and transform the way we shop, live, and connect.

We also successfully delivered our ‘The Future is Social’ campaign as part of the Awareness Raising Initiative for Social Enterprise (ARISE) scheme. This enabled us to engage the public to better understand the concept of social enterprise and inspire many more people to support (or set up) social enterprises across Ireland. As part of the campaign, we also commissioned, for the third consecutive year, research from Amarach Research examining the awareness within society of social enterprise with promising results, which are outlined below.

At Rethink Ireland we know that there is a growing momentum for social enterprise in Ireland, Europe and beyond. This can be seen from the European Union’s Social Economy Action Plan which centres around three main focus areas that should also be reflected in the next policy, namely:

- The creation of a supportive framework, which includes legal and policy frameworks and a focus on procurement;
- Provision of opportunities, including capacity building supports;
- Enhancing recognition, thus awareness raising.

Similarly, the OECD has been focusing on the sector and taken an active role in supporting national governments in developing frameworks and supportive ecosystems. The UN adopted a landmark resolution on the social and solidarity economy in sustainable development in April 2023, encouraging states to implement strategies, policies and programmes to support the sector.

Reflections on the first National Social Enterprise Policy

The groundbreaking National Social Enterprise Policy was the first policy focused specifically on supporting the Irish social enterprise sector and ecosystem. It focused on three key developments;

- **Building awareness of social enterprise**, which resulted amongst other things in the National Social Enterprise Conference, the ARISE scheme and the provision of targeted programmes for start-ups
- **Growing and strengthening social enterprise**, which led to new funding and finance schemes being piloted, procurement workshops and research in legal structures
- **Achieving better policy alignment** which importantly resulted in the Baseline study of Irish social enterprises.

Rethink Ireland has supported the policy and directly contributed towards its implementation in several ways:

- The development of a [legal form guide](#) with TrustLaw and the subsequent commissioning of a [Legal Form research](#) and report in partnership with the DRCD in direct fulfilment of policy measure 1.
- The launch of our “[The Future is Social](#)” Awareness campaign in 2021 based on research carried out in 2020, which was continued in 2022 with the support of the ARISE funding.
- Annual **public sentiment research** carried out since 2020 to measure the change in public awareness and understanding of social enterprises. This research has shown a year on year increase in awareness of social enterprise from 51% in 2020 to 60% in 2022. Engagement with social enterprises has increased from 33% in 2020 to 40% in 2022.

- Supported the creation and distribution of a **circular by the LEO Centre of Excellence** that clarified available supports for social enterprise.
- Delivering the EU-funded “[Financing Social Enterprise in Ireland - Models of Impact Investing and Readiness](#)” project in partnership with DCU and Community Finance Ireland.
- Hybrid Social Finance Loan pilot launched in 2023 funded by the DRCD, a new financial instrument to support to scale social enterprises based on EU best practices.
- Provided support to over 183 social enterprises and another 200 aspiring social enterprises covering the entire **lifecycle of social innovation**. So far, we’ve provided €10.5 million in cash grants and business support to social enterprises in every county.
- Contributed to the Social Enterprise policy **implementation group** of the DRCD.
- Delivered the [FUSE project](#), which was co-funded by the EU and the DRCD, developing a [Blueprint](#) to further develop the social innovation ecosystem in Ireland, aiming to establish a **National Competence Centre for Social Innovation**, and having an effective use of EU funding to support social enterprises and social innovations.

Rethink Ireland has also placed an emphasis and shared expertise in contributing to **consultations** at an Irish and European level. This includes gathering insights and data from Awardees to inform essential legal and policy developments like the Cooperative Societies Bill 2022 (submission regarding the draft as well as to the Oireachtas Committee) and on Social Procurement to name just two examples.

Key priorities for the second National Social Enterprise Policy

A. LEGAL FRAMEWORK:

Currently, Ireland lacks specific legislation for social enterprises, leaving them to navigate existing legal structures. As a result, they face the challenge of choosing between a traditional charity model or operating without statutory confirmation of their social mission. Social enterprises in the commercial trading market stand apart from typical businesses, as they reinvest profits and adopt innovative approaches to achieve social objectives. They also differ from traditional charities, as their primary focus is not on profitability. According to the Baseline report, 75% of social enterprises operate as CLGs. However, emerging social enterprises display more diverse organisational choices. It is essential to consider the prevalence of CLGs in the context of limited options and incentives that drive incorporation as such.

In recent years we have seen a rise in commercial businesses operating with a social conscience or for a social purpose. This along with impact investing and conscious consumerism are reflective of social enterprise’s development as a field. The **increase in mainstream companies adopting impact driven operations**, while a welcome development, **further adds to even more confusion around social enterprise definitions**.

With **financial sustainability** becoming more prevalent among social enterprises, movement towards commercial markets, and away from the charity model is inevitable. Furthermore, a legal structure for social enterprises could also support better understanding of what social enterprises are and where they fit with procurement managers and

their processes. A key finding of the 2020 Buying for Social Impact (BSI) project was that, “**socially responsible public procurement [SRPP] is easier in countries where legal frameworks or legal forms for social economy enterprises exist**”.

An initial report on the potential of a dedicated legal form found that while there was significant interest in such a legal form with 51% supporting the idea, the threshold of need had not been met and that several of the issues flagged did not require the introduction of a legal form. Indeed, such a legal form may run the risk of dividing the sector further rather than supporting a number of legal forms. A dedicated legal status however would hold the potential to safeguard the social enterprise nature across legal forms and offer a viable alternative to charitable status. Draft findings from research conducted by Dr Emma McEvoy and Duncan Walker state that, “Based on the research carried out, the knowledge of the sector and the input from the consultation participants, the research team concludes that there is a **strong case to further consider a legal status for social enterprises in Ireland**.”

The OECD states that, “**Legal frameworks may provide recognition, visibility, as well as access to financial incentives and support, to markets, and to support services which facilitate starting, developing and growing social enterprises.**”¹ At the last National Social Enterprise Conference (Nov 2022) the OECD recommended to consider **clarifying the legal identification of social enterprises** to better position them in the spectrum of the companies.

The need for a defining legal form or status has never been more important in gaining public trust,

¹ OECD, ‘Designing Legal Frameworks for Social Enterprises: Practical Guidance for Policy Makers@’ (2022) 31.

understanding and recognition. Rethink Ireland strongly believes in the **need for a legal framework** to provide long-term stability and support to the social enterprise sector as well as to further provide clarity to the public, safeguarding the mission of social enterprises, and clearly distinguishing them from charities.

B. CHARITIES REGULATORY AUTHORITY:

There is widespread perception among corporations that limits the opportunities social enterprises have to successfully engage with mainstream business around procurement, supply chain activities, and access to markets. Funding bodies, support organisations, and the Charities Regulator display different approaches to supporting and regulating social enterprise which contributes to a **lack of cohesiveness** within the sector.

Historically in Ireland, community organisations, co-operative societies and charities made up the majority of organisations within the sector, however, with increased diversity and the emphasis to become self-sustaining and reduce reliance on funding, more organisations are engaging in trading activities. In line with this, there is a growing social enterprise sector looking to gain access to commercial markets to maximise their social impact, bringing them further away from a charity model. **Being registered as a charity can blur these lines further** and restrict access to a range of resources and opportunities.

There are areas of the social enterprise sector that work well within the current parameters around the Charities Regulator, however, there are a large cohort of social enterprises that do not fit the description naturally or only operate as a charity and compromise in their setup due to a lack of alternatives when it comes to incentives, support and compliance. The Baseline report shows that while 88% of social enterprises are registered as charities, younger and emergent social enterprises are less likely to acquire this status. **At present the Charities Regulator does not cater to the unique, hybrid nature of social enterprise. The need for a dedicated regulator with a mandate and understanding to support social**

enterprises and both their social and business nature is evident.

C. CAPACITY BUILDING SUPPORTS:

Capacity building supports **play a crucial role in the development and success of social enterprises, they help social enterprises strengthen their internal processes, systems, and structures.** It focuses on developing the skills and knowledge of the organisation's leadership and staff, improving their ability to plan, strategize, manage resources, and measure impact. This enables social enterprises to operate more efficiently and effectively, leading to better outcomes and long-term sustainability. By developing skills in areas such as design thinking, entrepreneurship, and problem-solving, social enterprises can respond to changing needs, seize opportunities, and stay relevant in a dynamic social and economic landscape. **We commend the focus on business supports in the first policy and recommend to further build on the same, by exploring how to secure the continued existence of such supports by e.g. certification and importantly establishing a National Centre of Excellence (National Competence Centre for Social Innovation), the creation of which we recommend as a priority for the second social enterprise policy.**

D. IMPACT:

Social enterprises are businesses who primarily focus on creating a social or environmental impact. This makes measuring and effectively communicating their success, including the impact of investments, more challenging yet essential. Impact management and measurement is a young discipline which is only now gaining traction in Ireland. **Publicly available, accessible frameworks that are relevant to social enterprises are scarce.** We would therefore argue for the importance to have a dedicated focus on impact measurement and management in the next social enterprise policy. Measure 24 of the first policy has not yet been implemented in a way that creates change for the sector. The National Competence Centre on Social Innovation could fulfill the need for capacity building in this area.

E. CROSS-DEPARTMENTAL COOPERATION:

Rethink Ireland commends the Department of Rural and Community Development for their dedicated work on social enterprise, which has been transformative for many organisations. However, social enterprises operate at the crossroads of various fields and activities, involving multiple government departments. **It is crucial to recognize that they are mission-driven businesses, continuously trading while reinvesting profits.**

To ensure social enterprises receive equal access to opportunities and support, it is essential to integrate them into relevant policies, measures, and legislation (mainstreaming). At the same time, dedicated policies and support must be provided, adopting a twin-track approach. Achieving this requires **establishing exchange platforms, task forces, and working groups across departments, with a particular focus on collaboration with the Department of Enterprise, Trade, and Employment** in the upcoming policy. A consistent and aligned effort will enable social enterprises to thrive and make a more significant social impact.

F. PUBLIC PROCUREMENT:

The national policy's commitment to supporting social enterprises through workshops and stakeholder collaboration in procurement processes were welcomed and suggested an **appetite to rework traditional procurement policies**, in order to accommodate social enterprises. However, the government should take further steps to fully enable procurement from social enterprises. To achieve this, **the policy must explicitly state its commitment to amending the current public procurement process together with the office of Government Procurement.**

To better incorporate social enterprises into the public procurement system, the government should **consider adopting a social value model.** This model would assess both the social and environmental impact of businesses alongside traditional financial metrics, ensuring a level playing field for social enterprises in competition with conventional businesses.

Continuing with specific **training** in tendering for social enterprises and other capacity-building supports remains crucial. Additionally, the government should fund or create a **comprehensive database of social enterprises** to facilitate potential customers in finding relevant social enterprises for their procurement needs. These actions will empower and promote the growth of social enterprises in the public procurement arena.

G. ACCESS TO FINANCE:

The Financing Social Enterprise in Ireland - Models of Impact Investing and Readiness project mentioned above has resulted in the launch of a hybrid loan pilot, which is currently underway. However, **a range of finance products are needed to bring social enterprise to an equal starting point** with traditional businesses. Building on the findings of the Social Finance project, further finance products need to be designed, tested and offered to the sector to reduce dependence on grants.

H. AWARENESS:

Rethink Ireland has welcomed and actively contributed towards the first policy's goal of building awareness of social enterprise as outlined in the previous section. While our research has documented a **year on year increase in awareness amongst the general public, there is still a large number that has not heard of social enterprise (40%)** or little to no understanding (60%). We therefore believe that it is of utmost importance to **continue the focus on raising awareness and building understanding of and engagement with** social enterprises across society so as not to lose the momentum and build on the progress made to date.

Recommendations

In conclusion, Rethink Ireland would like to make the following recommendations for inclusion in the second national social enterprise policy:

A continued focus on the priorities included in the first social enterprise policy, with policy goals that further build on the progress created to date. This includes in particular

- Continuation of awareness-raising work, building on the campaigns and messaging developed to date while bringing key stakeholders on board. This needs to include measurement of awareness.
- Building on the success of measure 13 of the first policy, use the results of the Social Finance research to explore and test additional finance products for social enterprises at different stages, unlocking and attracting further public and private funding.

A reinforced, strengthened focus on

- Impact measurement and management to provide social enterprises with the tools to attract investment and communicate their impact fully and effectively, while further refining their offering.
- Capacity building supports: Building on the focus on mapping business supports available to social enterprises and providing them with access to tailored and mainstream business supports, the second policy has the opportunity to take action to explore how to scale, certify and future-proof capacity building supports offered by a range of stakeholders.

- Cross-departmental cooperation and buy-in from other departments, building on measure 20 while going beyond it by incentivising them to take their own initiatives, set budgets for supporting social enterprises and commence consultations.

The additional inclusion of

- Social procurement as a standalone priority. Both public and private social procurement continues to be inaccessible for most social enterprises despite training offerings and a confirmed interest. A full exploration of how to facilitate public and private social procurement must be undertaken and pilots run.
- A commitment to create a legal framework for social enterprises in Ireland to clarify the delineation from the CRA, provide a suitable legal status, and safeguard support and acknowledgement of social enterprises for the long-term.
- The establishment and resourcing of a national competence centre for social innovation.
- The establishment of an idea stage programme and connected early stage fund in partnership with Rethink Ireland. This needs to be delivered in partnership with Local Enterprise Offices to support equal access to business supports and inclusion in enterprise networks.

