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# Building entrepreneurial capacity in deprived urban communities

Affluence in the larger cities and coastal areas of Portugal coexists with concentrations of extreme poverty in derelict neighbourhoods, sometimes little better than shanty towns. Between 2001 and 2005, approximately 15,000 people living in such neighbourhoods around Lisbon were rehoused in social housing. The paradox of developed cities is that there are many jobs but high unemployment, as referred to in the Commission Communication on Cohesion Policy and the cities<sup>(1)</sup>. The K'CIDADE project is a long-term pioneer project testing a new methodology of building entrepreneurial capacity to help these people take control of their own lives and escape social exclusion.

The Portuguese Minister of Work and Social Solidarity, Vieira da Silva says "two dimensions of poverty coexist in Portugal: the old poverty linked with lack of resources and poor qualifications, and the so-called 'new poverty'", which is linked to trends in migration and suburbanisation. Better housing is not the end to the problems. According to Carina Maio, a parish social worker "Mira Sintra no longer has any shanty houses, but it does have many needs in the areas of employment and other services such as facilities for children." The baseline studies of these areas show that moving people to better housing without social or economic backup runs the risk of increasing their isolation and debt.

The K'CIDADE project promoter is the Aga Khan Foundation<sup>(2)</sup>, one of a group of nine development agencies, which form the Aga Khan Development Network<sup>(3)</sup>. This is the first time that the Foundation has applied its philosophy to the new realities of urban poverty in developed countries. The foundation's philosophy is that, with the right support, even impoverished individuals and communities can become the leaders of their own destiny and provide for themselves. The President of the Portuguese Republic, Cavaco Silva, said, "The K'CIDADE won't give [poor people] the fish, but we will teach them how to fish."

## 1 - BUILDING A COMMUNITY STAIRWAY TO ENTREPRENEURSHIP

The K'CIDADE EQUAL project is funding 14 closely interconnected actions from 2005-2007 to promote entrepreneurial spirit and a culture of autonomy and initiative. The project is distinctive in its belief that to achieve successful activation of disadvantaged groups in the long run, it is important first to mobilise communities and raise individual and community confidence. This attempts to tackle the root causes, rather than just the symptoms, of social exclusion and low entrepreneurialism.

K'CIDADE has established three Community Innovation Centres to launch and support a range of community projects. These are designed to be "creative and innovative spaces, planned and managed in the future by the residents". K'CIDADE stresses the importance of finding suitable opening times and locations in the communities as a vital step in making services 'easy-to-reach' and overcoming the real barriers faced by these communities such as low mobility.

The Community Innovation Centres in Alta de Lisboa, inaugurated in March 2006, and Mira Sintra are run by the Aga Khan Foundation, while House of Mercy is responsible for the Centre in Ameixoeira.



*Otilia Cortez presenting the business creation process to the President of the Portuguese Republic*

The other EQUAL partners organise activities in the Centres to help animate them. Strategic support services such as education, entrepreneurship, internet access and the capacity building of civil society organisations are provided or facilitated.

The main innovative activities are the promotion of Community Innovation Projects (CIPs) proposed and lead by residents. The K'CIDADE leaflets and website ask residents in the target communities to approach them with ideas. Once interest groups start to emerge, they are helped to plan and implement their projects. The Aga Khan Foundation has gained considerable experience in these bottom-up community development plans in the rural areas of developing countries and does not provide solutions ; rather the participants are encouraged to find their own solutions. External resources are thus used to reinforce local capacity and not to substitute for it.

Six projects are currently being implemented successfully by local beneficiaries reaching about 600 people. These projects provide a good platform from which to mobilise other local people. More than 6,000 residents have been mobilised for different activities thus far with 28% of them being actively involved in the preparation of those activities. Conceição Maia, a 37-year-old unemployed mother with low academic skills was keen to see a leisure activity centre for the children in her neighbourhood. She approached K'CIDADE with her idea. Although many of her neighbours were hesitant, with the support and encouragement of K'CIDADE, Conceição and a group of five mothers are now developing a project to create and manage a centre to offer their children meaningful recreation and support to complement the work of the school.

One of the mothers, Georgina Santos, explains that "Without K'CIDADE we wouldn't have had either the strength or the enthusiasm." Elisabete Castrelas, another group member, highlighted that "We learnt that 'no' can be overcome and we try to find alternatives. K'CIDADE made us feel that the project is ours and we have to work to accomplish it." This group of women are not only improving their own lives and that of their children, but also influencing their peers by showing a positive example of what can be achieved through mobilisation.

Building on the positive mood change and increased confidence emerging from community mobilisation, work can then be

undertaken successfully in supporting business development. Otilia Cortez is a 43-year-old African immigrant with less than 9 years schooling who is now an entrepreneur. She has created her own business by building on her knowledge and potential in the field of traditional and ethnic crafts. She explains the factors leading to her success as *“the self-confidence and belief in the success of the business, as well as having a good support network. I think the key is that when you really want something, you can accomplish it all!”*

## **2 - INNOVATIVE TOOLS TO SUPPORT INDEPENDENT BUSINESS**

### **ACTIVITIES**

A first one-stop shop was opened in March 2006 under the Community Innovation Centre of Alta de Lisboa. These shops provide a support system to potential entrepreneurs made up of clearly defined stages from profiling and planning to start-up, consolidation and growth. Each stage provides services such as counselling, motivation, vocational training, mentoring and facilitating access to micro-credit that help the entrepreneur acquire the personal competences, technical skills and resources necessary for success. Systems have been developed to record the progress made by the entrepreneurs along this itinerary in a way that is recognised by the entrepreneurs themselves, banks and other agencies.

Business incubators are being planned specifically to attract people facing severe disadvantages in the labour market, such as unskilled women, people with disabilities, ethnic minorities and the long-term unemployed. The incubators will provide new businesses practical support including physical space, equipment, technical support and access to a shared managerial services platform to reduce the risk for the entrepreneurs and increase the chances of success.

Tailor-made action-training courses targeted at small businesses and services have been set up by the project partnership looking at issues such as confidence and trust, caring and responsibilities throughout all phases of business development. Positive entrepreneurial role models are presented by organising contests and competitions for entrepreneurship among particular groups such as young people. The project is actively promoting action plans for employability developed by the local networks in the three territories and the first job-matching projects are now starting. 25 potential entrepreneurs have started following these support processes, of which 5 have already started running their own businesses.

## **3 - PARTNERSHIP FOR CHANGE**

The project has benefited from the diversity of the internal project partnership emphasising the importance of cooperation between public and private stakeholders to foster more sustainable interventions. At the opening of the first Community Innovation Centre, Roque Amaro, an economist at the Portuguese Work and Enterprise Sciences Institute, told Ministers, MPs, entrepreneurs and NGOs participating in the K'CIDADE Advisory Committee, that “I have never faced such a mixed audience of public and private actors in 25 years of working in development.” For this to work in a way that develops horizontal and vertical linkages, it is essential to develop an enabling environment. The project meets this challenge through a strong system of governance; in March,

the first Advisory Committee meeting engaged key national and regional stakeholders from the public and private sectors.

Beyond the project partnership, K'CIDADE has engaged around 100 local organisations in a participatory diagnosis to identify key issues and perspectives. The team have subsequently mobilised nearly 70 local organisations to think, plan and implement activities for the communities in an integrated and mutually reinforcing manner. Local partnership and collective approaches are uncommon in Portugal, but are fundamental to the project's philosophy of enabling community participation and maximising local assets. Ana Barata, the manager of a local organisation in the capacity-building process explains that K'CIDADE's main strength is “combining top-down and bottom-up approaches and stimulating a common learning process.”

Reinforcing networks and the capacities of local social organisations is essential to engage them effectively in partnership. 81 workers from six organisations have been involved in capacity building processes leading to the strengthening of three local partnership networks and 218 local development agents. Activities such as joint training sessions and workshops for local development agents, on-the-job consultancy for local organisations and exposure visits have raised the participating agencies' awareness of the issues at stake and the project's approach.

The project team complement their skills by ad-hoc agreements with external actors to bring a specific added value. Hewlett Packard has signed an agreement with K'CIDADE to test the Micro Enterprise Acceleration Programme to provide comprehensive start-up assistance and technology access to micro enterprises in low-income communities. The curriculum targets micro enterprise entrepreneurs in underprivileged communities who are interested in developing their business, but may not be able to access information and communication technologies.

## **4 - EMPOWERING PEOPLE THROUGH INFORMATION, EDUCATION AND TRAINING**

Participatory digital resource guides have been developed to give residents and local organisations better access to information on local resources and infrastructure. These are now managed by 56 local organisations; K'CIDADE trained 87 local development agents on how to use and update the guides.

Three internet spaces with 15 computers each have brought new opportunities to over 600 people, including women, long-term unemployed people and adults over 55 years old. Already more than 120 people have received basic training and certification in new technologies. Besides helping people acquire job-related skills, the digital tools have proved to be excellent community mobilisers, with impacts on other areas of the Programme.

The long-term approach of the project in addressing the causes and not just the symptoms of social exclusion and the lack of entrepreneurial enterprise is reflected in the education dimension of the project. The Childhood Association develops entrepreneurial skills by training teachers in more active models of education (*EDUCARE*) which are designed to improve the autonomy, creativity and responsibility of children, their families and teachers. Children enjoy themselves while they are taught to investigate, to mobilise resources and to pursue their own interests.

A publication and videos will illustrate methods and techniques used to reach out to marginalised and disadvantaged communities

and improve education. The series should prove useful for practitioners, policy-makers and scholars in illustrating experience and practice in developing education and empowerment for entrepreneurship.

## **5 - MAINSTREAMING METHODS INTO FUTURE SOCIAL DEVELOPMENT WORK**

The problems of marginalisation exist throughout the country. The Portuguese government would like K'CIDADE to expand beyond the Lisbon area from 2009 and the Portuguese Prime Minister, José Sócrates, signed a Protocol with the Aga Khan Foundation in December 2005. The Ministry of Labour and Social Solidarity has invited K'CIDADE to provide training to social workers from the Lisbon district and to consider the expansion of the work to other areas of the country.

A specific advocacy plan has been designed to enable successful mainstreaming with a synthesis of the lessons learned and knowledge gained. It advocates for good governance, inclusive, participatory decision-making processes and capacity building at local and regional levels. A rigorous monitoring and impact assessment framework has been developed with stakeholder and partner organisations. Compatible with the methods used for evaluating the EU Structural Funds, a range of verifiable quantitative and qualitative methods for assessing capacity building, potential for change, and perceptions of improvements in the quality of life are used. An initial sample-based, participatory study provided a baseline set of indicators against which future impact assessments can be measured to reveal changes in social development.

This framework aims to help communities, technical staff and implementing partners' increase their capacity to critically re-assessing their progress and adapt their actions accordingly. Community-defined indicators like community scorecards and portfolios will provide a key mechanism to balance or validate professionally defined indicators and engage all the stakeholders, especially the community members within the monitoring and evaluation culture.

**DP name :** Urban Community Support Programme  
– KCIDADE

**DP ID :** PT-2004-096

**National Partners :** Associação Comercial e Industrial do Concelho de Sintra (*Business and Industrial Association of Sintra*); Associação Criança (*Childhood Association*), Central Business, Fundação Aga Khan Portugal (*Aga Khan Foundation*), Santa Casa de Misericórdia de Lisboa (*House of Mercy*).

**Transnacional Partners :** Spain : E+, Emprende+, Emprende en positivo - UK : Strategic Vision for Entrepreneurship for London South Central (*STRIVE*).

**TCA id code :** 3863 STRIVE+

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### **Footnotes**

- 1 - *Cohesion Policy and cities : the urban contribution to growth and jobs in the regions. COM (2006) 385 final.*
- 2 - *The Aga Khan Foundation is a private, non-denominational, development agency, established by His Highness the Aga Khan in Switzerland in 1967. The Foundation seeks sustainable solutions to long-term problems of poverty through an integrated, community-based, participatory approach that reinforces civil society and respects local culture.*
- 3 - *The Network operates in social and economic development as well as in the field of culture, has an annual budget of more than 300 million dollars, works in more than 30 countries and has more than 55.000 employees. It has established 171 health facilities, 5 hospitals and 304 schools with more than 58,000 pupils.*

# Responding to industrial restructuring by opening up entrepreneurship to young people and women

The “Technological City of Valnalón” sprang from the ashes of one of the most severe processes of industrial restructuring in Europe. Over the last twenty five years Valnalón have developed a complete “chain” of educational and training activities to forge a culture of entrepreneurship in an area that had grown used to dependence on never-ending mineral resources, big companies and help from “father” state. Through their participation in three EQUAL projects Valnalón have managed to move a series of excluded groups, like women and rural youth, closer to the “fast track” of business creation.



One of the main aims of the Lisbon Agenda is to promote a “more entrepreneurial culture and create a supportive environment for SMEs”<sup>(1)</sup>. This is seen as a major challenge in Spain where according to a recent study “47% of parents encourage their children to look for a job in the public sector as the best career option”<sup>(2)</sup>. However, it is an even bigger challenge for regions like Asturias which, after nearly two hundred years of relative prosperity based on mining and steel, has lost nearly a quarter of its jobs in just two decades. The consequences are staggering. The rate of unemployment among young people is nearly 40% in the former steel industry areas like Valnalón.<sup>(3)</sup>

The Director of the Technological City of Valnalón, José Manuel Pérez, argues that to deal with this kind of situation it is important to start changing mindsets at a very early age: “to become an entrepreneur is like becoming a sportsman. If you really want to do it, you have to start when you are 5 years old”. This is exactly what they have done. Over 52,000 people of all ages have now taken part in their many programmes. Günter Verheugen, Vice President of the European Commission in charge of Enterprise and Industry, says “take note of what is happening in certain Asturian schools and institutes. If we want to create more employment, Europe needs more young people who are prepared to take risks and create their own employment.”

There are eight projects in Asturias financed by the second round of EQUAL. All are led by the Regional Government. The EQUAL project “Equality Creates Enterprise”, in which Valnalón is a partner, together with the Regional Women’s Institute, the Women’s World Bank, and several trades unions and employers federations, wants to apply 20 years of Valnalón’s experience in building entrepreneurial culture to support women set up their own business. As José Manuel Pérez says, thanks to EQUAL, Valnalón now has its “female team”.

*Valnalón has also participated in two other EQUAL projects – “Empezar” and “Equal Avanza” these focus on spreading entrepreneurship culture even further - among young people living in many of the region’s remote rural areas. Through all these projects EQUAL has allowed Valnalón to adapt its highly innovative methodology to reach groups that are not normally the beneficiaries of programmes for industrial restructuring.*

## 1 - FROM COAL AND STEEL TO THE HEARTS AND MINDS OF ENTREPRENEURS

Way back in 1987, the Regional Government handed José Manuel Pérez the keys of the former offices of “Duro Felguera” and asked him to find alternatives to what was previously the most important and prosperous steel factory in Spain. Valnalón, the regional government owned company directed by José Manuel, transformed part of the premises into the first business centre of the region. But what companies were going to come there?

It was clear that the business centre lacked “raw material” - but now the raw material was not to be found in the ground – it lay in the creativity of existing and future generations of Asturian people. Valnalón’s success in fashioning an entrepreneurial culture that taps this creativity is based upon a number of key lessons which have great relevance for other EU countries. These findings have been adapted through EQUAL to fit the specific needs of women and other groups.

First of all, Valnalón considers that it is important to intervene across the complete life cycle in a way which they compare to training for a “high risk sport”. The process starts with “little sportsmen and women in primary school ; it is still with them when they enter the junior team in secondary school ; the best ones then go to the professional team”. At every stage, the students have “specialist trainers” to support them, but success depends on their own efforts : “People come here to train. We help them to train. But it is they who are going to the Olympics” says Pericles. “The young people are always the protagonists”.

Secondly, Valnalón has imaginatively adapted their training methodology to recreate real life situations at every state of the process. For example, in primary school, Valnalón’s EME Programme<sup>(4)</sup> transforms the entire class into a real cooperative. “The children make rules of the cooperative, they design and make the products – puppets, flower pots, hair slides, dolls as well as the marketing and publicity campaign. The great moment arrives in May, when they all get together in the marketplace of their hometown and actually sell the products. Finally, they decide themselves what to do with the benefits”.

The process is taken one step further in the next lap of the “race”. Under Valnalón’s EJE programme<sup>(5)</sup> young secondary school students between 12 and 16 years old also create and manage

their own cooperative but this time for international trade. They invest their own money and get in touch with other cooperatives in Spain or, even better, in other countries. For this they have a range of options in places where Valnalón has transferred its methodology : 8 other regions of Spain as well as Mexico, the United States, Canada, UK, Northern Ireland, Sweden, Norway, Poland, Slovakia and Belorussia. The cooperatives trade using new technology and communicating in English. There is even an agreement with the regional bank to support the cooperatives with micro-credits.

Valnalón also operates a series of programmes in Universities. The top “athletes” can perfect their business idea in Valnalón’s incubator and when they are ready, they can start to trade in Valnalón’s Business Centre, where they have 3 years to consolidate their company.

Another interesting feature of Valnalón’s approach is that they do not see entrepreneurship simply as a set of technical skills such as book-keeping and marketing which are only useful to private businesses. They see it as a much broader set of attitudes and competences like team-working, decision-making, risk-taking, innovating and so on which can be applied to all walks of life. So they argue that those who don’t go on to become professional “sportsmen and women” can practice their entrepreneurial skills as employees within private companies and in the public sector (they have coined the phrase intra-entrepreneurs) as well as within the community as social entrepreneurs.<sup>(6)</sup>

Finally, Valnalón realises that it is not possible to change mindsets simply through innovatory educational methodologies. There is also need for far-reaching work with other stakeholders like teachers, parents and the rest of the community.

## **2 - EQUALITY IS GOOD FOR BUSINESS**

Iron, steel and mining make for an overwhelmingly male work culture and, unsurprisingly, most of the redundancies that took place in these industries in Asturias were made up of men. However, 60% of the people unemployed in the region are women. Rafael Vigil, an adviser in Valnalón’s Incubator Unit recognises that there are differences between the needs of women and men entrepreneurs: “Women’s projects take longer to mature. Women also stay longer in the incubator – around 1 year compared to 6 months for men”.

So the Equal Project “Equality Creates Enterprises” builds on Valnalón’s methodology to reach out and deal with the specific needs of women entrepreneurs. The project has three parts: firstly a study on the causes of discrimination against women in the Asturian job market; secondly an e-commerce platform to help the women promote and sell their products; and thirdly, a school for women entrepreneurs.

The latter is the heart and most innovative part of the project. According to Maria José Ramos, a regional minister<sup>(7)</sup>, “the project aims to develop a new way of intervening in the labour market from a gender perspective”. The study has helped the project identify six key barriers faced by women entrepreneurs in Asturias and the school based in the old steel company premises has tried to find solutions to each of them.

### **• Lack of time and the burden of family responsibilities :**

The solution found by Valnalón is based upon designing a short 64 hour starter’s course for women entrepreneurs - that is both flexible and mobile. Child care comes as part of the package.

The School’s core team is composed of 6 women. Although they are based in Valnalón’s offices they move to where the women are. They identify possible places for the course by establishing contact with local territorial agencies and organisations that already know the women. This is one of the strong points of the programme: the school reaches many women through local agencies, so these agencies do not see EQUAL as a competitor.

When they have reached enough number of women for the course (around 10-15), the school establishes personal contact with them to adjust the location, dates and timetables of the course to their needs. Women are even given the possibility of following different modules of the course in other places. Finally, quality childcare is provided in the form of the Schools “ludoteca”.

Cristina Ferrer Casas went to the territorial agency to look for information on the possibilities of work in the area. “They told me about the course in the Local Development Agency. It was well organised and there was a good balance of people on the course.” She has just established her enterprise providing rural accommodations.

### **• Lack of confidence and self esteem**

According to Ana Belén Díez, the Director of the school. “the women often have the basic experience and competence required for the business world but they haven’t developed these into the skills required for running a business. For example sometime they know how to make something but not how to sell it.” The solution adopted by the women’s school is to devote the first 12 hours of the course to role playing and other activities designed to increase confidence, and self-esteem. This increases capacity of the women to identify what they already know and what they need to know to launch a business.

### **• Lack of certain skills in business management and new technology**

Using Valnalón’s experience, the course, builds both these aspects into a series of short highly practical modules that relate to real life.

### **• Lack of adequate finance**

Monica, one of the partners of Arte y Ruta, another company in the Business Centre says that often the investment is less than one thinks. It’s like buying a small car”. The solution found by EQUAL to the lack of adequate finance is to bring in the Women’s World Bank to provide micro-loans adapted to the needs of the women entrepreneurs.

### **• Lack of support from the family**

Ana Belén Díez remarks that “when a man starts up a business the whole family usually chips in. But when a woman wants to start a business they – I suppose you know what you’re doing”. This is linked to the following point...

### **• The dominance of a male entrepreneurial culture**

Women not only tend to get less support from their families but also from existing business networks and institutions. To overcome this, the Women’s Entrepreneurship school had their activities assessed

by a panel of 12 business women from different sectors. The teachers are also mainly business women themselves to make them as close and approachable to the people who attend the course. Carmen Alvarez, one of the students says "I went to the course in order to meet up with other business women".

When they have completed the course, the women can use female tutor from Valnalón's Project Incubator Unit to support the launching of their companies.



### 3 - LONG JOURNEYS START WITH SMALL STEPS

The EQUAL project "Equality creates Enterprise" was only launched in the summer of 2005 so at the time of writing (*Spring 2006*) it was very early to judge results. Their aim is to train 480 women by 2007 and they have already had to double their initial expectations. The 95 women trained in 2005 are working on 30 business ideas and have already launched 4 companies.

But more fundamentally the goal of EQUAL, like that of Valnalón, is to change attitudes. Belén Tornero (*who is this lady? Please identify her...*) says that "self employment is a way of living what you really like. Before talking with Valnalón I thought that an entrepreneur was someone with a moustache and suit, someone like Onassis." She and her partner have created a company called Zeppelin, a tourist consultancy that works mainly for municipalities.

Valnalón is also partner in another EQUAL project that is applying the same methodology to reach young people in the rural world. The aim of the EMPEZ@R project is prepare a new brand of young entrepreneurs who can modernise the food and agricultural sectors of these areas, thereby helping to improve their image and self identity. Valnalón is in charge of training the rural business advisors.

In the project AVANZA, Valnalón also provides training to the staff of rural development agencies. This time, however, the target groups are mainly young women, adults older than 40 and entrepreneurs in small municipalities. The aim is to spread an entrepreneurial culture to the furthest corners of the region.

The credibility of Valnalón and the presence of other key institutional partners such as the Asturian Women's Institute, various Regional government organisations and the social partners also increases the chances of mainstreaming the lessons from all these initiatives. For example, Valnalón's EJE programme has already been incorporated officially into the educational curriculum in Asturias. Today 1600 students in Spain are busily involved in the programme and have created 70 cooperatives. The programme has been translated into Basque, Catalan, English and Polish and is being used in 135 schools in 11 countries. So the prospects for spreading the lessons from EQUAL are bright.

**DP name :** *Equality Creates Enterprise (LICEA – La Igualdad Crea Empresas en Asturias)*

**DP ID :** ES-ES20040195

**National Partners :** Banco Mundial de la Mujer, Comisiones Obreras, DG Formación Profesional (*Consejería de Educación y Ciencia*), FADE, Federación Asturiana de Empresarias y Directivas, Fundación Metal Asturias, Fundación Universidad de Oviedo, Instituto Asturiano de la Mujer, Instituto de Desarrollo Rural, UGT Asturias, Valnalón.

**Transnacional Partners :** Cerdeña - Agricultor@ : Sostantivo Femminile. DP ID: IT-IT-G2-SAR-012 ; Amiens (*Articuler les temps de vie : un enjeu de perennité pour les entreprises familiales*). DP ID : FR-PCD- 2004-44004)

**TCA id code :** 3935

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**Other DPs participated in by Valnalón :** Avanza (ES-20040198). EMPEZ@R Emprendedores en zonas rurales (ES-ES20040536);

### Footnotes

- 1 - *Microeconomic guideline 10 of the Integrated Guidelines for Growth and Jobs refers to the need to 'promote a more entrepreneurial culture and create a supportive environment for SMEs'. Employment guideline 16 refers to strengthening social and territorial cohesion, while employment guideline 18 refers to inclusive labour markets.*
- 2 - *GEM 2000 Emprnde Report*
- 3 - *Asturias lost 100,000 jobs over the last 20 years. The rate of unemployment among young people is 38.5% in the former steel industry areas and 33% for the whole region. This is creating massive outmigration among the most educated young people.*
- 4 - *EME (Empresa en Mi Escuela – a company in my school). Since the start of the programme 8264 children have participated in it from 361 schools. 447 cooperatives have been created. In 2005, 1935 children took part in the programme. The methodology of the EME programme has been taken by schools in Navarra and in Canary Islands.*
- 5 - *EJE : Empresa Joven Europea – Young European Enterprise*
- 6 - *In the Young Social Entrepreneur programme, in Secondary school, NGOs like the Red Cross supports the school associations created by the class that works with a international cooperation project*
- 7- *"Consejera de Presidencia". Principado de Asturias.*

# Passport to enterprise - Verbund Enterprise (D)

Verbund Enterprise set out to tackle the problem of youth unemployment by designing a cost-effective four-phase business training programme, and equipping out-of-work youngsters with a passport that clearly shows their skills. The system has now spread to ten centres in five Länder, and to keep the ball rolling it has co-founded a national association of start-up advisers with a quality charter.

Since reunification, unemployment in Germany has remained stubbornly high. In the country as a whole, almost five million people are unable to find a job, while in the Eastern Länder the unemployment rate hovers around 20%, heavily affecting young people. The sheer size of the German economy means that this situation has a crucial impact on the Lisbon targets for jobs and competitiveness in the whole of Europe.

One of the few beacons of hope in this gloomy panorama has been a significant increase in business start-ups by unemployed people. In 2004, 65% of all business start-ups in Germany were created by the unemployed, over three times more than five years ago.<sup>(1)</sup> As Wolfgang Clement, Minister of Economics and Labour, says: "The promotion of business start-ups is one of the central tasks of the economic policy of this federal government. One important starting point is a labour market oriented strategy for youth social work, which supports young people in creating their own professional alternative of self-employment as an alternative to unemployment. I am therefore happy to become patron of this initiative."

The initiative he was referring to is the EQUAL partnership Verbund Enterprise. This partnership has developed a national model of enterprise support for young people which is at the cutting edge of policies to encourage self-employment. According to the partners, the Enterprise support system "starts where traditional institutions usually stop : it supports young unemployed people with minimal opportunities who seek personal and material independence through a specially designed pathway or ladder into self-employment." It thus helps to create the more entrepreneurial culture called for in guideline 10 of the EU's Integrated Guidelines for Growth and Jobs.<sup>(2)</sup>

## 1 - LAYING THE FOUNDATIONS

The 'Enterprise Model' of business support has attracted attention because it has proven to be both an effective and an efficient way of promoting start-ups among a target group that was considered to be : "too young, too inexperienced and too screwy." Norbert Kunz, the project co-ordinator, says : "Young people just did not correspond to the general image of a business man or business woman, and for most of the credit institutions... they were simply not bankable."

The results of the Enterprise network are impressive: over 3,000 young people have used the service, 500 businesses have been started, and more than 750 jobs have been created since 2002. What's more 85% of these jobs have gone to young unemployed people, and 45% to women. Survival rates after three years are over 70%. Mandy Grigoleit, founder of Decoration and Presents



*Just one of the small businesses helped by EQUAL  
(Hakan Küçük at Smyrna Kuruyemis)*

in Mecklenburg-Vorpommern, says : "I can recommend Enterprise without hesitation. Without it I wouldn't be what I now am : independent and my own boss !"

Moreover, the support required to help young people create a job costs much less than the traditional subsidies provided to attract industry. The EQUAL partnership calculates that the cost of its system is € 6,000 per job in an inner city location and € 8,000 in a rural area. Given unemployment benefits of around € 750 a month this means that, in the city, the costs are recouped after eight months' self-employment.

Enterprise was actually started as a pilot project in the Länder of Brandenburg and Berlin in 1999. It drew inspiration from the Prince's Trust, which, over 25 years, has helped almost 60,000 young people to set up in business in the UK. The partnership set up under EQUAL (*Verbund Enterprise – Junge Menschen auf dem Weg in die Selbständigkeit*) allowed the original ideas to be developed further into the current model in Berlin and also the extension of the successful aspects of the Enterprise methodology to a further four Länder. The Prince's Trust is a member of the EQUAL transnational partnership.

## 2 - CHANGING PERSPECTIVES

One of the first steps Verbund Enterprise took was to carry out a series of campaigns in local schools and through the media to change young people's image of entrepreneurship. It used a series of competitions, a travelling photo exhibition, a poster campaign and adverts in the underground and in cinemas to put over messages about 'changing perspectives', 'the courage to leave the nest' and 'experience teaches you how to fly'. It was careful to present images of people who are confident, energetic and fashionable.

Another action was to set up four outreach centres for young people in urban neighbourhoods of around 300,000 people recognised as being deprived by Berlin's 'Social City' urban redevelopment programme. Here the central issue was not just getting physically closer to young people but creating a style that

positively attracts them. Enterprise also used its partnership links to develop good referral networks from both social services and youth groups.

### 3 - A NEW MODEL OF ENTERPRISE SUPPORT

Verbund Enterprise's main achievement has been to develop a distinctive support methodology that incorporates a number of innovations. At the heart of the new approach is a structured business support pathway up of four clearly defined stages: profiling (*lasting about four weeks*) planning (*3-12 months*), start-up (*approximately six months*), and consolidation and growth (*3-5 years*). Each stage involves the provision of a variable menu of services (*counselling, training and qualification, mentoring and access to microcredit*) which help the entrepreneur to acquire the personal competences, skills and resources that are necessary for success.

Two features stand out. First, during the profiling stage Verbund Enterprise is quite careful to select the entrepreneurs who have the right formal and informal characteristics to become an entrepreneur – above all motivation and commitment. This contrasts with the less selective model used by the Prince's Trust in the UK. Secondly, it is seen as crucial to provide aftercare for a considerable time – up to three years – after start-up. Both these aspects have a major effect on the sustainability of start-ups.

Another methodological contribution has been to change the concept of 'one-stop-shop' from that of one organisation trying to do everything under one roof to that of a partnership which orchestrates the inputs of grassroots youth organisations, mainstream business advisers and financial institutions into a tailor-made package of support for young people. During each phase of the support pathway, the Development Partnership pulls in different specialist and mainstream providers to provide specific services.

The model includes individual counselling from personal advisers who supervise the entire itinerary, a pool of expert mentors and various forms of access to start-up capital, including a specially designed microlending fund (*for example a loan of up to € 5,000 for four years at a 5% rate of interest with no security required*). It has been found that the microcredits both attract young people and help to build a longer-term relationship with financial institutions.

Enterprise clearly makes a big difference. "I have been to a few other institutions providing business start-up support before. But most of them were simply too bureaucratic and donnish," says Claudia Otto, a nutritionist at Aerobic and Fitness in the town of Oranienburg, just north of Berlin. "At Enterprise this was completely different. The project is perfectly suited to young people. I am so enthusiastic about the project that I told all my friends about this opportunity. When I heard young people talking about self-employment in the underground, I just gave them the project's flyer."

### 4 - PARTNERSHIP OPENS DOORS

The EQUAL project was able to pilot these innovations by means of a particularly effective model of partnership. Most of the actions were actually implemented through a series of 'operational' partners specialising in different aspects of enterprise support. However, they drew in a very broad range mainstream organisations as strategic partners, including three financial institutions, local and regional economic development agencies, the Federal Ministry

for Economics and Labour and the German Children and Youth Foundation. This helped to fit together the different pieces of the jigsaw of enterprise support.

Just one of the small businesses helped by EQUAL (*Hakan Kucuk at Smyrna Kuruyemis*)

Klaus-Dieter Langen, Executive Director of the German Bundesdruckerei says : "I am very impressed by the highly professional work of the Enterprise actors – the efficiency and the commitment with which entrepreneurial thinking and action are detected and promoted. We as a company support that."

However, one of the problems encountered with a multi-stakeholder system like this is how to ensure quality along the entire pathway. In order to do this, Verbund Enterprise started to design an Enterprise Quality Management Structure (EQS) which covers all four stages of the support system.

Finally, one of the most distinctive features of Verbund Enterprise's work has been to create an 'enterprise passport' which provides a clear and transparent road map of the progress made by the entrepreneur at each stage. The Berlin Volksbank has accepted the enterprise passport as the central instrument to evaluate the performance of young business starters, and fast-tracks passport holders when they apply for a microloan. Several other business support institutions have expressed interest in using the passport and the Berlin and German governments are considering whether to develop a complementary coaching passport.

### 5 - SPREADING THE SELF-EMPLOYMENT MESSAGE

Mainstreaming the methods of enterprise support developed by Verbund Enterprise has followed a number of channels.

Firstly the Enterprise network has itself been extended to other parts of Germany. There are now ten offices, 16 advisers and a pool of more than 100 mentors operating in Berlin, Brandenburg, Lower Saxony, Saxony and Mecklenburg-Vorpommern. One of the EQUAL development partners, iQ Gesellschaft für innovative Qualifizierung e.V., had the specific responsibility of training and transferring successful methods to other parts of the country.

Secondly, certain strategic partners in the project, such the German Federal Ministry for Economics and Labour, have played an important role in spreading the message. For example another strategic partner, Wolfgang Thierse, President of the German Parliament, declared : "As patron of Enterprise I am very glad that the European Union is sponsoring this ambitious project through the Community Initiative EQUAL."

Thirdly, together with the other German DPs in the national entrepreneurship pillar, Verbund Enterprise has created the National Association of German Start-up Initiatives (VDG), a national association of more than 40 members supported by the Ministry for the Economy and Labour. VDG provides a forum for developing support instruments, disseminating innovative approaches, learning from each other and formulating quality standards. VDG also represents the interests of disadvantaged business starters and support initiatives in politics, administration and the general public.

VDG has created three working groups: one on legal and political framework conditions, another on business start-ups among migrants, and a third on start-up methodology. It has also produced a charter of ten points which would greatly improve support for business start-ups by unemployed people. The main aim of the charter is not to call for more money for business support but to systematically improve the quality of the services offered, to promote the sustainability of business start-ups and to call for a simplification of the procedures among all parties involved. In order to promote the charter, VDG has organised a series of expert meetings with representatives from the Federal Employment Office, the Federal Ministry of Economics and Labour, city councils and local economic development agencies.

Verbund Enterprise has also been centrally involved in the creation of the German Microfinanz Institute, which now brings together more than 50 organisations concerned with the financial side of start-ups. Based on the experience of its members, the MFI is developing and spreading innovative forms of microlending in Germany.

### Footnotes

1 - *There were more than 360.000 start-ups from unemployment in 2004, as against less than 100.000 in 1999. Source: KfW MitteltandsMonitor 2005, based on figures from the Federal Employment Agency and the Institut für Mittelstandsforschung Bonn.*

2 - *Integrated guidelines for growth and jobs (2005-2008), COM(2005) 141. [http://europa.eu.int/growthandjobs/pdf/COM2005\\_141\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf)*

**DP name :** *Verbund Enterprise – Junge Menschen auf dem Weg in die Selbständigkeit*

**DP ID :** DE-EA-22874

**National Partners :** *JugendLOK e.V. Berlin, ArGe Enterprise Berlin & Brandenburg GbR, Büro für Wirtschafts- und Projektberatung, Existenzgründungs-Team Berlin-Brandenburg, Förderverein für arbeitslose Jugendliche e.V. Forschungsgemeinschaft für Aussenwirtschaft, Gesellschaft für europäische Kommunikation mbH, IQ-Consult Gesellschaft für innovative Qualifizierung und Beratung mbH, Kolleg für Management und Gestaltung nachhaltiger Entwicklung gGmbH, S.N.O.W. Projektbüro e.V, Sozialer Bildungsverein e.V, iQ Gesellschaft für innovative Qualifizierung e.V.*

**Transnacional Partners :** *TCA 74 European Enterprise Network ([www.european-enterprise.net](http://www.european-enterprise.net)) : The Prince's Trust (UK), CIME (France), ETAL SA (Greece), SACE/Job in/Crea Job (Belgium);*

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# Integration and development of immigrant businesses EVU (DK)

## Tools and Methods for an Inclusive Entrepreneurship Approach

### Description

Four national programmes from Denmark, the UK, Spain and Hungary formed a transnational EQUAL project “Building Entrepreneurship” and published the brochure “Moving out of the shadow economy”

The publication is addressed to :

- All those who want guidance on the existing tools and methods to facilitate the participation of disadvantaged groups in the formal economy.

- All managers of projects on outreach advice, business mentors, consultants and organisations responsible for business support

It is written in a clear way, presenting the three main alternative used by the four EQUAL partners to move ethnic minority groups out of the informal economy. It is divided into the following chapters :

### 1. INTRODUCTION

The brochure starts by outlining the growing challenges of the shadow economy and the potential of inclusive entrepreneurship in offering a route into the formal economy. It presents the work of the EQUAL project “Building Entrepreneurship” and highlights the three main approaches to building entrepreneurship for all. These are outreach business advice, micro-credit programmes and support for social enterprises and they provide the framework for the rest of the publication.

### 2. OUTREACH AND COMMUNITY-BASED BUSINESS ADVICE

This chapter gives a broad picture of the two main tools for outreach and community-based business advice to immigrant entrepreneurs and already self-employed immigrants used by the two EQUAL partners “Integration and development of immigrant businesses” in Denmark and “Supporting Inclusion in Enterprise Development (SIED)” in the UK.

It begins by giving the background for offering outreach business advice. Immigrant entrepreneurs hardly ever use mainstream business advice even though they tend to be less successful than native entrepreneurs; this is because they tend to be unaccustomed to using professional advisors outside their social network, are unaware of the availability of services or lack confidence in public agencies. It explains what outreach business advice is and how it should aim at enabling entrepreneurs to operate in the mainstream economy .

Two best practices illustrate the chapter: The Danish case “Getting the right start” highlights the importance of opening up a business with the right licences and registrations. The UK case “From welfare benefit to self-employment” shows how informing entrepreneurs accurately about the risks and benefits of moving into self-employment can help them take the step from welfare benefits.

The chapter concludes with an examination of the comparative advantages of community-based and mainstream outreach advice.

The Danish EVU model provides outreach advice to minority groups based on a mainstream support system which has given support to around 50% of all new entrepreneurs in Copenhagen. This provides access to the general experience and know-how of the support system and also greater credibility for the supported enterprises.

The UK’s Community-based business advice example uses a business support model developed within another EQUAL-funded project for supporting ethnic minority businesses and entrepreneurs – REFLEX. The strength of this method is enabling community organisations and networks to advise entrepreneurs from their own communities, whilst providing mainstream professional accreditation for the advisers.

### 3. MICRO-CREDIT

In this chapter the Spanish partnership “Barcelona emprende en igualdad” is presented as one of the growing projects on micro-credit. Barcelona Activa, in cooperation with the Un Sol Món Foundation of the Caixa Catalunya savings bank, targets prospective entrepreneurs in situations of social exclusion, including single mothers and unemployed people.

It explains the background for micro-credit programmes in aiming to provide access for poor and marginalised people to the necessary capital and monitoring to start a small business. Micro-credit programmes in Western Europe have an average interest rate of 8% and the loans are typically of less than € 25,000. The chapter sets out clearly how micro-credit can give marginalised people access to the mainstream economy by focussing on clients’ business ideas and willingness to become self-employed rather than their holding of adequate collateral.

The Un Sol Mon foundation in Spain has generated more than 1,000 jobs for women and immigrants through its micro-credit programme and two cases are presented here. “Leaving the informal sector via micro credit” enabled an Algerian food retailer in the shadow economy to open her own restaurant and “From cleaning lady to owner of a small chain of bakeries” allowed a Cuban woman with no collateral to realise her business potential.

### 4. SOCIAL ENTERPRISES

This chapter establishes what a social enterprise is. It is defined not by its legal status, but by its nature, typically being independent of the public sector, reinvesting its profits for community benefit and having explicit social aims whilst competing openly in the market economy.

It looks at how social enterprises can facilitate the move from the informal to the formal economy by employing and training excluded and disadvantaged people and also, in an indirect way, by

reinvesting profits in community organisations.

On these lines and to conclude this part, a good practice was identified from the Hungarian “Bridge” project on “securing training and jobs for the excluded Roma population”. This project was a social enterprise which directly trained and employed excluded Roma individuals and was an improvement on previous efforts which had not resulted in the transition to the formal economy.

## **5 . POLICY RECOMMENDATIONS : CREATING AN INCLUSIVE ENTREPRENEURSHIP APPROACH**

The brochure ends by developing some recommendations to the EU and its Member States based on the understanding that even the most excluded groups can make the transition to mainstream entrepreneurship given the right support. The key recommendations are to ensure the availability and provision of mainstreamed outreach business advice and a broad range of financing possibilities including micro-credits, the easing of the transition from welfare to entrepreneurship and full support for the development of social enterprises.

### **Justification / context**

Reaching the Lisbon target of 70% employment is seen as essential to the future of the European labour market and social protection systems. At the same time, according to some estimates<sup>1</sup>, about 30 million people are involved in the informal economy in Western Europe, far more than the numbers unemployed. This is one of the main reasons why the employment rate is lower than the Lisbon target. Achieving the necessary increases in the employment rate will therefore depend to a large extent on engaging disadvantaged groups such as ethnic minorities in the formal economy.

However, if entrepreneurship is recognised as a pathway into formal employment and social inclusion, ethnic minorities often find their potential development along these lines hindered by the barriers and ‘traps’ of the informal economy. By looking at the methods for helping

### **Footnotes**

1- *Size and measurement of the informal economy in 110 countries around the World. Doing Business around the World. World Bank. 2002. Friedrich Schneider*

disadvantaged groups make the transition from the informal to the formal economy this brochure tackles head on one of the biggest challenges facing the European labour market today.

*The brochure was published under the Danish EQUAL program “Integration and Development of Immigrant Businesses in Odense, Aarhus and Copenhagen”. However it contains the results of the transnational partnership ‘Building Entrepreneurship’ describing the different national approaches to supporting excluded groups in the transition to the formal economy. It highlights the work and lessons learned by its four European partners during workshops, conferences and study tours. The partners are:*

- London Borough of Islington (UK)
- EUV’s Knowledge Centre for Ethnic Entrepreneurship (DK)
- City Council of Barcelona - Barcelona Activa (ES)
- Autonomia Foundation – Autonomia Alapítvány (HU)

The EVU Business Centre sub-department, the “Knowledge Centre for Ethnic Entrepreneurship”, produced a practice-oriented guide under the national EQUAL programme inspired by the methods used by the Copenhagen business advisors in their outreach programme towards ethnic minorities. This guide is available in English so it can be useful for other ethnic business organisations to encourage the move to the mainstream economy.

### **countries**

UK, ES, DK, HU

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<https://webgate.ec.europa.eu/equal/jsp/tcaView.jsp?id=4220>

# Mainstream support for minority entrepreneurs : CYFENTER (UK)

Taking the plunge to set up a business is one of the hardest decisions for anyone to make. However the challenge of self-employment is even greater for people from groups in society who are traditionally under-represented in the business world. To tackle this issue the Cyfenter EQUAL project in Wales set itself the task of discovering how to increase self-employment among such groups, which include women, ethnic minorities, people with disabilities, the 50-plus group, young people, and Welsh language speakers.

One example is John Ramm who has been unemployed for most of his working life. John had been surfing the internet when he hit on way of helping other blind and partially sighted people and setting himself up in business. He was trying to track down software which would enable his mobile phone to “talk”, telling him names, numbers and other information that can usually only be seen on the display of a phone. When he found a company that could provide the software – and discovered that they had no UK distributor – he realised that this was the opportunity he had been waiting for.

Iain Willox, Director of Enterprise Support with the Welsh Development Agency, Cyfenter’s lead partner, highlighted that the drive to ensure that no-one is excluded from the enterprise economy is reinforced by economic priorities. He explained : *“There are nearly 362,500 economically inactive people in Wales in a total workforce of around 1.1 million people. This totally dwarfs the 44,600 people registered as unemployed and, consequently, has become the focus for action.”*

The central aim of the Cyfenter EQUAL Development partnership is to tackle inactivity by creating a business environment where support and encouragement is available **for all** when starting up their businesses. In this sense, the project contributes directly to the guideline 10 of the EU’s Integrated Guidelines for Growth and Jobs which specifically refers to the creation of ‘a supportive environment for SMEs’. However it does this in a way that also contributes to the employment guideline 16 - ‘social and territorial cohesion’ and guideline 18 - ‘inclusive labour markets.’

Speaking at the closing trans-national conference of Cyfenter, Welsh MEP Eluned Morgan argued that Members of the European Parliament have to ‘push the issue of economic inactivity onto the political agenda’ and link it with strategies to achieve the Lisbon goals. *“Traditionally, self-employment has been seen as the domain of rich, white people and it has been a huge task to change this attitude in the population”* she said.

## 1 - ACTION RESEARCH FOR INCLUSIVE REGIONAL ENTREPRENEURSHIP

Test trading has given John Ramm the security that he needed to make the transition from benefits to self-employment.

Cyfenter has provided the knowledge base and training for ensuring that the Welsh Entrepreneurship really meets the



*Test trading has given John Ramm the security that he needed to make the transition from benefits to self-employment.*

needs of hard to reach groups. In fact the Action Plan, must be considered as one of the best examples of an integrated, inclusive regional entrepreneurship strategy in Europe. One of the key challenges of The Action Plan is ‘to create a greater number of sustainable start-up businesses in Wales with potential for further growth, particularly by under-represented groups in society’. The Welsh Development Agency, which has overall responsibility for WEAP, took the lead in the Cyfenter EQUAL project with the specific aim of helping it to achieve this objective. It drew in all the agencies which were most involved in delivering those parts of the Action Plan that most affected disadvantaged groups

This is a recipe that seems to work. Welsh start-ups nearly doubled from 12,000 in 2000, to 22,000 in 2004 using the independent longitudinal study – The Global Entrepreneurship Monitor (GEM). During the last year, entrepreneurship activity increased by 74% in Wales, and over the period 2000 – 2004 no other GEM nation has shown an improvement as great as Wales.

Cyfenter’s role in all this has been to carry out what is probably the largest programme of action research in Europe to identify the real needs, obstacles and aspirations of under-represented groups when setting up a business. “Our aim was to discover what small businesses and individuals actually thought about entering the world of business and what it would take to make it easier for them,” said Paula Manley, the Cyfenter EQUAL project coordinator “The main thrust of the research has been one of developing future policy and influencing change through the use of action research techniques, i.e. a cyclical process of research followed by action, followed by review/research, and so on.”

5,000 participants took part in three year-long phases of the action research programme between 2002 and 2005. Each phase was divided into four stages: the questionnaire stage, where quantitative data was collected from individuals both before and after start-up; the interview stage, where issues arising from the questionnaires were discussed in detail; the focus group stage, where participants compared both problems and barriers to entrepreneurship; and, finally, the training and communication stage, where policymakers, research participants and business support providers were brought together to share the findings and agree on recommendations to take forward.

According to the Welsh Enterprise Institute, one of the partners : “being involved with the research that the Cyfenter Development Partnership has carried out has given up-to-date in-depth

knowledge of the under-represented groups in Wales on a scale that would not have been possible without the frame work of the EQUAL initiative.”

The action-research focused on four crucial areas that have been identified as priorities, both in the Welsh Entrepreneurship Action Plan and in the European work carried out on inclusive entrepreneurship by EQUAL. These are: bridges from benefits to self-employment; designing business support services to deal with diversity; access to finance; and sustaining and growing the business.

## 2 - Building bridges from benefits into self-employment

“I still haven’t overcome any of my concerns. I am still worried about losing my benefits and not having enough money in the beginning when I start my own business.” This dimension to starting a business was a significant concern to around 70% of people interviewed by Cyfenter before setting up, although it fell considerably to 42% once their business was up and running.

The issue of coming off benefit was generally more important for disabled people, lone parents, women and people from ethnic minority groups. Surprisingly, fewer than half the people who could be affected sought advice about how benefits would change. The main reason for not asking for help was the fear. As one interviewee said : *“I haven’t sought advice because I’m worried that my benefits would be taken away from me.”*

One of the key recommendations from Cyfenter involves developing links between job centres and the business support system. The project report stated : *“Everything needs to connect together with business agencies and the Job Centre. There needs to be better training for advisors in the Job Centre, so we know self employment is an option.”*

It added that Job centres should build self-employment and entrepreneurship targets into their planning and delivery processes and do more to encourage take-up of this option. Further recommendations include flexible - and longer - periods of support, increasing awareness and availability of schemes and better evaluation and monitoring of the benefits system for its impact on people who enter self-employment.

## 3 - Partnerships for diversity

The Welsh Entrepreneurship Action Plan was launched in 2001, just before the EQUAL project began. As in many European countries, the plan was a response to growing concerns about inconsistent business services, confusion about who to contact and a lack of integration. However, it also incorporated a radical new approach towards providing business support to under-represented groups in the form of the Women’s Enterprise Wales initiative and the Potentia Programme. Most of the partners of both initiatives also took part in EQUAL which they used to inform and guide their activities.

The distinctive feature of Potentia is that it is based upon a partnership between a mainstream provider, the Welsh Development Agency (WDA), and a series of specialist organisations whose roots are in the under-represented groups. All of the organisations are also partners of EQUAL : Disability Wales, the Prince’s Trust Cymru (*young people*), Chwarae Teg (*Women*), the Ethnic Business Support Programme, Prime Cymru (*50-plus*),



*Kay Edmunds's childcare business developed rapidly thanks to a start-up grant.*

Menter a Busnes (*Welsh speakers*). These organisations have a greater knowledge of and enjoy more trust among their respective target groups, so the aim was to use them to increase the outreach of the business support network designed through delivering a service specifically to meet their needs.

The WDA developed a protocol of agreements which clearly defined the duration, type and cost of the support to be provided by the six specialist partner bodies. In general, they were to focus on providing preliminary first stage start-up advice to groups regarded as ‘hard-to-reach’ and then refer them on to the mainstream business advisors.

The action research carried out by Cyfenter provided a clear message to all the partners about the need to refocus services on the customer. It showed that improved capacity was required to diagnose needs, design and deliver services to meet these needs and recognise the range of requirements for different groups.

In order to progress in this direction, the contracts for delivering business support (*for pre-and post-start services*) should be reviewed. They should allow greater flexibility and move away from being overly prescriptive and product-led. Childcare and physical access should also be taken into account.

The partners of Cyfenter used the action-research to provide diversity training and briefing sessions to around 150 people involved in the delivery of the Welsh Entrepreneurship Action Plan. The training helped to improve a series of crucial procedures in the Action Plan (*for example, targets, monitoring, contracts and specifying the division of labour between outreach and mainstream support services.*)

As a result, the WDA has developed a Diversity Training Programme, approved by the Institute of Business Advisors, comprising six modules focusing on disability, race, language, lone parenthood and women, young people and the over-50s. Between 2001 and 2003, Potentia provided support to 2,300 people, resulting in the creation of 700 new businesses and generating 1,400 new jobs.

## 4 - Finance for sustainable businesses

Another of the central features of Cyfenter and the Welsh Entrepreneurship Action Plan is that they both take a holistic view at all stages of creating and running a business. Looked at from this perspective, there is no sense in topping up the ‘bath tub’ of entrepreneurship by increasing start-ups if most of these simply flow out of the system shortly after.

Cyfenter found that the most vulnerable period for start-ups was in the first 12 to 18 months, but this was precisely when less use was made of business support. As they said : *“Advice is least heeded*

when most needed. The most important issues for survival and growth were found to be : managing finance and cash flow, the owner's management skills and access to skilled labour and markets.

As a result, Cyfenter recommends that post-start-up support needs to be integrated seamlessly into the services for people starting new businesses, and that all contracts for business services should be reviewed to ensure that they include a capacity for follow-up.

Cyfenter also highlighted the fact that most money for starting a new business comes from savings and personal finance, so that people without access to either – such as young people, single parents, women or refugees - are at a distinct disadvantage. They found that it was particularly difficult for these groups to raise sums under 7,500 euros, which is the amount usually needed for start-ups. So there is a clear need to build practical routes to link financial institutions and under-represented groups – in ways that benefit both.

### **5 - Planting the seeds for “entrepreneurial mindsets”**

But it is not even enough to provide a supportive environment in the immediate pre-and post- start-up phases. To really have a major impact on entrepreneurship, particularly among under-represented groups, it is necessary to reach out in the earliest stages when entrepreneurial attitudes, capacities and ‘mindsets’ are formed.

In these areas, the Welsh Entrepreneurship Action Plan - with help from Cyfenter's all-encompassing action-research programme - also provides a model for other European regions. Activities over the last two years have included a major publicity campaign involving posters and press advertisements (1.5 million audience), radio (2m audience) and TV commercials (1m audience).

In addition, the WDA created a television programme called The Biz, in which new businesses were followed through their first year of trading by camera crews. Finally, the WDA launched an initiative called The Dynamo Role Model Programme, to encourage interest in entrepreneurship among young people. Over 300 entrepreneurs were recruited as educational role models to provide two-day sessions on entrepreneurship in schools, backed up by multimedia material.

Wales also provides a model for taking entrepreneurship onto the wider educational agenda. In 2002, a National Working Party for Career Development was established with representation from all key institutional players. This developed a plan to give

entrepreneurship a place on the school curriculum and back it up with teaching material for both primary and secondary education. Materials are now part of the national curriculum, teachers are trained and schools will be inspected against the use of such materials. Businesses have also taken a far greater interest in education through the Enterprise Insight Programme and the involvement of business role models in schools.

Finally, a number of schemes were launched encouraging spin-offs from university and post-graduate education. In November 2004 Cyfenter attended Enterprise Week conference and shared a stand with the EAP Education. Organised by Enterprise Insight, the event concentrated on sustaining promotion of enterprise in schools, colleges, universities, workplaces, neighbourhoods, towns and regions and offered delegates the opportunity to develop the policy agenda to bring about a step change in the UK 's enterprise capability.

The results reported by the Welsh Entrepreneurship Action Plan are impressive. Almost 15% of (around 13 m.€uro) of the approximately 90 meuro annual budget is spent on under represented groups and “lifestyle” entrepreneurs. Business start-ups have been increasing by around 20% per annum and, last year, showed the largest percentage increase of any European region. The Cyfenter EQUAL project provides strategic intelligence and advice for all this at a cost of less than half a per cent of the mainstream annual budget.

**DP name :** *Cyfenter Development Partnership*

DP number : UKgb-77

**National Partners :** *Welsh Development Agency (lead), Chwarae Teg, Disability Wales, Prince's Trust Cymru, Finance Wales, Menter a Busnes, Wales Enterprise, Prime Cymru, National Assembly Wales, Ethnic Business Support Programme, Commission for Racial Equality, University of Glamorgan, University of Wales College Newport, Federation of Small Businesses, Welsh Refugee Council, Wales TUC.*

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**Website :** [www.cyfenter.co.uk](http://www.cyfenter.co.uk)

# Building on community strengths to make business : REFLEX & SIED (UK)

**“Before EQUAL we offered the existing Muslim Community and newly arriving refugees a programme which featured such services as learning English and Life skills, Careers Advice and Counselling. Now through two rounds of EQUAL we have been able to introduce Business and Enterprise development and support. We regard the provision of business advice as a key mechanism for the integration of our community into society”, says Muslim Welfare House Business Advisor.**

## **1 - Starting from the other end**

According to a report carried out by Kinston University<sup>(1)</sup>, “one perennial challenge of government policy for small firms is how to reach businesses”. Two successive EQUAL partnerships, REFLEX (*Regenerating Enterprise through Local Economic Exchange*) and SIED (*Social Inclusion through Enterprise Development*) have approached this problem from a completely new angle.

For example, nothing is probably further from the traditional idea of a professional business support service than a local community centre. Similarly, people from black and ethnic minorities, living in run down inner city areas, often do not fit the conventional stereotype of “business men” (*particularly if they happen to be women*). Yet both stereotypes are contradicted by the facts.

Throughout Europe, many ethnic minority groups are veritable hives of entrepreneurship. In the UK “it is widely recognised that the ethnic minority population provides a major contribution to the vitality of the economy. This is particularly so in London. Almost half of the UK’s ethnic minority population live in London and almost a fifth of all enterprises are ethnic minority owned.”<sup>(2)</sup> They rely very strongly on informal family and community ties to make their businesses work.

Two other observations have led REFLEX/SIED to test a totally new method of providing business support. The first is that ethnic minorities have been shown to be even more reluctant to use conventional sources of business advice than the population as a whole. The other is that many ethnic minority businesses get stuck in saturated, low value added market niches. “Ethnic enterprises tend to start businesses in the same location and sector of existing ethnic enterprise.” So, REFLEX/SIED argues that there is an opportunity both to increase start-ups and, above all, to enhance business development by increasing their use of professional business support.

The traditional way of exploiting this opportunity is to try to make mainstream business support, provided by chambers of commerce, development agencies, banks and so on, more user friendly to ethnic minorities. This means dealing with barriers connected with language, racial stereotypes and other issues affecting accessibility through policies such as training and recruitment. However, in the UK “there are widespread concerns that the mainstream is not taking the inclusion agenda seriously enough..... there is remarkably little evidence of significant budget allocations to pursue this policy goal

either from Regional Development Agencies or Business Links”<sup>(3)</sup>.

REFLEX/SIED totally supports opening up the mainstream but argues that this is not enough. In many cases the mutual lack of trust between the community and business worlds is just too great to bridge. In addition, such approaches ignore the innate business capacity and tradition within the communities themselves. The Office of the Deputy Prime Minister in the UK reported<sup>(4)</sup> that there is “a high level of mistrust of the Government’s initiatives among socially excluded groups” but that on the other hand “there is generally a high level of trust placed in local services, for example community centres and tenants facilities, as socially excluded people feel that these local organisations are relevant to them”.

REFLEX/SIED’s approach is based on building on this trust. Rather than taking the clients to the services they have focussed strengthening and professionalising the business support that the community itself can provide. After a successful test in three boroughs during the first round of EQUAL, the approach is going to be rolled out over a far larger area during the second round of the programme.

## **2 - A partnership for empowerment**

The first partnership, REFLEX, was born in the inner London borough of Islington, a mosaic of 180,000 people which contains some of the capitals most fashionable residential neighbourhoods together with some of its poorest. Nearly 60% of all households are in social housing and overall, Islington is the 11th most deprived borough in the UK. Nearly one in four of Islington’s population is non-white and over 100 different languages are said to be spoken in the area.

In this environment, a rich tapestry of over 1,000 NGOs has taken root - many created and run by ethnic minority communities themselves. After friends and relatives, these organisations are the first port of call for the members of their community on a wide range of issues. The REFLEX Partnership has managed to bring together these grass roots community groups, umbrella organisations, mainstream business support and research in order to test a new approach community based business support.

Starting with the more mainstream organisations, Islington local authority has traditionally supported community groups through grant aid but, more recently, their approach has shifted towards using the sector for contracting in specific services. This in turn has led to a more strategic approach towards capacity building in the areas that interested the public sector as well as the fostering of consortiums and umbrella groups that can both share costs and increase the critical mass of a highly fragmented sector.

Two of these capacity building organisations are members of the REFLEX partnership. Islington Enterprise Agency is an enterprise agency which promotes enterprises. Within EQUAL, it has managed a work package to develop the business skills of the business advisors employed by the community organisations. The Islington Training Network is an umbrella group of training organisations

directed primarily at improving the skills of the voluntary sector. Its role within EQUAL was to ensure that the newly acquired business skills fit into an improved framework for project and people management among the community organisations.

The model for capacity building was different to that of other models in that the community groups held their own budgets and were given support to effectively deliver the programme. The approach was to deliver business support alongside the more traditional role of community organisations which have involved community advice and cultural activities.

At the community end of the spectrum, several grass roots community organisations, such as Muslim Welfare House, the Somali Speakers Association, the Arachne Greek Cypriot Women's Group, Haklevi, Daymer and the HELP were themselves members of the EQUAL partnership. They not only benefited from the actions but were able to provide the EQUAL project with first hand experience of the strengths, weaknesses and needs of community groups in the field of business support. An unexpected outcome from the project valued by the community organisations was the development of cross-cultural learning through sharing information and fostering team building. Trainee business advisors stated they had not had much contact with people outside their own communities and valued the opportunity provided by Reflex to interact with colleagues representing different ethnic minority groups.

Finally, another group of partners has concentrated on providing the evidence base required for understanding what parts of the project were successful and which were susceptible for mainstreaming. For example, Kingston University Small Business Research Centre carried out a comprehensive analysis of business creation among ethnic minorities and the barriers that prevent them from using mainstream support services. This confirmed that the main problem was a lack of trust and that, because of this, the vast majority of ethnic minorities turn to their own community networks for initial support. They also studied the development needs of community organisations for enterprise support and evidence from the business advice beneficiaries.

The entire project was coordinated by Prevista Ltd, an enterprise and regeneration agency which does itself deliver mainstream business support. This combination of mainstream, grass roots and evidence-based research has turned REFLEX's approach into a prime candidate for extension at London and national levels.

During the second round of EQUAL, the partners changed their name to SIED (*Social Inclusion through Enterprise Development*).

renovating the social part of business

Most small and very small businesses start and develop incrementally, through a process of trial and error. Their reality is a long way from the traditional approaches of business advisors who often try to guide their clients along a path made up of a series of steps which take them from the first flick of the "light bulb" of the business idea to a structured business plan and then a significant investment.

This gap in the reality of many small businesses and mainstream business advice is probably one of the main reasons why the

European Commission calculates that less than one in five businesses use business support services<sup>(5)</sup>. Yet the same evidence also suggests that these services do considerably increase the number of start-ups and their rate of survival. So the point is that both SMEs and business advisors can gain from a narrowing in the gap between the two worlds. SMEs can increase their chances of survival and growth while business support services could improve their use and take-up by a better understanding of the complex reality in which many SMEs operate. This is precisely the potential of the approach taken by REFLEX.

"Many in the mainstream business support sector would have found it difficult to accept that for trainee business advisors to develop as professionals in the field they had to work with real business clients from day one, providing support, holding the main relationship and assuming responsibility for delivering project outputs. REFLEX effectively engaged as business support providers organisations that did not have the quality standards required by the mainstream because it correctly understood the enterprise development and the equality agendas were inseparable from each other."<sup>(6)</sup>

In the first stage the project has now trained 12 people from different ethnic minority organisations using an experimental a cross-cultural support model to develop business advisors. The training provided by the Islington Development Agency and the Islington Training Agency has involved a variety of innovative approaches. These include group training sessions on business development skills, good practice modelling by experienced business advisors carrying out surgeries in community organisations along side less experienced advisors and the development of basic skills.

The training has allowed workers based directly in community organisations to obtain recognised professional qualifications as business advisors. Laura Guardia-Mayer and Charles Ajorgbor, were the first of the group to obtain official accreditation from SFEDI, the Small Firms Enterprise Development Initiative. In the process they had to overcome many hurdles such as finding English speaking clients for the quality assessors to observe.

REFLEX recognises that business development activities are only one part of the activities of the community organisation and so the training programme also builds their capacity as a whole. An estimated 1,000 businesses have sought advice so far.

Kingston University carried out a survey of 33 of these businesses<sup>(7)</sup>. This confirmed that word of mouth and personal contacts dominated the ways in which business owners found out about business advice services. Their main needs related to start-up advice although there was also a strong demand for support with marketing and financial management. The results also showed that business advice had to be flexible in terms of its form and timing as well as its capacity to cover a range of issues in depth.

Moreover, whereas the quality of the training and advice was rated as "excellent" by almost two thirds of beneficiaries this did not stop them being interested in mainstream sources of advice from banks, chambers of commerce and development agencies. In fact, the research confirms that community based and mainstream business advice can complement each other with the former concentrating

more heavily on start-up and the early stages of business development.

Having designed and tested the model during the first round of EQUAL. The same core partner launched SIED in the second round and turned their attention creating the conditions for mainstreaming their model across the UK as well as sharing the lessons with other European countries. This included rolling out the system of officially recognised high quality training for community based business advisors, extending the model to other parts of London and consolidating an independent Association of Community Based Business Advisors (ACBBA) to carry forward the work after EQUAL ended.

ACBBA is entirely owned by community organisations delivering business advice and is committed to achieving its goals through new partnerships with mainstream business support providers that will complement, not compete, with their services, and through providing services directly in local regeneration contexts.

During the first round, Prevista and ACBBA ran a pilot to test out the mainstreaming potential of ACBBA forming partnerships to deliver mainstream business support contracts. The report of the pilot <sup>(8)</sup> concludes that the main issue involved in the actual delivery of business advice was not to do with capability or professional skills of the Business advisors from community organisations despite the differences in the lengths of time they had been giving business advice. There were no perceived differences in skill or practice levels between BAs employed by community organisations and those employed by Prevista. Instead the main issue was with the clients and their reservations with institutionalised systems.

**DP Name :** *SIED (Social Inclusion through Enterprise Development)*

**DP id :** UKgb-117

**National Partners :** *Islington Training Network, Islington Enterprise Agency, Prevista, Kingston University Small Business Unit, Delta Club, Muslim Welfare House, Somali Speakers Association, Daymer, the HELP, Arachne Greek Cypriot Women's Group, Capacity Unlimited, Haklevi, Queen's Crescent Community Centre.*

**Transational Partnership :** *TCA 275 Transnational and Cross-cultural Strategies of Integration. DE EA 24556, NL 2001/EQA/0024*

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#### Footnotes

- 1 - *Research on the Development Needs of Community Organisations for Enterprise Support. Kingston University. 2003.*
- 2 - *As above*
- 3 - *Evaluation of the Phoenix Fund for the Small Business Service. September 2004*
- 4 - *Jobs and Enterprise in Deprived Areas. Office of the Deputy Prime Minister. Social Exclusion Unit Report. Reflex is featured as an example on page 109.*
- 5 - *Establishing a methodology for tailoring business services to the needs of entrepreneurs. Best Procedure Report. DG Enterprise. April 2002.*
- 6 - *REFLEX Lessons Learnt Report 2005. Armando Pardo*
- 7 - *Reaching businesses through community based organisations. Evidence from business advice beneficiaries. Small Business Research Centre Kingston University. March 2005.*
- 8 - *Action Research Pilot. Prevista and ACBBA. Prevista 2005*

# Migrating out of the informal economy : PROXY – ADIE (F)

A loan of as little as € 1,000, repaid in easy stages with the support of one's friends, can be all it takes to put a marginal informal business on the path to stability and growth. ADIE has combined peer support and step lending to establish a successful model of microcredit that, even working with the most disadvantaged clients, achieves a default rate of just 2.6% a year. But strict laws are still a severe discouragement to many potential entrepreneurs. About 30 million people work in the informal economy in Western Europe, far more than the number of unemployed. Moreover, the number increased during the nineties in nearly all EU countries.<sup>(1)</sup> To tackle this problem, the EU's Integrated Guidelines for Growth and Jobs urge governments to create a more entrepreneurial culture, to integrate minorities and to review tax and benefit systems so as to make work pay.<sup>(2)</sup> The covert nature of the issue means that there is very little information about the people who work in the informal economy, but the EQUAL project Supporting Income Generating Activities among Ethnic Groups and Communities set out to fill the gap. It was led by ADIE (*Association pour le Droit à l'Initiative Economique*), the largest dedicated microcredit operator in western Europe, with the French national employment agency (*Agence Nationale pour l'Emploi – ANPE*) and three other organisations as partners. The ANPE representative Alain Mundingier says : "The project has allowed us to gain a real insight into the lives of marginalised groups, and to understand why they choose the informal economy. We plan to spread this information through our agency and study how to further adapt various laws."

## 1 - Informal work – the hard reality behind the myth

Speaking at the project's closing conference in December 2004, ADIE's president Maria Nowak reported that "despite the project's modest size, it has shed light on some of the major problems facing French society". For example, there is the question of how to provide practical support to socially excluded people who can only make ends meet by carrying out many small-scale activities. Then there is the fact that around 10% of French society lives in what are considered to be 'neighbourhoods in difficulty'. Many of the residents are migrants but the French republican model "does not allow us to recognise cultural differences". Finally, there is a major question concerning the "inadequacy of our system of social protection".

The project has created waves. In a message to the conference, Gérard Sarraçanie, Délégué Interministériel à l'Innovation Sociale et à l'Economie Sociale, congratulated ADIE for "having worked with remarkable effectiveness to reinforce the link between economic initiative and social cohesion". He added : "the government is particularly interested in your experience and with the lessons that come out of it". Several of the project's findings have already been



*Making ends meet – microcredit helped draper Mrs Rochefort set up in business*

incorporated into the French law on social cohesion, and other changes are being campaigned for at a national level.

The project achieved three things. First, it provided insights into the social reality of groups that employment policy usually ignores. Secondly, it made several innovations in micro-lending and business support methodology. Finally, the project used the very limitations of its individual support to press for legislative changes.

Turning to the first point, ADIE deliberately chose a target group that could not be further from the stereotype of an entrepreneur: 86% were migrants from sub-Saharan Africa, 76% were women with a high proportion of single parents, 35% were totally illiterate and 30% could only just read and write.

The project started in 2002 with pilot research and test activities in four deprived urban neighbourhoods in the Paris area. This immediately allowed ADIE to dispel certain common myths about those who work in the informal economy. For example, contrary to expectations, most people involved have an extremely strong work ethic. As Rachida, a 21-year-old market trader at Clichy sur Bois says : "You have to give your life a purpose, to do something every day. I don't understand what they mean by working in the black economy. It's just work."

Similarly, for most people it is not a question of evading the law but of surviving. Forty per cent of the project's beneficiaries were in employment, but earned very low wages. Project workers also found that there was no need to encourage people to start up new activities and businesses. They were already busy doing it.

Equipped with this information, the project designed and rolled out an innovative credit and support mechanism to cover the whole Paris area. The aim was to help its clients to build up their income step by step – hopefully to the point where they found it was worth their while to leave the informal economy.

## 2 - Three types of informal work

The unprecedented in-depth contact with a group which is normally considered to be far from the labour market, let alone entrepreneurship, allowed ADIE to distinguish between types of informal activity in a way no one had been able to do before.

The first type of client is typified by women who are involved in traditional activities in a sporadic way, making the most of opportunities when they arise at the weekend or in the evening. In these cases the informal activities represent less than 10% of their total income. A second category of people work informally for around ten hours a week to provide a small but regular complement to their other sources of income. Finally, for some people, informal activity has become or is close to becoming the main activity, taking up more than 80% of the time and bringing in a third of their income.

While all three groups increased their income as a result of a microloan from ADIE, only the third group, along with a few of the second group, had a strong motive for leaving the informal economy.

So during its last phase the project concentrated on this group, which represented around a fifth of all beneficiaries. The lending techniques and support were very successful among this group. *"Thanks to the loan I buy more goods, and my stocks are larger. Before I used to come back with a suitcase. Now I bring back 100 kilos in freight,"* says one client who imports and sells traditional African products.

## 3 - Innovation through groups and games

The project introduced three successful innovations that stemmed directly from the initial pilot activity. The first was to use word of mouth channels within ethnic networks in order to reach out into minority communities. The second was to develop a tailor-made blend of step and peer lending techniques.

ADIE rejected the idea of simply subsidising or grant-aiding excluded groups, and lends at a commercial rate of interest (of around 6% in 2004). The loans usually start very small, at around € 1,000, but once they are repaid they can increase in small steps up to € 5,000. The loans are made to peer groups of three people. These groups take joint responsibility for the loan, thus overcoming the problem of lack of collateral. This technique of peer monitoring reduces the default rate, as one client testifies: *"Without the group I would be afraid to take out a loan. But it's shameful if one cannot make a repayment. It's a question of honour."* The method also allows loan officers to deal with three parallel applications at a time.

One loan officer is able to deal with around 100 applications a year rather than 40. Thirdly, in addition to the loans, the project designed a support package involving both individual and group modules on financial capacity building, which cover household budget management, the risks of consumer loans, calculating income and expenditure, stock and cash-flow management and so on. The package also includes games on stocks and margins and how to manage one's personal budget. Additional modules were designed to help the clients to plan their business and assess the risks and benefits of becoming self-employed or registering a business. A woman who has been through this process says: *"Before, I did not write anything down. I mixed in the household money with the business. Now I spread my risks better when I buy goods. Before I did not take account of the cost of my airfare. I did not even really know what I earned."*



*"There's no need to encourage people to set up a business. They're already doing it"*

## 4 - Low default rate

In December 2004, after just over two years of operation, the project had created 100 peer lending groups and provided loans to 275 people. On average default rates for the clients of the EQUAL project were only 2.6% compared to 5.9% for all of ADIE's clients. So the approach appears to be sustainable, even for these very hard to reach groups.

ADIE has a detailed monitoring system for all its clients, which allows it to plot what works and what doesn't work. Aymé sums up the situation for those who have received help: *"If I hadn't known ADIE I don't know where I would be. This support has allowed me to make real progress after ten years of being lost in the mist."* Hawa adds: *"With ADIE we gain a perspective, we take ourselves more seriously, there is a goal to achieve. We become more organised even if we are not yet official."* But Daniel explained how much further there is to go. *"I had the fortune to meet you. But there are millions that don't know you at all even though there have been several reports on the television. ADIE you are not known at all!"*

## 5 - Microcredit hits the big time

The mainstream solutions promoted by the project have taken two directions. The first has been to extend the successful microcredit and support techniques piloted by ADIE both in France and the rest of Europe. As the largest specialised microcredit organisation in Western Europe, ADIE now has over 100 branches throughout France, with 300 employees and 700 volunteers. In 2004, ADIE made 5,575 loans of under € 5,000. It estimates that it costs around € 2,000 to provide the support required to create a micro-business. This is merely one-tenth of the annual cost of an unemployed person in France. Until 2002 ADIE's activity was growing by 25-30% a year, precisely among groups that most financial organisations consider are not creditworthy.

However, access to credit is just the beginning of the problem. Unemployed people, Roma and immigrants also have difficulty getting access to markets and technology. This is why many new businesses fail even when they obtain finance. So to tackle all these problems ADIE set up a second EQUAL project, PROXY, to try out a package of ten new services to help micro-entrepreneurs get set up and most importantly stay in business.

The most successful new service so far is a training course called "Information technology in 3 clicks". Microsoft invested € 70,000 in the development of the course. Another successful experiment is a hotline for legal advice. On this project ADIE works with another big name - the lawyers Linklaters in Paris. A third service consists of two specially designed training and advice modules for supporting entrepreneurs in case of crisis. The module "RESPOND", helps micro-entrepreneurs to overcome the problems in their enterprise. The module "BOUNCE" supports entrepreneurs when they decide to wind up their business.

ADIE is also working with PRIMAGAZ, one of the main suppliers of gas in France to provide free training to obtain the certificate in PGP (*Propane Gaz Professional*). The project is not only about training: it provides access to the PRIMAGAZ network where there are more than 6,000 professionals and access to professional tools. 60 plumbers from French rural areas had already completed the training in 2005. Leroy-Merlin is another big name to add to the list of professionals working within PROXY. The organisation helps craftspeople gain access to markets by referring their clients to the micro-entrepreneurs.

ADIE is spreading the experience gained in the PROXY projects across its 22 regional organisations in France, using 300 employees and 850 volunteers. From the head office in Paris, ADIE proposes a service, and the regions where that need has been identified decide to test it. "In 2005, 5 regions provided computer training. In 2006, 12 regions are already developing this service. We test the services in one region, improve them, and then make them available in the rest of France", says Alexandra Videloup of AIDE.

## 6 - Making business worthwhile

The second, complementary, mainstreaming strategy has been to lobby for legislative changes to ease the transition from the informal to the formal economy. The strategy has met with success. "The government has already adopted certain of ADIE's proposals in its Law for Social Cohesion," says Gérard Sarracanie of DIES. These include exonerating people who declare themselves as micro-enterprises, under certain conditions, from up to three years' social security contributions, as well as providing them with a more progressive tax regime.

ADIE's campaign also helped to change French banking law in 2004 to allow agencies such as ADIE to make loans even though they are not financial institutions. In addition French law now recognises the creation of somebody's own company is a means of employment.

These successes will be spread across France and to the rest of Europe. Maria Novak, the President of ADIE is also the chair of the European Microfinance Network which brings together the main specialist microfinance operators in Europe. Through this and other channels the ideas tested by EQUAL will travel across Europe.

**DP name :** *Appui aux activités génératrices de revenu dans les réseaux ethniques ou communautés (Supporting income generating activities among ethnic groups and communities)*

**DP ID :** FR-NAT-2001-10994

**National partners :** *Association pour le Droit à l'Initiative Economique (ADIE), Agence Nationale pour l'Emploi (ANPE), Fédération des Associations Franco-Africaines de Développement (FAFRAD), Institut de Recherche et de Formation Education Cultures Développement (IRFED Europe), Maison de l'Initiative Economique Locale (MIEL)*

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### Footnotes

- 1 - Friedrich Schneider, *Size and measurement of the informal economy in 110 countries around the world*, World Bank, 2002
- 2 - *Guidelines 10 and 18 of the Integrated guidelines for growth and jobs (2005-2008)*, COM(2005) 141. See [http://europa.eu.int/growthandjobs/pdf/COM2005\\_141\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf)

# Creating local companies with a global focus : GLOCAL (P)

As in many parts of Southern Europe, large swathes of the Portuguese interior are rapidly losing population to the faster developing coastal areas. Despite important investments in infrastructure many of these areas are locked into an inward-looking spiral which is still heavily dependent on agriculture and public sector employment. Young people and women are the first to suffer and often the first to leave. The partners of the GLOCAL EQUAL project realised that they were going to have work on at least two levels if their catchment area in the interior Alto Douro region was going to break out of this blind alley. First of all, they had to tackle the main barriers preventing local people from creating new economic activities. Secondly, they had to find ways of connecting the new enterprises to higher value added opportunities both inside and outside the area. In order to do this they created and tested an integrated kit, made up of four new tools, which are now being taken up in other parts of Portugal.

GLOCAL is a small compact partnership of five members, led by a private company committed to local development. However, this has not prevented GLOCAL from networking extensively with financial institutions, employers, local authorities and learning and training establishments to influence all the key players affecting the development of the area.

By doing this, GLOCAL has shown how even the most remote rural areas can contribute to the Lisbon objective of promoting a “more entrepreneurial culture and create a supportive environment for SMEs”. GLOCAL provides evidence that it is possible to do this in a way that helps the employment guidelines for ‘social and territorial cohesion’ and ‘inclusive labour markets.’<sup>(1)</sup>

## 1 - Turning vicious circles into virtuous spirals

The Alto Douro is one of the poorest areas of Portugal and is a long way from global currents. Tucked away in the most rural part of Vila Real District in the North East of the country, its 120,000 people have just under half the average GDP per person of the country as a whole. Cristina Coelho, the coordinator of GLOCAL, argues that areas like the Alto Douro are “stuck in a vicious circle”. Unemployment is endemic but this is only the tip of the iceberg. In some villages, only one third of the potential labour force is economically active. Twice as many women as men are unemployed and the young find it extremely difficult to enter the labour market at all.

As a result the area continuously “exports” its most precious resource – young, more qualified people - to the coast and cities. There is little entrepreneurial activity and what there is poor quality and locked into traditional, low value markets heavily dependent on declining local incomes. The pessimism generated by this pattern stops local communities from making the most of world-class amenities like the rich wine making culture and landscape of the Douro Valley<sup>(2)</sup>.

Breaking out of this vicious circle requires an important change in mentalities. This in return requires visible “successes” that turn the vicious circle into an upward spiral.



*Carla Santos says that besides the economic advice, GLOCAL has helped her in terms of the psychology and sociology of the project partners and how they could work together. This kind of advice is often what is missing.*



*Ana Margarida Fontes, who has just set up a rabbit farm says that GLOCAL's input “was interesting in various ways – from the training to the advice about the steps for creating a company. Even in helping on your business plan. They provide different kinds of support, they advise you where to go, what to do in each phase...”*

## 2 - Opening up local horizons

What distinguishes GLOCAL is not just that it has tried to find solutions to the problems mentioned above – many have done the same thing – but precisely that it has tried to find ways of formalising these solutions very systematically into tools that can be of use to other areas in a similar situation.

The first of these tools is probably one that has had less immediate impact on the area because of the distance between its aims and day to day reality. Nevertheless, this does not detract from its strategic importance. We all know that universities and centres of learning are key drivers of the knowledge economy in the metropolises of Europe. But one has to be brave indeed to suggest that one can drive a direct path of development between a university and the population of one of the most remote rural areas of the continent.

Yet this was precisely the aim of the “Laboratory for Investment Opportunities”, created with a strong contribution from the partner University of Trás-os-Montes and Alto Douro (UTAD). The main part of this “tool” is a computerised scoring system for rating the investment opportunities in the different niches of the main “value chains” in the Alto Douro. This is not just an accountancy tool to assess risk and financial viability : it also incorporates variables specific to the territory itself, such as business sustainability, the existence of exploitable niches in the value-chain, as well as personal factors such as the time available after family care commitments. This allows both advisors and entrepreneurs to take a far more detailed, tailor-made and therefore objective overview of the main opportunities for creating “local companies with a global focus”.

There is clearly still a lot of work to be done for bridging the knowledge gap between remote rural areas and their global opportunities. However, GLOCAL has made an important start. The Universities of Salamanca and Valladolid in Spain and Instituto Politécnico de Bragança and Pólo de Felgueiras do Instituto Politécnico do Porto have all shown interest in the methodology used by Laboratory for Investment Opportunities. The methodology is also being disseminated through regional employment centres and local authorities in the area.

### 3 - “democratising” business finance

True to its name GLOCAL’s approach was again to take a global approach to the problem of accessibility to finance – by setting up another “laboratory” this time of “alternative forms of finance” coordinated by the core partner Superação SPA Consultoria.

The tool they developed in this area was called SIM - standing for “yes” in Portuguese as well as “System of Microcredit for Self-Employment and Business Creation”. It involved GLOCAL engaging with a significant savings bank – the Caixas de Crédito Agrícola (CCAM) da região do Vale do Douro Norte- and thereby bringing a financial institution into the extended “local support network” for the first time.

The SIM created a specific microcredit line of 700,000 euros for start-ups and people entering self employment to be handled by the CCAM and its affiliated regional organisations. The loans are a for a maximum of 25,000 euros to be returned within 5 years. Interest is fixed at the euribor rate + a 2% spread. If the bank is satisfied with the project and the entrepreneur has passed through GLOCAL’s training and advice system they do not require any further collateral. Maximiano Correia, President of the Douro Valley CCAM explains that “the best guarantee we can have is to be presented with competent, informed entrepreneurs with viable, well planned businesses that we know are going to be supported by good professional business advisors”.

During the two years of the EQUAL project, GLOCAL was able to negotiate and launch the scheme with the CCAM and test it for 9 months, on 24 entrepreneurs. One of these is Diamantino Amaral who was looking for his first job and has now created an enterprise that sells natural and medicinal products. The SIM allowed him to set up his shop in just three months during which he developed his business idea, found premises, did some training and finished his business plan: “I was always welcomed, they gave me good information and the procedure was fast”.

Cristina Costa is another example. She is a married woman of over 40, with a family, who had worked as an employee in the medical care sector all her life. She had often dreamed of creating her own company. The opportunity arose when a doctor offered her a partnership in new medical care clinic. But she didn’t have the capital to help create the business. So she asked GLOCAL for help and with SIM she not only received a loan but also the entrepreneurial skills required to run a successful business.

Altogether, 13 entrepreneurs created their own business with the help of GLOCAL. The average loan was around 15,000 € with an investment of about 35,000 €. Most of the successful businesses were in personal or business services. However, around half the potential entrepreneurs that approached GLOCAL wanted to set up a business in the food and agricultural sector. These tend to be more capital intensive and dependent on grants. Pedro Bizarro (*from the partner Alto Fuste*) who was responsible for advising these entrepreneurs explains the problems they face : “at this moment, it takes about two years (*the full length of the EQUAL project*) to go from the original business idea, train, and get the investment project approved by IFADAP<sup>(3)</sup>. The process is far too long and bureaucratic.” This is why many prefer to look for alternative and more flexible forms of finance.

Maximiano Correia of CCAM reflects “*we obviously had to take part in SIM. It supports rural development in the region and young*

*people without employment opportunities*” He also argues that the free business support provided by GLOCAL reduced the transaction costs for the bank. They have continued with SIM after the end of the first round of EQUAL<sup>(4)</sup>.

### 4 - People – the start and the end of entrepreneurship

In agreement with other EU projects, GLOCAL strongly recommends that the financial support should go hand in hand with capacity building and advice. So they developed a third integrated package of advice tools collectively known as SISE (*Sistema integrado de suporte ao empreendedor - Start-up Integrated Support Service*). The message was clearly that SIM would not work without SISE.

One of their first tasks was to raise interest in business creation and establish contact with potential entrepreneurs. GLOCAL used the local radio, property of the partner Cooperativa Cultural Voz do Marão, and held 16 promotional meetings in all the localities of the Alto Douro. Over four hundred potential entrepreneurs were involved.

GLOCAL then used their extended “Local Support Network” to provide advice and act as a first port of call. Altogether, the involved 7 local authorities, the branches of the CCAM savings banks, the official Employment and Training Institute and the Regional Centre Social Security. The university played an important role throughout as a main partner in the Investment Opportunities Laboratory. Civil Society associations also provided information and acted as referral points.

The local support network not only helped to promote the idea of entrepreneurship in local communities but it also gradually increased the capacity of local organisations to provide business advice. Ana Maria Veloso, one of the people who use the service had just lost her job at the factory where she had worked for over ten years. She heard about GLOCAL from the local priest when she was at mass. After completing the support itinerary she went on to create her own company selling and delivering fruit and vegetables directly to people’s homes. “*If the Priest had not talked about GLOCAL at mass*” she says, “*I never would have thought of creating my own employment*”

Once GLOCAL had established contact with a potential entrepreneur, they drew on another specially designed battery of tools for helping them progress from their original idea to a viable business. the problem is nearly always that the new businesses flow out of the system at an even faster rate than they flow in.

In response to this situation, GLOCAL created a tool, with a major contribution from their partner, the NERVIR Enterprise Association, for allowing entrepreneurs and their advisors to assess the level skills and competences in relation to the task in hand<sup>5</sup>. The approach helps advisors to focus on those who have the personal qualities required for success and allows entrepreneurs to identify their own strong and weak points. GLOCAL used the tool to help select entrepreneurs and provide initial advice. It was also used in training for trainers.

Sixty four entrepreneurs went through this process. One of them is Carla Santos who has created two jobs in her firm specialised in environmental services.

In parallel, GLOCAL developed an integrated system of one-to-one coaching and advice to help entrepreneurs develop their business plan. This was specially adapted to meet the needs of women and young people in remote rural areas. At the heart of the system was a guide called "Creating and consolidating businesses step by step". The guide is considered to be a significant improvement on existing publications in that it brings together a lot of dispersed material into a balanced and integrated manual that is easy to use for both business advisors and entrepreneurs.

is there life after start-up?

The last of GLOCAL's battery tools<sup>1</sup> is called "Netmentor" and was actually developed as a joint output of transnational work by GLOCAL and their Spanish partner "Lumen". It consists of a web-based system for monitoring company progress after start-up. Once again the tool addresses a dangerous gap in post-start up support in most European countries. There is an Excel application linked to an extranet which allows advisors to have a far more up to date picture of the companies in their port-folio without the need for costly meetings and travel. Obviously this is particularly useful in remote rural areas.

The Portuguese Association of Rural Development Groups has shown great interest in GLOCAL's SIM-SISE methodology and will be testing it out in six more Portuguese rural areas. GLOCAL's aim is to create the conditions for their tools to be used independently across the country. As Cristina Coelho says the logic of GLOCAL is totally contrary to dependency on state grants or benefits. "We do not give people any money we help them to make it".

A year after she created her own business, Ana Alves confided to her GLOCAL tutor that when she first met the other entrepreneurs she felt that her idea had the least potential and that she was the least skilled of the group. "Now I feel proud to be earning a living through my own company. I was helped to take a series of steps, like getting the microcredit, which I could not have taken on my own".

The increase in confidence and capacity to take initiative is one of the most important long term benefits of the project - even for those people who finally decided that setting up a business was not for them.

However, despite their rigorous methodology and their prolific output, it is necessary to end on a word of caution. With a relatively

small budget, GLOCAL managed to develop and test their tools in the creation of 11 businesses involving 13 entrepreneurs and 19 jobs. But the radical change in mentality they are trying to achieve takes time. Over their period of operation, the severe economic crisis faced by Portugal meant that many more firms went out of business in Douro Norte than were created. In this context, the firms created by GLOCAL are still a drop in a receding tide.

**DP name :** GLOCAL

**ID name :** PT-2001-165

**National partners :** Alto Fuste - Consultoria e Gestão Agrária, L.da, Cooperativa Cultural Voz do Marão, CRL, NERVIR - Associação Empresarial, Universidade de Trás-os-Montes e Alto Douro

**Transnational partners :** 1065 GLOBAL.LINK - LUMEN, RESEAU +, CREATE

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#### Footnotes

- 1 - There are other tools but there is no space to mention them here
- 2 - Microeconomic guideline 10 of the Integrated Guidelines for Growth and Jobs refers to the need to 'promote a more entrepreneurial culture and create a supportive environment for SMEs'. Employment guideline 16 refers strengthening social and territorial cohesion, while employment guideline 18 refers to inclusive labour markets.
- 3 - Despite significant improvements in infrastructure and the fact that a large part of the Douro Valley has been accorded UNESCO World Heritage status.
- 4 - The official organisation that approves subsidies to primary sector.
- 5 - GLOCAL has also reached agreements with the Portuguese Society of Mutual Guarantees (SPGM) to reduce the barriers faced by start-ups when asking for guarantees. They signed an agreement with PME Capital in Porto to open a channel between risk capital institutions and local entrepreneurs. Finally, they started to build up a potential network of business angels. This will be developed in the second round of EQUAL.
- 6 - *Balanço de competências na óptica do empreendedorismo (Entrepreneurship skills balance)*



Ana Alves has opened a shiatsu massage centre.

# Financial lifelabels for excluded communities :

## SANT COSME INNOVA (E)

**Deprived industrial neighbourhoods, like Sant Cosme in Barcelona, can be found in most European cities. Restructuring in these areas has often cut the number of job opportunities dramatically for local people. In Sant Cosme, unemployment rates stand at around 25%, but the area still acts as a magnet for migrants, who make up nearly two thirds of the population. Many local residents are forced to survive through a combination of social security payments and the submerged economy.**

This is the context, in which the EQUAL project called Sant Cosme Innova decided to test out a particular blend of microfinance and business support as a route out of social exclusion. According to Henry Mcleish, ex-deputy prime minister of Scotland, the problem for the people in these kinds of areas "is not so much the overall availability of money but the kind of money on offer". The key issues are "why the disadvantaged need specific kinds of money; how to ensure that traditional finance providers work together with other actors and how to ensure the economic viability of the cooperation" <sup>(1)</sup>.

This message has already been recognised by the European Council which, in March 2003, for the first time, stressed the importance of micro-credit. However, despite this commitment, most of the 1 billion risk capital schemes financed through the structural funds goes to the higher end of the market. This is why it is so important that the Commission has proposed to make finance for micro-credit eligible under the next round of Social Fund as it places greater emphasis on social inclusion.

The main financial partner in the San Cosme Innova is the Fundació Un Sol Món, part of Caixa de Catalunya, Spain's seventh largest financial institution. Through the project they have shown how financial engineering and financial expertise can be brought in to strengthen policies for the comprehensive redevelopment of urban communities facing multiple forms of deprivation.

The project provides insights into how the Social Fund can work in tandem with financial institutions, local authorities and NGOs to build more sustainable jobs for groups such as women and ethnic minorities. This is the only case of EQUAL funds directly being used to invest in micro-credit in Europe and in this sense it provides important lessons for the future.

### 1 - Sustainable tools for community development

Angel Font, director of Un Sol Món, says that, nearly five years ago "we identified a market gap - in the sense that there were many people with good business ideas - but without the collateral required for obtaining a conventional loan". As a result the Foundation launched a microcredit fund. This can now boast of having created more than 1000 jobs, of which 50% are women and another 50% ethnic minorities. In total the fund has made around 600 loans for a value of 6 million euro.

According to an impact evaluation among the clients of Fundació Un Sol Món, 80% have improved their economic

conditions and 70% consider that the microcredit has provided their business with greater stability. This is the case of Maribel who had worked as a hairdresser for 8 years, mostly in the informal economy. Two years ago she obtained a microcredit from Un Sol Món to open her own hairdressers. She says "I am very happy with the business. I have hired two workers and I am planning to open a new hairdresser in El Prat de Llobregat".

Nine tenths of the initiatives supported by the microcredit fund are still in business after one year and defaults are within normal commercial levels.<sup>(2)</sup> However, even if a small proportion of the loans are not repaid, the vast majority of public and private investment returns to the fund after a period and becomes available for further rounds of lending. Isabel Pagonabarraga, the fund manager argues that "the public investment helps to create a long term and sustainable tool for social and community development rather than a one-off gain as happens with most grants".

EQUAL's role in all this was to provide contribution of 150,000 Euros of capital which was matched by Un Sol Món to earmark a specific fund of 300,000 euros for direct financial support to business in this particularly deprived neighbourhood of Barcelona. The loans provided through EQUAL, are directed at people in St Cosme who are far further from the labour market than most clients.

According to Isabel Paganobarraga "more than four fifths of the clients of EQUAL have an income under 15,000 pa, a much higher proportion than most of our clients." She argues that "EQUAL allowed us to test out more flexible methods required for extremely deprived neighbourhoods, groups such ethnic minorities and people in the submerged economy. Since then we have applied many of these methods across the rest of the fund." An example of a typical client is a woman, also called Isabel, who was looking after two children on her own. This made it impossible for her to get a regular job. The microcredit provided by EQUAL allowed her to open a tapas bar which offered her more flexibility to earn an income and support her family.

### 2 - Finding out about the financial gaps and testing new products

Although it may seem surprising, one the main problems reasons for the financial gap at the lower end of the market is that most financial institutions simply do not know much about the real financial needs of the most socially excluded people. So in order to find out more about the needs of their potential clients, the EQUAL partnership carried out a survey of local people without stable employment. 80% expressed interest in self-employment but none could provide security for a loan and all required non-financial support for setting up a business.

They found that access to banks was not only difficult because of lack of collateral, but also because excluded people lack the

confidence and experience of negotiating with banks. They are used to being the recipients of social benefits not the clients of financial institutions. When a hairdresser that set up a business in Sant Cosme was asked about the difference between Fundació Un Sol Món and a normal bank she said “with banks it is very different. Fundació Un Sol Món is there to help you, banks have very different aims”

Un Sol Món was also able to build up a better understanding of the overall financial of their client’s situation through close discussions with social services and the personalised programme of advice carried out the other project partners. This allowed their clients to present a viable plan for income earning activity, however modest. The EQUAL partnership also spread the word about micro-credits through a series of community briefing sessions.

This was the first time that a financial institution has actually gone out to meet the residents of a socially excluded neighbourhood like Sant Cosme. Angel Font argues that *“it is amazing how people grow in confidence when they feel that they are being treated like serious clients of a financial institution and not just like someone looking for a hand-out.”*

With this information, Un Sol Món adapted their products to the financial situation of the client. The basic product offered was a smaller and more flexible loan from as little as 600 Euros to a maximum of 15,000 Euros (*average 8.000 Euros*) with a fixed 6% interest rate. The specific terms of the loan were tailored to the needs of each person by using “step-lending” methods. Loans were initially made for short periods and small sums of money but could be increased in a series of progressive “steps”.

The Foundation also started to experiment with “peer-lending” methods where small groups of people take responsibility collectively for a loan. However, the lack of organisation and social capital in the area severely limited collective approaches.

No collateral was required. The only guarantee was the solidity of the business plan prepared in conjunction with the “Pla d’Actuació de Sant Cosme”, the EQUAL leader specialised in providing business support and guidance to disadvantaged groups. In fact, one of the main lessons of the project is that the finance in these kinds of areas must be backed up with a sensitively designed package of mentoring and advice. For example, they found that traditional business plans were too complex for people in such difficult and diverse situations.

The business advisor at Pla d’Actuació de Sant Cosme commented the people who came to them for information were in such vulnerable position that *“they could not wait around for months to prepare a business plan.”* He reported that many entrepreneurs who were interested in self-employment, got discouraged when asked to investigate suppliers, or to compare their pricing list with that of competitors. “We had to simplify all procedures and requirements in order to adapt them to the most excluded communities. We focussed on building skills through in-house training, while, at the same time, accompanying and helping the new business”.

They developed a simplified form which allows them to collect and evaluate all the relevant financial information about the

business idea. The partners argue that far more needs to be done to develop new more suitable business planning methodologies for disadvantaged groups and particularly those with one foot in the submerged economy.

Un Sol Món also developed a new programme of “financial capacity building” for their clients to help them stick to the “steps” associated with the loans and to use the finance as an investment rather than just a one-off hand out. Before receiving the microcredit, one third of the entrepreneurs from Sant Cosme were previously on social security or receiving some form public subsidy. The microcredit helped them to escape this dependency on public money. Now they survive from their own business. For example, until she received a microcredit, Rosario had relied on social security to support her family. Now her travelling sales business is doing sufficiently well for her to employ her husband.

Nevertheless, despite the improvements in financial engineering and support, Un Sol Món found that many businesses were still too vulnerable to take the leap into the formal economy. As a result of EQUAL, the Local Authority of Sant Cosme and Fundació Un Sol Món made a series of recommendations for simplifying the administrative procedures for becoming self-employed, and making it possible to pay the cost of setting up a business in stages. They argue that finance and business services also need to be backed with more progressive tax regimes which facilitate the transition from the informal to the formal economy, extension of unemployment benefits during the early stages of starting a business and changes to the legal situation of migrant workers.

### **3 - Partnership between the worlds of finance and the public sector**

Sant Cosme Innova is made of a local authority (*Pla D’actuació de Sant Cosme*), two trade unions, FIAS - an NGO specialised in providing employment advice to disadvantaged people, a cooperative and a large financial institution represented by “Fundació Un Sol Món”. This division of labour between the partners of the project provides a model for micro-finance initiatives in both Spain and Europe.

Fundació Un Sol Món, which belong to the Social Work of Caixa de Catalunya provide the specialised financial expertise. They argue that it is very important to run this as a professional financial concern and not as a charity and insist that it is possible for the operation to become viable in operational terms even with socially excluded clients.

FIAS provide the expertise in the mentoring pathways required to support disadvantaged groups into self-employment. This kind of support is more labour intensive and more expensive with excluded groups and tends to require a permanent level of subsidy. Nevertheless the support tends to be far less expensive than unemployment benefit.

The Local Authority of Prat de Llobregat is responsible for the overall development of the neighbourhood and provides the public legitimacy for accessing the structural funds required to set up the micro-credit fund. They maintain that one of the main conclusions of the Equal project is that “to reach the most

excluded members of society, it is necessary to gain the support of the community organisations that represent them”.

So the EQUAL partnerships have been used as an ideal tool for bringing in the necessary skills to create complex packages of both financial and business support. The partnership has also been useful for bringing financial institutions closer to disadvantaged clients through joint work with social services and other frontline support workers.

### Footnotes

- 1 - Henry Mcleish introducing the Sant Cosme Innova Project at the closing conference of the first round of EQUAL in Warsaw
- 2 - Default rates for the whole fund are around 6%. Management costs are also under the Structural funds rigorous requirements (5%).

**DPs name :** SANT COSME INNOVA

**DP ID :** ES-ES467

**National Partners :** Ayuntamiento El Prat de Llobregat, Fundación Un Sol Món, Fundación FIAS, ADIGSA, Generalitat de Catalunya, Sant Cosme Innova (Spain UGT del Baix Llobregat, Union Comarcal Baix Llobregat del Sindicato CONC).

**Transational Partnership :** TCA 927 Echange d'expérience: création d'entreprise dans les quartiers en difficulté (ADIE France).

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# Breaking with tradition in loans and credit :

## EXZEPT – DMI (D)

Unemployed people are quite capable of starting their own business, but many support services are chary of helping them. Advice and finance are hard to get. Quite simply, they face prejudice. The EXZEPT partnership, based in the German state of Hessen, sets out to open doors and unlock coffers for non-traditional entrepreneurs. It took the basic precaution, so often forgotten, of actually asking women and migrants what it was they lacked. And then set out to fill the gaps. It went further, and helped to set up a national microcredit institute. It has also paved the way for national and European policy change.

It's not that unemployed people cannot start their own businesses – an impressive 430,000 of them went into business for themselves in Germany in 2003. Yet, as Bernd Curtius, co-ordinator of the EXZEPT EQUAL partnership, says, things have got out of balance : “There is now a lot of support for these people in Germany. However the services and instruments are still not co-ordinated and need to be better geared to the requirements of the EQUAL target group.”

Brigitte Maas of GLS Gemeinschaftsbank, the oldest and largest ethical and ecological bank in Germany, backs him up. “Over one-fifth of these entrepreneurs had difficulties in raising quite small amounts of capital between € 1,000 and € 25,000,” she says. “In addition, traditional support structures, such as the Chambers of Commerce, tend to prefer to advise existing businessmen or people with a track record. Women, young people, the disabled and ethnic minorities do not fit into their expectations of what an entrepreneur should look like.”

In response to this gap in provision, the EXZEPT partnership has developed two parallel strategies – one for finance and one for business support – designed to ensure that these groups' specific needs are accepted and catered for. The objective is “acceptance by society, acceptance by the regional public authorities, acceptance by the banks and acceptance by the target group itself.” This goal is closely in tune with the priority for “women's entrepreneurship and the setting up of business by unemployed or inactive people and young people” in the European Employment Strategy,<sup>(1)</sup> and is also reflected in the proposed new regulation for the European Social Fund.

When Gerd Andres, Secretary of State at the Ministry of Economics, and Uta Zapf, Member of the German Bundestag, visited the model one stop shop (OSS) set up by EXZEPT in Offenbach, they highly recommended this regional OSS model and its active co-operation with the German Microfinance Institute (DMI) and the German quality circle for business support.

### 1 - Getting the facts right

One of the distinctive features of EXZEPT, and of CEFT, the transnational partnership to which it belonged in round 1 of EQUAL, is that they have both carried out major studies and benchmarking exercises to investigate the specific problems of disadvantaged groups, and the tools that are needed to help them go into business.



A successful ministerial visit. From left to right: Uta Zapf (Bundestag), Gerd Andres (Secretary of State, Ministry of Economics), Markus Weidner (KIZ), Bernd Curtius (EXZEPT), Lars Kissner (KIZ) and Petra Bünz (KIZ)

Taken together these studies provide invaluable (*and in some cases the only existing*) empirical material that can be used to design policies that respond to real rather than supposed needs.

The benchmarking exercises carried out by EXZEPT analysed the problem from two perspectives, firstly from the perspective of what specific target groups need, and secondly from the perspective of the usefulness of particular business support tools.

For example, migrants and women tend not to use start-up centres, so EXZEPT tried to find out exactly what these groups require if they are starting a business. Based on this research, EXZEPT developed a guide with 27 key criteria for taking account of gender in one stop shops. Something as simple as taking a sympathetic rather than a competitive approach can go a long way. As one coach commented: “the women-only groups tend to discuss problems more openly and sincerely”. The study recommends that a specific OSS team member should take overall responsibility for gender issues. It is also important to ensure that adequate childcare and public transport are available, as well as screening information and training provision to ensure that men and women are treated equally.

EXZEPT also interviewed the staff of business support initiatives dealing with migrant workers in Cologne, Mainz, Hamburg and Potsdam in order to identify the success criteria for start-ups from migrant communities. They found that because of their very diverse backgrounds migrants need much more individual coaching. General seminars and other forms of group training are not as suitable. Business plans also need to take account of family involvement in the business.

Dagmar Rissler, a coach at Enigma in Hamburg, one of the partners, comments : “migrants often take the support of family or friends for granted, without actually asking the people concerned. This can lead to unrealistic financial and personnel assumptions. They also often have overoptimistic expectations about earnings. A coach can help to verify assumptions and to estimate income more realistically.”

### 2 - New methods to meet new needs

Before launching into the design of new tools and methods, EXZEPT once again conducted a survey of existing start-up support. They concluded that one stop shops should complement what is

already available by bringing together a specific range of support services targeted at the early stages of creating a business. Their work supported the view that one stop shops should not offer a wide range of support under one roof. Instead they should be 'navigators' that help clients at each stage of development to access the existing and new service providers in a given region.

The range of services available includes help with defining the business idea, managing the business, marketing and personal development. The support takes the form of coaching and specific workshops as well as comprehensive assistance in business incubators. Some of the key tools EXZEPT has developed are a guide for developing business plans and a start-up schedule.

EXZEPT was also involved in benchmarking studies of microlending initiatives in Germany and other European countries. The partners designed and put into practice a four-point system for obtaining a loan – personality check, concept check, market check and risk check – to decide whether guarantees or peer lending are used. This is followed up by a clearly defined system of aftercare, comprising individual coaching, group coaching and self-evaluation.

Finally, they analysed the legal and institutional changes required to create a friendly environment for self employment.

The EXZEPT one stop shop model was successfully put into practice in Offenbach, Tauberbischofsheim and Darmstadt. These three agencies supported about 2,500 people in 2003/4, and helped an impressive number of them to reclaim their working lives. Sylvie Feindt, a consultant for EXZEPT, says : *"the figures on one OSS show that 85% of the people it supported either started their own company or entered employment."*

Those who put themselves through this arduous process gain much more from starting their own business than a source of income. Helene Duffner, who provides services from wound treatment to chiropody in Offenbach says : *"I like my life much more. I have less time pressure and can give my patients as much time as I deem necessary."* Self-employed artist Horst Kolbinger adds : *"I am proud of what I have created. This represents value for me and makes me happy".*

### 3 - Building local acceptance

One of the main conclusions from this work is that you should anchor one stop shops firmly in existing networks of regional actors, and build acceptance from traditional institutions such as the employment agency, local banks, the local authority and the chamber of commerce. The OSS has to deal with a critical mass of start-ups each year. To achieve this it has to establish permanent relationships with both the target groups and other service providers, and then adapt its services accordingly.

The partnership set up by KIZ was ideally suited for this purpose. The secret of its success was to bring together stakeholders dealing with different stages and aspects of business support. For example, one of the partners of EXZEPT is GLS, the oldest and largest ethical and ecological bank in Germany. Their work within EQUAL has been instrumental in creating the microlending model now adopted at the national level by the Deutsches Mikrofinanz Institut. Another partner, Enigma Gründerwerft in Hamburg, runs one of the most successful and distinctive business incubators in Germany. KIZ supports about 3,000 start-up companies and SMEs every year in an integral, long-term approach in ten business support centres.



Helen Duffner, self-employed  
chiropodist in Offenbach

### 4 - Transnational transfer

There was also a very clear division of tasks and roles in the transnational partnership. This was generally used to provide a crucial international input to the partners' national work. For example, Cyfenter DP in Wales launched a study on access to finance after seeing benefit schemes for business founders coming out of unemployment in Germany and the Netherlands. The Dutch partners were inspired by an incubator workshop run by the transnational partnership and are now setting up their own incubator in Almere, heavily influenced by the Garage Incubator in Germany. For their own part, EXZEPT received valuable input from their transnational partners for their micro-lending activities. They also presented the Dutch 'Aunt Agatha' (*Tante Agaath*) scheme to the Secretary of State at the Ministry for Economics. This scheme offers tax relief on loans to start-up entrepreneurs, as a means of increasing the flow of capital for start-ups.

### 5 - Mainstreaming acceptance

EXZEPT has been heavily involved in mainstreaming activities. It co-ordinated Germany's National Thematic Group on entrepreneurship and led the two working groups on financing and legal framework conditions. It also helped to organise a number of large events on business creation for disadvantaged groups, such as the Hessische Gründertage 2003 and 2004, Microlending, weltweit Erfolgsmodell – nur nicht in Deutschland ? in March 2003, and the European symposium The EQUAL way of entrepreneurship in Brussels in 2005, which was attended by Commissioner Špidla.

One of EXZEPT's main contributions has undoubtedly been to develop microfinance policy. The microfund run by its main financial partner, GLS Gemeinschaftsbank, works under the auspices of Christine Scheel, chairwoman of the finance committee of the German Bundestag. *"Micro start-ups need particular support,"* she said. *"If we want a strong Mittelstand, we have to put innovative ideas into practice. The first hurdle is often small business credit. Microfinance institutions elsewhere are providing effective support at this particular point. It is time that this successful model was also taken up in Germany."*

In this context, 22 microfinance initiatives sprang up in Germany in just a few years. However, many of these initiatives were extremely small (*making less than a 100 loans a year*) and had great difficulty in achieving sustainability. Only a few co-operated with business support centres to ensure that their clients receive systematic and continuous support.

In response to this situation, EXZEPT and other microfinance

initiatives went on to develop a common model for microcredit under the current German Credit Services Act.

The DMI was formally created as a registered association in April 2004. It now consist of more than 50 organisations from all German regions (Oktober 2004) : 5 EQUAL DPs (*EXZEPT (DE-EA-54090)*, *Women Way of Entrepreneurship (DE-EA-96982)*, *Enterprise (DE-XB4-76051-20-BE/206)*, *MaGNet (DE-EA-66029)* and *Gründerbegleitnetzwerk Brandenburg (DE-EA-26261)*), 36 self employment services / start-up initiatives and incubators with microlending experience, 2 financial institutions GLS Gemeinschaftsbank eG (*ethical-ecological cooperative bank*) and GLS Beteiligungsaktiengesellschaft (*investment company*), scientists, consultancies, certain public bodies and organisations representing women and ethnic minority entrepreneurs.

At its initial general meeting, DMI was supported by the federal public SME bank KfW, the Federal Ministry for Economies and Employment and the Federal Employment Services although they are unable to become members.

The model involved the creation of a federal fund – the GLS Mikrofinanz Fonds. Local Initiatives – which are accredited and recommended by DMI - tap into this fund by adopting the common local funding model mentioned above, thereby increasing their economies of scale. The aim is to support at least 5 local initiatives and make 500 loans of under 15,000 euros in two years. Further initiatives could get involved by piggy backing on accredited microlenders. If the initiative is successful it will be expanded.

The Institute is developing methodology, benchmarking, training and accreditation of local microlending initiatives in Germany. It publishes the bi-monthly “Microlending-News” and holds a series of promotional events.

**DP Name :** *EXZEPT – Erleichterung von EXistenzgründungen durch AkZEPTanz*

**DP ID :** *DE-EA-54090*

**National partners :** *Exzept GmbH Offenbach, KIZ GmbH Offenbach, GLS Gemeinschaftsbank Bochum, Deutsches Mikrofinanz Institut e.V. Berlin, Enigma Gründerwerft Hamburg, SFC Köln, Gründernetzwerk e.V.*

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#### Footnotes

- 1 - *Communication : The future of the European Employment Strategy (EES) – A strategy for full employment and better jobs for all, COM(2003)6 final, 14 January 2003*

# Local laboratories build coherent social services

The Agenzia di Cittadinanza partnership thought big. It assembled an alliance of 25 organisations across the social spectrum to turn a fragmented social service system into a coherent whole, functioning on a basis of trust and co-operation. The EQUAL first round project focused on supporting social enterprises and public authorities to co-operate better. Work in the second round built partnership systems that helped social enterprises to contribute to developing the local social service system.

## 1 - Knitting together a fragmented system

The province of Milan, one of the powerhouses of the Italian economy, is home to some four million people. It also has a lively social economy, with over 300 social co-operatives providing services in care and labour market integration, which employ 9,200 people. But despite its industrial strength, sections of its population – among them immigrants – suffer exclusion. Altogether, some 5% of the population – 200,000 people – are at risk of exclusion.

In tackling this situation, EQUAL's Agenzia di Cittadinanza (Citizenship Agency) development partnership had two essential aims:

- to build the capacity of the social economy ;
- to help public bodies and the social economy to co-operate better.

It succeeded in stimulating public debate and in transforming the social service delivery system in the Milan area from one based on competition to one operating via co-operation and networks. "We wanted to bring together the fragmented organisations operating in social services," says Valentina Caimi of the lead partner, the Fondazione Caritas Ambrosiana, which operates under the aegis of the Diocese of Milan. "The increased levels of trust and social capital we have built up make for much more efficient operation and higher quality services."

## 2 - A critical mass

In the first round, the DP was very extensive, and in total involved 91 partner organisations. In the second round, it focused on representativeness and know-how, and reduced its size to 25 partners. From the public sector there were one municipality and an association of municipalities (representing 17 comuni). The co-operative sector was represented by the two largest co-operative federations (*Legacoop* and *Confcooperative*) as well as eight consortia of social co-operatives. In addition there were three training organisations / business service organisations, three social partners and assorted foundations, associations, volunteer organisations.

For Stefano Radaelli, the project's co-ordinator of Territorial Laboratories, one of the key benefits of the broad partnership was to bring coherence to the supply of social services : «We have succeeded in changing the dynamic so that rather than a confusing myriad of specialist providers, people have a joined-up network at their disposal. Now, users don't have to keep going back to square one.»



Citizenship agents : Stefano Radaelli, Daniela Varisco and Valentina Caimi of Caritas Ambrosiana

## 3 - Territorial laboratories bring innovation into the community

A key operating method was to open area offices – 'territorial laboratories', composed of all those promoting local development and the social economy at local level (*local authorities, co-operatives, associations, etc.*). The partnership opened six such laboratories,<sup>(1)</sup> each with its own complement of staff. The six areas, which covered 50 comuni (*municipalities*) all together, were centred on :

- Niguarda-Bicocca in the City of Milan (20,000 inhabitants – population of the whole city: 1.4 million)
- Vimercate (population 192,000, 29 municipalities) in northeast Milan
- Sesto San Giovanni (population 220,000, 3 municipalities) in north Milan
- Corsico (population 60,000, 17 municipalities) in south Milan
- Rho (population 152,000, 9 municipalities) in northwest Milan
- Magenta (population 250,000, 39 municipalities) in west Milan

The laboratories had three major roles:

- to find out and analyse what local needs were;
- to activate relevant local actors and citizens by stimulating joint initiatives and by building networks ;
- to promote interrelated sector-based policy approach.

Therefore, the laboratories were meant to be the place where new models of intervention in local policies are created and experimented. They promoted the identification of local social needs and their matching with public policies and local development opportunities, according to the principle of shared subsidiarity.

«They have grown into meeting places for local third sector organisations, the local authorities and individual citizens who want to start social initiatives,» says Andrea Malgrati, knowledge management co-ordinator. They have led to the creation of housing agencies, incubators for start-up enterprises and neighbourhood services, as well third sector fora and participation in local improvement plans.

The laboratories stimulated local development because of their deep roots in the community. Their mission was to build an extended citizenship, broaden the sense of responsibility in addressing socio-

economic changes, and promote citizenship rights by strengthening the relationship among different local actors, particularly public authorities and social enterprises.

In the six laboratories some heterogeneity emerged in terms of experiences, approaches and methods. Results and processes varied according to different local contexts, previous experience of committees, presence of existing networks, different backgrounds and skills of laboratories' operators, and information flows from the project's central managing structure. Of course the laboratories that started during the first round had an easier task. The different combinations of these factors resulted in three different types of laboratory:

- laboratory as promoter of new initiatives and projects (*northeast, northwest, west and south Milan laboratories*)
- laboratory as co-promoter of existing initiatives (*north Milan laboratory*)
- laboratory of the city of Milan which, compared to the first round, was much more successful in creating a direct relationship with institutional interlocutors, building a new network of third sector organisations and promoting community development initiatives.

#### 4 - A legal framework for integrated service delivery

The action of the laboratories fitted into the scenario of national law 328/2000, the Framework law for the realisation of an integrated system of social interventions and services, which innovated in local welfare systems, giving a new role to all the actors involved.

The law defines what qualifications social co-operatives need to operate in healthcare, social services and other community services, and sets up a voucher system. It provides for joint 'negotiated planning' in areas such as child and elderly care, handicap, mental illness, immigration and poverty. It works through local committees (tavoli) comprising representatives of the local municipalities, third sector organisations and trade unions. These committees decide social policy at the district level, and typically cover a population of several hundred thousand people. On some of the committees the EQUAL partnership has won direct representation. «*This enables us to engage in a dialogue with the local authority, which currently covers health, housing, employment and training – and we would like to extend this to town planning too,*» says Mr Radaelli.

The implementation of this law required a cultural change within both local administrations and the third sector. Some of the difficulties met during the project were linked to this situation :

- Laboratories were conceived of as neutral spaces where different actors work together. Yet local administrations and third sector organisations are often distant and accustomed to stereotypical forms of behaviour, which creates the risk that they act in opposition to each other, rather than working together to develop a local welfare provision that meets concrete local needs;
- In some local areas (*especially in south and west Milan*) the third sector was not fully aware of its new role within the process of joint planning; also the public sector was not always ready for the cultural and organisational change required by joint planning processes and sometimes tended to slow down the promoting and innovative role social enterprises can play ;
- Laboratories found it difficult to be perceived and recognised by other local actors as a key player in joint planning for local development ;
- In the laboratory of the City of Milan the lack of tools for joint planning prevented negotiation and planning ;



Residents of the Casa della Carità in Milan prepare to celebrate its first birthday

that had no links with the territory but who were present in the area because they were working on contracts from the public administration.

Compared to the first round, the laboratories were successful in two ways :

- The laboratory of the City of Milan, which in the first round suffered from the absence of institutional representatives, was successful in activating a new relationship with the municipality, so gaining direct support and in the end submitting a new community development project ;

- The evaluation report found that among the beneficiaries of the project (*municipalities, social co-operatives and voluntary organisations*), local authorities were the most interested in the project's actions.

Difficulties were overcome thanks to frequent meetings, debates, training and consultancy sessions on joint planning and human resources management. A key issue was the constant maintenance of the relationships between the laboratories' staff and actors playing key roles in the areas covered by the project. Citizen participation was made possible by involving the key voluntary associations in the local areas. Another factor was the involvement of both the political and technical level of local authorities.

#### 5 - A broad range of results

In the second round of EQUAL, the approach was to stimulate the active participation of social enterprises in the development processes of the local social service system. The approach was based on partnership between public and private bodies, and promoted the integration between the social, health, employment, housing, cultural and environment sectors. This enabled new social networks to be activated, new types of local partners to be involved, and new services and initiatives to be started. A number of agreements and local plans have been formalised, including :

- an association of different fair trade organisations has been created (*north Milan*) ;
- enhancement of the third sector system in the City of Milan ;
- setting-up and piloting of three kindergartens, two adult day care centres, a house hosting psychiatric patients and a one-stop shop to match the demand and supply of care givers (*east Milan*) ;
- a language and cooking lab has been set up in a Roma settlement (*City of Milan*) ;
- valorisation of the South Park as an artistic, environmental and cultural resource (*south Milan*) ;
- an agreement among local authorities, social enterprises and companies aimed at job integration (*west Milan*).

The project's actions proved that social economy actors can play a significant role in channelling local needs into local development processes and in stimulating local authorities to pilot innovative projects based on an inter-sectoral approach.

It is also worth mentioning that the work carried out by the west Milan laboratory brought into being a new consortium of social co-operatives : 12 type A and type B co-operatives<sup>2</sup> based in that area became members of the consortium which is now running the west Milan laboratory, and initiating new relationships and initiatives.

In another of the project's areas, Sesto San Giovanni to the north of Milan, the territorial laboratory worked on bringing a concern for social policy into town planning. It made use of a national initiative called *contratti di quartiere* (*neighbourhood contracts*) by taking responsibility for inserting a social dimension into an infrastructure restoration and environmental project.

## 6 - Better value from public purchasing

An important part of the partnership's work was to build better partnerships between the public sector and the social economy in the delivery of social services.

The Italian law on social co-operatives (*law 381/91*) establishes that public authorities can assign contracts for public services to type B social co-operatives, without tendering procedures. This explicit social clause recognises the 'twofold product' of type B social co-operatives (*the service provided and the work integration of disadvantaged people*). Agenzia di Cittadinanza has produced a guide called *Erkadé* that gives public administrations practical tools to implement the law in order to promote the work integration of an increased number of disadvantaged workers.

Given its relevance, Agenzia di Cittadinanza decided to focus on public procurement in the second round of EQUAL. At local level a specific action is devoted to investigating innovative legal forms in the relationship among the public, private and non-profit sectors for the delivery of social services. From the analysis of existing positive experiences and of the possible legal forms, a further step will be taken in piloting innovative legal forms for the provision of services in two territories. One experiment involves creating a public-private agency to rent affordable housing (*with the participation of the municipalities, ALER (Agenzia Lombarda Edilizia Residenziale) and social co-operatives*). The other gives a stable legal form to an existing temporary association composed of municipalities and a consortium of social co-operatives for the joint management of work integration services.

## 7 - Measuring value added

One of the best practices analysed was the use of social accounting – the *bilancio sociale*<sup>(3)</sup> – to calculate the costs and benefits of different ways of delivering social services in the municipalities of Vimercate and of Parco Nord Milano. «*The bilancio sociale territoriale measures the quantitative savings that are achieved by improving the availability of services,*» Mr Radaelli explains. «*For instance you can save public money in two ways by opening another nursery : firstly it cuts benefit spending immediately as it enables more parents to go to work, and secondly (although with a delay of a few years) it boosts the local economy by raising educational levels.*» So the system can be used to achieve a more rational system of planning public expenditure – and this without trying to put a price on any intangible benefits that might accrue from improved

services, such as reduced healthcare or policing costs.

Social accounting has other uses for public authorities : it enables them to be more accountable to their electors, and to improve their internal organisation. In the second round an experiment in using territorial social accounting was carried out in North Milan, in order to create a tool that could help public administrations to gather information on the resources, opportunities, lacks and limits on relevant issues for a specific community and to plan subsequent interventions.

## 8 - Close transnational links

The partnership had an exceptionally large transnational dimension, which saw Caritas Ambosiana teamed up with three other EQUAL projects in the first round and with four in the second. Work was carried out through joint seminars, thematic working groups and study visits. Of particular importance in the first round was the transfer of experiences regarding legal structures for the social economy from Italy and France to Greece.

In the second round, the partners tried to link transnational issues more closely to the work on the ground. Work focused on five themes, each led by one of the partners :

- models of collaboration between public authorities and service providers
- public procurement<sup>(4)</sup>
- territorial social responsibility<sup>(5)</sup>
- local welfare – participation of citizens and civil society in local welfare / the new services directives and social services of general interest<sup>(6)</sup>
- support structures for the development of enterprises

One work group produced a comparative analysis of the legislative instruments, programmes and practices in the partner countries to promote participatory planning.<sup>(7)</sup> The study also contains recommendations to make participatory planning more effective.

Another comparative analysis was carried out to create an overview on case studies for contracts concerning the provision of social services in the partner countries.<sup>(8)</sup> The analysis of the different models (*grant aid, service agreements, public-private partnerships and others*) was used to identify the strong and weak points of the various models. The report includes recommendations to improve future co-operation.

## 9 - A permanent legacy

In terms of horizontal mainstreaming, the partnership has wrought a change in the power structures that decide social policy in Milan, as well as creating and piloting numerous practical tools. To boost the permanence of its results, the Agenzia di Cittadinanza partnership took part in two mainstreaming actions. At the end of EQUAL's first round, it was one of five partners in O.L.T.RE (*Obiettivo Laboratori Territoriali in Rete*), which focused on transferring the model of the territorial laboratory for the promotion of the social economy. The second round was capped off by the BRIDGE (*Una rete per lo sviluppo dell'economia sociale*) action, which disseminated good practices in developing the social economy and co-operation between public authorities and third sector.

In terms of vertical mainstreaming, Agenzia di Cittadinanza co-ordinated the Steering Committee of the Lombardy EQUAL Forum, which brought together 18 development partnerships at regional

level. The forum discussed issues such as tools to ease access to credit for social enterprises (*thanks to the support of Lombardia Region, this work led to a national EQUAL project called Finanza In*), comparisons of social accounting models for public administrations and for social co-operatives, and territorial social responsibility.

During action 3, the debate on social clauses in tendering was brought from the transnational level to the regional one. A seminar was organised in Milan in February 2008, in which an experience of the Province of Milan, which committed itself to contract out 5% of its entire expenditure to social co-operatives, was presented as a good practice in the use of social clauses.

Moving to the European level, the partnership held a conference on social services of general interest (SSGIs) in Milan in May 2007 to bring the issues to the attention of decision-makers including the European Commission, MEPs and stakeholder organisations such as Caritas Europa and Solidar. During the event the main achievements of the national studies on SSGIs carried out in Italy and Sweden were presented.

#### Footnotes

- 1 - <http://www.agenziadicittadinanza.it/equal2/index.php?pg=16>
- 2 - *Italian Law 381/91 defines type A social co-operatives as providing social services, and type B social co-operatives as integrating disadvantaged people into work. The law covers the following categories of disadvantage: physical, psychic and sensory invalids, drug addicts, alcoholics, minors and offenders.*
- 3 - <http://www.agenziadicittadinanza.it/bilanciosociale/index.php>
- 4 - [http://www.agenziadicittadinanza.it/equal2/files/f/9/335\\_Report2\\_en.pdf](http://www.agenziadicittadinanza.it/equal2/files/f/9/335_Report2_en.pdf)
- 5 - [http://www.agenziadicittadinanza.it/equal2/files/3/5/337\\_Report3.pdf](http://www.agenziadicittadinanza.it/equal2/files/3/5/337_Report3.pdf)
- 6 - [http://www.agenziadicittadinanza.it/equal2/files/b/1/261\\_SocialServices.pdf](http://www.agenziadicittadinanza.it/equal2/files/b/1/261_SocialServices.pdf)
- 7 - [http://www.agenziadicittadinanza.it/equal2/files/8/1/338\\_Report4.pdf](http://www.agenziadicittadinanza.it/equal2/files/8/1/338_Report4.pdf)
- 8 - [http://www.agenziadicittadinanza.it/equal2/files/3/1/333\\_eBook-PDF-Version.pdf](http://www.agenziadicittadinanza.it/equal2/files/3/1/333_eBook-PDF-Version.pdf)

**DP name :** Agenzia di Cittadinanza : sostegno all'imprenditorialità sociale

**DP ID :** IT-IT-G-LOM-039

**National partners :** AFGP (*Associazione Formazione Giovanni Piamarta*), ACLI (*Associazioni Cristiane Lavoratori Italiani, Sede Provinciale di Milano*), ANCI (*Associazione Nazionale Dei Comuni Italiani*), ANFFAS (*Associazione Nazionale Famiglie Disabili Intellettivi e Relazionali Onlus, Sezione Milano*), Agesol (*Agenzia di Solidarietà per il Lavoro*), Associazione Agenzia di Cittadinanza, Associazione Impresa Politecnico, Associazione Lombarda Cooperative Servizi e Turismo (*Legacoop*), Associazione Onlus Aias Milano (*Associazione Italiana Assistenza Spastici*), Associazione Orientamento Lavoro Onlus, Banca Popolare Etica scarl, CDIE (*Centro di Iniziativa Europea*), Camera del Lavoro Metropolitana di Milano (*CGIL*), Ciessevi (*Centro dei Servizio per il Volontariato per la Provincia di Milano*), Comune Sesto San Giovanni, Comune di Cinisello Balsamo, Comune di Cologno Monzese, Comune di Corsico, Comune di Milano – Direzione di Progetto Milano Lavoro, Comune di San Donato Milanese, Comune di Vimercate, Confcooperative – Unione Provinciale di Milano, Confederazione Nazionale Artigianato e PMI – Milano, Consorzio CSC (*Condivisione, Solidarietà Carcere*) Coop Soc arl Onlus, Consorzio Farsi Prossimo Coop Soc arl, Consorzio Nova Spes Onlus Soc Cons Soc arl, Consorzio per la Formazione Professionale e l'Educazione Permanente – San Donato, Consorzio Sociale Cascina Sofia scs arl, Consorzio Sociale Light Soc Coop arl, Consorzio Sud Ovest Milano per la Formazione Professionale, Cooperativa Sociale A77 arl, Cooperativa Sociale Comunità del Giambellino Srl Onlus, Cooperativa Sociale Grado 16 arl, Cooperativa Sociale la Cordata arl, Cooperativa Teseo arl, Donnalavorodonna, Ricerca orientamento formazione professionale, ELEA spa, Fondazione Caritas Ambrosiana, Fondazione ENAIP Lombardia, Fondazione Luigi Clerici, Fondazione San Carlo Onlus, Istituto IARD Franco Brambilla – Cooperativa di ricerca arl, Italia Lavoro spa, Noima srl ricerca e formazione, Obiettivo Lavoro Srl, Società di Fornitura di Lavoro Temporaneo, Provincia di Milano, SIS. Sistema, Imprese Sociali – Consorzio di Cooperative Sociali arl Onlus, Sodalitas – Associazione per lo Sviluppo Dell'Imprenditoria nel Sociale, Urbana – Cooperativa di Solidarietà Sociale scrl, La Nostra Famiglia Onlus – ente ecclesiastico

**Transnational partnerships :** TCA 575 SEED (*Social European Enterprises Development*) – partners : FR-NAT-2001-10675 NEAR – *nouveaux emplois d'agents de relation*, GR-200923-200860 *Ανοιχτοι δρομοι για την αναπτυξη της κοινωνικης οικονομιας*, IT-IT-G-ABR-059 *Patto per qualificare e diversificare l'impresa sociale*

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# Local activation through neighbourhood services :

## WERK.WAARDIG (B)

There is much that local communities can do to improve the quality of their members' lives, by setting up enterprises through which residents provide services to their own neighbours. At the same time this opens up the chance for long-term unemployed people – especially women with children – to obtain work with external employers. The neighbourhood service model combines multiple activities with multiple sources of finance, the most important in this case being service vouchers.

In Southwest Flanders, an area comprising 13 municipalities with a population of 300,000, overall unemployment runs at around the Flemish average. But factory closures in the textile sector have hit some parts of the workforce – notably women – hard. Other sections of the population, such as migrants and refugees, also have difficulties finding a job. Of the 9,000 people who are unemployed in the area, 1,700 have been out of work for over two years. The Werk.Waardig partnership, based in Kortrijk in Flanders, aimed to spread the successful experience acquired in the first round of EQUAL in the suburb of Kuurne to all 13 municipalities in southwest Flanders.

### 1 - Neighbourhood services in Kuurne

In the first round of EQUAL, the Southwest Flanders Welfare Consortium worked in four localities : Zedelgem, Zeebrugge, Menen and Kuurne. Its most impressive achievement is in Kuurne, on the northeastern edge of Kortrijk. BIK (*Buurteconomie-Initiatieven-Kuurne*)<sup>(1)</sup> is located in the Spijker & Schadauw estate, which was built in the 1980s and consists of around 125 grey-brick low-rise walk-up flats housing some 500 people.

The project's underlying philosophy is to improve the quality of life in the neighbourhood by activating the residents, an undertaking which has both employment and educational aspects. It therefore has a set of mutually supportive aims. On the employment side, it both creates jobs locally and, by virtue of the services thus provided, enables residents to obtain and hold down jobs with external employers. But it starts at a deeper level, by breaking down the isolation some of the residents experience. *"About 40% of the residents of this estate are immigrants, but they come from 26 different countries and don't form a single community, so they can become very isolated,"* says Jan Verfaillie of BIK. They often find it difficult to deal with institutions such as schools. We have good contact with them, so we can bridge the gap between the parents and the school. For instance we run parents' groups that discuss issues such as punishment or the parent's role in the education process. We also operate an after-school club which is particularly helpful in improving the children's Dutch, which is an area where immigrant parents need support.

### 2 - Flexible childcare is the key

A thorough needs analysis revealed that the principal problem was the lack of childcare. The official nurseries are aimed at two-earner families, operate for the whole day and have long waiting lists. Yet there were no facilities where a parent who wanted to go to a job interview, or even a doctor's appointment, could leave their child. The project therefore introduced a major innovation. It piloted short-term and flexible childcare, and managed to persuade the



*'Vlindertjes' after-school club, Kuurne*

Flemish regional childcare authority, Kind en Gezin, to subsidise the scheme. *"We had been trying for 15 years to find a way of serving the childcare needs of this section of the population, so it is a major mainstreaming achievement,"* says Johan Dejonckheere of the Welzijnsconsortium. Staff are released for one day per week to study for a childcare qualification.

Today, BIK employs 68 people on a range of activities under its aegis, including a canteen (*'t Gebeurtje*), short-term childcare (*up to four hours*) at Baloe (*'Baloo*), the Vlindertjes (*'Butterflies*) after-school club, an odd-job service, help with shopping, mending, and recycling. The estate is lucky enough to have a small field behind the main building, with room for a chicken coop. *"We encourage the residents to bring their organic reuse for composting,"* Mr Verfaillie explains. *"If they are lucky they get a free egg for their trouble."* The miniature farm doubles as a pleasant open-air meeting place and picnic area. Having grown so fast, BIK has now entered a phase of consolidation, and is focusing on achieving financial and organisational stability. It has learnt a lot from an audit by the social economy advisers Hefboom.

One lesson from the experience of *'t Gebeurtje* canteen is that a mixed use brings mixed clients. A simple bar will not attract immigrants from cultures that discourage drinking alcohol and socialising with women. However locating the computers in the same premises leads to a much wider range of customers. Colocation also increases flexibility – for instance if too many children arrive for the after-school club, then staff can swap around.

### 3 -Scaling up

The chief aim of the Werk.Waardig project was to create a support unit for local authorities throughout SW Flanders, to help them exercise the new powers they have been given. In Belgium, each municipality has two authorities, the gemeente (*commune*) and a separate social services authority, the OCMW – Openbaar Centrum voor Maatschappelijk Welzijn (*CPAS – Centre Public d'Aide Sociale*). Responsibility for what is called the 'new service economy' lies with the gemeente, while that for social services lies with the OCMW. Werk.Waardig therefore worked with both types of authority

to both strengthen existing neighbourhood service schemes, and start up new ones.

The main tool to support the existing schemes is the 'table of exchange', led by BIK in Kuurne and covering the whole province of West Flanders, which brought together the dozen or so projects every couple of months to compare notes.

Many of the local co-ordinators are quite young and inexperienced, so the project worked with the provincial high school to offer a certified course in the management of neighbourhood services. The course consists of ten one-day sessions complementing the *Draaiboek voor Buurtdiensten* ('*Script for neighbourhood services*'), a CD manual completed in the first round of EQUAL. The course was launched on 2nd February 2007 at the provincial council in Bruges, at a conference on neighbourhood services and the local service economy.



Urban farming in Kuurne

#### **Een Draaiboek voor Buurtdiensten – A script for neighbourhood services**

The CD contents are structured as follows :

- What are neighbourhood services ?
- Are neighbourhood services for me ?
- A neighbourhood services manual – including needs and resources analysis, supply and demand, using employment instruments, start-up, coaching and training, financial partners, working participatively, promotion ...
- Self-evaluation instrument – from evaluation to action plan
- Tips for starters

#### **4 - The cloverleaf model**

Werk.Waardig promotes a model in which multiple activities are financed from multiple sources. It pictures this as a leaf of clover, in which each leaflet contributes to a healthy and balanced whole. "The revenue we earn from providing services is a crucial part of the mix," says Mr Dejonckheere. "We get wage subsidies for employing people who were formerly unemployed, we get some income from the authorities for providing services such as childcare, and we earn sales revenue from end-users of the services. To take the example of BIK in Kuurne, which is the project that has pursued the commercial route most energetically, in 2006 45% of revenue came from service vouchers, 20% from wage subsidies, 15% from subsidies for specific services, 8% from sales to the public, and 13% from the King Boudewijn Foundation's 'Experimentation Fund for the Social Economy'.

<b>Cloverleaf financing for the local services economy</b>	
<b>Employment</b> E.g. wage subsidy for hiring risk groups such as LTU, compensation for lower productivity and/or extra guidance	<b>Client</b> User charges (plus sometimes consumer subsidy through service vouchers)
<b>Other policies</b> E.g. child care, home care, tourism, mobility, culture	<b>Local authority</b> e.g. social tender for community added value, cohesion, community development, poverty

In 2007 the funding regime changed for the better. The Experimentation Fund was superseded by a Flemish decree promoting the 'local service economy', a concept that includes neighbourhood services on the participative Kuurne model, but also jobs created in a more top-down way. This provides for grant aid of €8,000 per full-time equivalent job created for people who have been unemployed for more than two years. It comes, however, at the cost of the loss of some flexibility in how the funding is spent.

A crucial component of the financing mix is service vouchers (*dienstencheques / chèques service*), which have created 40,000 jobs in Belgium (*though not all are full-time*). They work as follows: the customer buys a voucher that costs € 6-70 per hour, and gives it to the worker in payment for a job completed. The worker's employer can then cash in the voucher for € 20 per hour, which means that they can pay decent wages and social security charges. This amounts to a 67% subsidy. The fact that service voucher offer such a high subsidy rate means that they are highly targeted: their use is limited to certain services, for instance cleaning and ironing, while others, such as gardening, are excluded.

#### **5 - Three-way partnership**

Partnership is a key principle, whether at regional, provincial or municipal level. BIK started as a three-way partnership between the municipality of Kuurne, the housing company that owns the Spijker & Schadauw estate, and the local OCMW (*public social welfare centre*), who between them provided a community worker, office premises and an operating budget. Service provision started when the community worker identified services that were not being provided, even though some of them were included in the rents being charged, such as the cleaning of the communal stairs. BIK then took over those services and built from there. For instance today it has three odd-job men, who help residents with maintenance tasks and charge for materials, but not for labour.

To start the service, the municipality and the OCMW each invested € 25,000, which was enough to operate with two part-time staff plus some personnel seconded from elsewhere. The project occupies empty shop units, rented relatively cheaply from the housing company. "In fact, our being here is a benefit to the housing company, as the activity we create enhances the value of the surrounding premises," says Mr Dejonckheere.

## 6 - A convincing model

These innovations at local level are making an impact on broader policy. The pioneering work West Flanders has done as regards neighbourhood services has been noticed, and the project meets regularly with one of the Flemish social economy minister's political advisers. The Flemish child welfare agency Kind en Gezin extended the experimental support it gave for the flexible childcare pilot in Kuurne, and confirmed funding for a further three years. However this more responsive approach to childcare funding is not automatic all across Flanders, as each case is considered on its merits. A head of steam is also building behind the idea that neighbourhood services deserve better regional support. As with the idea of social enterprise start-up centres such as De Punt in Ghent, the model of more closely combining business support and community development seems to be catching on.

## 7 - A permanent legacy

With its field staff of six half-time development workers, the project delivered direct support to neighbourhood services initiatives across Southwest Flanders. For instance in Harelbeke, adjoining Kuurne, the municipality wanted to help elderly people to stay for longer in their own homes, by supplying services like shopping, home maintenance, gardening and taking rubbish to the container park, along with more technical tasks such as installing mobility aids and smoke alarms. An association was set up, and a business plan completed envisaging the creation of five full-time equivalent jobs. In Zwevegem, Werk.Waardig aimed to create five full-time equivalent jobs carrying out tasks such as cleaning bus shelters and market places. And in Waregem, the OCMW decided to start by surveying the needs of elderly people, with a view to offering a 'library at home' service. A second action research project is under way among long-term unemployed people : taking a bottom-up approach to activation, it aims to motivate them through convening voluntary groups to discuss employment issues. The project also supported neighbourhood service schemes that existed before EQUAL came along, such as in Wervik, Menen, where the schemes are benefiting from advice on how to adapt to the changing legal and financial framework.

Werk.Waardig has left a permanent legacy, because the Flemish region has granted permanent support for new schemes in Kortrijk, Wervik, Zwevegem, Avelgem and Spiere. One major area for job creation is in energy conservation, through the Energiesnoeiers<sup>(1)</sup> ('energy pruners') scheme which subsidises home energy surveys, loft insulation and other energy saving advice, and is currently operating in about one-third of Flemish communes. A second growth area is home helps, based on a cost-sharing agreement between the ministries of welfare and social economy. Similar collaboration with the sports ministry allows jobs to be created in neighbourhood sporting activities. The potential is large, with regional government support dependent only on the communal authorities putting together a viable business plan. The biggest barrier, according to Jean-Marie Viaene of BIK, is that now Werk.Waardig is no longer there, the communes do not have the qualified staff needed to organise such a scheme. The 13 communes in the Kortrijk region are now trying to find the resources to set up a regional 'house of social economy' where specialists can advise and support new initiatives.



Johan Dejonckheere and Jan Verfaillie in 't Gebeurtje canteen, Kuurne

**DP name :** *Werk.Waardig*

**DP ID :** *BEnl-16*

**National partners :** *Welzijnsconsortium Zuid-West-Vlaanderen vzw, Kanaal 127, OCMW Kortrijk, Gemeente Kortrijk, Buurteconomie-Initiatieven-Kuurne (BIK), RISO Westvlaanderen, RESOC Zuid-West-Vlaanderen, Provincie Westvlaanderen*

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### Footnotes

1 - <http://www.vzwbik.be>

2 - <http://www.energiesnoeiers.net>

# Integration firms beat the labour shortage

## PIRKAMAAN SYKE (FI)

By taking the red tape out of company recruitment, the Syke (Pulse) partnership in Tampere helped to solve a labour shortage as well as improving the lot of disadvantaged people. Syke used professional marketing techniques to help companies desperate to find motivated workers in areas where labour is short. It thus helped create 83 social enterprises – nearly half the national total.

Tampere, Finland's main industrial centre lies in the central lake district two hours north of Helsinki. An old textile town of about 250,000 people, its mills still straddle the rapids on the Tammer river. It is the beneficiary of a remarkable initiative to boost the number of social enterprises. In the Finnish sense, the term 'social enterprises' refers only to those businesses that seek to integrate disabled and long-term unemployed people into the workforce – what are referred to at European level as 'work integration social enterprises' (WISEs) or in Britain as 'social firms'. The law creating the status of social enterprise<sup>1</sup> came into force at the beginning of 2004, and offers wage subsidies to firms employing at least 30% of disabled and/or long-term unemployed workers (*at least one person must be disabled*). Four years later Pirkanmaa, the region around Tampere, with a population of 450,000, now has the greatest concentration of social enterprises in Finland – 83 of the national total of 187 – and this is in large part due to the Syke project.

What marks Syke out is its savvy marketing approach. Its customers were not the disabled and long-term unemployed people that are in theory the beneficiaries of the social enterprise law, but local companies, desperate to find new staff. The project did not address unemployment as such – indeed at just under 13% unemployment in the region is only just above the national average. *"The problem we tackled is structural unemployment, which is three-fifths of the total,"* says project leader Mikko Kesä. *"Tampere's past as an industrial town has left us with bottlenecks in the labour market as we convert to high-tech jobs."* The project also hoped to forestall the labour shortage that is looming as the post-war 'baby boom' generation retires. *"Our marketing strategy is 'Just do it!'. We are creating as many social enterprises as we can, fast – after that, everyone will be interested!"*

### 1 - Nine steps to success

Syke was based in the offices of Ensimetri, a business advice agency located in the city centre. Ensimetri is a partnership between the region's municipalities and private companies, and gives free consultation to 2,000 customers a year, referring them to a network of 200 advisers for specialist advice. This results in 500 start-ups each year, creating about 400 jobs (*many people start part-time businesses*). Ensimetri is a member of the national 'Jobs and Society' network, which, through its connection to the business world, tries to bring an enterprising approach to job creation.

The project developed what it refers to as a '360-degree service' through seven carefully selected advisers, located in various of its partner organisations. These three men and four women operated a nine-stage process.



Ramatra's Matti Ranta (Left) and Tommi Aaltonen on site at Kirkonkylän Koulu school

First, the project obtained a list of 10,000 companies from the regional federation of enterprises and conducted a campaign of telephone interviews, which functioned both a selling tool and a research tool for social enterprise. *"The key questions are whether they are hiring staff, and whether they have any objection to disabled people,"* says Mr Kesä. *"Only a very small proportion says no."* This survey resulted in 700 contacts who were interested in pursuing the idea.

Jussi Teräsvirta, one of Syke's full-time advisers, had a caseload of over 100 companies, mostly small, but some employing over 100 people. This may seem to be a lot, but he sowed the seeds of future change. If he focussed his time more tightly, then the supply of firms ready to convert might dry up a few years down the line. So that he had something to offer all types of beneficiary, he also wanted to work with a wide range of companies.

The second step was to send out information material illustrated with case examples, but in general the project worked via personal contact, as it is the sort of work that is very difficult to do over the phone. Once a company made a request for help to find staff, the project turned to the official body responsible, the unemployment unit of the local employment office, and asked them to identify suitable candidates. The entrepreneur typically interviewed five to ten of these, and chose one or two.

Syke's staff then got back in contact with the employment office to negotiate the level of subsidy that it is willing to pay. The subsidy specially addressed for the social enterprises varies from €530 to €1,300 a month for disabled or long-term unemployed people (depending on how high the total wage costs are). The general subsidy is between €530 and €840. In theory, severely disabled people can qualify for lifelong subsidy, whereas the long-term unemployed receive help for a maximum of three years, on a six-month renewable basis. Thus, while the minimum wage is €1,300 a month, the subsidy can represent as much as 50% of the total costs of employing someone. *"But the subsidy is not the main thing,"* says Mr Kesä. *"The point is that we make it easy for the company to find the right employees. Small companies just do not have the time to*

find new people. The subsidy exists whether we are involved or not, but we make the two parts of the system work together." An element of uncertainty is introduced by the fact that the number of subsidies offered tends to decline towards the end of the year, as the annual budget nears exhaustion.

There then follows the registration process as a social enterprise. This involves completing a three-page form from the Ministry of Labour, and submitting a certificate that no tax is unpaid, a list of other subsidised employees, and details of the salary and employment contract to be used. Registration can take up to three months, but the new employee can start work right away.

The last stage in the process is monitoring, which is carried out through occasional phone calls. In fact it is – typically for Syke – more marketing than monitoring, as the calls ascertain on the one hand whether the company would like any more employees – and in fact several of them have expanded in this way – and on the other whether there have been any problems with existing workers.

The project has not specifically targeted any particular group, but over a third of the companies set up are led by a woman (*several are staffed completely by women*) and overall women have taken more than half the jobs created. "Women are more motivated, plus the sort of service sector jobs we have created suit women better," explains Mr Kesä.

### **RAMATRA – BUILDING A CAREER**

One product of this process is to be found at Kirkonkylän Koulu, a scattered settlement some 20 kilometres west of Tampere, where the village school is under repair by Ramatra, a social enterprise run by Matti Ranta. The construction industry is booming, and motivated workers are hard to find. Syke helped place a number of men who have backgrounds in construction but have fallen prey to drink. A couple of them have been out of work for over ten years.

The company was set up in February 2004, just two months after the social enterprise law came on stream. Two years later it employed ten people, of whom four qualify for government subsidy on account of their tendency to alcohol abuse. Ramatra bids for work under normal competitive conditions, so it needs to be as professional and as productive as the next firm, whether in timekeeping or work quality. "It is important for the men that this is a normal job, not sheltered work," says Mr Ranta. This is not without its challenges, and a supervisor is needed for every two workers in integration. This means that the figure of at least 30% disadvantaged workers which is the legal minimum is also, as far as he is concerned, also pretty near the maximum.

Mr Ranta gets a lot of referrals from an association for alcoholics. As well as expecting solid work, he recognises the need to continue care, and gives workers time off to attend support group meetings. He knows from his own experience that being occupied is crucial to staying off drink. And mutual support is also important – the workers teach each other how to do the job. Some have group living backgrounds, but all now live independently.

The company's style is egalitarian and staff turnover is low. Even so, one thing Mr Ranta does not do is put forward Ramatra's social enterprise status as part of its marketing, as he fears that it might put potential customers off. There is clearly a confidence-building job to be done.



Work going begging : Mikko and Minna Taatila invite you to work at PPCT in Tampere.

### **CALLING ALL WORKERS !**

A second and contrasting social enterprise is PPCT (*Pirkanmaan PC Torte*), a call centre located on an industrial estate in the Vehmainen area south of Tampere. The company became a social enterprise as part of its quest to find a workforce. "We thought recruitment would be easy, because there are so many unemployed people," says marketing manager Minna Taatila. "But people don't want to take a job, because benefits are so good." Particularly, she might have added, if benefits are topped up with a little unofficial work on the side.

PPCT works for a wide variety of companies, including such household names as Canon Finland. Ms Taatila describes its work as being "the CEO's secretary". The company is perpetually in search of motivated workers, and one route it experimented with was a link with Tampere's adult education centre. By offering placements to its students, PPCT thought it would be able to take its pick of qualified and motivated workers. It was wrong – the course was a compulsory one, and the participants were not interested in being offered a job!

By mid-2006, one year after its conversion to a social enterprise, PPCT had 20 workers, of whom five (*all women as it happens*) are receiving the public subsidy. The business was expanding fast and another three workers were about to be appointed. Call centre work has the advantage of being very suitable for disabled people – wheelchair users and blind people included. Mr Kesä himself can testify to their effectiveness since he used PPCT to identify potential social enterprises: they called 100 companies and got 70 appointments – an unheard of hit rate. He backs up Ms Taatila's analysis of the problem, pointing out that the job is neither uninteresting nor badly paid : "PPCT pays a basic salary of €1,300 a month – and with bonuses earnings can climb to €3,000 a month, whereas most call centres pay on a commission-only basis. In this respect being a social firm is a plus, as it guarantees decent working conditions."

### **AN UNBALANCED POPULATION OF SOCIAL ENTERPRISES**

These two cases show that social enterprises offer long-term unemployed and disabled people real opportunities for permanent high-quality jobs – if only they will step forward ! But what types of organisation opt to become social enterprises ? Almost without

exception they are limited companies, barring one, which is a village association. *“Many associations make enquiries, but few make the transition,”* says Mr Kesä. *“This is probably because the procedure is more complicated for an association, as they have to join the commercial register and show that at least half their revenue comes from sales. And there is little financial benefit, as at the moment they are not subject to VAT.”* So Finland’s social enterprises are growing up as a completely new sector, rather than being an organic outgrowth of existing social economy organisations. In fact, with the exception of the recycling sector, they tend to operate in isolation from one another. But this one-sided situation could change quite rapidly if some future reform of taxation were to separate trading from ‘ideological’ activities, Mr Kesä thinks.

A major part of the take-up comes from family firms that have never employed anyone before – one-third of the social enterprises created are first-time employers. With this in mind, the CD guide published as part of the national thematic work contains a lot of information on employer’s tasks, obligations, support systems and legislation. *“The decision to take on one’s first employee is not easily made,”* says Minna Apajalahti. *“The first preference would often be to take on a part-timer, but it’s hard to find one in the open market. Employing a subsidised worker is a less painful way to begin expansion. Some of these companies have now taken on their second new employee.”*

In contrast large companies are deterred by two factors. First, the 30% quota makes it a high threshold to surmount, as it is quite difficult to find a large number of suitable and motivated people all at once. Secondly, once companies employ over 50 people, they bear complete responsibility for pension payments. No firm has yet been decertified, but some will, Mr Kesä predicts. Normally they have six months to regularise the situation if one of their qualifying employees leaves and they fall below the 30% threshold.

### **HALF-HEARTED PROMOTION**

Interestingly, few social enterprises mention the fact in their marketing – with the exception of companies like the explicitly named ‘Mental’, which makes a virtue of employing 20 mentally ill people. And even in this case, it sells its services purely on the basis of quality. *“It has no choice,”* says Mr Kesä, “as its customers, the municipalities, do not apply social criteria in their procurement procedures, even though they say it is an important issue.” Perhaps it is symptomatic of general doubts as to the sustainability of the law as it stands, when compared with broader models from other countries, such as the Community Interest Company (CIC) that was introduced in Britain in 2005.

Whatever the reason, it is certainly true that social enterprises have been slow to take off in Finland, with only 52 being created in the initial two-and-a-half-year period – minuscule in comparison with the 200,000 companies that exist in Finland as a whole. *“Many businesses in Finland do not think it is their job to be ‘social,’”* says Mr Kesä. *“So we try to keep it simple. We launched the project with a simple value promise: ‘Success in new personnel solutions.’”*

### **2 - Professional marketing pays off**

Much of the project’s success is down to its clear research methodology. Its leader, Mikko Kesä, is after all a research manager with Innolink, a 40-strong market research firm based in Tampere. He explains the approach they took. *“We are not targeting disabled people directly – our targets are the employers, the local companies. As most firms in Finland are small, this means making a great many*

*contacts.”* It is in the precision with which Mr Kesä identifies his targets that you can see how his expertise as a market researcher pays off. *“Potential social enterprises don’t come to us – we identify them through a survey and go to them.”* Syke surveyed the region of Pirkanmaa to find companies with knowledge of social enterprise who were planning to expand – and in most cases they were not profitable enough to expand. Syke could then offer to help. *“But we don’t offer growth at low cost,”* he stresses. *“Social enterprises have two products – their actual business and the integration of employees – and the profit from the integration work goes to society. It is not a short cut to being competitive – companies in highly competitive markets are not interested.”*

Another sign of the professional marketing approach is that the monitoring is carried out with the help of customer relationship management (CRM) software. This allows the advisers to keep a detailed track of the contacts they make, and to compile charts analysing performance. These show that 40% of Syke’s customers are in the service sector, 18% in commerce, and – a surprisingly high level nowadays – 25% in industry. Non-profits make up just 9%. Fully a third of the client companies are one-person bands, which are taking the major step of engaging their first employee. A further 45% of companies have between one and three employees, while a mere 3% – three companies – are big enough to have over 10 workers.

All told, the project made contact with 987 companies. This resulted in the establishment of 83 social enterprises, providing 139 new jobs for disabled and/or long-term unemployed people – 67 of them women. Mr Kesä stresses the project’s role in oiling the wheels of Finland’s labour market: *“The important thing is that they are mostly proper permanent jobs, not like some other employment projects. They are new jobs, vacancies that would not have been filled if it were not for the social enterprise law.”*

The project’s Minna Apajalahti points out how the project has changed companies’ attitudes to employing disabled people: *“Our customer research shows that in 2006, 53% of our customers would recommend social entrepreneurship to others unreservedly, while 41% had reservations. By 2008, 75% gave their wholehearted support, while the share with reservations had halved to 21%.”*

### **3 - Three types of partners**

The project was firmly located within a broad public-private partnership to promote the local economy. Its predecessors were two projects to develop a local employment strategy that were led by the regional Työvoima & Elinkeino (*employment and economic development*) Centre, a joint structure depending on three ministries – labour, industry and agriculture. The idea for the EQUAL project came out of this strategy-forming process, and with its €1.6 million budget represented an important component of implementing the strategy. Syke thus benefited from a partnership that was already active.

#### **The project had three types of partners :**

- local development organisations, the TE Centre and the municipalities : these cofinanced the project, employed the advisers, and guaranteed political anchorage. A further group of key partners were the local employment offices, which decide the level of subsidy that can be paid ;
- associations of disadvantaged people, trade unions and other groups that provided leads to qualified workers: they were the most

important in delivering the service day-to-day, because they enabled Syke to find a motivated workforce. The project phoned them and asked them to suggest suitable candidates. "We act as a sort of 'front end' for the associations representing disadvantaged people. However it is our strategic choice not to set up a whole parallel placement service – our key customers are the companies," says Mr Kesä ;

▪ business organisations : the most relevant was the regional federation of enterprises (*Pirkanmaan Yrittäjät*), which represents small and micro-enterprises. Its free monthly magazine reaches 200,000 people each month, and is a very effective channel for reaching companies. The chamber of commerce represents bigger companies as well as the public sector. However links with the existing social economy are weak – the co-operative centre has just one person who deals with worker co-ops.

#### 4 - A social business park ?

Transnational learning was an important part of the project, Mr Kesä says. To find high-level partners with whom they could conduct a meaningful exchange, the project once again put its market research expertise into action and circulated all the 150 leaders of social economy partnerships in the first round. This strategy identified three partners, in Austria, Belgium and Germany respectively. The transnational work progressed through a series of four events. The first conference took place in Kortrijk in November 2005, and started at the bottom with grassroots service models, by examining a dozen best practice cases of start-up social enterprises. The second event, held in Hof in April 2006, jumped up to the second stage, and looked at wider service models. The third meeting in Tampere in September 2006 discussed national support frameworks, considering the forthcoming reform of Finland's social enterprise legislation. The final event was held in Schlierbach in May 2007 and concentrated on clusters and networks. The result of the co-operation is a jointly-developed guide for social economy start-ups and a life-cycle analysis of these enterprises. <sup>(1)</sup>

The salient lesson so far, Mr Kesä says, is that ideas about social enterprises vary a lot : "It is good to see the wider picture and compare what is good and not so good. We can't just bring something from Germany and implant it, because the whole system is so different." However there is one idea that might be transferable, the 'business park' for social enterprises that Kanaal 127 has set up in Flanders. "This might be a good idea here, to give permanent support, like job coaching, to small firms," he says.

#### 5 - After EQUAL – an employment agency

So does Finland's social enterprise system need a shake-up ? It is not the law or the subsidy level that is the problem, in Mr Kesä's view, but the way the local employment offices work – or don't work. "They have no motivation to find the most suitable people for the jobs on offer, so they are not meeting employers' needs. They tend to see their job as pacifying people rather than activating them. We could find motivated people and go to the employment office to negotiate the subsidy, but that is not our job. It is the job of the employment office and we are not aiming to replace them."

Mr. Kesä points out that the threat of losing one's unemployment benefit is not enough to make someone a motivated worker. The problem lies in the absence of a diagnosis system. "For a while

we had access to the employment office database, and it is totally inflexible. It just lists a person's previous jobs, but says nothing about his or her abilities or interests. So they end up trying to find redundant textile workers alternative jobs in the textile industry – and that sort of job is not there any more. If I were to run the project again in another region, I'd have dedicated staff inside the employment offices. At the moment the staff we deal with have experience of working with disabled people – but they have no experience of dealing with companies. The team needs both sides."

Nevertheless the project's results have been such that Mr Kesä – who after all is the person with the broadest practical experience of social enterprises in the country – is invited to meetings in Parliament, and sits on the different working groups that are rethinking ideas for the social enterprise legislation. "The municipalities have been impressed," says Mr Kesä, "and we are in the preliminary stages of a follow-up plan. Our idea is to set up a company to lease workers out where they are needed. This will save paperwork, which is time consuming for small companies and for the local labour offices. Many firms would be willing to take on more workers if it were easier, and we think the municipalities might provide some finance."

**DP name :** Pirkanmaan Syke (*Pulse of Tampere Region*)

**DP ID :** FI-63

**National partners :** Tampereen Seudun Uusyrityskeskus ry, Ensimetri (*administrator*), Municipalities in the Tampere sub-region, Ylä-Pirkanmaan Seutukuntayhdistys ry, Länsi-Suomen Kasvukolmio Oy, Regional Committee of South-Eastern Pirkanmaa, Valkeakosken Seudun Kehitys Oy, Vammalan Seudun Yrityspalvelu Oy, Development unit of North-Western Pirkanmaa, Pirkanmaan Yrittäjät ry, Tampere Chamber of Commerce, Pirkanmaa Regional Committee of Akava (*the Confederation of Unions for Academic Professionals in Finland*), Pirkanmaa Regional Committee of the Finnish Confederation of Salaried Employees STTK, Tampere local branch of the Central Organisation of Finnish Trade Unions SAK, Pirkanmaa Työvoima & Elinkeino (*TE*) Centre, The Council of Tampere Region, Adult Education Centre of Tampere, Pirkanmaa Polytechnic, University of Applied Sciences, Tampere Region Co-operative Centre, Tampereen Invalidien Työtuki ry, Tampereen Seudun Työttömien yhdistys, Etelä-Pohjanmaan sosiaalipsykiatrinen yhdistys

Transnational partnership: TCA 4101 Find a Better Case – partners: AT-3B-14/231 Sozialwirtschaftlicher Cluster Steyr-Kirchdorf (*SPES Bildungs- und Studien GmbH*), BEnl-15 Social Business (*Kanaal 127*), BE-XB4-76051-20-BY/205 NAVEX – Navigationssystem für Existenzgründer in der Region Oberfranken/Oberpfalz (*IGZ – Innovations- und Gründerzentrum – Hof*)

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#### Footnotes

1 - <http://www.tem.fi/index.phtml?l=en&s=2563>

2 - The guide is available from <http://www.ensimetri.fi/palvelut/syke>

# Chambers take social enterprise on board : QUASAR (I)

**Business is changing: how best to update business support services? Italy's chambers of commerce emerge from the QUASAR project with a brand new service in their portfolio, tailored to the needs of the fastest-growing section of their membership, social enterprises. Social enterprises emerge with a stronger identity, legal recognition, strengthened management skills, and a steadily growing regional support network.**

Italy is home to 240,000 'third sector' organisations – associations, social co-operatives, foundations and others – which turn over €38 billion a year, employ 630,000 people and absorb the voluntary energies of some 3.3 million people. It is also home to a well-established system of chambers of commerce, industry, handicraft and agriculture (CCIAA). Yet till recently there has been a mutual lack of understanding between the two. Historically the chambers of commerce have tended to write off the non-profit-distributing sector as an uninteresting niche, and ignore its proven capacity to create jobs and income, especially for disadvantaged people. While social enterprises have been legally obliged to pay subscriptions to chambers of commerce, the chambers have not provided services tailored to their needs. QUASAR aimed to build a bridge from both ends, by making the culture of social enterprise managers more businesslike, and at the same time the chamber of commerce culture more sensitive to the benefits of social enterprise<sup>(1)</sup>

The project was led by AsseforCamere, the training branch of the chambers of commerce. Managing Director Alberto Valentini explains why they went into the EQUAL project. *"Social enterprises have a growing role to play, and it is complementary to that of the profit-making sector. The third sector provides 6.4% of Italy's jobs. We wanted to understand social enterprises, and support their creation and consolidation – which is a job we are already well used to doing with conventional enterprises."*

Its key partner was ASTER-X (Agenzia di Servizi del Terzo Settore) the strategic arm of the Permanent Forum of the Third Sector, which is made up of 16 national organisations representing the various families of cultural and voluntary associations and social co-operatives.

The project's central aim was to improve the quality of social enterprise, but in the end it has achieved much more than that. It has built a national partnership between the third sector and the country's key business support organisation, the chambers of commerce, trained chamber staff and social enterprise managers in eight regions, set up eight observatories and made a crucial difference to legislation on social enterprise.

## 1 - Pilots in eight regions across the country

QUASAR worked with the chambers in eight participating provinces: Milan, Treviso, Forlì-Cesena, Florence, Cagliari, Potenza, Bari and Palermo. Co-ordinated by a central unit, the project's work was based around seven specialist working groups combining experts from the third sector and from the chambers. These tackled issues such as social services reform, social quality, training, finance and



*Learning without borders: QUASAR co-ordinator Francesco De Rosa (centre rear) and colleagues at a transnational seminar on training tools and methodology in Paris on 12-14 November 2003*

local development, and produced an impressive series of guidance manuals.

Meanwhile the research partners carried out preparatory studies of the socio-economic conditions in each of the pilot areas (*Istituto Tagliacarne*) and the strengths and weaknesses of the social enterprise sector (*CENSIS*). Work on the ground in each region was launched with a conference to which all the local second-level organisations were invited. The result was partnerships that involved between eight (*in Treviso*) and 22 (*in Bari*) organisations.

QUASAR nominated a co-ordinator in each of the eight regions taking part, who took on the job of organising enterprise check-ups, running local training courses, and creating the local 'observatory of the civil economy'. The observatories typically involve a triangular partnership between the third sector forum, the chamber of commerce and the local university, and have around three staff, though in some places other organisations have joined too.

The project delivered eight local training courses, equipping some 180 people to collaborate effectively in the QUASAR committees, and subsequently in the observatories. The courses comprised between 10 and 18 days of training, on the themes of social enterprise, the chamber system and the territory. Modules specifically about social enterprise went into issues such as value and motivational capital, internal and external relations, organisational and service quality, and managing the tension between a business's economic performance and its social performance. A national seminar was also held for chamber of commerce personnel.

## Enterprise check-ups

The project exceeded its own expectations by checking the health of 240 enterprises, of which 45% were social co-operatives, 32% permanently trading VAT-registered associations, 15% committees and clubs, and the remaining 8% foundations and social enterprises of other types. The check-ups were carried out by a specialised agency attached to each chamber of commerce. They went through the topics of mission and vision, strategic planning and social marketing, and on to image and competitiveness. Key issues for social enterprises are social accounting – the *bilancio sociale*

– and human resources. *“The difficult part of the human resources job is to convert managers from thinking only about the bottom line to a broader vision,”* says Mr Valentini.

Mr Valentini also stresses the key role of finance. *“As part of the project we commissioned, with the help of Banca Intesa, a study on finance for the third sector, which showed up the need for specialised financial products. Social enterprises are undercapitalised and often suffer from delays in receiving income. So in the second round of EQUAL our CRESO project focuses on finance, and has as a partner one of the country’s biggest bank groups, the network of co-operative banks, Federcasse. We are working towards a national network, and 21 regional chambers have come on board. It will also bring universities into partnership. Another task that CRESO will be tackling is to carry out a cost-benefit analysis of social enterprise, that will build the case for greater attention from policy makers.”*

### **Learning is a two-way street**

One of the pioneering aspects of the project, says Francesco De Rosa, who co-ordinates the QUASAR project on behalf of ASTER-X, was to bring the different families of the third sector together. *“It was not easy at the beginning, as we had to overcome the fragmentation of the third sector, which includes cultural associations representing various groups, voluntary organisations that deliver social services, and social co-operatives. This anarchy made it difficult to work with the business or public sectors.”*

At first, the chambers of commerce assumed that they knew all the answers and that what was needed was to transfer their existing expertise to a new group of organisations. The expert groups were split on the issue. But a funny thing happened. Once the third sector realised that this was what was going on, they overcame their differences and started to work together. From the end of 2002 onwards, the collaboration worked well. The people from the third sector realised they needed to learn entrepreneurial methods, and the chambers of commerce people came to appreciate the value of the third sector approach. The newfound sense of unity is one of the foundations of the social enterprise law that has just been adopted.<sup>(2)</sup>

### **Testimony from Puglia**

The eight observatories span the Italian peninsula from northwest (Milan) to southeast (Bari), and it is in the latter town that the project has grown fastest. Gianfranco Visicchio, president of Bari’s regional third sector forum, tells how things worked in Puglia, a region suffering from the crisis in the textile and footwear sectors. *“We have 23 member organisations, and at first not everybody saw the importance of working with the chamber of commerce. But once we had joined the QUASAR project, our members got the benefit of an enterprise check-up, which identified problems and development options. The most common problems we found were in the financial and management areas, and the chamber has arranged training courses to deal with them.”* To join the project, social enterprises raised 20% of the funding themselves through self-taxation, and the chamber of commerce contributed €250,000. The project tackled the problem of the relationship with the public authorities – with evident success. *“We raised the profile of the sector, and in 2005 we were mentioned for the first time in the regional plan for social services,”* says Mr Visicchio. *But the partnership could be broader, he thinks: “We expected greater involvement from other organisations. Perhaps the new law will push things forward.”*



ASTER-X president Livia Consolo with Professor Ugo Ascoli, Francesco Barbolla and Enrico Bocci of the Florence Observatory at a focus group in Florence on 13 January 2005

## **2 - Partnership mechanics**

QUASAR worked well because of the obvious benefits both sides stood to gain from working together. But even with the best will in the world, the right structures need to be in place. The mechanics of delivering the project relied on the use of a type of hybrid organisation called an *azienda speciale* – a sort of semi-public company formed under the wing of the chamber of commerce. These agencies can act more flexibly than the chamber itself, as they are not public bodies and their staff are not civil servants. They are the perfect tool to carry out a time-limited project.

Livia Consolo, President of ASTER-X, says the project’s national groups worked well. *“As the project progressed, stereotypes have been broken down, scepticism has faded, and we have shown that collaboration can work,”* she says. *“Sharing ideas was a very important way to improve the level of management skills in social enterprises.”*

Mr Valentini agrees : *“The project has built up a good collaboration between the chambers of commerce and the third sector, based on their complementarity, or what we might call the principle of ‘horizontal subsidiarity’. We acknowledge the link between economic growth and social cohesion, and we have set up a circular process of exchange.”*

The local dimension has also been crucial : the observatories have been got off the ground by local QUASAR Committees made up of representatives of the chambers of commerce and the local third sector organisations.

## **3 - Helping the law to catch up with reality**

The project has improved the regulatory environment by establishing recognition of the concept of social enterprise in law. *“When we started the project, hardly anyone talked about ‘social enterprises’,”* says Livia Consolo. *“As the project ends, the Senate has just approved a law which defines social enterprise nationally. QUASAR made a real contribution to the definition the law has adopted: that social enterprises are non-profit distributing, independent and accountable both economically and socially. Following the law establishing social co-operatives, this law is another building block in the edifice of better living and working conditions for disabled people.”*

For Grazia Sestini, senator for Arezzo and undersecretary at the Ministry of Labour and Social Policy, the law bridges the chasm between Fiat and the Red Cross. *"We have succeeded in defining in law something which is a proper business, registered at the chamber of commerce, but which does not have profit as its main purpose. This is no contradiction. The law has now caught up with reality."* She is careful to distance social enterprises from the mentality of grant dependence. *"The idea of social enterprise is a cultural revolution. It has to trade profitably, even if it reinvests its surplus. There's no public authority waiting to bail it out at the end of the year."*

#### 4 - Benefits all round

What does the third sector gain from the partnership? First, the project clarified the sector's identity, by obliging social enterprises to define what they stand for and be less self-referential.

Secondly, it means that social enterprises can call on the services that the chambers provide to all their members – and remember social enterprises are legally obliged to subscribe to the chambers, whereas only 30% of them are members of one of the co-operative federations. But over and above that, they can expect the chambers to represent their interests within government: the chambers are after all public bodies with a formal role in local economic development. Sometimes there is a direct relationship: all the chambers have a co-operative representative on their governing council, and in three regions – Basilicata, Sardinia and Emilia Romagna – that representative comes from the social co-operative family. In political terms this gives social enterprises the formal status that craft firms have by virtue of their federal bodies.

Thirdly, the Civil Economy Observatories are a means of ensuring that in the future social enterprise is not forgotten. They are formally constituted as organs of the chambers of commerce, which guarantees the revenue needed to survive. They are led by a president, who is a member of the council of the chamber of commerce, and who is supported by a co-ordinator and a secretariat. They are overseen by a committee bringing on board the combined strengths of the chamber of commerce, university, voluntary service, social associations and social co-operatives. Their tasks are:

- to carry out research and supply information in support of the chambers' policies
- to represent the third sector
- to offer social enterprises tools, information, and skilled technical assistance to support their consolidation and development; these are delivered jointly by the Special Agency of the Chambers of Commerce and local third sector organisations
- to assist social enterprise start-ups, by enabling them to become part of a system which has high quality standards and shares best practice.

The observatories also play a role in transmitting the social enterprise culture, to everybody's benefit. *"We often forget the prodigious laboratory that the social co-operative sector has been over the last 20 years,"* says Francesco De Rosa. *"We were the first to talk about ideas such as corporate social responsibility and social accounting that are now mainstream."*

And what do the chambers of commerce get out of the deal? Primarily, it is a marketing plus, as the project has equipped them to serve more effectively this rapidly growing section of their membership – a section that stands to grow ever faster as voluntary organisations take advantage of the new law to convert into social enterprises. *"It was as we were developing the tools to carry out*

*the enterprise check-ups that they realised how different social enterprises are,"* says Mr De Rosa. *"They finally realised they had a lot to learn from us about things like networking."*

Quasar's results certainly seem impressive enough to the chambers of commerce in Rome, Pisa, Perugia and Benevento, who have now launched observatories of their own. Other chambers are joining in. With legal recognition on one hand and a widespread and professional support network on the other, social enterprises are in a fortunate position, thanks to EQUAL.

As of 2008, a couple of the original observatories have closed down, but new ones have opened in Turin, Genoa, Perugia and Arezzo. Of the earlier crop, those that have prospered best are situated in two starkly contrasting regions, in Florence in the north and Bari in the south. What they have in common is that their co-ordinators both come from the third sector.

**DP name :** QUASAR – Qualità per i sistemi a rete di imprese sociali

**DP ID :** [IT-IT-S-MDL-053](#)

National partners: AsseforCamere, ASTER-X Agenzia di Servizi del Terzo Settore, CENSIS - Fondazione Centro Studi Investimenti Sociali, Fondazione Istituto Guglielmo Tagliacarne

**Transnational partnerships :** TCA 1258 SITED (*Social inclusion through enterprises development*) – partners DE-EA-93973 innova Entwicklungspartnerschaft für Selbsthilffegenossenschaften, AT-3-01/128 : Empowerment kleiner und mittlerer sozialer Organisationen, FR-NAT-2001-10817: EETIC – *entreprendre ensemble sur un territoire pour l'inclusion par la coopération*

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#### Footnotes

1 - *Guideline 18 of the Integrated Guidelines for Growth and Jobs suggests that: "special attention should be paid to promoting the inclusion of disadvantaged people in the labour market, including through the expansion of social services and the social economy." Guideline 22 urges increased access to entrepreneurship training. See [http://europa.eu.int/growthandjobs/pdf/COM2005\\_141\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf)*

2 - *Law 118/05 of 13 June 2005, Delega al Governo concernente la disciplina dell'impresa sociale, see <http://www.parlamento.it/parlam/leggi/05118l.htm>*

# Business and employment co-operatives – a launch pad for inclusive entrepreneurship

Business and activity co-operatives are the latest thing to hit business incubation. Since the first was started in 1996, a wave of some 70 has sprung up. They are present all across France, have crossed the border – there are eight in Belgium and ten in Sweden – and with EQUAL's help are now spreading further afield. A conference at the European Parliament in 2006 strengthened their position on the policy map.

Business and employment co-operatives (BECs), which give collective support to people starting their own businesses, have aroused interest in various areas of policy-making. One of these is economic development in rural areas. BECs are a good way to support the so-called SOHO-SOLOs, professionals who migrate to the countryside to carry on their business at a distance – and in so doing bring valuable skills, economic activity and social life back to depopulated areas.

Another is the regularisation of informal work. In Madagascar, the vast majority of craftspeople work informally, not necessarily because they want to but because the formalities are so off-putting. When the country's first BEC opened in January 2007, out of just over 100 eligible craftspeople, most of whom are in the textile trade, 77 signed up. As a tool for development, the BEC was in fact only one part of a three-pronged co-operative approach, going along with a purchasing co-operative and a mutual guarantee fund.

A third is demography and concern about how to raise the activity rate. "In 10 years' time, we'll be talking about the shortage of workers," says Pär Olofsson of the Swedish BECs network. "BECs help ex-offenders to restart their working careers, and allow older people to work part-time."

For Alain Philippe, President of French insurance giant MACIF and of the European Pole of Social Economy Foundations, BECs represent a route to integration, particularly for young people. For Valérie Schneider of GEMIP Midi-Pyrénées in Toulouse, they embody the four values of the économie sociale et solidaire: collective business ; sharing skills and means ; social values in

the economy; and worker involvement. For Nabil M'Rad, Past President of Coopérer et Entreprendre, the BECs' federation, they are about translating the Lisbon strategy into jobs.

Eloquent support comes from Swedish MEP Carl Schlyter, in favour of the sort of local development that BECs exemplify. He quoted a study by the New Economics Foundation in support of buying local: if just 10% of public purchasing was made locally, this would have 17 times the economic impact of the entire Structural Funds. And though BECs do receive public support – once established, a quarter of their costs seems to be a rule of thumb – they do not have to be a drain on the state budget. Benoît Smet of CoopPac.be, the federation of Belgian BECs, sets doubting hearts at rest when he says that BECs pay more into the public purse than they take out of it.

## 1 -THE 1-2-3 OF BECS

What is a BEC ?<sup>(1)</sup> Essentially, it is a launch pad, a business incubator that provides budding business people with an easy transition from inactivity to self-employment. Intending entrepreneurs pass through three stages:

First, they remain technically unemployed but develop their business idea under the wing of the BEC ;

Next, if it looks like being a success, they become that oxymoron, a 'salaried entrepreneur' with the security of a part-time employment contract;

Finally they become a self-sufficient business, sharing in the ownership and management of the co-operative.

The structure thus provides the small business person with the best of both worlds – control over one's working life, but with the support of a group of people who are facing the same problems and want to pool their enthusiasm and expertise. It helps to overcome one of the most discouraging features of becoming self-employed – the isolation. BEC clients are in all sorts of activities from cookery, industrial cleaning, furniture restoration and organic horticulture to violin making, jewellery, translation and web design.

Business and Enterprise Co-operatives – a three-phase career			
Stage 1 ▼	Supported entrepreneur <i>Entrepreneur(e)-Accompagné(e)</i>	Initially, the 'candidate business' works up his idea while remaining unemployed in legal terms. He or she continues to receive benefit while developing a marketable product or service, testing the market and establishing a client base. The BEC handles the business administration and accounting.	
Stage 2 ▼	Salaried entrepreneur <i>Entrepreneur(e)-Salié(e)</i>	The entrepreneur agrees a part-time employment contract with the BEC, and in return pays over 10% of sales. He or she continues to build up the business, as well as receiving training and administrative support. Meanwhile he or she benefits from social insurance cover. The salary grows as the business grows.	Optionally, the business can spin off as a totally independent entity.
Stage 3 ▼	Member entrepreneur <i>Entrepreneur(e)-Associé(e)</i>	When the business is self-supporting, the entrepreneur can choose to join the BEC as a full voting member, and take part in its management, continuing to pay an administration charge of 10% of sales.	

## 2 - SPIN-OFF CO-OPERATIVES

The largest BEC is Paris-based Coopaname,<sup>(2)</sup> which was set up in 2004 and looks after 300 entrepreneurs with a collective turnover of €1.6m. The example shows how BECs can spin off new branches which stay under the same umbrella. Its headquarters are at the Paris-Est CAE, but it also operates four other branches in different parts of the Ile de France : Paris-Sud, Nanterre/Hauts-de-Seine, Plaine Commune/Seine Saint-Denis and Val-de-Marne. It operates an incubator for collective projects, Estère, and is closely linked with two sector-specific CAEs : Coopératifs! in personal services and Alter-Bâtir in construction. It is also closely inked to Vecteur Activités in Grenoble.

At the end of 2005, the 90 sites in the BEC network numbered 2,618 supported entrepreneurs plus 1,138 salaried entrepreneurs (including 60 member entrepreneurs), with a combined turnover of €16.5 million in 2005. Two-thirds of entrepreneurs start off as unemployed, two-thirds are aged between 30 and 50 and 53% are women. There are currently three main growth areas :

- Care and personal services : this is an area where people find it difficult to find their way through these regulations, despite a national policy to encourage self-employment. BECs come into their own in these circumstances and there are now 16 in this sector, supporting 260 jobs. These jobs are largely but not totally for women, as there are a number of handymen ;
- Culture and art : here the federation's policy is not to create entirely separate new co-operatives, but to open culture departments in existing BECs ;
- Agriculture : there are now four BECs that are putting surplus land made available by local authorities to good use by supporting smallholding.

## 3 - TRANSNATIONAL COMPARISONS

Maria Woglinde from the Egenanställning (*Self-Employment*) EQUAL project in the Swedish town of Uppsala says that although the idea is new in Sweden, the project won widespread support. The first BEC was launched in 2003, and three years later there were 10, spread from the north to the south of the country. They have proved a very effective route to integration for immigrants and also ex-offenders, who may find they are asked to repay their debt to public authorities before they are allowed to set up in business on their own. Pär Olofsson, chair of the Swedish network of BECs, notes that Sweden has two types of structure : some are traditional co-operatives, owned by the people who work in them, while others are owned by business support agencies. The network gives them a way to set common standards – they use a standard contract of employment – and generate trust in their endeavour.

In Germany too, says Hans-Gerd Nottenbohm from the innova partnership, EQUAL helped relaunch the co-operative movement into labour market policy. *“The co-operative law reform that was adopted in August 2006 allows us to create community co-operatives, social co-operatives and ‘founder’s co-operatives’ or Gründergenossenschaften, which work along the same lines as BECs,”* he said. *“However they don’t cater for unemployed people, they only provide common services for those who have already created their business.”*

The movement is also an inspiration further afield, and particularly in the French-speaking world. Québec has its first BEC and in Morocco, the experience has led to a significant legal reform, according to Ali Boulanouar, head of the Social Economy Department of the Ministry

of Industry. Co-operative law has been refashioned – notably by reducing the minimum number of members to three – to suit the needs of the fast-growing tourism and craft sectors. Coopérer pour Entreprendre has also been engaged in a Leonardo project to adapt the BEC concept to conditions in Portugal, Italy, Greece and Sweden.

## 4 - EUROPEAN COMMISSION SUPPORTIVE

The European Commission supports BECs from a number of angles. For Eddy Hartog, who heads the Lisbon strategy unit in the Regional Policy DG, they contribute to the Commission's big priority – creating growth and jobs. And they do this not by lowering standards but through innovation – understanding ‘innovation’ not in its high-tech sense but in the sense of doing things differently and making use of Europe's diversity. BECs are a type of incubator, a way of bringing more people into revenue-generating activity, without obliging them to become either bosses or employees. And generating activity is something that is going to continue to attract EU support. Carl Schlyter makes a similar point : *“Thinking only of high-tech is in some way colonialist. India and China have more engineers than we do, so we can’t win through technical innovation. We need to innovate through corporate social responsibility,”* he says.

Walter Faber, head of the EQUAL unit in the Employment DG, stresses that the Lisbon strategy is not just about creating jobs, but about creating full employment, integration and cohesion. He recalls that in 1995 the Commission published a study identifying 17 ‘new sources of jobs’. They are in areas such as care, quality of life, culture and new technologies, and are provided largely by the social economy. Trends since then have proved this prediction right – jobs have been created in sectors like health and education, and not in manufacturing. That is why the social economy and BECs have such an important role to play. Noting that initiatives are increasingly being asked to demonstrate their costs and benefits, he had seen some impressive examples of the social return that social economy can bring.

## 5 - LEGAL ISSUES

In the way they combine entrepreneurialism with social protection, BECs seem to many to be the embodiment of flexicurity. For Frédéric Tiberghien, France's Délégué Interministérielle à l'Innovation Sociale et à l'Economie Sociale, they represent a real innovation, having brought into being a new animal, the ‘chimera’ of the ‘salaried entrepreneur’.

But such a chimera may arouse suspicions. As BECs have taken off, Coopérer et Entreprendre has brought the trade union movement along with it, and so far the French unions have accepted the blurring of the division between employee and director that BECs imply. Yet the form of employment contract that BECs use raises legal issues. There are concerns that existing collective agreements should be respected and a social dialogue via the trade unions should exist within BECs. The way BECs are organised means a new role for trade unions, and the way forward leads towards the negotiation of an agreement that gives ‘salaried employees’ social protection, and at the same time redefines the notion of ‘entrepreneur’.

But across the border in Belgium things are not so simple. Christophe Pollet of the Graines d'Affaires BEC in Lille and Dunkirk, has already faced tax problems working across the Flemish border

in Comines (*Komen*). Paul Windey, Chair of the Social Dialogue in Belgium, goes as far as to declare : *"the status of 'salaried entrepreneur' will never be accepted in Belgium."* But all is not lost. Negotiations are under way to find a way to satisfactorily combine co-operation with self-employment, and the Belgian parliament is discussing a new status that allows unemployment benefit to be combined with earnings.

**DP name :** Créative

**DP ID :** FR-2001-NAT-39063

**National Partners :** Coopérer pour Entreprendre, AVISE, Fondation MACIF

**Transnational partnership :** –

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#### Footnotes

1 - The original French term is *Coopérative d'Activités et d'Emploi* © (CAE)

2 - <http://www.coopaname.coop>

## Taking the risk out of taking a risk : social act (B)

**If you are looking for work in Ghent, De Punt has two options for you. On the one hand you might get a job in an integration enterprise that starts up in its incubator. Or if you've been longing to start your own business, you can join the 'Startpunt' activity co-operative and test out your idea without risk for a year.**

Beside the River Scheldt on the south-eastern edge of Ghent stands a fine Flemish Gothic office building fronting a 14-hectare site that was once the Trefil-Arbed nail factory. 'Punt' being a dialect word for nail, the factory was nicknamed 'de Puntfabriek', so it was natural to name the initiative that now occupies the building 'De Punt'. Until the 1960s the site provided 1,600 jobs.

What is now there is a social enterprise with four lines of business: it manages start-up units for new businesses; it offers consultancy to existing firms who want to start up departments to integrate unemployed people into their workforce ; it sponsors a mutual aid co-operative of budding entrepreneurs, and it has just launched an initiative to boost economic growth in the social economy. *"One of the aims of this development is to bring back jobs into the inner city,"* explains Marc Standaert, De Punt's general manager. *"But it is very handy for the motorway too, so it is an excellent place to locate."* When it is finished the site will also contain a park and housing, so is a balanced redevelopment.



*De Punt's offices on the Trefil-Arbed steelworks site in Gentbrugge*

De Punt's balanced portfolio of operations is fully in line with European growth and jobs guidelines 10 – 'promoting a more entrepreneurial culture and creating a supportive environment for SMEs' – and 18 – 'ensuring inclusive labour markets for job-seekers and disadvantaged people'.<sup>(1)</sup> *"This balance is very good for us as a business,"* says Mr Standaert, *"because it smoothes out the cash flow. When you develop property there is a long period during which you are investing in the infrastructure but you have to wait for the rent income to start flowing in. So having an ongoing consultancy arm keeps us afloat and allows us to invest in our property for the future."* The property development in question is the second large building on the site, an old shed that now offers Ghent's budding entrepreneurs 35 office units and 12 workshops with a combined floor area of 2,700 square metres.

### Putting the town to work

The driving force behind its creation was a wide-ranging local partnership organisation called Gent, Stad in Werking – GSIW ('Ghent, City at Work') that was set up in 1997 at the initiative of Daniël Termont, Ghent's schepen (*alderman*) for the Harbour, Economy and Festivals. It managed to bring 160 organisations on board the objective of turning round the situation which saw unemployment at nearly twice the Flemish average (*around 13%*) and a very low level of entrepreneurship (*only 2.5% of the population were running their own businesses*). *"The vision was that if everyone active in the local economy came together, we could really make a difference,"* says Mr Standaert. GSIW set up working groups to address both these issues, and the solutions they came up with turned out to be synergetic.

GSIW started two actions, one stressing the economic side of business by aiding start-up businesses, and the other stressing the social goal of reducing unemployment. This necessitated creating spaces where new businesses could start up. To make this possible, the city was able to persuade the employers' organisations and the trade unions as well as a number of banks and large companies with a local presence, to join together to create a co-operative. They contributed the €1.2 million in share capital that bought the building.

The next step in De Punt's growth came in 2004 when it merged with the Regional Business Centre. The new company was constituted as a conventional share company – but with a big difference. *"The shareholders have all agreed that the company does not pay a dividend,"* says Mr Standaert. In the middle of 2005 it moved into the nail factory in Gentbrugge. This was the culmination

of redevelopment plans that had been brewing since 1998 when the city of Ghent made a partnership with a private developer who bought the site from the liquidator.

In early 2006 De Punt opened a new block containing 37 offices ranging up to 100 square metres, as well as larger 12 workshop spaces for fledgling businesses. The premises come equipped with services ranging from bicycle racks and showers to translators and a web server. Tenants even qualify for three hours of management support every quarter. To achieve a good mix, the target is that 30% of the tenants should be from disadvantaged groups, and these receive a 10% rent discount.

## 1 - INTEGRATION ENTERPRISES

De Punt wanted to tackle the issue of labour market disadvantage from two complementary angles. The first, under the 'De Punt' brand, assists the start-up of small companies which can employ people from disadvantaged groups such as people with a disability, low-skilled and long-term unemployed workers, migrants, political refugees, ex-offenders and the over-45s – thus creating so-called integration enterprises or *invoegbedrijven*. De Punt also targets existing companies, advising them on how to create jobs for disadvantaged groups, by opening integration departments (*invoegafdelingen*). Integration enterprises and integration departments can claim a tapering governmental subsidy which in the first year covers 50% of total employment costs, and in the second year 30% (*it used to be more generous*). The start-up companies benefit not only from premises but from on-the-spot business support as well as secretarial and administrative support.

Existing companies are served by a consultancy service that examines, for instance, how work content or premises might need to be adapted to accommodate a disabled employee. This works in a very simple way. *"A company that wants to start up an integration department comes to us and pays a one-off fee of €2,500 for all the necessary advice, and they know this is nothing compared with the benefits they will realise,"* says Mr Standaert. In 2004 De Punt talked to about 40 companies and helped integration departments start up in 12 of them. They cover a wide range of industries including industrial cleaning, packaging and logistics, steel fabrication, meat processing, a plant nursery and an ironing service. They currently employ more than 190 people with a wide variety of disadvantages, according to the profile the employer sets.

## 2 - ACTIVITY CO-OPERATIVE

The other string to De Punt's bow is Startpunt, which was launched at the end of 2002. Startpunt throws open the opportunity of self-employment to excluded people by offering them a safe environment in which they can test out their business idea. The arrangement is that for one year they join the 'activity co-operative' (*activiteitencoöperatie*) and are paid a full-time salary, backed up by secretarial and accounting support and the guarantee that they will not be refused benefit afterwards if their business does not take off. *"We offer a space where it is safe to take risks,"* Mr Standaert confirms. The guidance offered is a combination of the individual and the collective: each entrepreneur meets their adviser every month for a coaching session. There is also a series of group workshops, which teach practical skills such as how to conduct an interview or chase up an invoice, and finish with an assignment to be completed by the next session. *"We follow the Socratic method,"*



March 2005: Els Van Weert, Secretary of State for the Social Economy, nominates Startpunt an 'Ambassador of the Social Economy'.

says Mr Standaert. *"Our business advisers take care not to impose a view; they listen to the client, and then ask the right questions that enable the client to solve a problem for themselves."*

Both these initiatives share a focus on low-tech sectors that would provide a maximum of jobs, and both espouse the virtues of businesses that are 'social, permanent, ethical and add social value' – that is, have multiple bottom lines. To give an idea of the wide variety of businesses that are seeing the light of day, in the course of 2002 De Punt helped to set up four SMEs providing 24 jobs, as well as seven micro-enterprises, in sectors ranging from electronics repair and bicycle hire to African music retailing, freelance photography and singing. Since then clients have included a cartoonist, a diamond merchant and a private detective.

## 3 - STAYING THE COURSE

Startpunt has projected its throughput statistics from the start of 2003 till the end of 2005. It plots the clients' path through five stages of the start-up process. According to these figures, the organisation made contact with 275 people over the three-year period – mostly referred by the employment office. Roughly half of these contacts (130 out of the 275) drop out at this stage, having decided that self-employment is not for them. But they may have learnt something useful anyway. *"The employment adviser is in a win-win situation,"* Mr Standaert comments wryly. *"If the client stays with us, that's one less person on the unemployment register. On the other hand if they don't, then the adviser is in a better negotiating position to persuade them to take another job".*

The second stage in the process is dubbed 'intake', and it involves defining a business project. 145 clients are projected to reach this stage, and 90 of them will progress to the third stage, 'prospecting', which entails the signing of a formal agreement for the development of the new business supported by training, coaching and peer support. The success of 28 of these clients is great enough for them to 'fly the nest' following this stage, while the remainder progress to stage 4, 'charge-out' where they carry on building up their own business but under the wing of the Startpunt activity co-operative. *"Each entrepreneur runs their own show, but the co-operative invoices the customers and guarantees them a secure income by paying them a wage,"* Mr Standaert explains.

Thus, all told, over a three-year period some 58 new entrepreneurs will leave Startpunt and enter the 'aftercare' status. The statistics predict that 30 of these will become permanently self-employed

(some as members of three co-operatives that will be set up), 10 will find a full-time job, five will combine a paid job with a self-employed business, three will start further training, and 10 will go back to being unemployed.

To sum up, of 145 people who have seriously engaged with Startpunt, 55 end up with a positive labour market outcome, which gives a 38% success rate. *“This progressive filtering scheme comes out as very cost-effective for the public sector,”* says Mr Standaert,

#### 4 - SOMETHING FOR EVERYONE

What's so new about this approach? One element of innovation is De Punt's corporate structure. It is a company with a social objective, which explicitly reads : *“to support entrepreneurship, create job opportunities for people with difficulties in the labour market and to practice corporate social responsibility”*. De Punt ceased to be a co-operative when the merger with the regional business centre took place, but has not seen the need to adopt as an alternative the legal structure that exists in Belgium for this purpose, the vennootschap met sociaal oogmerk or 'company with a social objective'. This is in part because the 'VSO' statute involves compulsory employee shareholding, which is thought inappropriate. On the other hand Startpunt – 'Startpunt cvba vso' in full – is both a co-operative and an official 'company with a social objective'.

Another is the seamless range of services, all targeted at integrating disadvantaged groups into work, but from different angles : large firms opening integration departments; small firms starting up as integration enterprises ; and disadvantaged people starting their own micro-enterprises in a sheltered environment. Together, De Punt and Startpunt thus have pretty much all the angles covered and an offer to match every potential opening.

De Punt also adds an interesting twist to the conventional model of business start-up support. Its model of the start-up process comprises five phases :

- mission
- business plan
- financial plan
- preparation
- launch

But De Punt adds an optional sixth phase, that of business co-operation – independent businesses that work together to make themselves stronger. Of course this sometimes arises naturally between entrepreneurs who have worked alongside each other in the Startpunt 'activity co-operative'.

#### Footnotes

1 - *Integrated guidelines for growth and jobs (2005-2008)*. See [http://europa.eu.int/growthandjobs/pdf/COM2005\\_141\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf)

2 - [www.azimut.cc](http://www.azimut.cc)

#### Money where their mouth is

De Punt is the first concrete result of the Gent, Stad in Werking partnership, but it is to be followed by other initiatives concerning mobility, biotechnology and the social economy.

What is remarkable about the partnership that launched De Punt is not only its breadth but its depth. It is extremely unusual to be able to raise sufficient finance from local businesses to found a local regeneration co-operative, take over a derelict site, and convert it into an incubator. *“It was certainly a first at national level to have employers and trade unions not only joining the co-operative but subscribing in a big way to the capital,”* says Mr Standaert.

How was this possible ? The partnership includes the city council, employers, trade unions, community development organisations and neighbourhood residents, all drawn together by their commitment to improving their own locality. This local dimension brings a sense of ownership of the idea, a credibility as the results are very visible, and a direct economic benefit in terms of a more buoyant local economy. Getting together also enabled the partners to bring in investment funds from outside.

#### Far horizons

De Punt has long been open to influence from other countries and regions – indeed the first inspiration for Startpunt came from a visit to the 'Azimut' coopérative d'activités in Charleroi.<sup>(2)</sup> During the first round of EQUAL, De Punt collaborated with partners in the Netherlands and Italy in the 'Best of Both' transnational partnership. The partners were able to make a three-way comparison, and learn from each other about models such as the social co-operatives in Italy and corporate social responsibility in the Netherlands. *“We certainly benefited from getting to know the models in other countries and gaining a new perspective,”* says Mr Standaert. *“But it was more a process of seeing things and stealing them than of doing things together.”*

**DP name :** Social Act

**DP ID :** BEnI-ESF01/EQ/2D/007

**National Partners :** Kamer van Koophandel Oost-Vlaanderen (VOKA) ; ABVV Scheldeland ; ACV ; De Punt ; Job & Co vzw ; Job & Co – Projecten vzw ; Gent, Stad in Werking ; Labor X vzw ; Subregionaal Tewerkstellingscomité Gent-Eeklo (STC) ; Stad Gent – Dienst Economie, Werkgelegenheid en Externe Relaties ; Stad Gent – Lokaal Werkgelegenheidsbureau ; Verbond van Kristelijke Werkgevers en Kaderleden Oost-Vlaanderen (VKW) ; Chokran ; Jobkanaal

**Transnational partnership :** TCA 1333 BoB (*Best of Both*)

**Partners :** IT-IT-G-PIE-107 Profit-Non-Profit, NL-2001/EQD/0003 Maatschappelijk Ondernemen

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# Social co-operatives for the mentally ill

## Greece breaks new ground

Faced with the urgent need to reform its mental health system, Greece has created a new legal form, the limited liability social co-operative or 'KoiSPE', to help rehabilitate people suffering from mental illness. The KoiSPE has the unique feature of being an independent trading enterprise whilst still being an official mental health unit that can benefit from the loan of national health service staff and premises. What's more, workers in a KoiSPE can earn a wage without losing their disability benefit. The EQUAL development partnership 'Synergia' provided the impetus for the launch of the first such co-operatives. Fourteen are now in existence, with 806 mentally ill people in membership and over 200 in work. The total is expected to rise to 50 or more co-ops covering the whole of Greece.

Until the mid-1980s, the Greek mental health system relied entirely on a small number of monolithic and overcrowded asylum institutions. There were no community-based facilities and many remote parts of the country had no mental health services at all. In 1983 the World Health Organisation sponsored a review of the situation, which resulted in an EU-funded reform programme being set up to run from 1984-1995. This has been followed by the Psychargos programme, which runs from 1998-2010.

Psychargos is wide-ranging, and envisages the four largest psychiatric hospitals being closed, and the five smaller ones being downsized. The process is a progressive one, as alternative community-based facilities come on stream to take their place. A key part of the reform involved a move from occupational therapy to sheltered workshops operating within the hospitals. This was seen to produce good results, so the next step was inevitable – the move to self-managed economic activity. In this field, the Italian experience of social co-operatives was an inspiration – Italy has some 2,500 "type B" social co-operatives which are active in labour market integration, not only of mentally ill people but of other disadvantaged groups as well.

A key component of the array of facilities being built up was therefore to be a network of social co-operatives across the country. But if these co-operatives were to succeed, they needed an appropriate legal status.

### 1 - Building the legal framework

After long negotiation, a law establishing the new legal status of 'limited liability social co-operative' or 'KoiSPE' was passed in 1999. Law 2716 of 1999, article 12, provides that a KoiSPE has the following characteristics:

- independent legal and tax status as a business, trading with limited liability
- retention of supervision by the Ministry of Health
- permission to carry out any economic activity
- exemption from corporate taxes except VAT
- three categories of members: people suffering from mental illness (>35%); mental health professionals (<45%); other individuals and sponsoring organisations (<20%)



*Horticulture is a money-spinner for Greece's first 'KoiSPE' – co-operative for people with mental health problems, on the Aegean island of Leros.*

- two of the seven-member board come from the user category
- users may earn a wage without losing their benefit payments
- each member buys one voting share (worth between €80 and €175) and may also buy additional non-voting investment shares

But these new enterprises were slow to get off the ground. In fact by 2002 the only KoiSPE to be started was the one on the island of Leros, the site of the country's biggest and most scandal-prone mental hospital.

The EQUAL programme offered the perfect opportunity to speed up the process of reform. "A report was published severely criticising the conditions in these mental hospitals, and this was a real kick in the guts," says Antonios Panourgias, co-ordinator of the Synergia development partnership. "We needed to move quickly to reform the mental hospitals."

Though the KoiSPE was the product of a long evolution, bringing EQUAL on board was the initiative of a handful of people who saw the need. "EQUAL was the spark that got things moving, by encouraging us to work in partnership. I think it worked miracles, considering the size of the project," says Mr Panourgias.

### 2 - The first 14 businesses launched

Mr Panourgias himself joined Synergia as co-ordinator in the spring of 2003. His job as head of the support structure was to support both the individuals and the enterprises they created. To do this, the partnership met the costs of three area-based teams, each two people strong, working in the Athens suburb of Aigaleo, in the northern town of Thessaloniki and on the island of Corfu. It also allocated budgets for the drafting of a business plan for a new co-operative in each of these places. But human resources proved to be the scarce factor of production: "We found that the first task – motivating people – took so much time that raising finance never became an issue as such," Mr Panourgias admits.

The government plans to set up one KoiSPE in each mental health sector in the country, which means there will be one in each nomos or prefecture, making 52 in all. Fourteen have so far been established, covering the country from Thessaloniki in the north to Crete in the south, with two more in the pipeline. The businesses the KoiSPEs carry on include honey production, laundering, catering,

baking, cafeteria operation, printing, carpet weaving, gardening, furniture manufacture, paper recycling and car washing. By 2008 the enterprises had 1,200 members, of whom 806 are mentally ill. Of these 200-220 are in paid work, although few are capable of working full-time.

The largest KoiSPE is based on the hospital on the island of Leros, an island with a population of 8,000 situated in the Aegean between Samos and Kos. Founded in 2002, it has grown to have 453 members, of whom 194 are mentally ill, 161 mental health professional and 98 others. It employs 43 people – 27 mentally ill people and 16 professionals. It runs a horticultural operation extending to 10 hectares of greenhouses, as well as a pastry shop and refectory. A €50,000 Ministry of Agriculture grant to install bottling machinery has enabled the co-op to launch a business manufacturing, packaging and distributing origin-controlled honey named after the island's goddess, Artemis. Its next developments are to be a partridge hatchery and a beach improvement scheme. Apart from its role in rehabilitating the ex-residents of the mental hospital, the co-operative has a vital local development function, providing jobs and activity in a remote island 300 km from Piraeus. It seems to be on the right path, as it has turned in a profit of €110,000 over its first three years.

More recently, smaller KoiSPEs have been set up in the urban environment of Athens that employ between 10 and 30 people. A typical case is the *Ev Zin (Ev Zin – Good Life)* co-operative in Aigaleo, in northwest Athens. This enterprise has grown out of a voluntary organisation called “Do It With Us” (*Φτιαχτο μαζί μας*) which was set up in 2000 as part of a Horizon project sponsored by the Mental Health Centre, a government agency. *Ev Zin* operates out of a modern three-storey building, each floor of which houses a separate activity. On the ground floor is a carpentry workshop which employs six mentally ill men and two others making fitted furniture such as kitchen cabinets and bookshelves. *“Everything is made to order, and we do not try to compete with mass-produced items. Our policy is to offer good quality at an affordable price,”* explains Pelagia Nikolaou, the co-operative's secretary. The building's first floor is given over to a coffee bar, gym and library, which serve as a drop-in centre for people with mental health problems as well as being the base for a catering business. The top floor houses four handlooms which are used to weave carpets. It can take as long as a year to weave one carpet.

The *Ev Zin* co-operative was formally established in June 2005, with 41 members : of these 24 are mental health patients, nine are mental health professionals, and eight are sponsoring organisations. Each member has bought one share worth €180, and two corporate members have provided working capital by buying investment shares to the value of €70,000. In addition, the Centre for Mental Health supports a quarter of the enterprise's costs. Yet, despite the lure of the KoiSPE's tax-free status, the members are not rushing things. *“We are transforming the voluntary organisation into a social co-operative in easy stages,”* says Ms Nikolaou. *“The first department to ‘go commercial’ is the catering, and we will wait till we are comfortable with the new legal form before we take the next step.”* The co-operative's president, Ilias Frangiadakis, points out EQUAL's role in training the workers for the catering business. *“Turnover is now €550,000 a year, and we are providing 12 full-time and eight part-time jobs, all paying proper wages with social security and pension. In three years our objective is to have 24 employees*



*The coffee bar at Ev Zin ('Good Life'), a multi-functional KoiSPE co-operative in Aigaleo, Athens*

*with a mental illness, apart from other workers.”*

If all goes well, steady growth can be expected, as the business is relatively small and nimble, and its city location gives it a wide choice of business opportunities.

### **3 - Support organisation needed**

The EQUAL partnership also gave birth to a national support structure for social economy initiatives called Synergeio (*'workshop'*). Set up in mid-2003 and based in Athens, the agency gave information to people interested in starting a new social enterprise, advised existing social co-operatives, chiefly on legal and financial and management issues, and acted as a focus for networking. It advised over 40 groups and organisations and acted as a focus for the activities of the Social Co-operatives Network, which worked to raise awareness of the possibilities of social enterprise among the authorities and the general public. However the organisation was short-lived and at present there is a dire need for a national support organisation, according to Dimitris Ziomas of the National Centre for Social Research. *“It's a real problem,”* he comments. *“In the wake of EQUAL, the Ministry of Health and the ESF provided €350,000 worth of development funding to each of 11 KoiSPEs – €100,000 for equipment and €250,000 in wage subsidy. But this is now exhausted and has not been renewed, so many of the 250 or more jobs created could be lost. We are investigating setting up a secondary co-operative to support the KoiSPEs.”*

### **4 - Proven in competition**

The Synergia development partnership initially had 16 partners, the bulk coming from the mental health sector (*Daphne, the social co-operative that sprang out of the psychiatric hospital in Athens, joined later*). As a financial partner, the founders chose the Agricultural Bank of Greece, which is state owned and has a sense of corporate responsibility. Other private sector partners included Metron Analysis, an opinion polling company that helped the DP to explore the market – and found that private sector markets for social firms do exist.

Other sponsoring organisations included EIPSY, the Athens University department of mental health, as evaluator ; EOMMEKH, the national small business agency; and OAED, the employment agency. But even with the key national SME agencies on board, engendering a cultural change, and winning acceptance of social enterprise among Greek society and institutions, was not easy. The DP's original idea was to start the ball rolling by establishing the

first social co-operatives, and then hand over to the mainstream agencies EOMMEKH and OAED. This has not happened – yet.

But something else has. Actions are speaking louder than words. In October 2005, the Corfu co-operative won its first public tender. It went head-to-head with private companies to win a grounds maintenance contract worth €131,000 which will provide jobs for six months for 21 people, half of whom will be mentally ill. *“They had no special treatment, and the message that sends is very important,”* says Mr Panourgias. The message has got through to at least one municipality that business and rehabilitation can go hand in hand.

But the message has to be told and retold throughout government. *“We had another struggle with the tax office over employment insurance,”* says Mr Panourgias. *“Even though the law says the members are employees, the tax office insisted that every member should have their own insurance as self-employed people before they would issue a co-operative with a tax code.”* An exemption was granted, but this expires at the end of 2008, throwing the sector back into fiscal confusion. The Leros co-operative has also been held back by a very restrictive interpretation of the public procurement directives, although they do permit sheltered workshops to be given low-value contracts without going tender.

### **5 - Mediterranean transfer**

The transnational element of Synergia’s work has been vital, says Mr Panourgias. *“Teaming up with the Italian DP Prassi meant that they gained knowledge of mental health issues while we learned about the social economy and the whole range of things it could offer. We took local authority representatives to Rome, where the municipalities are very advanced in measuring the social added value of the co-operative approach. We cannot apply their methods in Greece yet, but it was useful model to experience. We also sent trainees on two training courses in Italy, one for social enterprise managers and the other for middle managers, which had an inspirational effect.”*

*“We also learnt a lot from Promi in Cordoba in Spain, although they were not formally in the partnership,”* Mr Panourgias continues. *“It is a wonderful foundation that runs social businesses such as blacksmithing, furniture making and assembling wiring harnesses for cars.”*

Greece’s first social co-operatives are now making their own way in the commercial world and the second wave is getting under way. There are still administrative glitches, and there is a keenly-felt need for a support organisation. But the KoiSPEs have given credence to a new type of organisation, the social co-operative, which can be used in other contexts. EKKE, the National Centre for Social Research, has proposed that a broader statute for social co-operatives be created, along with a financial model along the lines of Belgium’s service vouchers. As well as giving a fulfilling life to some of the most severely excluded members of society, the KoiSPEs could be the forerunners of an efficient welfare to work system for Greece.

**DP name :** Συνεργία (Synergia)

**DP ID :** GR-201007

**National partners :** Metron Analysis, Agricultural Bank of Greece, Association “Revival”, Co-operative “Klimax”, OAED (Greek Manpower Employment Organisation), EOMMEKH, Ionian Islands Regional Health System, Mental Health Centre, Do It With Us, Panhellenic Families Association for Mental Health, Regional Mental Health Development Company, Thessaloniki Psychiatric Hospital, University of Ioannina Psychiatric Clinic, Valter Fissaber

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# Down, but definitely not out

## BASTA (S)

Being left behind does not always mean being left out. At least it need not, if you are lucky enough to come across a man like Alec Carlberg and an enterprise like Basta Arbetskooperativ, which helps the most vulnerable members of society to pull themselves up by their own bootstraps. Basta is a 100-strong workers' co-operative in Nyqvam, 40 km southwest of Stockholm, whose members have overcome their addiction and now run a self-supporting business. Fourteen years of experience have proved the remarkable cost-effectiveness of the model, and Basta has now opened a second branch near Göteborg.

It is all too easy to find yourself left behind in the rat race of modern society. And once you drop out, it can be very hard to climb back in. Factors such as bad education, unemployment, homelessness, abuse and drug addiction can stack up to form an insuperable barrier to social integration. Self-confidence, once lost, is very hard to rebuild.

*"I and Basta want to show policy-makers and the public that marginalised people, in our case people with severe drug problems, are not hopeless cases who need permanent care,"* Alec Carlberg says. *"Given the right surroundings they can produce high quality products and run an efficient company which will amaze ordinary people and fight prejudice."* The formula seems to work well, because he was nominated 'Businessman of 2005' by the Rotary Club in Nykvam, the municipality where Basta is situated.

### 1 - Empowering the most vulnerable in society

The Empowerment for the Future development partnership has created a good practice model of how an empowerment-based social enterprise can address social problems. It focuses on rehabilitating drug abusers and thereby resolving their problems of unemployment and homelessness. It brought together four partners: Basta, a Göteborg-based voluntary organisation called FUNK, the University of Lund – and an insurance company. *"The insurance company, Folksam, joined the partnership because drug-related crime is a considerable cost for insurance companies, so it has a very simple interest in finding better routes to rehabilitation,"* Mr Carlberg explains. Meanwhile the University of Lund was looking for new community-based ways to tackle social marginalisation, which it could incorporate into its training courses for social workers. *"It found social mobilisation through social enterprises a very interesting approach,"* he confirms.

The project helps the most vulnerable people, who exist on the fringes of society. They are typically in middle age, and three-quarters are male. They have usually had little education, have been long-term unemployed and are homeless. Many have been victims of physical, psychic or sexual violence, and many are drug addicts. *"The main barrier to reintegrating them is their lack of self confidence,"* says Mr Carlberg. The need to integrate these vulnerable groups into the labour market features in guideline 18 of the EU's integrated guidelines for growth and jobs.<sup>(1)</sup>

### Everyone chooses their own future

Basta aimed to find innovative ways of rehabilitation to tackle long-term drug use. Many of the people who have found their way there since 1994 have already made a few attempts to quit drugs, but



*Houseproud – Patrik Johansson, Kristina Blixt and Thomas Fröberg at Basta Väst near Göteborg*

have failed in ordinary therapeutic communities. That meant that the social services were not very keen to spend a lot of money for a new effort with an uncertain result. The Basta system attracted their interest because it succeeds in integrating people at half the cost of an ordinary therapeutic community.

The social service pays for one year's rehabilitation. Because Basta is not a therapeutic community but a trading enterprise, people who want to stay can stay and work within the company as long as they feel that they need the security of being a part of a company where no drugs exist, either at work, or after hours. At Basta people are not considered as 'clients'; during the first year they are apprentices, and after that, if they choose to stay on, they become colleagues. This is of great psychological importance in the rehabilitation process. This sense of belonging shows in the way members like Namu Nambiar describe themselves: *"Today I am not a junky, and I am not a client, and I not an ex-client. I am an ordinary horse breeder."*

### Rediscovering self-help

Social enterprise is something quite new in modern Swedish society. At the beginning of the last century the working class movement created housing and consumer co-operatives to provide lodging and groceries at reasonable prices. But from the mid-1950s the welfare state took over much of the work with socially marginalised people such as long-term unemployed, disabled, homeless and alcohol- and drug-addicted people. One of the results of this was that empowerment by self-organisation among poor and marginalised persons was downplayed as a method of tackling severe social problems. The EFF project has reawoken this old tradition of self-organisation. This revival has benefits for both marginalised people and society as a whole. The individual beneficiaries gain a stable and secure livelihood, while society enjoys an economically efficient way of tackling problems in the modern welfare state.

Basta offers its members job training and coaching to set up a new business. The qualification they gain has an important role in building self-esteem. *"Long-term drug use leads to low self-esteem, which is one of the main reasons why people have such difficulties quitting drugs,"* says Mr Carlberg. *"They don't dare to face the 'ordinary world' when they are not on drugs. The qualification they get after*

one year's study both strengthens their self-esteem and prepares them for real working life – both vocationally and psychologically.” Kristoffer Lindwall backs him up : *“I have always hated school, but now at the age of 40 I have become a graduate and can begin working as a builder.”*

### **Basta spreads its wings**

Basta's example has now inspired a second group, across the country near the port city of Göteborg, to set up a similar enterprise. It came about as the answer to a heartfelt need. Thomas Fröberg ran his own taxi company till he lapsed into drug abuse. He managed to get himself off drugs without the support of the social services – but he had lost his business and family. He heard about Basta in Stockholm, felt that he would like to create something similar, and got in touch. For two years he worked with Basta to start Basta-Väst ('Basta West'). During this time he took a group of policy-makers from Göteborg on a study visit to Basta : they were so impressed that they undertook to support a new enterprise for its first three years. It is now recognised by the social services departments in western Sweden, who recommend it to drug users wanting to reform.

The new social enterprise is housed in a yellow-painted 100-year-old farmhouse in the middle of the woods at Tubbekulla, in the municipality of Fristad, some 80 kilometres inland from Göteborg. It has been running since 2003 and quickly became economically self-sufficient. Sixteen people, all ex-drug users, work within the company, mainly in building trades. Its main source of income is public works contracts with municipalities in western Sweden, which it bids for, and wins, in open competition. The co-operative is also bidding for long-term construction contracts and for maintenance jobs in parks and other green areas in the municipalities.

### **Fixing things and fixing themselves**

Outside Göteborg's central station engine sheds stands a row of gleaming electric locomotives – the handiwork of Basta Väst longest-term resident, Patrik Johansson. *“I found Basta two years ago,”* he says. *“I was tired of being on drugs, but I didn't want therapy – I wanted a real job. You feel better if you have a real job.”* Patrik saw a television news report about Basta and came for an interview. He was accepted, moved in, and started work in the kitchen. But he soon made the transition to working in the outside world. *“Nowadays I work here in the mornings, cleaning between five and 15 engines,”* he says. *“Then in the afternoon I work on the contract administration at Basta Väst.”* Sure enough, later in the day there he is at headquarters, on the phone negotiating contracts. Basta residents are nothing if not versatile. They are also energetic. Even after a 5 a.m. start and a hard day's graft, many of them still like to round off the day with a little weight lifting in the gym they have built themselves in the barn. Without trying, Patrik is also a powerful marketing tool for Basta : *“My old friends are all jealous that I have a job, a car and am off drugs,”* he says.

Continuing the railway theme, another team of residents is reroofing a villa by the terminus of the Anten Gräfsnäs preserved steam railway, near Alingsås. One of the team, Rickard Sörelid, has only been at Basta for six months. In that period he has not only cut his hair and smartened up his appearance, but rediscovered a whole set of skills he had forgotten he possessed : cooking, welding, roofing... *“You can't imagine it's the same person,”* comments Thomas Fröberg. *“Now he wants to learn all the time.”* He once managed a team of 60 people as a sub-contractor to Volvo, so perhaps Basta will benefit in this way from his re-empowerment too.

Maintaining the high level of motivation is only possible because



*Clean green machines – Patrik Johansson and one of his charges*

not everybody gets in. People may find out about Basta from the media, the internet, or their social worker or parole officer, but a professional referral is not enough. Applicants have to go through a selection interview which is designed to weed out people who don't really want to be there – and the interviewers know the ropes because they have been in exactly the same situation themselves. Even so, Basta doesn't suit everybody. *“Some people find that it gets too much and they just disappear in the middle of the night. That's why we have to have people available to step in and get the work done,”* says Thomas Fröberg, who is not averse to putting his own overalls on when needed.

The original Basta is now home to around 100 people, and Basta Väst to 16, all but one male. Their ages range from 21 to 47, with the average being 33 years old. There is a small core of residents who plan to stay there in the long term, but not everyone settles in: in its first two years, 37 people moved in, then moved on. At present, most of the residents live in temporary buildings, but Basta is building new accommodation to give long-term residents somewhere decent to live. Half the members work outside, and half on site. Others, such as self-taught bookkeeper Towe Ljunggren, live outside but come to Basta Väst to work. *“The social services wrote me off as I was too old,”* she explains. *“It was my mother who detoxified me and helped me move into Basta.”* Now, she manages the accounts of a half-million-euro business up to audit standard.

Mr Fröberg and the other members are constantly on the lookout for new contracts, and find local residents and businesses pretty keen to offer them work. *“There was some suspicion at first, but now we are well-known locally,”* he says. There is an efficient logistic system. One member, Janne Karlström, has the job of looking after all the tools and organising the car pool which ferries the workforce to and fro, a service which is charged out to revenue-generating activities. The next step is for Basta residents to start their own independent businesses under the Basta umbrella: Joakim Andersson, who found out about Basta from his lawyer, has learnt the trade of tiling and is building up a team to take on larger jobs. Basta residents live all expenses paid, but as the amount of responsibility he takes on rises, so will the allowance he receives.

Basta definitely makes empowerment work, as its members are keen to show. *“Ninety-five per cent of the people at Basta are ex-drug users,”* says Kristina Blixt, co-ordinator of the EQUAL partnership. *“We don't rely on a separate professional staff. If you give to people, they give back to you.”*

## 2 - A supportive partnership

The different skills and experiences of EFF's partner organisations fitted together well. Basta provided the experience of setting up a co-operative integration enterprise, and FUNK the contacts on the ground in the Göteborg area. The University of Lund contributed evaluation expertise, and once it has assessed the project's results, insurer Folksam is a possible vector to multiply the experience more broadly.

But the glue that bound the partners together was Thomas Fröberg's long-term vision and determination as a social entrepreneur. His crucial break was to identify the official responsible for working with voluntary organisations in the regional government. From the start, she understood the potential of a reintegration enterprise that was run by the clients themselves, so did not let the idea get taken over by professionals. She could see that Mr Fröberg was serious, and suggested that the European Social Fund support might be useful. Mr Fröberg then had to convince Basta that he had what it took to start a second Basta. Commitments were firmed up following a conference he organised to sell the idea to social services officials and politicians in Göteborg.

*"Having the support of the original Basta has meant that we have been able to grow from zero to 16 people in three years ; without them it would probably have taken twice as long," he says. "We have grown so fast we haven't had time to bring other partners on board. But we have just reached an agreement with the construction trade union, based on the idea that we work with other companies, not in competition with them. This will open up new markets for us."*

## 3 - A return on society's investment

Basta has a competitive edge when bidding for municipal contracts to offer therapeutic services to drug users, because it only needs to earn around half its income from its therapeutic work. The other half comes from the sale of goods and services such as construction, graffiti removal, design, carpentry, horse breeding, a dog kennels and vocational training. This productive activity is an integral part of Basta's alternative rehabilitation process, complementing other more expensive therapeutic methods. This brings in around half the co-operative's income.

Basta Väst follows the same model : it receives a rehabilitation allowance of about €80 per day for up to one year for each person it takes in, but after that each person has to pay their way. So far, shortage of work is not a problem. *"I knew we would have to work night and day for the first five years,"* says Mr Fröberg. *"It's been a very lucky start, and we broke even in our second year. The guys here need three or four years to become sustainable. After that, maybe I can think about starting up somewhere new."*

Basta, along with Vägen ut !, also from Göteborg, were the guinea pigs for the 'socioeconomic reporting' method developed by Ingvar Nilsson and Anders Wadeskog of the Institute for Socio-Ecological Economics (SEE AB) in Göteborg. The study shows truly remarkable results. The researchers found that by taking into account the various savings that society makes from their work, they turn in an astonishing social profit of €110,000 per employee per year – 50 times higher than their nominal business profit. This enormous difference results principally from the fact that we have no habit of regarding social spending as an investment. As with most businesses, in the first year you turn in a loss, but then you rapidly break even and move into profit. If you want to reap the benefit, you have to exercise a little patience.



*Cook, welder, roofer... Rickard Sörelid reroofs a house at Alingsås*

To calculate what the costs and benefits of a given set of interventions are, the researchers mapped all the different actions that are taken in dealing with a drug addict. They ended up with a map of no less than 130 factors, grouped into five main chains concerning income, treatment, crime, housing and children. They then put a cost to every factor. *"It's a whole industry,"* Mr Nilsson comments. *"The average drug abuser in effect employs between two and three people. Dealing with drug abuse employs 60,000 people in Sweden."* The 'crime' chain is one of the most interesting, and it is remarkable for its extreme inefficiency. For example fences pay only a small proportion of the value of stolen goods, so if an addict needs to find 1,000 kronor for his fix he has to steal 4,000 kronor's worth of goods. Taking property damage into account the cost rises to 16,000 kronor. The overall costs are considerable: each male heroin addict costs society €219,000 per year, while each male alcoholic costs €70,000.<sup>(1)</sup>

### Thirty-fold return

Social co-operatives help addicts to stay away from drugs and crime, and thus generate sizeable savings, both for public services, particularly the judicial system, and for insurers. For Basta, the calculation is as follows, making the conservative assumption that people stay on average three years. The municipality pays out €31,500 per person but reaps average gains of €78,000, which gives them a 247% return on investment. Looked at from the point of view of society as a whole, the investment of €31,500 results in revenue of €595,000 – a return of no less than 1,890%. A stay at Basta breaks even for the municipality after 15 months, but for society as a whole after only 2 months. Basta has been going for more than 10 years, and many of its members have stayed off drugs for five years or more. In their case, the return to society from Basta's action rises to 3,150% – or a massive thirty-fold return.

## 4 - Lessons for the education system

Basta has created a new educational approach for long-term unemployed adults. It has set up its own education system called YES – Yrkes- och Entreprenörutbildning (*vocational and entrepreneurial education*). The school offers a one-year course that leads a secondary school certificate recognised by both employers

and trade unions. Students work in small groups of up to eight. They learn social and entrepreneurial skills in the mornings and trade skills, taught by specialist tutors who come in from local schools, in the afternoons. Half the time is spent on the Basta premises and half on work placements. Skills offered so far include carpentry, bricklaying, dog and horse breeding, computer training, plumbing and restaurant operation. *“Most of our users have no educational qualifications whatsoever to their name, and this is naturally a barrier to getting a job,”* says Kristina Blixt. *“One innovation we made was to take the compulsory Swedish, English and mathematics out of the syllabus. This makes the course much more relevant to what the users actually need. If they learn maths, it’s through the practical work they do.”*

The YES school has had an impact on both the school and higher education systems. The school was originally meant only for adults with a background of drug abuse. But soon neighbouring schools asked if youngsters with difficulties in the ordinary school system could also apply to YES. This was agreed, and has been a success. A course on these principles was piloted in the nearby town of Södertälje – a sort of ‘Basta in the city’. From a pedagogical point of view, both teachers and pupils appreciate this wide-ranging mixture of ages and experiences.

The experience has also fed into the higher education system. The University of Lund has created a special three-week course for student social workers, during which they meet, discuss and listen to lectures from different groups of marginalised people such as long-term unemployed people, drug users, psychiatric patients and people with various physical disabilities. The course has become very popular, as trainee social worker Sara Svensson testifies: *“This has been the most exciting part of the whole course. Why does it come at the end of our three years of university education? Meeting former social services clients has given me an insight into the importance of always treating people with respect, even if I don’t agree with their demands.”*

The learning has been capitalised through a number of evaluation and scientific documents concerning social mobilisation and social enterprises. Researchers at the University of Lund have produced three evaluation documents. The first study concerns the creation of the new Basta-Väst social enterprise. The second evaluates the processes of using empowerment based pedagogic methods with people who dislike traditional schools. The third looks at the position of women, who make up only a seventh of Basta’s members.

**Straight to the top – a European qualification**

EFF has a relatively high transnational profile. With its partners abroad, it has created a one-year university course aimed at adults who have been marginalised because of their lack of a basic school education. The course teaches how to manage third sector organisations in a more efficient and businesslike manner, and combines distance learning with modules taught at universities in Lund, London, Paris and Murcia. Twenty students from Britain, France, Spain and Sweden have so far passed their exams and were awarded their certificates by the Vice Chancellor of the University of East London in April 2005. *“We think it’s quite an achievement that our three students from Sweden completed a university course taught in English even though they previously hadn’t even finished secondary school,”* says Kristina Blixt.

In its transnational work, Basta successfully showcased its commitment to empowerment. *“We send our members to the transnational meetings, which amazes some of the other partners,*

*who have a more hierarchical approach,”* Kristina comments. In return, Basta picked up some potentially useful business ideas, such as printing. *“We also need to think about offering a wider range of therapeutic services,”* she adds. *“At Basta, if you use drugs, you are out. But Diagrama in Spain, which has 600 employees, has the scale to offer services such as night shelters, so there is something for people at all stages.”*

**DP name :** SE-39 Egenmakt för Framtiden (*Empowerment for the Future*)

**DP ID :** SE-39

**National partners :** Basta Arbetskooperativ, FUNK (*Funktionell Narkoman*), School of Social Work at the University of Lund, Folksam

**Transnational partnership :** TCA 397 ECCO – European Community Co-operative Observatory

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#### Footnotes

- 1 - *Integrated guidelines for growth and jobs (2005-2008), COM(2005) 141. See [http://europa.eu.int/growthandjobs/pdf/COM2005\\_141\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf)*
- 2 - *See From the Public Perspective. A summary of reports on Socioeconomic Reports for Vägen Ut! kooperativen and Basta Arbetskooperativ, 48 pp. Download: [http://www.basta.se/\\_upload/filer/Summary\\_socioeconomic\\_report\\_Basta.pdf](http://www.basta.se/_upload/filer/Summary_socioeconomic_report_Basta.pdf)*

# Business replication through social franchising

A number of EQUAL projects developed market research and social franchising techniques, to enable social enterprises to break out of low-margin markets and consolidate their businesses. Social franchising aims to reduce the risk inherent in launching a new business, and therefore also reduce the cost of creating new jobs for disadvantaged people. The process starts with research to identify suitable business niches in which social enterprises can prosper, followed by codifying the know-how connected with running up a business in these niches. This is then made available to intending social entrepreneurs. Some operators make this know-how available free of charge, while in other cases the transfer of the intellectual property is subject to the payment of a licence fee.

## 1 - Sharing the caring model

The INSPIRE project in North-East England focused on three growth sectors for social enterprise – the environment, tourism and care – and it is in the care sector that it has made spectacular progress. From its base in Sunderland, Care & Share Associates (CASA) has launched a chain of employee-owned home care companies across northern England. It has aroused a great deal of interest among policy-makers, and has already created 400 new jobs.

### A NEW STYLE OF SOCIAL ENTERPRISE SUPPORT

The INSPIRE partnership set out to apply a new and more strategic approach to the creation and growth of social enterprises. *“Our idea was to raise the scientific level of the social enterprise creation ‘industry’, by giving it a research and development function,”* co-ordinator Keith Richardson explains. *“Our partnership set out to identify promising market niches where social enterprises had a high chance of success, and then develop businesses to occupy these niches. The result would be not just one new business, but a whole cluster of businesses.”*

### THE HOME CARE REVOLUTION

As lifespans lengthen and technologies for independent living improve, more and more elderly and disabled people can be cared for in their own homes instead of moving into institutions. And in the care sector more than most, the carer’s involvement and commitment to the service quality is a key criterion of success. *“This is exactly why we have adopted an employee ownership structure,”* says Margaret Elliot, Director of Care Services at Sunderland Home Care Associates (SHCA), a company that has achieved somewhat of a celebrity status in Britain, and was INSPIRE’s first candidate for replication. *“Our employees own a share of the company, and this is a significant incentive in a sector where wages are traditionally not very high.”* Quality is a key competitive factor, and SHCA’s employee-owned structure enables it to attract a high-quality workforce and to offer them high-quality jobs, with above-average terms and conditions and workforce training. This builds loyalty: the staff turnover of only 3.5% a year means it can provide a high level



Peter and Debbie Usher  
with SHCA carers Stan  
Hartley and Jimmy Cook

of continuity of care.

Founded in 1994, SHCA is now the biggest home care provider in Sunderland, a city of 180,000 people. It serves 500 clients and employs some 175 people, who deliver around 3,700 hours of care each week – in other words they work on average about half time. All but about 20 of the staff are women, and this flexibility of working time is a very important factor for them, especially those who already have family caring responsibilities. The company has also diversified out of home care. One service it offers is academic support, through which students with disabilities receive assistance in attending lectures and completing other study tasks. SHCA provides short-term cover in residential care homes when they face a staff shortage, and runs the ‘Monks’ Kitchen’, a catering business providing work experience for people with learning disabilities. A major project is the launch of Independent Futures, a business that will provide round-the-clock care for people with learning disabilities in their own homes. This will be a first for Sunderland and is expected to double SHCA’s workforce within three years.

### ONE... TWO... THREE...

INSPIRE worked with SHCA to set up Care & Share Associates (CASA) as a vehicle to replicate the model in other towns – work which has so far created some 400 new jobs. The first success was just up the coast, where North Tyneside Home Care Associates was launched in May 2004 and now employs over 30 people. Newcastle and Manchester are also in operation, each delivering some 400 hours of care per week. The adjacent borough of South Tyneside has awarded CASA a contract, and a company is scheduled to open in Halifax in the spring of 2009. Negotiations are under way in several other towns across Britain.

The steady process of growth through multiplication is sustained through a central structure. CASA keeps a 10% shareholding in each new care enterprise it spins off. These then pay an annual licence fee of around £35,000 (€50,000) plus a small percentage of their turnover (around 0.25%). Each federated company also holds shares in CASA, thus ensuring the coherence of the group.

Experience teaches that one of the most critical steps in getting a

### What CASA offers its franchisees

- business planning and contract management
- the business manual – covering philosophy, brand and image, personnel systems, financial systems, operations and care management (*personal care plans, user focused services, safe working practices, risk assessment*)
- quality systems to comply with inspection regime
- recruitment and induction
- early-stage interim management support
- ongoing administrative and training support

new care business up and running is finding a good manager who has experience of home care, and installing them ahead of time. But before that stage can be reached, the necessary partners have to be brought in board. These include the local social services department, the employment services and whichever body is responsible for regeneration in the area concerned. According to Guy Turnbull of Economic Partnerships, the consultancy that managed INSPIRE, an investment of about £75,000 (€100,000) is sufficient to create around 20 high-quality jobs.

Experience teaches that one of the most critical steps in getting a new care business up and running is finding a good manager who has experience of home care, and installing them ahead of time. But before that stage can be reached, the necessary partners have to be brought in board. These include the local social services department, the employment services and whichever body is responsible for regeneration in the area concerned. According to Guy Turnbull of Economic Partnerships, the consultancy that managed INSPIRE, an investment of about £75,000 (€100,000) is sufficient to create around 20 high-quality jobs.

### Scaling up – a transnational consortium

INSPIRE's transnational partnership was called Sustainable Business Concepts for the Social Economy, although its acronym, SIPS, echoes the process of 'sharing, identifying, promoting and supporting' new business ideas. It brought together a second British partnership, Realise, as well as projects in Germany, Finland, Italy, Lithuania and Poland. To continue its work after EQUAL, the partners joined forces with several other EQUAL projects to establish the European Social Franchising Network (ESFN). This consortium has 10 members in seven countries, and sets out its stall in these terms:

*“Social franchising means using and developing the franchising method to achieve social goals.... Starting a social enterprise is usually difficult. The entrepreneurs have often been without a foothold in the labour market, with all that goes along with that. Knowledge and networks for operating a company may not be the best in all cases. Starting and operating a company under these premises is very difficult. Through social franchising, to put it simply, more social enterprises will be able to start.”*

**DP name :** INSPIRE

**DP ID :** UKgb-123

**Transnational partnership :** TCA 3609 SIPS – Sustainable Business Concepts for the Social Economy.

**Partners :** DE-XB4-76051-20-20/279 – INCUBE, FI-74 – Sustainable Employment for Social Firms (SESF), IT-IT-G-LIG-009 – Welfare, Inclusione, Partecipazione (WIP), LT-13 – Neigaliuju verslo plėtros bendrija, PL-59 – Mazurski Feniks, UKgb-103 – Real Employment and Livelihood in Social Enterprise (Realise)

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## 2 - Neighbourhood supermarkets – nationwide

**The INCUBE project, based in Berlin, has helped 60 neighbourhood supermarkets to open under the CAP Markt brand, reviving local commerce and creating work for handicapped people.**

There are some 2,000 social firms in Germany, which trade in the market as a way of integrating disadvantaged people into the labour force, and thence into society. The INCUBE project investigated what factors make a good market niche for an integration business, and what factors enable a second and a third social firm to copy a successful pioneer. These factors include the economic potential but also an affordable level of investment, a range of job openings that will suit different target groups, locations in town and country, and ease of transformation into social firms.

The outstanding example of social firm growth that INCUBE identified is the chain of neighbourhood supermarkets that trade under the name of CAP Märkte.<sup>(1)</sup> These 'CAP markets' (*from 'handicap'*) are the fruit of an initiative to establish a national brand of social firms by taking over small neighbourhood supermarkets in suburbs and villages that have been made redundant by the switch to hypermarkets. They typically have a sales area of 500 m<sup>2</sup>, stock 7,000 lines and employ 8-12 people apiece, two-thirds of whom are handicapped.

Among their benefits, they :

- provide jobs for handicapped people, aiding their integration through direct contact with customers
- bring about local regeneration, by providing accessible facilities for people without cars
- counter exclusion by offering services such as home delivery of meals or post office services

The first CAP-Markt opened in Sindelfingen, near Stuttgart, in 1999. There are now about 60 shops across Germany, trading under the

slogan 'CAP – der Lebensmittelpunkt' (*grocery point/centre of life*). They benefit from joint purchasing discounts from the SPAR-EDEKA retailers' co-operative, and an integrated point-of-sale bar code system. They are run by GDW Süd,<sup>(2)</sup> which is a co-operative of sheltered workshops, founded in the 1950s to sell the goods the workshops produce. The CAP shops themselves are not members.

According to GDW's manager Thomas Heckmann, very many local authorities and communities are keen to see a CAP-Markt open in their neighbourhood, and the chain has to reject four-fifths of proposals for new shops.

One of the factors that has led to this success is that it provides multiple benefits to multiple stakeholders. A CAP Markt not only provides satisfying work for disabled people, but also supplies staple foodstuffs within walking distance of people's homes, reduces car use (which has health, energy and congestion benefits), and regenerates the local economy by recirculating money locally. A second aspect is synergy between different families within the social economy – the shops are owned by a co-operative of sheltered workshops and supplied by a retailer's co-operative. The chain is still growing steadily, and as demand from local authorities across Germany shows, it has so far only scraped the surface of the potential demand that is there.

#### Footnotes

1 - *Genossenschaft der Werkstätten für behinderte Menschen Süd eG*, see [www.gdw-sued.de](http://www.gdw-sued.de)

2 - <http://www.cap-markt.de>



The CAP-Markt in Köpenick, Berlin

### 3 - A network of social hotels

**Le Mat is a chain of social hotels, run as social firms offering employment to disadvantaged people.**

The Le Mat transnational partnership, involving Germany, Greece, Italy, Sweden and the UK, wanted to find out whether the mechanism of franchising could be used to help small social enterprises to compete more effectively on the market, without losing their essential qualities of participation and inclusiveness. Linked to this, it wanted to discover how to organise efficiently as a network, and how to start the process from the bottom up. It decided to experiment in one trade sector – the hotel business – in order to learn the franchising process and to set up a sustainable network organisation of enterprises with a quality trademark.

The starting point was distilling the experience of the Hotel Tritone in Trieste, which has operated successfully since 1991 under the management of a small type B social co-operative (*Il Posto della Fragola*). This operates according to two complete production cycles, one regarding the hotel business and the other the inclusion in the work and in the firm's management team of people with disabilities and severe mental illnesses. This led to the writing of the Le Mat Hotel – a first manual and the opening of a franchising operation in Sweden.

The network now covers 18 hotels and B&Bs in Italy and one in Sweden, where the Le Mat hotel in Karlstad opened early 2008. Further openings are expected in 2009 in Stockholm and in Göteborg, including a B&B on the campus of Chalmers University. The franchise may spread next to Norway, as a delegation from Oslo has visited the project.

The Le Mat association, which grew out of the EQUAL project, works on the principle that the entry threshold to a social franchise must be low, and therefore makes the manuals available free of charge on demand. Le Mat also offers consultancy to groups wishing to set up a hotel.

The Le Mat manuals describe how to create a hotel that provides employment for disadvantaged people. They are aimed at:

- members of social co-operatives who wish to go into the hotel business

**DP name :** INCUBE

**DP ID :** DE-XB4-76051-20-20/279

**Partners :** Bundesarbeitsgemeinschaft Integrationsfirmen eV, Fachberatung für Arbeits- und Firmenprojekte gGmbH, Genossenschaft der Werkstätten für behinderte Menschen eG, Jugend hilft Jugend eV, Sozialunternehmen Neue Arbeit gGmbH

**Transnational partnership :** TCA 3609 Sustainable business concepts for the social economy (*SIPS*). Partners: FI-74 Sustainable Employment in Social Firms (*SESF*), IT-IT-G2-LIG-009 Welfare, Inclusion, Partecipazione (*WIP*), LT-13 Neįgaliųjų verslo plėtros bendrija, PL-59 Mazurski Feniks, UKgb-103 Real Employment and Livelihood in Social Enterprise (*REALISE*), UKgb-123 INSPIRE

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- people who are already managing a hotel or hostel, but facing difficulties

The set of four volumes covers the following subject matter :

1. The hotel franchising of social entrepreneurs: Why, what, who and how – the legal and ethical framework of franchising, social co-operatives, and the Le Mat Association
2. Workers' and entrepreneurs' self-determination and self-management, careers and empowerment in Le Mat social enterprises – discusses the social and employment issues involved in running a social hotel
3. The Le Mat hotel – gives a detailed description of what quality of service to aim for, from check-in to complaints
4. Exercise : how to prepare a budget – takes the reader through the process of choosing premises and preparing a business plan

The manuals preach that social hotels can take on any competition: the preferred locations are hotels of 3-star standard with 30-60 rooms near the centre of major towns, in areas where hotel occupancy rates are high. They also advise franchisees to minimise risk by balancing out custom from three market segments : individuals, corporate clients and travel agency groups.

## 4 - From benefit claimant to entrepreneur

**The Vägen ut! (Way out!) consortium in Göteborg has developed a model for a halfway house for recovering drug addicts, and is franchising it across Sweden.**

In Göteborg, Sweden's second city, an EQUAL partnership came together involving agencies working with ex-offenders, the local co-operative and association development agencies, the employment service, the prison and probation service, the regional social insurance agency, the social work resource centre the city council and four self-help organisations, among them KRIS, which ran the project. In 2003 some of the people from these self-help organisations opened the first halfway house for recovering drug addicts, Villa Vägen ut! Solberg, which caters for men, and followed with one for women, Villa Vägen ut! Karin. Both are members of the consortium Vägen ut! kooperativen, which comprises eight workers' co-operatives engaged in activities including weaving, silversmithing, screen printing, café management and catering. Vägen ut! wanted to spread this successful halfway house concept and decided to use the method of social franchising.

The two Göteborg houses provide places for some 16 ex-addicts. The third house opened in Sundsvall in early 2008, and the fourth is expected to be launched in Örebro at the start of 2009. After that, Östersund is next in line, and several other towns – Stockholm, Jönköping, Norrköping, Karlstad and Gotland – are interested in following suit. Given its positive national profile, the group calculates that it will break even within eight years with the opening of the 15th house, at which time the revenue will support two central staff.

The business model is that all income to the houses comes from renting places to the prison and probation office and municipality, which pay a flat monthly fee per bed + a €1,000 entrance fee. There is no commercial income. In turn, each house pays a flat fee to the franchisor, which gradually rises from year to year. In the first year it is €500 per month per house, and after 5 years it has risen to €1,500 per month per house. The fee is not linked to the size of the house nor to the occupancy rate: the flat fee system was chosen deliberately, with the idea of removing any incentive for 'cheating'. One difficult aspect has been to raise working capital. Once premises have been found, each house needs some €20,000 to pay the running costs until the first month's rent payments come in.

The model is based on the following success factors :

- a proven model with several years' track record
- strong core of committed people
- an active user group of ex-addicts (*KRIS*) providing lobbying support
  - empowerment of co-operative members
  - creation of a consortium to provide a stable and mutually supportive base
  - support of local professionals
  - existence of local co-op support agencies – the 25 local offices of Coompanion, which can promote the idea to each local authority.
  - availability of small support budgets from EQUAL and other ESF programmes to launch new businesses
  - credibility lent by the academic cost-benefit study<sup>(1)</sup>

The owner of the concept – the franchisor – is the Vägen ut!

**DP name :** Albergo in Via dei Matti Numero 0

**DP ID :** IT-S-MDL-203

**Partners :** Associazione Comunità San Benedetto al Porto, Associazione Culturale No Profit Alfabeti, Associazione Lavoro e Integrazione, Banca Popolare Etica, Beta, Centro Europeo di Ricerca e Promozione dell'Accessibilità, Centro Internazionale di Formazione dell'OIL, Consorzio Regionale della Cooperazione Sociale Calabria, Coo.S.S. Marche, Airone, Il Ginepro, Europolis, Federazione Italiana per il Superamento dell'Handicap, Consorzio Fuori Margine, IRES - Istituto di Ricerche Economiche e Sociali del Friuli-Venezia Giulia, Identità Cittadinanza Autodeterminazione Regaliamoci un Sogno, Il Posto delle Fragole, La Fabbrica di Olinda. Magma, Mediterranea, Oblo, Trademark Italia, Virtual, Zanzibar

**Transnational partnership :** TCA 233 le Mat – Decent work through social economy.

**Partners :** DE-EA-18352 Strategien für die Zukunft - Entwicklung Sozialer Unternehmen in NRW, DE-EA-34848 Betriebswirtschaftliche Strategien sozialer Unternehmen im 3. System (*BEST 3S*), GR-200917 ΠΕΙΡΑΝ - Πρόγραμμα Εφαρμογής Κοινωνικής Δικαιόχρησης για άνεργους νέους (*Peiran*), SE-21 Vägen ut!, UKgb-59 Social Enterprise Partnership

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consortium, which has eight Göteborg co-operatives in membership. The consortium also holds the legal rights in Scandinavia to a second social franchising business, the Le Mat hotels, and is the first member outside Italy of the Le Mat Association. Working from scratch to set the halfway house franchise system up, the consortium and business advice agency Coompanion in Göteborg took advice from a franchising consultant on commercial terms. This enabled it to ensure that it complied with franchising law. Each new prospective franchisee follows these steps :

1. signing of preliminary franchising agreement
2. delivery of handbook
3. preparatory work
4. signing of final franchising agreement
5. opening of halfway house

The key document is the franchise handbook. This comes in loose-leaf format and comprises some 170 pages, including standard forms for interview and so on. It has three parts, which cover an introduction to the concept, everyday practice and the business aspects. It is accompanied by a separate quality handbook. Quality is the subject of a specific formal agreement, which for instance provides for impromptu inspections.

Vägen ut! is one of the first two subjects of an innovative method of calculating the cost/benefit analysis called socio-economic reporting. This shows the social profitability of initiatives that reduce drug dependency. In 2005 Vägen ut! made a trading profit of €38,500, but produced a social profit over ten times greater than this – €4.03m – owing to the savings in public expenditure it generated. This is equivalent to about €106,000 per person.

Vägen ut!'s experience shows the efficiency of the franchising idea: developing the second house goes much more quickly than the first one, as a whole host of problems have already been solved, issues such as the house rules, administrative systems and regulatory approvals such as fire regulations, and of course the most important – how to build a strong entrepreneurial group. This know-how has been distilled into a set of key documents : a handbook, a quality handbook, a preliminary franchise agreement and a final franchise agreement.

The key one among these documents is the franchise handbook. This comes in loose-leaf format and comprises some 170 pages, including standard forms for interview and so on. It has three parts, which cover an introduction to the concept, everyday practice and the business aspects. It is accompanied by a separate quality handbook. Quality is the subject of a specific formal agreement, which for instance provides for impromptu inspections.



*Social entrepreneurs from Vägen Ut! harvest mushrooms*

**DP name :** Vägen Ut ! – From prison to social co-operative

**DP ID :** SE-69

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#### **Footnotes**

- 1 - *From the Public Perspective. An introduction to Socioeconomic Reports, [http://www.vagenut.coop/filer/kortkort\\_eng.pdf](http://www.vagenut.coop/filer/kortkort_eng.pdf).*

# Reuse and recycling social firms : Going to work on waste

Reducing, reusing and recycling waste is an activity in a sector of industry that is uniquely suited to social enterprises that seek to integrate disadvantaged people into the workforce.<sup>1</sup> It has a social added value, as it clearly benefits the environment. It can make a sizable labour market impact because it is labour intensive, and offers accessible jobs that have relatively low skill demands yet offer therapeutic contact with mainstream society. As an economic proposition it is growing, while from the political point of view, its novelty means it does not directly threaten any existing commercial interests. Finally, its shape is driven by European environmental legislation, so it was an obvious match for a number of projects in EQUAL.

## 1 - Repanet (A) : The triple bottom line

Graz, the second city of Austria, is the base for a web of ecological employment initiatives that are changing the way we consume, as well as creating an entirely new economic sector. The initiative has three complementary goals – the ecological goal of cutting waste by repairing and reusing things instead of throwing them away, the social goal of providing jobs for long-term unemployed people and the local economy goal of supporting small firms and building regional value.

The initiative is a triangular partnership involving small firms as well as NGOs and the public sector. *“It’s a win-win-win situation, says Andrea Grabher, one of the co-ordinators of the EQUAL RepaNet project. The local council and the ministry prize the environmental benefits, the chamber of commerce sees benefits for local firms, and the labour market service sees disadvantaged people back in work.”*

RepaNet is not just creating jobs that are sustainable in resource terms, but is also building attitudes and practices that are vital for the long-term development of the local economy. It is a training ground where consumers can learn to reuse waste, businesses can learn to co-operate and politicians can learn to think in terms of balanced growth.

### A GREEN WAY OF LIFE

A range of low buildings in a yard near Graz’s railway station is home to Ökoservice,<sup>(1)</sup> and the base for several different environmental services. The first is chopping, removing and composting garden waste, for the local authority environment department and for local householders. There is a steady demand. *“Even though we have several chaff cutters, at the moment we have a five-week waiting list. It’s certainly a business we could expand,”* manager Christian Krizanic says.

The second service hires out recyclable catering equipment for events, and operates out of a warehouse full of racks of plastic tumblers, plates and cutlery, all neatly crated and shrink-wrapped.



Ökoservice in Graz hires out – and washes up – a million recyclable beakers every year.

This service was born in 1999 when Graz won the football cup, and the town’s stadium was left littered with disposable cups. *“The breakthrough came when the city’s environment department put up €140,000 to buy a large-capacity washing machine which meant we could use reusable plastic tumblers,”* Mr Krizanic explains. *“Nowadays, we wash a million tumblers a year – and turnover still peaks when Graz wins at football ! We have around 200 regular customers, who value guaranteed quality and predictable costs. One customer – who also happens to be the vice-president of the chamber of commerce – is opening a new catering service and will rely entirely on Ökoservice, rather than install his own washing machine.”*

The third Ökoservice operation is the dismantling and recycling of electrical equipment, which is done in collaboration with a private company. A fourth ecological service supports the others : used frying oil is used to heat the premises. *“In all, we collect 200 tons of oil a year from restaurants. What we don’t use is sent to South Styria for processing into biodiesel. Some of it comes back as fuel for the Graz buses – which is why cyclists complain that they smell like chip shops,”* Mr Krizanic says.

### THE BUSINESS OF INTEGRATION

The Ökoservice workforce numbers 45. Of these, 10 are ‘key workers’, 27 temporary *Transitarbeiter* – long-term unemployed people employed on subsidised contracts of up to 12 months – and the rest ex-*Transitarbeiter* who have graduated to permanent contracts.

It recruits long-term unemployed people, who find it difficult to get a job for any number of reasons – because they are ex-offenders, migrants, illiterate, ill, or just women who want to go back to work after raising a family. Most of Ökoservice’s employees have the status of ‘transit worker’ (*Transitarbeiter*) which means that for up to a year their employer can claim a subsidy worth 67% of their wages costs from the Labour Market Office (*Arbeitsmarktservice* – AMS). This brings in a little less than half the enterprise’s €1.3 million revenue, the other half being earned from the sale of services.

Ökoservice is determinedly a business, not a make-work scheme.

Legally, it is a share company with two owners, the environmental NGO ARGE Müllvermeidung<sup>(2)</sup> and the repair workshop BAN. “We trade as a profit-making company, because in Austria there is no specific social economy status that a trading firm can adopt,” Mr Krizanic says. “But the tax office recognises us as of being public utility (*gemeinnützig*), so we charge VAT at 10%, half the standard rate.”

Yet Ökoservice is also determined to combine social goals with its ecological and economic ones. “We have the status of a *Beschäftigungsgesellschaft* (employment company), which is something special to the Land of Styria,” Mr Krizanic says. “The advantage of this status is that we have the incentive to trade profitably like any other company. This is not the case for *Sozialökonomische Betriebe* (social economic enterprises) which are driven by an administrative logic, not an entrepreneurial one, so they are unable to invest.” There are some 170 *Sozialökonomische Betriebe* all over Austria, and ten *Beschäftigungsgesellschaften*, uniquely in Styria.

### TRAINING THAT LEADS TO JOBS

“Our staff are flexible – they have at least two skills, which brings some variety into their working life,” he goes on. “Our business peaks in the summer, so we run our training course during the winter” says Mr Krizanic. The syllabus includes job skills – maybe horticulture, forestry or forklift driving – plus employability skills such as computing, using e-mail, form-filling, CV-writing, goal setting, conflict management, drug awareness and first aid. The training is delivered on the premises, and lasts for nine weeks at 35 hours per week. A personal development counsellor is on hand to place people in an appropriate job. In ten years, 297 Ökoservice trainees have found permanent work – that’s a 75% success rate,” says Mr Krizanic.

Ökoservice has become a local institution. It creates a range of benefits: an appropriate type of work for the target group, a variety of different jobs that workers can switch between, and the opportunity to get a qualification. It offers services that would not be offered in the market, and employs people who would not be employable in the market. It gives these people support and mentoring, and raises public awareness of ecological and labour market issues – Graz is an EU ‘Eco-city’ and Ökoservice was selected as a Local Agenda 21 good practice.

The Ökoservice business model has worked well for a decade now, but there is a cloud on the horizon. The Arbeitsmarktservice wants to reduce the allowance it pays to integrate unemployed people, and this is bound to affect quality. “AMS has no way of measuring the quality of the job we do,” says Mr Krizanic. “The only thing they measure is the cost.”

### BAN ON WASTE

Another social enterprise, BAN (*Beratung, Arbeit, Neubeginn* – ‘Advice, Work, New Start’),<sup>(3)</sup> is to be found in an old house in the inner-city neighbourhood of Gries. A pair of furniture vans stand in the yard, and the verandah is stacked with cupboards and similar items. BAN’s main activity is collecting, renovating and selling old furniture and household equipment. Like Ökoservice, BAN, which was founded in 1983, earns about half its revenue from selling goods and services, and makes up the difference with the grants it receives in return for integrating long-term unemployed people. “About two-thirds of household equipment that people throw out can be reused,” says manager Christian Wolf. “So Graz saves €100,000 a year in landfill costs. Our 50 workers repair about 1,000 items a year.”



A traditional larch waterwheel made by GBL in Liezen

An upstairs room is the meeting point for the Graz Repair Network, which brings together representatives from a score of local businesses, who energetically debate their collective image and plan promotional events. Many traditional crafts are built on the idea of durability and repair, and jewellers, watchmakers, cobblers, tailors, plumbers, carpenters, smiths, electricians and bicycle shops have all joined the networks. RepaNet members agree a quality standard which commits them to attempt any reasonable repair, to deal with at least five different brands of equipment, and to charge a set amount for a binding quotation.

### MAKING THE WHEELS GO ROUND

A more specialised operation is based on an industrial estate in Liezen, 120 kilometres northwest of Graz amid the mountains of Northern Styria. This industrial town of 7,000 was once the home of state-owned engineering firm VÖEST Alpine. The works closed down in the 90s with the loss of over a thousand skilled craft jobs. GBL (*Gemeinnützige Beschäftigungsgesellschaft Liezen*)<sup>(1)</sup> has created products that make good use both of these specialist skills and of traditional local materials. “Our most original line is water wheels,” says manager Franz Enhuber, who used to work for VÖEST himself. “We helped renovate three old watermills and the idea grew from there. The normal size is one-and-a-half metres across, but we do make them as big as three metres. And they are all made from beautiful local larch.” The company has found a niche at the intersection of tourism, the environment and science education, and also fabricates items such as Archimedes screws, which make popular hands-on exhibits at a local water theme park.

The waterwheels are GBL’s trademark, but its high skills base means that the enterprise can fabricate all sorts of metal or wood prototypes and is always on the lookout for new product ideas. It has contracts to make high-end wooden office equipment and mountings for diesel engines, and is experimenting with ideas such as ceramic plaques and wooden toys.

Of course it also renovates and repairs household equipment, especially white goods (*washing machines, dishwashers, tumble driers, electric stoves etc.*), which it sells with a one-year guarantee. It also offers a wide range of services both in the open air – cleaning historical monuments, landscaping, building footpaths, cycle paths and ski trails, clearing snow, maintaining playing fields and other open spaces – as well as indoors, such as house clearance.

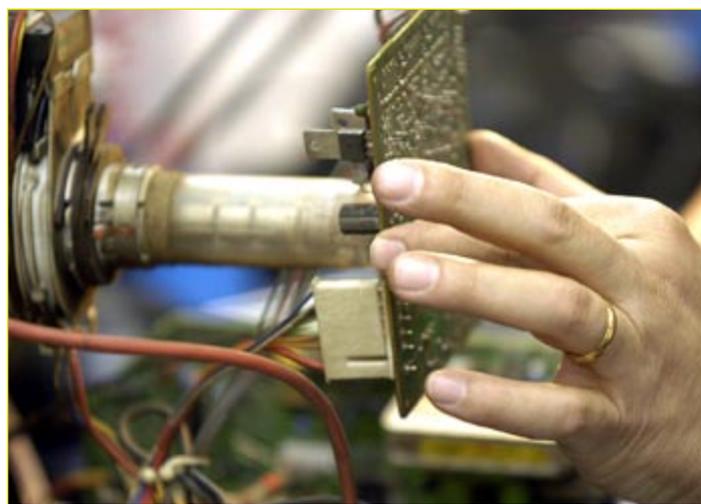
GBL’s workshop is open-plan. “It’s important for customer

confidence that they can see the repairs being done,” says Mr Enhuber. “*This means they both have trust in the quality of the renovation we carry out, and can identify with the enterprise’s social values.*” The enterprise works as part of the local Repair Network, along with 25 other local businesses, says Manfred Skoff, the strategist in the Liezen team. “*They pay an annual fee of just €100. Working together means they have a more prominent brand and can refer customers to the best specialist.*”

### **BREAKEVEN FOR THE BENEFIT SYSTEM**

GBL employs 21 handicapped people, 12 long-term unemployed ‘transit workers’ and 17 key workers, and has a 70% success rate in placing people in permanent jobs. “*New employees rotate round the different jobs for the first few months so that we can find out where their strengths and interests lie,*” says Mr Skoff. “*Especially for women, we run a taster course where they can try three different professions in a week – carpentry, metalwork and electronics – to see what suits them best. We find that women want is part-time work and flexible hours, but the problem is that AMS can normally only find full-time posts. We estimate each job costs about €25,000 to fill – but think what the economic and social costs of unemployment are !*”

On the issue of cost, Sepp Eisenriegler, Manager of the Vienna repair network RUSZ (*Reparatur- und Service-Zentrum*), and chair of the national network, chips in with some figures, from a study by the Institut für Höhere Studien in Vienna. “*At RUSZ, we place 55% of our trainees in permanent jobs. If they stay employed and pay tax for 3½ years, then the state breaks even. In any case, keeping someone in unemployment benefit for a year costs the state about €43,000, but supporting a job in the social economy costs only half that.*”



*Dismantling and recycling electronic equipment is a major opportunity for social enterprises.*

### **(Footnotes**

- 1 - *It accords with guideline 18 of the Integrated guidelines for growth and jobs (2005-2008) – ensuring inclusive labour markets for job-seekers and disadvantaged people – as well as guideline 14 – encouraging the adoption of environmental technologies. See [http://europa.eu.int/growthandjobs/pdf/COM2005\\_141\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf)*
- 2 - [www.oekoservice.at](http://www.oekoservice.at)
- 3 - [www.arge.at](http://www.arge.at)
- 4 - [www.ban-soeb.at](http://www.ban-soeb.at)
- 5 - [www.gbl.at](http://www.gbl.at)

## **2 - Serranet promotes transnational trade in Europe**

RepaNet has a vision that builds from the bottom up to European level. Thanks to the support of EQUAL, its model has spread from Vienna and Graz to five other regions in Austria. Altogether, the five enterprises employ 90 people and repair 4,000 items of equipment a year. Each repair centre has its own speciality : in Graz audio, video and computers, in Liezen white goods, in Ried-im-Innkreis bicycles, in Vienna computers. Under the aegis of the national federation, two more regional networks are in their formative stages.

The national federation Reparaturnetzwerk Österreich is in turn a member of the European network RREUSE (*Recycling and Reuse European Social Enterprises*),<sup>(1)</sup> which was established in 2001. “*Most environmental legislation is decided at European level now, so having an EU-wide voice is vital,*” says Berthold Schleich. “*We organise meetings with the Environment Commissioner and European parliamentarians, and believe we had a real influence on the WEEE (waste electrical and electronic equipment) directive. We have submitted a joint response to the public consultation on the EU sustainable development strategy.*” RREUSE has had further success in ensuring that waste reduction and reuse are given a high profile in the 2008 revision of the WEEE directives.

As well as lobbying for policy change, RREUSE helps its

**DP name :** RepaNet – Reparaturnetzwerk Österreich

**DP ID :** AT-3-08/135

**National partners :** Arbeitsgemeinschaft Müllvermeidung (*lead*), Abfallwirtschaft Tirol Mitte GmbH, BAN – Beratung Arbeit Neubeginn, Verein zur Beratung und Beschäftigung von Arbeitslosen, Bundesministerium für Land- und Forstwirtschaft, Umwelt und Wasserwirtschaft, Caritas der Diözese Feldkirch, Die Umweltberatung – Verband österreichischer Umweltberatungsstellen, Gemeinnützige Beschäftigungsgesellschaft mbH Liezen, Rieder Initiative für Arbeitslose, Verband Abfallberatung Österreich, Verband Wiener Volksbildung – Projekt RUSZ, Wirtschaftskammer Österreich, Österreichischer Abfallwirtschaftsverein, Österreichischer Gewerkschaftsbund

**Transnational partnerships :** TCA 237 SENECA – Social economy network for environmental co-operation activities

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members to develop the best delivery mechanisms. Its 1,000 member enterprises involve 40,000 full-time employees and 110,000 volunteers across ten countries of Europe. In March 2004 RREUSE members came to Graz to take part in the exchange market the RepaNet DP organised within their transnational partnership SENECA. It allowed them to swap ideas for new environmental businesses in the social economy.

To build a new trade sector you need both customers and producers. Customer awareness is built through the visibility of the services offered to the public, such as the BAN repair workshop or the garden waste composting service. On the supply side, the regional RepaNet networks bring in small businesses and enable them to swap skills and knowledge to their mutual advantage.

National and international networking also gives access to economies of scale in marketing. *“If you bring together enough social enterprises to give a decent range of products, you can start selling over the web or via a catalogue,”* says Mr Schleich. To create an adequate basis for long-term collaboration, the members of the SerraNet transnational partnership founded a European Economic Interest Group. They chose the EEIG, the first truly European corporate form, as an efficient model both for organising the transfer of good practice on a stable basis and for implementing joint business activities in the long term.

SerraNet EEIG was founded by 14 social enterprises in five EU Member States, from Andalucía to Lapland: five Italian, four Finnish, two French, two Austrian and one Spanish. It is registered in Austria so is subject to Austrian as well as EU law. It has legal personality and can trade and hold property in its name. However it is fiscally transparent – i.e. profits, losses and the taxation on them fall on the members, not on the EEIG itself.

Its object is collaboration regarding the expansion of existing and the creation of new fields of activity for organisations and enterprises from the social economy in the environmental field. Activities may include the exchange of experience, training and lobbying, but also bidding for public contracts and grants. Among other things, its constitution provides that:

- the EEIG is initially be based in Austria
- it has no capital, and is financed by subscriptions
- members have unlimited liability for the EEIG's debts
- new members – and associate members from outside the EU – can be admitted by agreement and may be charged an admission fee
- members can withdraw with good reason or by agreement
- members shall meet at least twice a year, and at least one of these meetings (*the AGM*) must be a physical meeting. Any two members can convene a meeting
- the chair is elected by simple majority of members, whereas the manager and substitute manager are appointed for a two-year period by a ¾ majority
- each member has one vote, and profits and losses belong to the members in equal shares

#### Footnotes

1 - [www.rreuse.org](http://www.rreuse.org)



Finnish president Tarja Halonen tries on a brooch made from a transistor, at the InnoFinland 2003 award ceremony, watched by Mauri Korhonen and Raimo Salmi from social enterprise Tervatulli.

### 3 - A smashing idea – with benefits all round : Elware (FI)

Finland's ELWARE partnership focused on developing social firms in electronics recycling, and has shown the way forward for environmental and vocational training policy, as well as for corporate behaviour. It has started two new social firms, prepared the ground in the regions for further start-ups, and contributed proposals to the review of the law on social enterprises.

Europe is estimated to throw out some six million tonnes of electrical and electronic waste every year – that's 130 kilograms per head of the population. Recycling some of this was the field that the ELWARE development partnership chose to develop in the EQUAL initiative.

The idea took seed when in 1996-98 STAKES, the National Research and Development Centre for Welfare and Health, co-ordinated 41 Horizon projects in Finland. Some of these local or regional projects aimed to start up social firms. Project manager Eeva-Marja Loukola learnt of Finland's first social firm, Tervatulli, started by Mauri Korhonen in Oulu in the northern part of the country, and started discussing the problems of integrating the long-term unemployed. When EQUAL came along, STAKES therefore decided to run a project to actively investigate the process of starting a social firm and what the conditions for success are. The initiative has been quite a success, as the country now has 31 social firms, employing some 300 people.

#### A wave of start-ups

The partnership focused much of its attention on establishing two new social firms. The first, Elwira, is located in Kemijärvi, just north of the Arctic Circle in central Lapland, and provides 15 jobs, half of which are occupied by disadvantaged people. It is an area that is in great need of jobs, since unemployment runs at 20% and 300 existing jobs in telephone manufacture have recently been lost to China. The other new firm is Neo-Act in Helsinki, which carries out industrial contracts and operates in five towns. Three more social firms have subsequently been established in the field of recycling in different parts of Finland. In the future, Tervatulli plans to open a

new social firm even further north, in Muonio, close to the Swedish and Norwegian borders. After all, it now collects waste from four countries – not only Finland, but Sweden, Norway and Russia too.

However the project's efforts to create new enterprises and jobs in the far north did not please everyone. *"A recycling firm in the south fought hard to keep their monopoly, and claimed that public money was being misused,"* Ms Pöyhönen remembers. *"What they did not know was that they could claim the same subsidy as we did – if they chose to employ disadvantaged workers. So we said – please do so !"* This underlines one of the chief benefits of social firms – they will employ marginalised people whom conventional firms have consistently ignored, even if they can get their labour for free. *"When all the emphasis is on efficiency, companies have no time to train workers or to operate a diversity policy. So once you have been out of work for over a year, you are already stigmatised. Social firms have a chance of bridging the gap between unemployment and the needs of employers,"* – and thus reducing structural unemployment.

Any social firm can claim a national government wage subsidy of about €770 a month, and in some cases the municipality will top this up, but this introduces an element of unpredictability because local authority budgets vary from year to year, so the total subsidy goes up and down. This can lead to the problem of 'skimming', where social firms are obliged to select the most productive of the workers in the target group, so as to be able to compete and survive economically. Clearly a subsidy which is adapted to the individual's level of disadvantage would be a better tool.

*"A social firm is a step in the reintegration path that comes after a sheltered workshop – it behaves more or less like a normal company. Employees have a standard employment contract at the wages set by collective bargaining, and normally have to work at least 75% of a full-time job. This is quite arduous for some individuals, so we suggest the law should be more flexible on this point,"* says Ms Pöyhönen.

Where do social firms come from ? Some have their roots in sheltered workshops, which decide to convert to a more market-oriented style of operation. Some spring from associations promoting local development. Most of those in the recycling business are based on the model of Tervatulli in Oulu and of Työ & Toiminta in Helsinki.

Tervatulli was the first social firm in Finland. Its founder, Mauri Korhonen, was an engineer in a shipping company, and both his parents were deaf. Through this family connection, he knew that the vast majority of deaf people were destined to remain unemployed, and so he decided to do something about it. With the help of his sister, who worked in a large voluntary association, in 1996 he set up a firm to employ handicapped people, starting in the welding business and then spotting recycling as a promising sector. It now provides work for some 35 people in metal fabrication (*including wheelchair ramps and recycling machinery*), construction, recycling and cleaning.

Five years later Mr Korhonen saw an opportunity to use EQUAL to spread the idea of social firms further. *"I think he contacted STAKES because he thought we would be better at coping with the paperwork aspects of the EQUAL partnership,"* says Ms Pöyhönen self-deprecatingly. *"And we saw the recycling field as a very solid and down-to-earth business with a growing future, especially as the European WEEE (waste electrical and electronic equipment) legislation,<sup>(2)</sup> which would oblige producers to take back and safely dispose of household electrical goods, was about to come into force in August 2005."*



*Evelina Pöyhönen of STAKES with Harri Niukkanen of Neo-Act, Kari Honkanen of Työ & Toiminta ... and several hundred recycled computers*

## ALADDIN'S CAVE

On an industrial estate on the north-eastern edge of Helsinki stands the premises of Työ & Toiminta ry (*Work & Action*),<sup>(3)</sup> a 1,600 square metre warehouse stacked high with the most astonishing Aladdin's cave of electronic equipment. Along the corridor are rooms with just space for a workbench squeezed in among a teetering jumble of slightly dusty televisions, radios and stereos. The basement is full of wonky bicycles. Out in the main store there is pallet racking to the ceiling, jammed with unwanted consumer durables, including dozens of wide-screen televisions, apparently already past their sell-by date. In a corner stand bins for four grades of reclaimed aluminium, copper and other metals. Against one wall stands a specialised workbench for dismantling cathode ray tubes, which are what make up the screens of televisions and computers. *"You need to take great care with these, as the front of the screen is coated with a compound containing lead,"* says the company's genial managing director Kari Honkanen.

The business grew out of the unemployed association in the Vuosaari district of Helsinki, which Mr Honkanen ran. *"We provided unemployed people with facilities such as a €1 lunch, use of a computer and newspapers, with financial support from the Ministry of Labour and the Slot Machine Association,"<sup>(4)</sup>* he says. *"One day we started a flea market, and more or less by accident it grew. People started bring in things they didn't want, such as computers. One of our regulars knew how to repair them, and so the activity grew, and after a while we had to hive it off into a separate association. Eventually in 1999 Helsinki city council gave us a grant for three years to set up Työ & Toiminta."*

The company is now big business, and typically gets through over 90 tons of computers in a single month – and could do more if it had more storage space. *"We can sell about a fifth of what we receive whole or in parts, and the rest is dismantled. Some of the precious metals like gold and palladium even go as far away as Chicago for recovery. The vast bulk of what we recycle is computers, but we do take in other types of equipment such as washing machines from individuals."*

## A DIVERSE WORKFORCE

The firm employs around 70 people, of whom about seven are in administration. About half the workers are drawn from the long-term unemployed, and have spend over 500 days out of work. They receive a combination of benefits from the state and the municipality which gives them an income of about €1,110 per month, so that the net cost to the business is nothing. There are also some trainees, who receive their benefit plus an allowance of about €8 per day for expenses. *"It's better than drinking!"* is one workers' 'throwaway' comment on his working conditions.

Työ & Toiminta employs a wide range of workers, and does not try to skim off only the most capable. In a business where language is not the first priority, they take in a high proportion of foreigners, including many from Eastern Europe and Africa. *"Since 1999 we have trained 700 people of 40 different nationalities, and we could take 50 more people right now – if the price was right,"* says Mr Honkanen. *"For many of them, it is their first job, so they have to learn habits of timekeeping and regularity, as well as some Finnish. We give language lessons and try to arrange things so that foreigners and native speakers work in pairs."* The firm seems quite popular as an employer, because a number of workers turn up at the doorstep under their own steam, and have to be sent to the employment office to register before they can be taken on.

After they have spent up to two years at there, Työ & Toiminta tries to place workers in permanent jobs elsewhere, a task which is successful in about a quarter of cases. The rest go back on the dole. *"The deal is that they get work for one or two years, and then have a better chance to get a permanent job,"* says Mr Honkanen. *"So there is a strong incentive to work, but we don't give people false hope."* A few 'graduates' have even started their own businesses – in fields such as restaurants or, of course, repairing televisions. But without the right qualifications this is an uphill struggle.

The business thus serves at least five policy goals : it contributes to environmental policy by cutting the need for landfill ; it reduces pollution by separating our heavy metals and other toxic components from the waste stream; it improves social cohesion by employing 70 people who would otherwise face exclusion ; it trains a specialist workforce in a growth sector; and it relieves poverty by raising the living standard of some of Helsinki's poorest residents.

### Both use and ornament

It is this kind of long-range thinking – creating new markets by matching several different but complementary needs – in this case environmental, employment, social integration and poverty –that led Tervatulli's winning the annual InnoFinland Award in 2003. *"In the recycling sector, social firms fill a gap by really thinking about the capacities of workers, and by co-operating with conventional companies,"* says Ms Pöyhönen. *"Both sides benefit."* At the award ceremony, Tervatulli's founder Mauri Korhonen presented the company's operations to the Finnish President Tarja Halonen, who thought that some of the electronic components were quite beautiful. This spurred Mr Korhonen to give the idea of 'tuning in to your transistor' a new twist. To show how versatile old electronic components can be, he made a pair of earrings and a bracelet out of old transistors – and presented them to the president, who was duly impressed. Now Helsinki University art school is investigating what other new products can be made from waste.



*Skilled repairers (L to R), Mahdi Al-Rabiey, Moujid Abdel Ilah and Sergei Pushkin give old electrical equipment a new lease of useful life.*

### Big people want big results

The project has had a range of impacts. *"Our groundwork led to impacts on manufacturers, on environmental policy, on corporate social responsibility and on vocational training,"* says Ms Pöyhönen. The prime objectives were to improve the practical conditions under which social firms are working, and the project lobbied parliamentarians and companies on this. Both Mauri Korhonen and Kari Honkanen have appeared before a parliamentary committee to press for improvements to the social firms law.

The project also strengthened the capacity of the recycling sector to drive its own growth. The project developed SEKYL, the Finnish Electronics Recyclers' Association, from a paper network into a functioning lobby representing ten social firms and taking part in RREUSE at European level.

In terms of changing the broader business culture, Tervatulli has acted as an example to more conventional firms, who have perhaps seen how ethics can be incorporated into business. Tervatulli, Elwira, Kiepura and Työ & Toiminta have since made agreements with Elker, a 500-strong manufacturers' federation that was founded in March 2004 to organise the collection and recycling of electrical and electronic equipment waste in Finland. *"This was maybe the most important outcome of the ELWARE project – that we were able to establish our social firms as reliable business partners for some of the largest private companies in the field,"* says Ms Pöyhönen.

*"We struck lucky with the Ministry of the Environment, over the implementation of the WEEE directive,"* recounts Ms Pöyhönen. *"The person who was in charge of this was also a member of our ELWARE steering committee, so social firms had a strong link to the policy-making process. This counterbalanced the weight of the large companies, who would have preferred to bury or burn waste rather than reuse or recycle it."* ELWARE's strategy was to ensure that social firms were in at the start and had a piece of this new and growing market. The big companies still seem ambivalent. *"We had a representative of the electronics manufacturers on our steering committee, and he was able to tell us what the industry's requirements were. He recognised that working with social firms was good for the industry's image – but he still would not go as far as funding us."*

## A NATIONAL NETWORK

One tool the partnership used to embed an awareness of social enterprise was a national thematic network under the EQUAL banner.<sup>(1)</sup> It tendered for a budget from the ministry to manage the network, which was one of five that were set up, the others concerning employability, adaptability, equal opportunities and asylum. Its membership consisted of all six development partnerships in the theme.

The network took to the road and organised five regional seminars to promote social enterprise, based on the existing local examples, thus directly reaching some 350 people. The subject covered varied from region to region, but included human resources management, business start-up support, finance and recommendations for legal reform.

Network members also organised a series of workshops to draw up recommendations for social enterprise, which have been published in both Finnish and English under the title Integrating Social Enterprises into the Mainstream. The network also published a book called *Yhteisötalous ja sosiaalinen yrittäjyys (Social Economy and Social Entrepreneurship)* that presented articles from representatives of the public, private and social economy sectors. The book was distributed to the EQUAL development partnerships and their contacts, to the ministries – Labour Minister Tarja Filatov contributed a chapter – and parliamentary committee members, as well as to business development agencies. *“On the one hand this fulfils a promotional role as we need to make business advisers aware of the options and potential that social enterprises offer,”* says Ms Pöyhönen. *“On the other hand it is a policy document. We think that the law on social enterprise<sup>(2)</sup> that came into force at the start of 2004 defines social enterprises very strictly, so we are pressing for a broader definition. We think the law could be improved in several ways: the level of subsidy, an option for tax relief, a stronger focus on job creation, widening it to cover other target groups. For instance as the law currently stands, at least 30% of employees have to be registered as unemployed. This excludes mentally ill people, who are not on the employment register.”*

There is also an issue of government perceptions of social enterprises. *“At the moment start-up support is provided by the VATES foundation, which is supported by the Ministry of Labour and the Slot Machine Association. However, this is a short-term project. What we need are permanent solutions, which means incorporating social enterprises into the mainstream business advice structure in Finland. As we state in the Development Recommendations, the Ministry of Trade and Industry and business advisers should treat social enterprise as a mainstream issue as well.”*

A third area where change is called for is in finance. *“There is no ethical investment sector in Finland, and banks take no account of social aspects and tend to look at the presence of disadvantaged workers purely as a risk. A special investment fund is needed,”* says Ms Pöyhönen.

An added push to this sectoral development has been given by the national Forum for Social Entrepreneurship (SYFO) that formed part of the work of the HOT development partnership in EQUAL's second round. It had the virtue of bringing together people who would not normally talk to each other about how to create more jobs and develop a more mixed provision of social services. *“It involved industrialists, trade associations, governors, mayors of the big cities, researchers and social enterprises, and operated at a high political*

*level – in fact it is chaired by the husband of Finland's President, Mr Pentti Arajärvi,”* says Ms Pöyhönen.

To provide a permanent support service for social enterprises in the broadest sense, the Forum has spawned a non-profit company also called SYFO.<sup>(3)</sup> Its objectives are to promote social, economic and ecological responsibility and performance improvement on the basis of the EFQM Excellence Model, and to provide training, guidance and business development assistance. It is capitalised through a share open issue to interested organisations and individuals. It aims to establish a permanent staff of five and to serve companies, municipalities and public bodies as well as the third sector.

**DP name :** ELWARE – Social firms specialising in electrical waste recycling

**DP ID :** FI-15

**National partners :** STAKES, Tervatulli Oy, Työ & Toimintary, Kieppura Oy, Service Foundation for the Deaf

**Transnational partnerships :** TCA 237 SENECA (*Social Economy Network for Environmental Co-operation Activities*)

– partners: AT-3-08/135 RepaNet – Reparaturnetzwerk Österreich, CZ-3 Employment of disabled – Waste separation, IT-IT-G-VEN-038 Intesa per lo Sviluppo della Cooperazione Sociale, IT-IT-S-MDL-216 Fare Impresa Sociale nell'Ambito delle Fonti Energetiche Rinnovabili;

- TCA 665 Mind the Gap – partners DE-EA-64929 Second Chance, NL-2001/EQD/0002 Direct Access To Work (DATW)

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### Footnotes

1 - [www.tervatulli.fi](http://www.tervatulli.fi)

2 - Directive 2002/96/EC as amended by Directive 2003/108/EC, see <http://rreuse.org>

3 - [www.kierratys.net](http://www.kierratys.net)

4 - *The Slot Machine Association (Raha-Automaattiyhdistys, RAY) is a national membership body for NGOs, operating under the guidance of the Ministry of Social Affairs and Health, that holds a monopoly on slot machine and other gambling licences. Each year it allocates some €300 million of the resulting revenue to over 1,000 NGOs in the social welfare and healthcare field. See [www.ray.fi](http://www.ray.fi)*

5 - [www.elware.fi/teematyo](http://www.elware.fi/teematyo)

6 - law 1351/2003

7 - [www.syfo.fi](http://www.syfo.fi)

# Tackling both sides of the procurement equation

## BEST PROCUREMENT (UK)

The BEST Procurement (*'Benefiting the Economy and Society through Procurement'*) development partnership, based in the East Midlands of England, tackled both the supply and demand sides of the public procurement equation. On the demand side, it worked with public authorities – both decentralised local authorities and more centralised health authorities – to change the way they look at value for money, and to open up the sources of information that will enable social enterprises to bid successfully for contracts. As for the supply, it encouraged social enterprises to work together and to scale up, by forming consortia capable of taking on big pieces of work. To bring the two sides together, it launched an internet database with earlier, higher quality information on contracting opportunities.

Social Enterprise East Midlands (SEEM) was set up in 2002 to promote social enterprises in the East Midlands region of England. In the first round of EQUAL, its main concern was to build a solid presence at the regional level – a tier of government that is becoming increasingly important in England – along with an effective support system delivered through a network of specialist agencies. Its work was hence wide-ranging. Once that first step had been taken, it came to the conclusion that the most important issue to tackle in EQUAL's second round was public procurement. *"Britain's public sector spends some €200 billion a year excluding wages, and it's a market where social enterprises can often deliver better quality results,"* says Jenni Inglis, programmes manager at SEEM. *"There was a lot of talk about improving the access of social enterprises to public contracts – yet there was very little action. For instance the government had published a national procurement strategy for local authorities<sup>1</sup> which specifically mentions the role of social enterprises – but it was largely a dead letter."* SEEM's hunch was borne out by a consultation it carried out among public sector agencies and social enterprises, who gave the proposal for BEST Procurement an overwhelming 'yes'.

### 1 - Supply and demand

SEEM's plan is to tackle both the supply and demand sides of the public procurement equation. On one hand it worked with public authorities to test ways of using public spending to achieve labour market equality as well as improve value for money. On the other hand it built the capacity of social enterprises so that they can bite off a larger slice of the public procurement pie.

Its first surprise was that demand seems to exceed supply. *"We imagined that the toughest nut to crack would be the public authorities, but actually we have found that building the capacity of social enterprises is more challenging. SEEM's role is to facilitate services to social enterprises rather than to provide them directly. Among those who provide direct support we found pockets of the in-depth knowledge necessary to help social enterprises improve their contracting relationships with the public sector. The challenge has been to help the partners to bring their expertise together and build new expertise in order to offer a coherent service to social enterprises,"* Ms Inglis says.



Café Ciao, a social firm working on National Health Service premises

### 2 - Specify the outcomes you want

By contrast SEEM made significant progress with the local authorities. *"Once we found people who were interested in this work, they've been very enthusiastic allies,"* Ms Inglis says. The project had two main stands of work – with all-purpose authorities and with the National Health Service (NHS) – and these posed quite different problems. NHS purchasing was already in a process of reform, with spending being concentrated in a new high-level tier of 'procurement hubs', of which there is one per region. SEEM had a specialist sub-project working in this field, which achieved some promising projects.

However most general local authority spending decision-making is very devolved, though there are some buying consortia for more commoditised purchases. This means that it is very time consuming to make an impact. Owing to the tendency for 'silo' thinking, it is also problematic to make the case for solutions that benefit more than one department or authority, Ms Inglis says : *"Contracting grounds maintenance out to a social enterprise can have health benefits, but these will accrue to the NHS and not to the local authority – there is no incentive for joined-up thinking that benefits everyone."*

Apart from this there is the problem of policy conflicts. The government's encouragement to open up access to public contracts has been totally overshadowed by the so-called 'Gershon Review' (more properly *Releasing Resources to the Front Line*<sup>(2)</sup>). This report, published in 2004, is often interpreted to mean that authorities should look for efficiency savings of 2½% a year. In fact, it bears the subtler message that purchasers should try to get better value for money, not just try to cut costs. So two different pieces of government policy – one asking for greater efficiency, and the other explaining how this can be achieved – are in practice acting at cross-purposes. The 'regional centres of excellence' have supported many pilot projects to improve procurement, but in the East Midlands these have largely had the purpose of reducing costs in the short term.

Despite these impediments, some local authorities are keen to experiment, and three joined the BEST Procurement partnership: Nottingham City, Northamptonshire and Northwest Leicestershire

District. *"We are starting to see some progress on the fundamental issue of redefining what it is that is being bought,"* says Ms Inglis. *"The key point is to specify what outcomes you want, not a detailed description of how to achieve them. This liberates providers to be creative, and creates a more level playing field for social enterprises. For instance authorities can say that they want to buy services of neighbourhood renewal, and leave it to the bidders to propose how they would encourage participation, create new businesses, and raise the level of prosperity."* Social aspects are thus no longer mere afterthoughts in the contracting process, but at its core.

### 3 - A stronger supply side

But SEEM did not wish to see local authorities become too interventionist on the supply side, for instance by setting up social enterprises to take over service provision themselves. Start-up support is already available from both public and social economy sources. SEEM works with existing social enterprises and will, where there is an appropriate gap in the market, start to create new ones with the support of partners working on the supply side. *"The problem is that if you set up a new social enterprise to deliver only one specific contract, it is in effect under the control of the authority, and too dependent on its goodwill,"* says Ms Inglis. *"We prefer to see businesses working in a stabler market. This builds the sector's overall capacity, improves financial viability and means we can show how social enterprises can compete."*

Some social enterprises in the East Midlands have already established productive contractual relationships with the public sector, for instance Ground Control (Braunstone) Ltd and Hill Holt Wood, both of which are featured in the Social Enterprise Coalition's publication *More for your Money*<sup>(3)</sup> as examples of the added value of social enterprises. *"Our job is to learn from these examples of good practice to support others, such as Café Ciao, a social firm set up under the programme within NHS premises."*

There are also some promising market niches that call for business development. *"One opportunity we are working on is a waste contract in a hospital,"* says Ms Inglis. *"The hospital is being supported to think through the impact of its waste contract and is persuaded of the benefits of enabling social enterprises to become suppliers. Therefore the supply side of the partnership is working with a number of social enterprises which work on waste minimisation and recycling to see if they could form a consortium, so that they can bid when such a tender is published. In fact what may happen is that they will bid for part of a framework contract, with private sector companies."* Incidentally this initiative also shows another key operational principle – to act as early as you can. *"If you weren't already working on the delivery plan at the point the tender is published, you are too late."*

Another promising avenue is to set up a social enterprise to do administrative work that is currently done by short-term agency staff: *"A social enterprise could improve working conditions and equality,"* says Ms Inglis. *"The practical support on the supply side aims to offer something for every social enterprise – from those with well-established business skills which might benefit from our contract finder service, to organisations set up with grant funding which want to gain contracting skills and might need to change their culture, through to pre-start-ups which need to check whether their ideas are realistic."*

SEEM found itself on the horns of something of a dilemma when it considered whether it should try to 'pick winners' and try to

create very visible examples of success. *"Of course we need to have some winners, but we have a research objective too, so we need to expose what the barriers are, and that means we need to work with a range of different types of social enterprises,"* says Ms Inglis. The research is carried out by the Sustainable Development Research Centre, which is conducting a longitudinal study of social enterprises' experiences of working with the public sector, researching niches that offer opportunities for social enterprises, and mapping outcomes onto policy drivers.

### 4 - Measuring the impact

Some of the mainstreaming activities were delivered by Forum for the Future, a sustainable development charity, which is building networks to disseminate the project's results amongst practitioners within local authorities and the health service nationwide. Forum for the Future, SEEM and other partners have also been active in the policy arena, and have worked with the government's Sustainable Procurement Taskforce and with the Home Office to develop a programme of local pilot projects. Called Third Sector Procurement Pathfinders, these allow local authorities to experiment with new ways of contracting to achieve an inclusive procurement strategy.

#### Making a market

SEEM's whole approach was one of intervening in the market but not through legislation – of brandishing the carrot, not the stick. *"Our long-term aim is not to avoid competition but to shift the nature of the competition to achieve better outcomes,"* says Ms Inglis.

In the meantime access to the market depends on good information, so SEEM wanted to improve on the existing online tender databases, which are useful only to larger private sector companies that can gear up to tender quickly and go for larger contracts. Taking as a base the existing Nearbuyou social trading network<sup>(4)</sup> set up during the first round of EQUAL, it created a more proactive information service which gets wind of developments before they get to the tender stage. As Ms Inglis comments: *"The lack of information really is the biggest problem – everything is so opaque."*

The partnership's work served the cause of local development first of all by increasing equality within the region's public sector marketplace, by supporting the livelihoods of those otherwise excluded from the labour market. The crucial point here is not necessarily that the money recirculates within the region, but that it is directed to economic entities based in, run by or with access to disadvantaged groups. They are thus part of building the region's social capital and enhancing its sustainability.

The DP also strengthened local social enterprises economically, by supporting a range of their development needs – as well as stimulating creative thinking in the search for better solutions to public policy problems.

It takes two to tango, but it is the public sector that retains the whip hand in the process of public procurement reform. The key steps for public authorities to take if they want to open up their markets to social enterprises and achieve a related improvement in their procurement outcomes are: to move to outcome-based specifications, to more carefully evaluate the impact of aggregating contracts, to engage in dialogue at an early stage about the possible shape of service provision, to adopt accounting models that support the consideration of wider costs and benefits, and to establish a culture of welcoming and testing social innovation in the supply chain.

**DP name :** BEST Procurement

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#### **Footnotes**

- 1 - <http://www.communities.gov.uk/localgovernment/efficiencybetter/nationalprocurementprogramme/nationalprocurementstrategy/>
- 2 - [http://www.hm-treasury.gov.uk/d/efficiency\\_review120704.pdf](http://www.hm-treasury.gov.uk/d/efficiency_review120704.pdf)
- 3 - [http://www.socialenterprise.org.uk/data/files/publications/health\\_procurement\\_guide\\_final.pdf](http://www.socialenterprise.org.uk/data/files/publications/health_procurement_guide_final.pdf)
- 4 - <http://www.nearbuyou.co.uk>